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ANNUAL REPORT



July 29, 2016

The Honourable Audley Shaw CD MP
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4

Dear Minister Shaw:

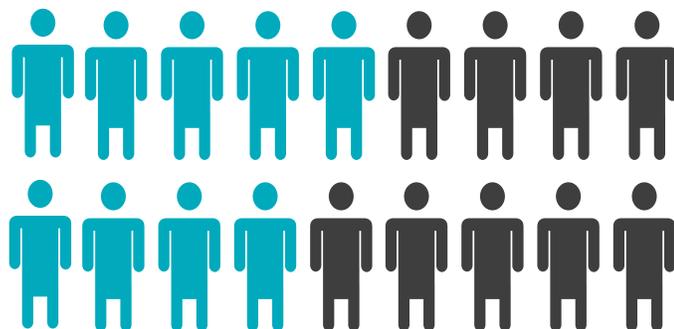
In accordance with section 13(1) of the Financial Services Commission Act, 2001, I hereby submit to you, the Annual Report of the Financial Services Commission (FSC) for the Financial Year 2015/2016 and a copy of the FSC's Financial Statements for the year ended March 31, 2016, duly certified by its Auditors.

Sincerely,



Janice P. Holness
Executive Director

Since its establishment in August 2001, the FSC has worked arduously to achieve its mandate of protecting the users of financial services in the insurance, private pensions and securities industries. The FSC's achievements are underpinned by the promotion of international standards and best practices which manifests in its supervision and monitoring of the regulated sector. The FSC's employees are the mainstay of its excellence as it is they who vigilantly monitor to enforce the FSC-administered laws.



Enabling Legislation

The FSC's enabling legislation is the Financial Services Commission Act 2001 (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.

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Glossary

AML	Anti-Money Laundering
BOJ	Bank of Jamaica
CAPS	Caribbean Association of Pension Supervisors
CFATF	Caribbean Financial Action Task Force
CGSR	Caribbean Group of Securities Regulators
CIC	Compliance & Internal Control
CIS	Collective Investment Scheme
CFT	Counter Financing of Terrorism
CYFI	Child and Youth Finance International
DB	Defined Benefit
DC	Defined Contribution
EFF	Extended Fund Facility
ERP	Economic Reform Programme
FISSC	Financial Inclusion Strategy Steering Committee
FSC	Financial Services Commission
FY2014	2014-2015 Financial Year
FY2015	2015-2016 Financial Year
FY2016	2016-2017 Financial 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
JSE	Jamaica Stock Exchange
MCCSR	Minimum Continuing Capital and Surplus Requirement
MCT	Minimum Capital Test
MEFP	Memorandum of Economic Financial Policies
MEV	Mutual Evaluation
MMOU	Multilateral Memorandum of Understanding
MOU	Memorandum of Understanding
MOFP	Ministry of Finance and Planning
NIR	Net International Reserve
USD	United States Dollars

Who We Are

Our Board of Commissioners



Colin Bullock, B.Sc., M.Sc.

Mr Colin Bullock is the Chairman of the Board of Commissioners of the FSC. 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 of Commissioners, 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 with multilateral financial institutions.



Janice P. Holness, B.Sc., JD

Ms Janice P. Holness was appointed Executive Director of the FSC in March 2013. Ms Holness oversees the operations of the FSC which boasts 127 employees and has responsibility for regulating, monitoring and supervising the insurance, private pensions and securities industries in Jamaica.

With almost 21 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 in 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 where she represented 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 the prosecution and forfeiture actions.

Ms Holness holds a Bachelor of Science (BSc) 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 board of the Bank of Jamaica and the FSC.



Erwin Jones, B.Sc.

Mr Erwin Jones is a graduate of the University of the West Indies and has over 37 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.

Who We Are *cont'd*

Our Board of Commissioners *cont'd*



Donna Scott-Mottley, LLB

Mrs. Donna Scott-Mottley earned a Bachelor of Laws (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.



Michael Vacciana, LLB

Mr Michael Vacciana is a senior partner in the law firm Vacciana & Whittingham. He has a wide range of experience 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.



Winston Hayden, B.Sc., MBA

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).

Who We Are *cont'd*

Our Board of Commissioners *cont'd*



Diahann Gordon Harrison, B.A., LLB

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, CD

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.

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.



*Ms. Janice P. Holness
Executive Director*



*Mrs. Janet Johnson Haughton
Acting Deputy Executive Director*



*Mrs. Amina Maknoon
Senior Director, Investigation and Enforcement*



*Ms. Ingrid Pusey
(General Counsel & Corporate Secretary)
Head of Legal Services, Research and Policy*



*Mrs. Nicolette Jenez
Senior Director, Pensions*



*Ms. Sekayi Campbell
Chief Actuary*



*Mr. Laurence Crossley
Senior Director, Securities*



*Mrs. Joan Walker-Stewart
Senior Director, Corporate Services*

STRATEGIC GOALS

Vision, Mission & Values

Maintain proactive and responsive regulatory environment for the securities, insurance and pensions industries.

Facilitate public education and awareness in relation to financial consumerism.

VISION

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

MISSION

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.

Enhance the FSC's performance through the alignment and management of human, information and financial resources.

Foster and enforce compliance with legislation in the regulated sectors through a robust enforcement programme.

VALUES

Fairness, Accountability, Confidentiality, Communication, Excellence, Integrity, Teamwork

Chairman's Message

Colin Bullock

The 2015 financial year (FY2015/16) represents the third year of Jamaica's Extended Fund Facility (EFF) arrangement with the International Monetary Fund (IMF). In a context of the associated Economic Reform Programme (ERP) including a prudent macroeconomic stabilization policy as well as fortuitously low oil prices, the Jamaican economy has demonstrated positive trends such as:

- Real quarterly Gross Domestic Product (GDP) growing since the March 2015 quarter;
- Debt to GDP¹ ratio declining from 137.3 per cent at the end of FY2014/15 to 124.5 per cent in FY2015/16;
- The Government of Jamaica (GOJ) achieving its primary surplus target for three consecutive years – FY2013/14 to FY2015/16;
- The annual average unemployment rate being reduced from 15.2 per cent for 2013 to 13.5 per cent for 2015;
- Inflation falling from 6.4 per cent in FY2014/15 to 3.1 per cent for FY2015/16;
- The rate of depreciation of the Jamaican dollar against the US dollar decreasing from 14.4 per cent in the calendar year 2013 to 7.8 per cent in 2014 and to 5 per cent in 2015;
- The Net International Reserves (NIR) increasing from US\$884 million at the end of March 2013 to US\$2.4 billion at the end of March 2016; and

- Jamaica's credit rating being upgraded by the big three rating agencies - Standard and Poor's, Moody's and Fitch. Fitch was the last of the three agencies to do so and in February 2016, it upgraded Jamaica's long-term foreign and local currency issue ratings to 'B' from 'B-' and revised the outlook from positive to stable.

These positive economic indicators contributed to the building of both local and foreign investors' confidence. Based on the survey conducted in the quarter ended March 31, 2016, the consumer and business confidence indices were both above 144 points, which represented an increase over the points recorded at the end of 2015 and the highest seen in fifteen years. There was also an oversubscription for GOJ's international securities issues in July 2015.

These positive economic developments will support the government's intensified campaign to facilitate greater economic growth and advance job creation. It is widely accepted that financial services contribute more effectively to economic growth when the macro-environment is stable and the financial market is properly and efficiently regulated.

The FSC's strategic goals and objectives for the FY2015/16 and the medium term are aligned to Jamaica's growth agenda through strengthening and maintaining well-regulated non-deposit-taking financial sectors that protect users, identifies and manages risks, and facilitates financial services and investment. As such, the FSC has taken a number of strategic initiatives including the following:



1. Advancing legislative amendments in 2015/2016:

- i. With the amendment of the Insurance Act in February 2016, insurance companies will, among other things, be required to improve their risk management practices and provide enhanced disclosures to policy holders whose entitlements are affected by the average clause provisions in general insurance contracts;
- ii. The Securities (Collective Investment Scheme) Regulations, 2013 were amended to fulfil the promise of the FSC and GOJ to review the new regulation, taking into account concerns raised by the industry;
- iii. The Securities (Retail Repurchase Agreements) (Amendment) Regulations, 2014 was amended to enhance the FSC's ability to effect a smooth and timely transition of the retail repo agreements into a trust based arrangement in order to meet the benchmark agreed to under the EFF; and
- iv. Major progress was made with the Phase II legislative reforms in relation to the private pensions industry. With the completion of a lengthy and interactive consultation process and with the requisite Cabinet approval, the drafting of the Bill began.

¹ This is based on the EFF's definition of total debt which includes Central Government, Bank of Jamaica, net PetroCaribe debt, and external and domestic guaranteed debt

Chairman's Message *cont'd*

2. Facilitating product and services diversification as the regulatory framework continues to be proactive and responsive to market conditions, by:

- i. The issuing of guidelines to facilitate the offering of Jamaica Depository Receipts on the Jamaica Stock Exchange (JSE) while ensuring adequate levels of regulatory protection;
- ii. The commencement of a process for the development of a comprehensive regulatory framework for micro insurance products; and
- iii. Continued collaboration with other ministries, departments and agencies, such as the Jamaica International Financial Services Authority which has done significant work to create a legal and regulatory environment that will establish Jamaica as an International Financial Services Centre. It is expected that the proposed International Trust and Corporate Services Providers Bill will go before the Parliament in FY2016. With the approval of both Houses of Parliament, the FSC will regulate international trust and corporate services providers.

3. Ensuring the continued protection of customers of the non-deposit taking sector and soundness of the financial markets by:

- i. Continuing its routine assessment and monitoring of the prudential performance and conduct of the non-bank financial institutions;
- ii. the successfully implementation of critical reforms to the retail repo product;

- iii. collaboration with other public sector stakeholders² to identify and address systemic risks and monitor systemically important financial institutions;
- iv. membership in a multi-agency working group to enhance Jamaica's crisis management and crisis resolution powers;
- v. pursuing of the invigoration of efforts to establish a compensation scheme for the non-deposit-taking sector. This will be an essential component of the crisis management initiative; and
- vi. developing its consolidated supervision and risk-based supervision frameworks.

The Board of Commissioners is convinced of the tremendous value and importance of proper and effective corporate governance not only by regulated entities but also by the FSC itself. The FSC's Executive Management Team led by the Executive Director has also demonstrated a similar level of commitment and purpose as shown by:

- i. The annual staging of FSC's corporate governance seminar in September, 2015;
- ii. The significant role played by the FSC's Compliance and Internal Control Division (CIC) which implemented the organization's enterprise risk management framework and conducts internal audit and risk assessments of the FSC annually; and
- iii. The compliance of the FSC's Annual Report with the Public Bodies Management and Accountability Act (PBMA).

Following this brief summary of the activities of the FSC in the past fiscal year, further details will be provided in the body of the report.

I wish to take this opportunity to thank my fellow Commissioners and the Executive Director, for the tremendous work done over the past four years. I also extend my sincere gratitude to the management team and the staff of the FSC for their loyalty, dedication and hard work.



Colin Bullock
Chairman

² The public sector stakeholders are the Ministry of Finance and Planning, the Bank of Jamaica and the Jamaica Deposit Insurance Corporation. These along with the FSC are members of the Financial Regulatory Council (FRC).

Executive Director's Message

Janice P. Holness

The Financial Year 2015 (FY2015) was indeed a year of progress for Jamaica. In addition to the improvement in the country's macroeconomic performance, gains were made in the business environment. Jamaica was recognised by the World Bank as the top country in the Caribbean for doing business and was also cited as one (1) of the ten (10) countries showing the most notable improvement in performance on the Doing Business indicators based on data as of June 1, 2015.¹ Jamaica has continued its trajectory towards growth and stability in FY2015 and during that period the private pensions, securities and insurance industries in Jamaica remained stable in spite of the uncertainties surrounding the transition of retail repurchase agreements into the new trust based system.

The 2015 calendar year was one of unprecedented success for the Jamaica Stock Exchange (JSE). They were awarded the **"Best Performing Stock Exchange"** by Bloomberg. While other stock exchanges around the world declined in value; the JSE's Main Index and the Junior Market Index grew by 97.4 per cent and 160.3 per cent respectively. The JSE also successfully launched the Caribbean's first online trading platform in May, 2015. This platform will allow Jamaicans in the Diaspora and the Jamaican youths at home to more conveniently and easily trade stocks.

The FSC no doubt also played a significant role in the markets' performance as it strengthened its legislative framework for the securities and investment markets as well as for the insurance industry and continued to give guidance and oversight to industry players in order to ensure that they adhere to industry standards and best practices.

Developing Jamaica's Regulatory Framework and Image by Advancing Regional and International Regulatory Collaboration

With continued cooperation with its regional and international counterparts, the FSC kept its pulse on developments and trends in the international arena and to ready itself for market innovations. This active participation and recognition serve to benefit our local industry.

In recognition of the vital impact that collaboration plays in the performance of the FSC, deliberate efforts were made over the period to heighten the presence of the FSC in international standard-setting bodies by offering itself for various leadership roles in these organizations, some of which are listed below:

- Member of the Board of the International Organization of Securities Commissions (IOSCO);
- Co-chair for the Inter-American Regional Committee (IARC) of IOSCO for the term 2016-2018;
- Member of the Executive Committee (the Board) of the International Organization of Pension Supervisors (IOPS) for the period 2015-2017;
- Vice Chair of the Financial Inclusion Working Group of the International Association of Insurance Supervisors (IAIS);
- Member of the Governing Council for the Access to Insurance Initiative (A2ii); and
- Four (4) employees trained as assessors to conduct Mutual Evaluation on behalf of the Caribbean Financial Action Task Force (CFATF).



By virtue of the above appointments, the FSC is better placed to (i) advocate issues that are critical and unique to Jamaica and the region, and (ii) garner and transfer knowledge and experience. The appointments also improve the FSC's profile as a regulator and by extension, enhance the reputation of Jamaica's financial market as a whole, signalling to the world that Jamaica's regulatory framework is among the "best in class".

Through the deepening relationship with other regulators and international standard-setting bodies, the positive image of the JAMAICA BRAND is enhanced. This also aids in boosting confidence in Jamaica and attracts investments to generate economic growth. The improved reputation and image of the FSC, and ultimately Jamaica, will greatly assist the Jamaica International Financial Services Authority when it begins to market Jamaica as an international financial services centre.

Advancing Consumer Protection through Financial Education & Inclusion

Studies show that sectors of the Jamaican population are largely un-served or under-served by our financial sectors. This means that low income individuals have little or no access to some or all of the conventional services offered by the country's financial services providers such as property and life insurance or health coverage. Therefore, they are generally unable to cope or to recover from unexpected events, such as illnesses, death of loved ones, natural disasters and property losses. In light of this, the GOJ signalled its commitment to improve the level of financial inclusion in Jamaica and established a multi-agency Financial Inclusion Strategy Steering Committee (FISSC) to develop a National Financial Inclusion Strategy.

¹ World Bank. 2016. Doing Business 2016: Measuring Regulatory Quality and Efficiency. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-0667-4. License: Creative Commons Attribution CC BY 3.0 IGO

Executive Director's Message *cont'd*

The aim of the strategy is to achieve a financial system where the un-served and underserved members of our population have access to financial services that are affordable and of acceptable quality as well as to ensure that there are mechanisms in place to maintain continued protection for especially the most vulnerable within the society.

The FSC understands the role of financial education and financial inclusion in reducing poverty in Jamaica and is therefore committed to playing its part in the overall national effort, while continuing its own self-directed “pet” projects aimed at improving the reach of financial services and the level of financial awareness of the public.

At the national level, the FSC is represented on the FISSC as well as chairs the Consumer Protection and Financial Capability Working Group.

At the international level, the FSC deepened its relationships with global institutions including the Child and Youth Finance International (CYFI), a worldwide network dedicated to enhancing the financial capabilities of children and youths. At the Caribbean Group of Securities Regulators' (CGSR) Conference and Workshop held in Jamaica in April 2015, the CYFI presented insightful information to the regional regulators on advancing financial education and inclusion among youths.

The FSC's on-going financial education campaign plays a critical role in improving financial inclusion as the campaign provides relevant and appropriate information to Jamaicans to enable them to make sound and informed financial decisions particularly in the areas of budgeting, savings, investments, insurance and retirement planning. Financial awareness will inspire individuals to access and consume financial services, and thereby derive the benefits to be gained from them.

In partnering with a number of local organisations, in the FY2015/16, the FSC accomplished the following:

- Increase from 8 to 10, the number of high schools participating in the Schools Financial Education Programme (SFEP);
- For the first time, the FSC sponsored a school that was not a participant in the SFEP for educational tours of the FSC, Bank of Jamaica (BOJ) and the JSE. The students participated in meaningful discussions about financial goal-setting through budgeting, investments, credit management and cyber security;
- The FSC participated in the Junior Achievement of Jamaica's (JAJ) Biz-Town Summer Camp. The students were exposed to a wide range of useful information such as the work of the FSC, entrepreneurship, workforce readiness, confidentiality, investments, credit bureaus and their importance to one's credit history; and
- With support from the FSC, approximately 500, Grades 11 and 12 students from around the island benefited from the JSE Youth Town Hall meeting which exposed them to information on wealth creation.

Micro Insurance

Another initiative spearheaded by the FSC to advance financial inclusion in Jamaica is its work in developing a regulatory framework for micro insurance. Micro insurance aims to protect the underserved against unexpected events by offering insurance products at premiums that are designed to fit their abilities to pay. The FSC partnered with the Micro Insurance Centre (MIC), the Access to Insurance Initiative (A2ii) and the Inter-American Development Bank (IADB) in order to accomplish the objective of creating a suitable regulatory framework. The FSC also established and chairs a local Inclusive Insurance Committee comprising stakeholders from the private sector to assist in developing the appropriate regulatory framework.

With financial inclusion and the availability of financial services to increased numbers of persons in Jamaica, comes the need for enhanced consumer protection. Therefore, financial awareness and education form a major component of the FSC's strategy for consumer protection.

For the upcoming FY2016/2017, the FSC will take steps to gauge the effectiveness of its financial education programme by identifying gaps and thereafter implementing the necessary measures to improve its effectiveness.

One of the most recent and significant strides of the FSC in its effort to enhance consumer protection was the reform of the regulatory framework for retail repurchase agreements (repos). The FSC amended its laws to secure greater protection for investors by requiring greater disclosures by the securities dealers and by requiring that the securities underlying the repos are transferred to a trustee for the benefit of the clients.

Internship Programme Contributing to Development of Future Talents

The FSC intends to continue to employ creative approaches to increase financial awareness and consumer protection. One approach, already in train, is to educate young professionals such as aspiring lawyers and actuaries since they are the service providers and/or investors of the future. This is achieved through the FSC's internship programme. One practical effect of the programme is to instil in the trainees, the need for proper market conduct, prudence and adherence to best practices. This augurs well for the future as this programme prepares them to deliver services and manage their own affairs from an informed position.

Further, the FSC is aware of the need for tomorrow's leaders to be guided and given the opportunity to develop their skill and talents. As a result, the FSC continues to enhance its internship programme to maximise the benefits to both the participants and the FSC.

Executive Director's Message *cont'd*

Improved productivity and reduction in the backlog in some divisions were not the only benefits that the FSC gained from expanding the internship programme. Other benefits included grooming future full-time employees, the introduction of new ideas, and an increased awareness and enhanced reputation of the FSC among tertiary students and their families. However, the greatest benefit to the FSC is the opportunity to give back to Jamaica by supporting students in their career development and to demonstrate the FSC's commitment and contribution to nation building.

Deterring Money Laundering and Terrorism Financing to Bolster Jamaica's image and Reputation of its Financial Markets

The FSC continues to ensure that Jamaica has an effective anti-money laundering framework that is aligned to international standards in order to establish and maintain a stable financial sector, as well as the image and reputation of the country's financial sector. Therefore, the FSC, as the Competent Authority for the insurance, securities and private pensions industries under the Proceeds of Crime Act (POCA) and the Terrorism Prevention Act (TPA), continued its work and on-going efforts and initiatives to strengthen the anti-money laundering and counter-financing of terrorism (AML/CFT) compliance regime. These initiatives included, but are not limited to:

- The FSC created an Anti-money Laundering and Counter-financing of Terrorism (AML/CFT) Unit. The unit is responsible for coordinating and executing the AML/CFT supervisory functions of the FSC including representing the FSC on the National Anti-money Laundering Committee; liaising with local, regional and international stakeholders and partners; communicating with licensees

and registrants; providing guidance and training to licensees and registrants; and conducting AML/CFT examinations;

- The FSC amended its *Guidelines for Anti-Money Laundering & Counter-Financing of Terrorism (for Entities regulated under the Insurance, Pensions, & Securities Acts & Regulations)* to reflect amendments made in 2013 to the Proceeds of Crime Act (POCA) and the Terrorism Prevention Act (TPA);
- The FSC underwent its Fourth Round of Mutual Evaluation (ME) conducted by the Caribbean Financial Action Task Force (CFATF), the regional arm of the Financial Action Task Force (FATF). The ME is the process by which peer reviews of each member country are conducted on an on-going basis to assess levels of compliance with and implementation of the FATF Recommendations; and
- FSC's employees were trained in the methodology of conducting Mutual Evaluations.

In addition to the above efforts, the FSC kept abreast of and actively participated in a number of forums with other local and overseas agencies in order to address the challenges of de-risking. De-risking⁴ can have a tremendous adverse impact on not only banks and remittance companies, but on every segment of Jamaica's financial markets and the wider Jamaican economy.

Responding to Risks

In order to identify, measure and mitigate threats to the financial consumer and to the wider financial markets, the FSC conducted its routine risk assessments on insurance companies,

securities dealers and pension plans. Other measures taken to mitigate the risks included the following:

- In August 2015, the FSC completed the retail repo reform programme, which addressed the legal, financial and operational risks associated with the retail repo product, consequently reducing the systemic threats to the financial system, while offering greater protection for customers;
- On March 31, 2016, the FSC implemented a Strategy for Prudential Tightening, in order to enhance its prudential supervision of the securities industry;
- Collaboration between the FSC and BOJ in (i) assessing the adequacy of recovery plans of securities dealers and (ii) conducting stress testing for the deposit-taking and non-deposit taking institutions; and
- The amendment to the Insurance Act to strengthen the FSC's authority to prescribe regulations for insurers to establish risk management procedures such as stress testing and asset liability management.

Commencing December 2016, securities dealers will be required to submit stress testing results to the FSC.

⁴ De-risking refers to the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid rather than manage a risk. While the term "de-risking" has recently been used frequently concerning money laundering risk, generally the risk could be of any nature. See <http://www.fatf-gafi.org/publications/fatfgeneral/documents/rba-and-de-risking.html>

Executive Director's Message *cont'd*

Management of Resources

In FY2015/2016, the FSC made progress as it continued its drive to increase efficiency and to have maximum cost efficiencies while ensuring that requisite resources are available to meet corporate strategic targets and essentially fulfil its mandate. With our most critical asset being our human resources, we continued to build our institutional capacity in a cost effective manner. The organisational structure was tweaked to achieve greater internal synergies. With this and other creative measures, the FSC reaped successes in its cost-containment initiatives.

Another outcome that speaks to the effective management of resources by the executive management team as well as sound decisions, is its continuing efforts to ensure improved performance and the successful completion of the FSC's strategic objectives. For the FY2015/2016, the FSC achieved in excess of 80 per cent of its corporate objectives.

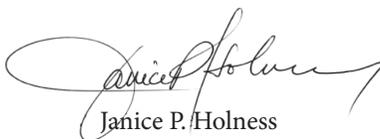
Medium Term Objectives

In order to ensure that the FSC continues to effectively and efficiently discharge its mandate and to have a regulatory framework that is aligned to international standards, the FSC will pursue key strategic objectives over the medium term (i.e. 2016 – 2020). Some of these objectives include:

- Review and update the Enterprise Risk Management (ERM) policy to ensure that it is aligned with the current risks;
- Revise the customer service charter;
- Develop systems to enhance surveillance and business intelligence as well as collect and analyse information;
- Facilitate brain storming with local and international stakeholders to inform and enhance its regulatory and supervisory activities; and

- Continue to conscientiously identify and implement measures to eliminate waste and control operational expenses.

I take this opportunity to thank the Chairman and my fellow board members for not only their insightful and sound advice but also their commitment to effective and efficient financial regulation and supervision. I must also recognize and thank the staff whose commitment, talent, innovation and hard work continue to advance the FSC's work and mandate. Lastly but not least, I am grateful for the productive collaboration that the FSC enjoyed with various industry associations and with its domestic and international counterparts during this period.



Janice P. Holness
Executive Director

Board of Commissioner's Report

The Board of Commissioners hereby provides its report pursuant to section 22 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 also to be found elsewhere in this Annual Report.

REVIEW OF FINANCIAL YEAR (FY) 2015/2016

OPERATIONAL REVIEW

The financial year (FY) 2015/2016 (April 1, 2015 to March 31, 2016) was a successful year for the FSC. In addition to achieving its 2015 deliverables under the IMF agreement, the FSC maintained its surplus as well as achieved its strategic objectives for that period.

During the 2015/2016 period, the FSC continued to conduct its examinations of financial institutions. This aspect of the FSC's operations is essential to fulfilling its mandate as these examinations provide a basis for the FSC to ensure that the entities (i) comply with their respective governing legislations; (ii) engage in proper conduct; and (iii) remain prudentially sound.

In order to enhance the quality and efficiency of its examinations, the FSC, in 2015/2016, continued the work of establishing frameworks for risk-based supervision and consolidated supervision. While the frameworks were being developed, the FSC continued to carry out risk assessments and collaborated with both local and overseas regulators in order to conduct assessments of entities that are members of a group of companies.

With the recent amendment of the Insurance Act (IA), the FSC is now empowered to prescribe regulations, in keeping with international standards, relating to the establishment of risk management procedures by insurance companies. The FSC had previously communicated to insurers, its intention to have all insurance companies undertake stress testing and to have all life insurance companies apply rigorous asset liability management.

Securities dealers, in keeping with the Securities (Prudential) Regulations (2014) and the FSC's Strategy for Prudential Tightening will be required to commence stress testing by December 2016. The FSC itself has developed its own internal model to carry out focussed stress testing of that group.

As part of its on-going market conduct campaign, the FSC promoted the adoption and development of an effective AML/CFT programme to mitigate the risk of its regulated entities being used to launder money and/or finance terrorism.

Public Education

Public education has and will continue to be a critical component of the FSC's strategic initiative. In 2015/2016, the FSC engaged its stakeholders and the wider public in a broad range of public education initiatives designed to promote (i) informed financial behaviour, (ii) confidence in the FSC-regulated financial service sector; and (iii) understanding of the operations of regulated entities. Additional efforts were made to promote financial stability such as (i) the FSC's proposal to amend the Financial Services Commission Act (FSCA) to enhance the FSC's resolution powers; and (ii) active representation and participation in a multi-agency working group that was mandated to strengthen Jamaica's crisis management and resolution powers.

Board Evaluation

During FY2015/16, after research was conducted, a presentation, outlining local and international standards and models for conducting board evaluations, was made to the FSC's Board of Commissioners. After the presentation, the Board indicated that it would further consider the MOFP's template and the models presented as well as any guidance from the MOFP to determine a broad evaluation methodology that is appropriate for a regulatory body such as the FSC. In keeping with the directives of the Ministry of Finance and Public Service,

the appraisal of the Executive Director's performance is derived from the outcome of the performance review of the organisation's strategic objectives. This review is conducted annually by the Compliance and Internal Control Division (CIC).

Refinement of the Organizational Structure

During FY2015/16, the organizational structure of the FSC was tweaked to allow for greater strategic alignment of some departments. The role of the Public Information Unit was expanded and hence it was renamed the Office of Communication and International Relations (OCIR). The OCIR, Management Information Systems (MIS) and the Human Resources & Administration Department now fall under the direct supervision of the Executive Director. The Property Officer now reports to the Human Resources and Administration Manager. The Deputy Executive Director now has direct oversight of the Records Department and the Actuarial Division. These changes, approved by the Board of Commissioners, were interim measures taken to achieve greater internal alignment/synergies as well as eradicate silos, pending the comprehensive organizational restructuring and job reclassification exercise.

Enterprise Risk Management

Enterprise Risk Management (ERM) is a critical component in how the FSC sets and achieves its strategic objectives. The FSC is constantly customizing its ERM policies and procedures and integrating them into the operations of the organisation in order to identify and mitigate the risks that the organisation currently and potentially faces. Additionally, the ERM framework is intended to facilitate the encouragement of a culture in the FSC, where risk is proactively assessed and managed at every level of the organization.

The risk management function provides a critical link between the operations of the organization and the interests of its stakeholders.

Board of Commissioner's Report *cont'd*

As part of the implementation and administration of the FSC's ERM programme, the Risk Officer reviews the ERM framework routinely in an effort to improve its effectiveness. In order to reinforce the risk management culture and practices at all levels of the organisation, the Risk Officer conducts training sessions designed to sensitise all employees on risk management concepts as well as their responsibilities in that area.

During FY2015/16, detailed operational audits and risk assessments were conducted on various functional units of the FSC. The objective of those exercises was to identify any deficiencies and any exposure of the FSC to strategic, financial, and operational risks outside the acceptable limits of the FSC.

Human Resources

A new and comprehensive Human Resource Policy & Procedure Manual was developed. It will serve as a guide for FSC's team members with regard to the terms and conditions of their employment and the maintenance of effective and productive team member/manager relationships.

A Leadership Development Programme is planned for the management team and other senior officers, during FY2016/2017. This will be a precursor to the comprehensive development of a succession plan for the organization.

The FSC devoted much of its resources during this period to (i) strengthening relationships with other regulators and international standard-setting institutions; and (ii) training staff consistent with the FSC's mandate to promote the development and modernization of local financial markets.

FINANCIAL REVIEW

The following comments provide an analysis of the performance of the FSC during the FY2015/2016 period and should be read in conjunction with the financial statements.

The financial statements in this report present the financial position, operating results and cash flows of the FSC for the financial year ended March 31, 2016 based on International Financial Reporting Standards (IFRS).

Income and Expenditure

The FSC achieved a net surplus of \$158.3 million compared to \$245.81 million for the previous year. Highlights of the income and expenditure as well as balance sheet items are presented as in **Chart 1 titled "5 Year Financial Statistical Review"**. A brief explanation of these items follows.

5 Year Financial Statistical Review

FINANCIAL SERVICES COMMISSION

2015 - 2016

\$ Millions



METRIC	THIS YEAR (2015/2016)	LAST YEAR (2014/2015)	% CHANGE	5 YEAR TREND
REVENUES	\$930.55	\$875.24	↑ 6%	
Interest Income	\$54.30	\$48.52	↑ 12%	
Miscellaneous Income	\$5.60	\$0.04	↑ 13900%	
Fees from Seminars	\$1.66	\$0.58	↑ 186%	
Licensing/Registration	\$868.99	\$826.10	↑ 5%	
Securities Industry				
Annual Licensing/Registration	\$154.65	\$140.69	↑ 10%	
Stock Exchange & JCSD	\$45.68	\$49.49	↓ -8%	
Application fees	\$11.69	\$14.24	↓ -18%	
Insurance Industry				
Annual Licensing/Registration	\$304.85	\$289.44	↑ 5%	
Annual Fees Intermediaries	\$20.58	\$17.71	↑ 16%	
Application fees	\$7.99	\$7.03	↑ 14%	
Pension Industry				
Annual Licensing Fee	\$322.16	\$306.59	↑ 5%	
Application fees	\$1.38	\$0.92	↑ 50%	
OPERATING EXPENSES	\$808.03	\$665.42	↑ 21%	
Advertising	\$0.65	\$0.74	↓ -12%	
Appeal Tribunal	\$3.20	\$2.50	↑ 28%	
Audit	\$1.75	\$1.65	↑ 6%	
Bad Debt	\$13.21	-\$0.86	↓ -1645%	
Bank Charges	\$0.52	\$0.25	↑ 108%	
Building Maintenance	\$12.90	\$8.98	↑ 44%	
Commissioners' Fees	\$2.69	\$1.74	↑ 55%	
Depreciation & Amortization	\$19.79	\$15.00	↑ 32%	
Office Expenses	\$23.81	\$19.73	↑ 21%	
Printing & Stationery	\$2.45	\$1.86	↑ 32%	
Professional Fees	\$25.19	\$19.96	↑ 26%	
Public Education	\$11.87	\$18.86	↓ -37%	
Motor Vehicle & Parking	\$9.54	\$9.74	↓ -2%	
Salaries & Related Expenditure	\$545.21	\$442.45	↑ 23%	
Subscriptions	\$19.40	\$19.17	↑ 1%	
Training and Conferences	\$31.96	\$17.83	↑ 79%	
Utilities	\$23.79	\$26.22	↓ -9%	
LIQUIDITY	\$37.74	\$55.62	↓ -32%	
RECEIVABLES	\$158.71	\$184.55	↓ -14%	
Trade Receivables	\$127.51	\$133.84	↓ -5%	
Prepayments	\$21.77	\$41.11	↓ -47%	
Other Receivables	\$2.18	\$2.77	↓ -21%	
Interest Receivables	\$7.25	\$6.83	↑ 6%	
PAYABLE	\$77.43	\$60.73	↑ 27%	
Trade & Other Payables	\$22.59	\$24.21	↓ -7%	
Employee Benefits	\$54.84	\$36.52	↑ 50%	

Board of Commissioner's Report *cont'd*

Income

The FSC is funded mainly through fees charged to entities. Licensing and Registration fees for the FY2015/16 increased by approximately 5 per cent compared to the previous year. The increase in fees collected was due mainly to the following:

- 3 per cent increase in fees from the Securities Industry as a result of a 3 per cent growth in assets;
- 6 per cent increase in fees from the Insurance Industry based on the fact that the total assets of the Life insurance and General Insurance Industries experienced a growth of 8.2 per cent and 9.5 per cent respectively;
- 5 per cent increase in fees from the pensions industry, which is as a result of the growth in Pension assets.

Interest Income

Interest Income for FY2015/16 was \$54.30 million representing \$5.78 million more than the previous year. During the period, an additional amount of \$150 million was placed on investments. Interest rates earned on short term deposits for FY2015/16 were between 5.30 per cent and 6.40 per cent per annum compared with a range of 6.45 per cent to 7.40 per cent per annum for FY2014/15.

Expenses

Total expenses for FY2015/16 were \$808.03 million, which was \$142.61 million more than that for the previous year. The following provides a brief explanation for the changes in selected expense items:

a. Appeal Tribunal

Expenses of \$3.2 million relating to the operation of the FSC Appeal Tribunal for FY2015/16 were 28 per cent more than the previous year. This was due to (i) an increase in the salary and (ii) outstanding retainer fees for the period December 2014 - February 2015, were paid in the FY2015/16.

b. Bad Debt Expense

Bad debt expenditure for the year FY2015/16 was \$12.36 million more than that for the previous year.

c. Building Maintenance

Building maintenance costs increased by 44 per cent in FY2015/16 when compared to FY2014/15. The increase resulted from steps taken to improve the physical condition and the air quality of the building.

d. Office Expenses

Office expenses for the year totalled \$23.81 million which was \$4.08 million more than in the previous year. There were major increases in expenses for office as well as copier and printer maintenance supplies.

e. GCT Irrecoverable Expense

Effective June 1, 2014, the FSC was required to pay GCT on all goods and services directly to the Government. The GCT of \$15.44 million paid during FY2015/16 represented payment for the entire financial year while the \$9.6 million paid during the FY2014/15 was for only 9 months.

f. Professional Fees

Professional fees of \$25.19 million were 26 per cent more than for the previous year.

g. Salaries and Related Expenditure

"Salaries and related expenditure" was \$545.21 million for FY2015/16 or \$102.76 million more than the previous year.

h. Training and Conferences

The training and conferences expenditure of \$31.96 million was 79 per cent more than for the previous year. There was an overall increase in the number of employees exposed to training initiatives as well as attendance at International

Conferences and meetings as a result of the FSC's affiliation and elected leadership roles in the international standard-setting bodies.

Balance Sheet Performance

Liquidity

The FSC ended the year with cash and cash equivalents of \$37.74 million compared with the \$55.62 million at the end of FY2014/15. Resale agreements (short term investments) were \$1.02 billion, which was \$204 million higher at the end of the previous financial year. Excess funds in the current account are normally placed on short term deposits.

Accounts Receivable and Prepayments

Accounts Receivable and Prepayments were \$158.72 million which is \$25.83 million lower than at the end of the previous year. Trade receivables are shown net of an allowance for impairment losses of \$13.22 million.

Non-Current Assets

Non-current assets at the end of the year were \$54.61 million (net of depreciation) or \$23.85 million more than the end of the previous year. During the FY2015/2016, the final 10 per cent for the purchase of the EDRMS system was fully paid and the total cost of \$31.52 million was transferred from prepayments to asset. The FSC also installed a new elevator in August 2015 at a cost of \$7.4 million. Property, plant, equipment and intangible assets were 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 were as follows:

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

Board of Commissioner's Report *cont'd*

Accounts Payable

Trade payables, at the end of FY2015/16, of \$22.59 million included the following:

- An accrual of \$10.91 million for statutory payments as at March 2016 which was payable on April 14, 2016. This was paid on April 8, 2016, and
- Accrued operating expenses of \$11.68 million

PROPOSED CHANGE IN THE NATURE & SCOPE OF THE FSC'S ACTIVITIES

As Jamaica develops its International Financial Services Centre, the role of the FSC is likely to be expanded to include the regulation of providers of non-deposit-taking financial services to clients residing outside of Jamaica. It is expected that the proposed International Trust and Corporate Services Providers Bill will go before the Parliament in the FY2016/2017. With the parliamentary approval, the FSC will administer the legislation and regulate the international trust and corporate services providers.

CHANGES TO ITS CORPORATE PLAN & SUMMARY OF ITS ACHIEVEMENT AGAINST TARGETS

For the FY2015/2016, there were no changes to the FSC's Corporate plan.

Chart 2 outlines the FSC's performance against its FY2015/2016 objectives and targets.

Chart 2: Summary of FSC's 2015/2016 Achievements measured Against Targets	
Strategic Goal 1: Establish and maintain a proactive and responsive regulatory environment for the securities, insurance and pensions industries	
Strategic Objectives 1.1: To advocate timely policy and legislative changes in anticipation of, or response to, environmental dynamics	Results
Target 1.1: Legislative amendments and or regulations developed	Met
Strategic Goal 2: Enhance FSC's performance through alignment and management of human, information and financial resources	
Strategic Objectives 2.1: To attract, develop and retain the best talent	Results
Target 1: Staff turnover - Less than 10 per cent	Not Met
Target 2: Number of training sessions and contact hours	Met
Target 3: Staff performance appraisal scores above 75 per cent	Met
Strategic Objectives 2.2: To enhance self-financing capabilities	Results
Target 1: Total Income as a percentage of Budget - Over 100 per cent	Met
Strategic Objectives 2.3: To build the FSC brand and reputation	Results
Target 1: Media and Communication Projects	Met
Strategic Objectives 2.4: To leverage new technology	Results
Target 1: Developed systems to collect, analyse and share timely information to have timeliness of reports	Met
Strategic Goal 3: Facilitate public education and awareness of information pertaining to the securities, insurance, pensions industries and the work of the FSC in general	
Strategic Objectives 3.1: To promote financial awareness and education for licensees and users of the securities, insurance and pensions industries	Results
Target 1: Percentage of planned projects completed	Met
Strategic Goal 4: Foster and enforce compliance with legislation in the securities, insurance and pensions industries through a robust enforcement programme	
Strategic Objective 4.1: Collaborate and cooperate with partners locally and overseas to address global financial crimes	Results
Target 1: At least 3 new MMOU/MOUs in progress	Met
Strategic Objective 4.2: To quickly deter, detect and prosecute violations of the laws	Results
Target 1: Time taken from initiation of investigations to enforcement actions	Met

Board of Commissioner's Report *cont'd*

FINANCIAL PROJECTION FOR 2016 -2017

Chart 3: FSC's Financial Projections for 2016-2017 (\$' 000)

	Actual 2015-2016 (\$' 000)	Projected 2016-2017 (\$' 000)
INCOME:		
Fees	868,990	903,428
Interest Income	54,304	43,608
Other	7,264	4,380
IOSCO Conference	0	112,500
TOTAL INCOME	930,558	1,063,916
EXPENSES:		
Advertising	649	651
Appeals Tribunal	3,205	3,307
Audit	1,750	1,750
Bad Debts	13,216	-
Bank Charges	519	688
Building Maintenance	12,905	12,692
Commissioners Fees	2,690	3,508
Data Security	8,612	9,740
Depreciation and amortisation	19,799	36,860
Motor Vehicle and parking expense	9,545	11,673
Office Expenses	23,811	24,436
Irrecoverable General Consumption Tax	15,443	40,355
Printing and stationery	2,451	3,590
Professional fees	25,193	33,952
Public Education	11,875	40,170
IOSCO	0	112,500
Rent	36,000	36,000
Staff Cost	545,209	631,591
Subscriptions	19,405	27,657
Training and conferences	31,960	36,241
Utilities	23,798	27,289
TOTAL EXPENSES	808,032	1,094,650
Surplus/(loss) before grant	122,526	-30,734
Grant	36,000	36,000
SURPLUS FOR THE YEAR	158,526	5,266

FORECAST AND PROJECTIONS OF KEY FINANCIAL & OPERATING MEASURES

With a projected 14 per cent growth in revenue and a 35 per cent increase in planned expenditure, the FSC will have a surplus of \$5.2 million at the end of FY2016/2017. See **Chart 3**. The expected growth in expenditure is due to the following planned increases:

- Wages in keeping with the agreement between the GOJ and the public sector unions;
- Public education campaign initiatives; and
- GCT on all goods and services are being paid directly to the Government.

The FSC will undertake measures to contain the increased cost as well as to increase its revenues e.g. through grants by donor agencies et cetera.

Dividend

The FSC is funded mainly through fees charged to regulated entities on a cost-recovery basis and is a not-for-profit organisation. As a result, 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.

CONCLUSION

Overall, it was another successful year for the FSC.

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 FY2015/2016.



Colin Bullock
Chairman



Winston Hayden
Commissioner

Corporate Governance Report

The Board of Commissioners of the FSC is committed to high standards of corporate governance consistent with international best practices. The FSC boasts a cadre of eight (8) experienced Commissioners who bring to the table a wide range of expertise in the areas of law, international business, corporate finance, financial services regulation, strategic management, human resources administration, risk management and corporate governance. This team ensured that leadership and corporate governance was effected in the organization at a high standard. The Commissioners and the Executive Director were first appointed February 2012 and March 2013 respectively.

In spite of its collective expertise and track record, the members of the board recognized the need to be kept abreast of new and evolving standards. As such, in keeping with the Board's emphasis on continuing education, members of the board attended a corporate governance seminar and were provided with educational material on enterprise risk management during the course of the financial year. The Chairman of the Board Insurance Committee attended the annual conference of the International Association of Insurance Supervisors (IAIS), the international standard setting body for insurance, in October 2015 and other members attended various conferences held locally.

Chart 4: Members and Roles of Board Committees

Name of Board Committee	Function of Board Committee	Members of Board Committee
Audit Committee	<ul style="list-style-type: none"> Oversees the effectiveness of the FSC's internal controls, ensures the independence of the FSC's internal and external auditors and monitors the risk management policies and systems of the FSC. 	Mr Winston Hayden, Chair Mr Colin Bullock Ms Janice P. Holness Mr Michael Vacciana
Finance Committee	<ul style="list-style-type: none"> Oversees the integrity of the FSC's financial management and reporting systems. Reviews and recommends the fee structure for the regulatory services provided by the FSC. 	Mr Winston Hayden, Chair Mr Colin Bullock Ms Janice P. Holness Mr Michael Vacciana
Human Resources & Administration Committee	<ul style="list-style-type: none"> Has overall responsibility for the human resource policies and practices in line with the strategic goals of FSC. Oversees the compensation policies and programmes and succession plans. 	Mr Colin Bullock, Chair Ms Janice P. Holness Mr Erwin Jones Mrs Diahann Gordon-Harrison
Pensions Committee	<ul style="list-style-type: none"> Provides oversight and guidance for all matters requiring regulatory approval under the Pensions (Superannuation Funds and Retirement Schemes) Act. 	Hon. Mr Justice Karl Harrison (Retired), Chair Ms Janice P. Holness Mr Erwin Jones Mrs Donna Scott-Mottley
Insurance Committee	<ul style="list-style-type: none"> Provides oversight and guidance for all matters requiring regulatory approval under the Insurance Act 	Mr Michael Vacciana, Chair Ms Janice P. Holness Mrs Donna Scott-Mottley Mr Winston Hayden
Securities Committee	<ul style="list-style-type: none"> Provides oversight and guidance for all matters requiring regulatory approval under the Securities Act. 	Mrs Diahann Gordon-Harrison, Chair Ms Janice P. Holness Mr Michael Vacciana Hon. Mr Justice Karl Harrison (Retired)

Corporate Governance Report *cont'd*

Chart 5: Commissioners' Attendance Record for Full Board & Board Committees Meetings, 2015-2016

Commissioners	Full Board (N=9)	Audit (N=3)	Finance (N=3)	Human Resources & Administration (N=3)	Insurance (N=3)	Pension (N=4)	Securities (N=1)
Mr. Colin Bullock	9	2	3	3	n/a	n/a	n/a
Ms. Janice P. Holness	9	3	3	3	2	4	1
Mr. Michael Vacciana	9	2	1	n/a	3	n/a	1
Mr. Winston Hayden	8	3	3	n/a	2	n/a	n/a
Mr. Erwin Jones	8	n/a	n/a	3	n/a	3	n/a
Mrs. Diahann Gordon-Harrison	7	n/a	n/a	2	n/a	n/a	1
Mrs. Donna Scott-Mottley	4	n/a	n/a	n/a	2	2	n/a
Hon. Mr Justice Karl Harrison (Retired)	3	n/a	n/a	n/a	n/a	4	0

KEY: N: Total number of meetings; N/A: not applicable – that is, the Commissioner is not a member of that committee.

REMUNERATION

The Board of Commissioners is remunerated as determined by the Minister of Finance. **Chart 6** provides information on the remuneration paid to the non-executive Commissioners, while **Chart 7** illustrates compensation to the Executive Management Team including the Executive Director, the Executive Commissioner.

Chart 6: Compensation of Commissioners FY2015/2016 (\$'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	150.75	-	-	-	150.75
Karl Harrison	139.5	-	-	-	139.50
Donna Scott Mottley	97.88	-	-	-	97.88
Winston Hayden	166.50	-	-	-	166.50
Erwin Jones	139.50	-	-	-	139.50
Diahann Gordon-Harrison	95.62	-	-	-	95.62
Total	1,614.75	-	-	-	1,614.75

Corporate Governance Report *cont'd*

Chart 7: Compensation of Executive Management 2015/2016

Position of Senior Executive	Year	Base Salary (\$)	Gratuity (\$)	Performance Incentive Award (\$)	Travelling Allowance	Other Allowances (\$)	Non-Cash Benefits (Housing and value of use of the Company's motor vehicle) (\$)	Total (\$)
Executive Director	2015/2016	15,365,000.00	7,551,528.76	885,000.00	-	132,000.00	5,055,925.00	28,989,453.76
Acting Deputy Executive Director	2015/2016	8,136,744.16	1,930,142.40	553,782.53	1,219,656.00	132,000.00	-	11,972,325.09
General Council	2015/2016	6,506,989.28	1,558,170.50	373,960.92	1,219,656.00	132,000.00	-	9,790,776.70
Chief Actuary	2015/2016	8,109,438.98	1,911,433.37	179,914.88	1,219,656.00	132,000.00	-	11,552,443.23
Senior Director Corporate Services	2015/2016	6,649,694.25	1,578,946.08	386,426.28	1,219,656.00	132,000.00	-	9,966,722.61
Senior Director Insurance	2015/2016	3,522,128.38	1,590,439.00	408,240.67	406,552.00	44,000.00	-	5,971,360.05
Senior Director Securities	2015/2016	6,775,746.38	1,558,170.50	451,935.73	1,219,656.00	132,000.00	-	10,137,508.61
Senior Director Pensions	2015/2016	7,185,954.04	1,657,628.25	497,288.47	1,219,656.00	132,000.00	-	10,692,526.76
Senior Director Compliance & Internal Control	2015/2016	-	-	-	-	-	-	-
Senior Director Investigation & Enforcement	2015/2016	6,638,653.68	-	319,855.93	1,219,656.00	132,000.00	-	8,310,165.61

Notes:

1. All contracts are in Jamaican currency.
2. The gratuity for the Executive Director includes the amount for FY2014/2015 and FY2015/2016.
3. Gratuity is paid to all senior executives on contract, in lieu of pension, at a rate of 25% of annual base pay.
4. Where a non-cash benefit is received (e.g. government housing), the value of that benefit is quantified and stated in the "Non-Cash Benefits" column.
5. The Senior Director for Compliance and Internal Control was appointed Acting Deputy Executive Director in January 2015.
6. The contract of the Senior Director, Insurance expired in July 2015. At the end of FY2015/16, the position remained vacant.
7. The FSC's Performance Incentive Award is in accordance with the MOFP Circular No.11. All employees share in this award.

Audit Committee Report

The FSC's Board Audit Committee (the committee) ensures compliance with the organisation's system of internal controls and with enterprise risk management. In performing its work, the committee considers the following:

- The reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
- The FSC's enterprise risk management framework;
- Systems of internal controls and procedures established by management and their effectiveness; and
- The FSC's compliance with the FSC Act and all relevant legislation.

In FY2015/2016, the committee received regular updates from the CIC Division regarding compliance with the FSC's operational policies and procedures and the attendant risks. The committee also reviewed reports covering financial, operational and compliance audits of the FSC. Recommendations for improvements and/or adjustments to the operational policies and procedures were made to the Executive Management Team.

Risk Management & Internal Control

A vital component of corporate governance is enterprise risk management and having appropriate internal controls. The FSC continued to enhance and implement these strategies in FY2015/2016.

Corporate Governance Report *cont'd*

Corporate Social Responsibility Report

Corporate Social Responsibility (CSR) can be defined as an organisation's sense of responsibility to promote sustainable development of the people, the community, and the environment in which it operates. During the report period, the FSC contributed to the community by continuing its annual support of the Sigma Run and by making donations to a number of charities including, but not limited to the Best Care Foundation, Kiwanis Club of New Kingston and the Tivoli Dance Troupe.

Listed below are the measures taken as a component of the FSC's CSR, to support the GOJ's Environmental Plan:

- When replacing its elevator, the FSC procured an energy efficient model;
- The implementation of the new electronic management system and the proposed Integrated Regulatory System will lead to substantial reductions in paper costs and paper utilization;
- Software that tracks paper utilization and costs, was implemented which facilitates monitoring so as to ensure reduction in the paper usage and costs;
- The FSC now utilises energy saving LED bulbs for most lighting fixtures, and is exploring the possibility of reducing the hours of use for our air conditioning units;
- Timed water faucets and energy saving water closet (toilets) are used in some bathrooms thereby reducing wastage of water;
- The FSC had discussions with recycling companies to collect the used newspaper for recycling and to separate the garbage to facilitate additional recycling. The FSC will continue to explore solutions to resolve the logistics issues; and
- The FSC will continue to utilise environmentally friendly cleaning products.

The FSC Welcomes the World!



The photo shows the participants who attended the Caribbean Group of Securities Regulators' Conference and Workshop in 2015

Hosting the region- Caribbean Securities Regulators' Conference

The FSC hosted the Caribbean Group of Securities Regulators' (CGSR) 2015 Conference and Workshop at the Grand Bahia Principe Hotel in Runaway Bay, Jamaica during the week of April 22 – 24, 2015. This event provided a forum for securities market regulators in the Caribbean to meet and discuss regulatory challenges, experiences and solutions. This staging of the conference focused on Financial Inclusion under the theme "Capital Market Development and the Role of Financial Inclusion". The conference was the outcome of collaboration between the FSC, the Caribbean Regional Technical Assistance Centre (CARTAC) and the CGSR in association with Child and Youth Finance International (CYFI). Attendees included representatives from Puerto Rico, the British Virgin Islands, the Netherlands, United Kingdom, United States of America, Bermuda, Antigua & Barbuda and Spain. The first day of the conference was dedicated to financial inclusion and presenters from CYFI provided insightful and well appreciated information on youth finance initiatives being advanced globally. There was also discussion on Capital Market Development and emerging issues affecting the region's securities industries.

Extending our hospitality to the hemisphere- IARC/ COSRA Meeting 2015

The FSC successfully hosted the 2015 Meeting of the Inter-American Regional Committee/Council of Securities Regulators of the Americas (IARC/COSRA) over 2 days (12th – 13th of November 2015) at the UWI Regional Headquarters. The 2015 IARC/COSRA Meeting was a high level meeting of senior regulators from leading countries in the Americas, who used this meeting to address global securities issues that were of importance to the region.



The photo shows the participants who attended the 2015 IARC/COSRA meeting held in Jamaica on November 12-13, 2015

Preparing to Welcome the World!

In FY2015/16, the FSC began its preparations to host (i) the Spring 2017 Technical and Executive Committee meetings of the International Organization of Pension Supervisors (IOPS) and (ii) the 2017 IOSCO Annual Conference. The IOSCO conference will be hosted in the Caribbean for the first time, and this will be a remarkable achievement for our region.

Overview of the Financial Markets

For 2015, the dominant features in the global economy were low interest rates in the major economies, low commodity prices and weak economic growth. The US generated some positive economic results and subsequently, the Federal Reserve increased interest rates. Oil-producing countries suffered from less revenue while oil-importing countries benefitted from the depressed oil prices.

Here in Jamaica, there was increased market confidence prompted by low oil prices, Jamaica's prudent fiscal and monetary policies and the successive passing of IMF tests. There were also positive results for several key macroeconomic indicators for Jamaica. See **Chart 8**. These conditions present mixed challenges for the financial institutions; nevertheless, the securities dealers and insurance companies remained profitable and well capitalised.

Despite the downside risks (such as expected moderate increases in commodity prices, continued weak growth in China and in some developed nations, the possible negative impact of Brexit and potential adverse weather) there is a positive outlook for the Jamaican economy in 2016. This is due to the following factors:

- The GOJ's bullish attitude towards economic growth. Strong growth initiatives, when implemented, are expected to positively impact unemployment;
- Improvement in business confidence;
- The expectation that both inflation and the T-bill rates will remain in single digits;
- A forecast of 2 per cent growth in GDP for 2016 ;
- New initial public offerings (IPOs) on the JSE and continued upward movement in the stock exchange index;
- Projections that the exchange rate between the US and Jamaican currencies will be relatively stable, and
- The continuation of Jamaica's passing of the IMF's quarterly test.

Chart 8: Selected Macro Indicators for Jamaica, 2012-2015

Selected Macroeconomic Indicators	2012	2013	2014	2015
Real GDP Growth Rate (%)	-0.5	0.2	0.5	0.8
Net International Reserves (US\$M)	1,125.6	1,052.8	2,001.6	2,437.3
Inflation (%)	8.0	9.5	6.4	3.7
T-Bill Yield (6 months) (%)	7.18	8.25	7.14	6.04
JSE Combined Market Index (points)	93,504	82,935	78,223	158,269
Average Unemployment Rate (%)	13.9	15.2	13.7	13.5
Exchange Rate (end of period)	92.99	106.38	114.66	120.42
Percentage Rate of FX Depreciation (J\$ vs US\$)	7.4	7.8	14.4	5.3

A Dynamic & Purposeful Insurance Industry

In FY2015/2016 the Insurance Division, as part of its continued supervision of the insurance industry, conducted quarterly annual risk assessment reports for all insurance companies completed and completed five onsite examinations.

Overview of the General Insurance Industry

Chart 9: Number of Registrants in the Insurance Industry as at March 31, 2016

Type of Registrants	Registered at 31/3/15	Additions	Less Terminations / Cancellations	Registered at 31/3/16
Life Insurance Companies	7	0	0	7
General Insurance Companies	10	1	0	11
Association of Underwriters	1	0	0	1
Insurance Brokers	26	1	0	27
Facultative Placement Brokers	18	0	0	18
Overseas Reinsurance Brokers	1	0	0	1
Local Reinsurance Brokers	2	0	0	2
Insurance Agents	22	8	2	28
Insurance Sales Reps.	3,095	294	169	3,220
Loss Adjusters	36	0	1	35
Loss Adjusters - Employed Practitioners	7	0	0	7
Investigators	14	2	0	16
Claims Negotiators	7	0	0	7
Insurance Consultants	3	0	0	3
Total	3,249	306	172	3,383

For the year ended December 31, 2015, general insurers employed approximately 1,215 persons (2014: 1,192) and wrote 363,797 policies (2014: 346,444). The accumulated sum insured totalled approximately \$4,145.4 billion (2014: \$3,213 billion). **Chart 10** shows the number of policies by class, while **Chart 11** exhibits the gross premium written⁶ (GPW) by class of business.

Chart 10: Number of Policies by Class of Business (2013-2015) ('000)

Class of Business	2013 ^R	2014 ^A	2015 ^P
Liability	6,616	6,694	6,550
Property	43,959	43,646	45,193
Motor	267,094	278,388	293,036
Pecuniary Loss	5,348	5,102	4,761
Marine Aviation & Transport	400	2,044	1,749
Accident	3,128	10,570	12,508
Total	326,545	346,444	363,797

A - Actual; P - Preliminary; R - Revised

⁶ Gross Premium Written ("GPW") is the sum of gross direct premiums written and premiums on reinsurance assumed.

A Dynamic & Purposeful Insurance Industry cont'd

Chart 11: GPW by Class of Business, (2013-2015)

Class of Business	2013 ^A	2014 ^A	2015 ^P
	\$ Millions		
Liability	1,155.0	1,589.7	1,740.4
Property	12,919.0	16,170.2	17,012.2
Motor	14,970.0	16,047.7	16,793.9
Pecuniary Loss	489.0	457.9	2,144.8
Marine Aviation &Transport	344.0	450.8	362.6
Accident	163.0	196.5	141.3
Total	30,040.0	34,912.8	38,195.1

A - Actual; P - Preliminary; R - Revised

Performance of the General Insurance Companies

Chart 12- Statistical Information and Financial Position of the General Insurance Industry

As at	Dec 13 ^R \$'B	Dec 14 ^A \$'B	Dec 15 ^P \$'B
Balance Sheet			
Total Investment Assets	38.4	41.1	45.2
Total Assets	56.8	60.2	64.8
Insurance Liabilities	33.4	34.6	35.4
Other Liabilities	4.7	4.9	5.9
Total Liabilities	38.1	39.5	41.4
Capital & Surplus (incl. reserves)	18.4	20.8	22.9
Profit and loss (YTD)			
Net Premium Earned	14.3	16.1	16.3
Underwriting Expenses	14.3	15.3	15.6
Net Investment Income	2.3	2.8	2.8
Other Income	0.9	0.8	0.7
Income before Tax	3.2	4.3	4.2
Taxes	0.8	1.2	1.1
Income (Loss) after Tax	2.4	3.1	3.1

A - Actual; P - Preliminary; R - Revised

Chart 12 shows selected indicators for the general insurance industry such as total assets and net income. The weighted average Minimum Capital Test (MCT) ratio for these companies at the end of 2015 was 299.5 per cent (2014: 294.2 per cent), which exceeded the prescribed capital required of 250 per cent.

Aggregate assets amounted to \$64.8 billion and reflected an increase of 7.7 per cent over the \$60.2 billion reported as at December 31, 2014. Aggregate invested assets amounted to \$45.2 billion, representing an increase of 10.0 per cent over 2014, and accounted for 69.8 per cent of total assets. The increase was generally due to the reinvestment of matured securities and the increase in holdings in short term deposits.

Total revenue comprising of the three (3) income categories - net premium income, net investment income and other income - amounted to \$19.8 billion in 2015. (2014: \$19.7 billion). Total underwriting expenses in 2015 increased marginally by 2 per cent over 2014 despite the increases in claims and operating expenses by 15.1 and 4.5 per cent respectively as net commissions earned partially absorbed these costs.

Chart 13 displays the aggregate amount of claims by class of business while Chart 14 exhibits the claims ratios for the industry and by the class of business.

Chart 13: Aggregate Claims by Class of Business, 2013-2015

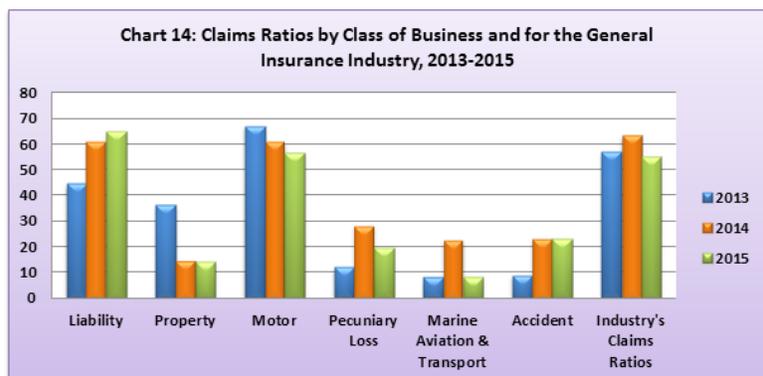
Class of Business	2013 ^A	2014 ^A	2015 ^P
	\$' Millions		
Liability	352.0	568.8	818.7
Property	211.0	111.0	476.8
Motor	8,485.0	8,483.7	9,257.0
Pecuniary Loss	12.9	23.7	27.2
Marine Aviation &Transport	6.6	20.0	40.6
Accident	9.4	26.4	8.1
Total	9,076.9	9,233.6	10,628.4

A - Actual; P - Preliminary; R - Revised

A Dynamic & Purposeful Insurance Industry cont'd

Aggregate claims increased by 15.1 per cent over 2014. There were significant movements in some classes of business. Liability and property claims, which increased by \$249.9 million (44 per cent) and \$365.8 million (329.6 per cent) respectively over 2014, helped fuel the growth in aggregate claims.

Chart 14: Claims Ratios by Class of Business and for the General Insurance Industry, 2013-2015



Overview - Life Insurance Industry

For the year end December 31 2015, there seven (7) registered life insurance companies; only (6) were operational and employed 1,904 persons (2014: 1,924). Total GPW in 2015 amounted to \$46.8 billion (2014: \$42.6 billion). **Chart 15** exhibits the percentage of GPW by class of business, while **Chart 16** provides selected statistics for the period 2013-2015.

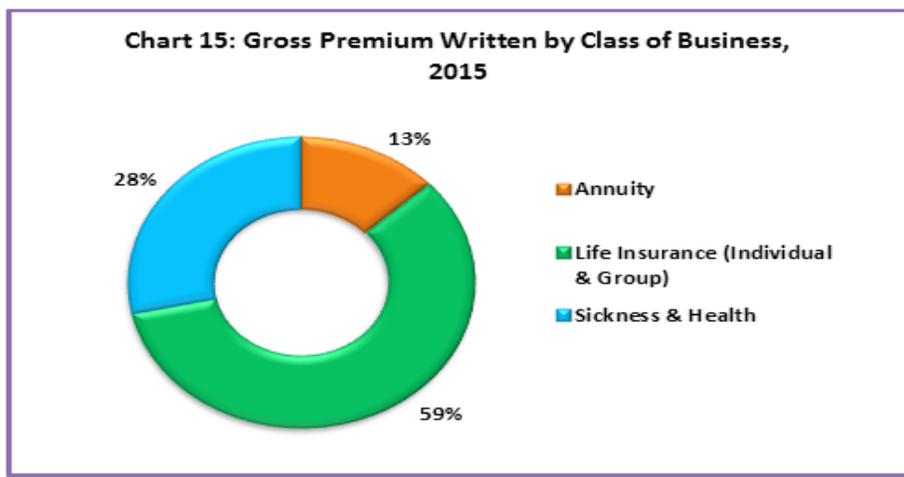


Chart 16 - Statistical Information and Financial Position of the Life Insurance Industry

As at	Dec 13 ^A \$'B	Dec 14 ^A \$'B	Dec 15 ^P
Balance Sheet			
Total Investment Assets	224.0	245.3	263.5
Total Assets	250.0	261.5	281.7
Insurance Liabilities	70.5	78.5	81.1
Other Liabilities	116.1	121.5	132.0
Total Liabilities	186.6	200.0	213.1
Capital & Surplus (incl. reserves)	63.4	61.6	68.6
Profit and loss (YTD)			
Net Premium Earned	41.6	41.8	45.9
Net Investment Income	16.0	19.4	23.0
Other Income	12.0	5.2	4.0
Policy Benefits	21.5	23.4	25.4
Operating Expenses	27.5	26.8	26.7
Taxes	0.9	0.8	3.5
Total Expenses	49.8	50.9	55.6
Net Income after tax	19.8	15.5	17.3

A - Actual; P - Preliminary; R - Revised

A Dynamic & Purposeful Insurance Industry cont'd

Aggregate net income reported for 2015 was \$17.3 billion (2014: \$15.5 billion) representing an increase of 11.7 per cent compared to the corresponding year ended December 31, 2014. Other income declined by \$1.2 billion over 2015. This was partially attributed to the decline in foreign exchange gains as the rate of depreciation of the Jamaican dollar against its United States counterpart decelerated. Net investment income improved and recorded an increase of 18.6 per cent over 2014. Total assets grew by 7.7 per cent whilst total industry liabilities increased by 6.6 per cent over the year ended December 31, 2014 to \$213.1 billion (2014: \$200.0 billion).

RISK ASSESSMENT: Promoting sound financial health within the Insurance Industry

The FSC has a supervisory framework for off-site or desk monitoring and on-site examinations. The FSC applies the CAMELS framework in its assessment. All insurance companies are subject to an annual off-site examination based on the annual and audited statements for the year ended December 31 which are submitted on or before March 31. The FSC utilizes a supervisory ladder to rank the company as **Stage Zero or Normal**, where there is no major risk identified; as **Stage one**, where the company is exposed to risks that if left unattended could escalate into major challenges; as **Stage Two**, where the company is exposed to significant risks that threatens 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. All companies are also subject to a quarterly risk assessments.

The outlook of the company is assessed quarterly and the company 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.

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,
- S - Subsidiaries.

Chart 18 and **19** show the risk outlook for both general and life insurance companies under the CAMELS framework.

Policy Benefits	2013 ^R	2014 ^A	2015 ^P
	\$ 'Millions		
Claims:	12,810.6	13,482.0	14,571.9
of Which:			
Sickness & Health	8,770.2	9,089.1	9,753.6
Death Claims	3,748.8	4,124.9	4,473.8
Disability Claims	19.2	18.6	13.6
Matured Endowments	272.4	249.3	330.9
Annuity Payments	3,858.6	4,357.9	4,898.3
Surrender Values	4,218.2	4,886.3	5,191.1
Other	576.4	610.8	614.4
Total Policy Benefits	21,463.8	23,336.9	25,275.7

A - Actual; P - Preliminary; R - Revised

Historically, the majority of claims were sickness and health which increased by \$664.5 million and represented 67.0% of total claims for 2015. See Chart 17.

Capital

By the end of 2015, the aggregate capital base increased by 11.4 per cent to \$68.6 billion (2014: \$61.6 billion). For 2015, the weighted average Minimum Continuing Capital and Surplus Requirement (MCCSR) for the life insurance sector stood at 362.1 per cent (2014: 357.0 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 significantly more than the 150 per cent benchmark. These companies typically offer investment products which have very low mortality and morbidity risk exposures. The other companies have typical life insurance products which carry much more life insurance liabilities. Each life insurance company's MCCSR score was above the 150 per cent benchmark.

A Dynamic & Purposeful Insurance Industry cont'd

Chart 18: Risk Outlook for General Insurance Companies as at December 31, 2014

Company	C	A	R	A	M	E	L	S	OVERALL
A	Low	Low	Low	Low	Low	Low	Low	Low	Normal
B	Low	Moderate	Moderate	Low	Moderate	Low	Moderate	Moderate	Normal
C	Low	Moderate	Low	Low	Low	Low	Moderate	Low	Normal
D	Low	Moderate	Low	Moderate	Low	Low	Moderate	Moderate	Normal
E	Low	Low	Low	Low	Low	Low	Moderate	Low	Normal
F	Low	Moderate	Low	Low	Moderate	Low	Moderate	Moderate	Normal
G	Low	Low	Low	Moderate	Low	Low	Low	Low	Normal
H	Low	Low	Low	Low	Moderate	Low	Low	Low	Normal

Chart 19: Risk Outlook for Life Insurance Companies as at December 31, 2014

Company	C	A	R	A	M	E	L	S	OVERALL
A	Low	Low	Low	Low	Low	Low	Moderate	Low	Normal
B	Low	Low	Low	Low	Low	Low	Moderate	Low	Normal
C	Low	Low	Low	Moderate	Low	Low	Low	Low	Normal
D	Low	Moderate	Low	Moderate	Moderate	Low	Moderate	High	Normal
E	Low	N/A	Low	Low	Low	Low	Low	Low	Normal
F	Low	Low	Low	Low	Low	Low	Low	Low	Normal

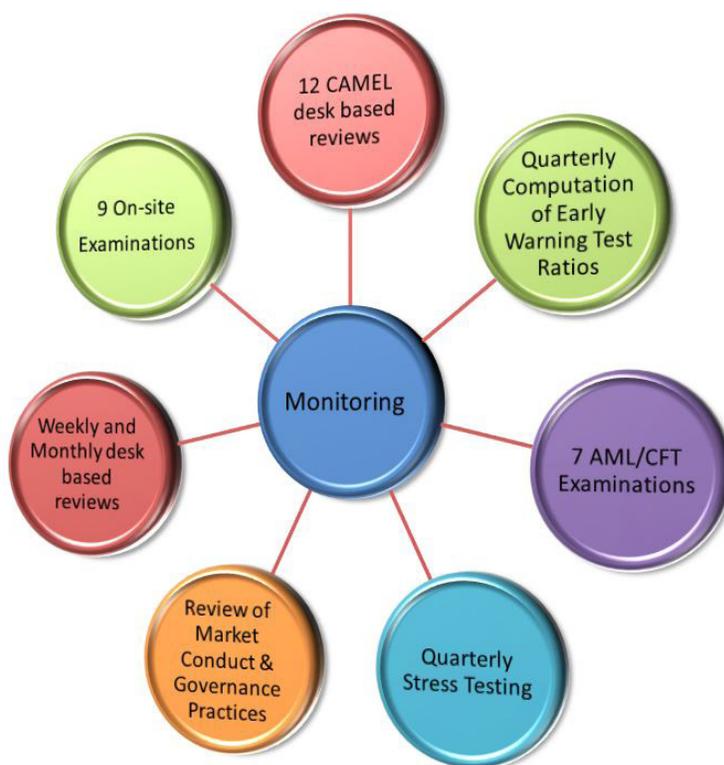
A Robust Securities Industry

The Securities Division is responsible for the supervision and monitoring of the securities industry in Jamaica through the administration of the Securities Act and its attendant regulations. During FY2015/16, the division continued to enhance its supervision of the industry with the implementation of key reforms in keeping with the Government of Jamaica's financial sector reform programme under the Extended Fund Facility with the IMF. During FY2015/16, the Division spearheaded key deliverables such as:

- The establishment of a distinct legal treatment for retail repo investors in the event of dealer insolvency;
- The designing of the key operational structures for a new third party trust framework for the retail repo product;
- The implementation of minimum transaction sizes for retail repo contracts;
- The development of a strategy to further strengthen prudential standards;
- The development of a model to conduct focused stress testing on securities dealers; and
- The transformation of the existing retail repo model to a third party trust-based arrangement.

Monitoring Activities

Chart 20 illustrates the various aspects of monitoring programmes conducted by the securities division of the FSC during FY2015/16.



Overview of the Securities Industry

Chart 21 shows the number of entities and individuals licensed and registered by the FSC by category of licenses or registration as at March 31, 2016.

A Robust Securities Industries cont'd

Chart 21: Licensees & Registrants by Category

	Licensed/ Registered At 31/3/16	Additions	Less Terminations/ Cancellations	Less Merged Entities	Licensed/ Registered At 31/3/15
Securities Dealers -Companies	44	0	2	0	46
Securities Dealers -Individuals	3	0	0	0	3
Securities Dealers' Representatives	862	162	92	0	792
Investment Advisers - Companies	3	1	0	0	2
Investment Advisers - Individuals	2	0	0	0	2
Investment Advisers' Representatives	2	2	0	0	0
Mutual Funds	11	1	0	0	10
Unit Trust Schemes	14	2	0	0	12
Total	941	168	94	0	867

As at March 31, 2016, there were 44 companies licensed as securities dealers in the market. **Chart 22** categorises each dealer based on its primary activities, namely core securities dealers and non-core securities dealers. The term “core securities dealers” is used to describe securities dealers which are companies engaged in securities dealing as their principal activity. It therefore includes unit trust fund management companies. The non-core securities dealers 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, for example, pension fund management.

Chart 22: Number of Licensed Securities Dealers, by Type of Company, as at March 31, 2016

Institution Type	2016
Core Securities Dealers ⁷	34
Non-Core Securities Dealers of which:	10
Building Society	1
Insurance Companies	4
Others	5
Total	44

⁷ Seven of the core securities dealers are also unit trust fund management companies. In addition, the licences of two core securities dealers, UGI Finance and Investments Limited, and Intertrade Finance Corporation, are currently suspended.

A Robust Securities Industries *cont'd*

Chart 23: Total Balance Sheet Assets of Securities Dealers by Type of Company, 2013-2015

Category of Securities Dealers (Company)	Total Assets					
	Dec-2013		Dec-2014 ⁸		Dec-2015	
	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total
Core Securities Dealers	523.77	57.22	559.15	58.32	532.37	55.86
Non-Core Securities Dealers of which:	391.65	42.78	399.67	41.68	420.59	44.14
Building Society	118.30	12.92	124.34	12.97	128.44	13.48
Insurance Companies	248.07	27.10	259.58	27.07	275.38	28.90
Others	25.28	2.76	15.75	1.64	16.77	1.76
Total	915.42	100.00	958.82	100.00	952.96	100.00

Chart 23 displays the total balance sheet asset of securities dealers for the period 2013 – 2015. As at December 31, 2015, the total balance sheet assets of the securities industry (comprised of core and non-core securities dealers) stood at J\$952.96 billion, reflecting a decline of J\$5.86 billion or 0.6 per cent over the corresponding period in 2015. The decline was primarily attributable to a 4.79 per cent reduction in the total assets held by core securities dealers, which accounted for 55.86 per cent of the total assets held by the industry.

Chart 24: Total Balance Sheet Capital of Securities Dealers by Type of Company, 2013-2015

Category of Securities Dealers (Company)	Capital					
	Dec-2013		Dec-2014 ⁹		Dec-2015	
	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total
Core Securities Dealers	69.52	47.04	74.47	49.47	73.67	47.32
Non-Core Securities Dealers of which:	78.27	52.96	76.06	50.53	82.00	52.68
Building Society	17.77	12.02	19.01	12.63	19.35	12.43
Insurance Companies	57.87	39.15	55.34	36.76	60.49	38.86
Others	2.64	1.79	1.71	1.14	2.16	1.39
Total	147.80	100.00	150.53	100.00	155.67	100.00

Chart 24 displays the total balance sheet capital of securities dealers for the period 2013 – 2015. As at December 31, 2015, the total balance sheet capital of the securities industry (comprising of core and non-core securities dealers) stood at J\$155.67 billion, a slight improvement of 3.3 per cent when compared to the similar period in 2014. Although there was an improvement in the total balance sheet capital for the securities industry, there was a 1.07 per cent decline in the amount of capital held by the core securities dealers, which may have been due to the reduction in total assets.

⁸ These figures were restated due to the fact that one securities dealer which was previously classified in the sub-category 'Others' under the category 'Non-Core Securities Dealers' was reclassified to the 'Core Securities Dealers' category.

⁹ These figures were restated due to the fact that one securities dealer which was previously classified in the sub-category 'Others' under the category 'Non-Core Securities Dealers' was reclassified to the 'Core Securities Dealers' category.

A Robust Securities Industries *cont'd*

Chart 25: Total Funds under Management of Securities Dealers by Type of Company, 2013-2015

Category of Securities Dealers (Company)	Funds under Management (FUM) ¹⁰					
	Dec -2013		Dec-2014 ¹¹		Dec-2015	
	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total
Core Securities Dealers	730.60	79.67	828.92	80.80	909.05	79.01
Non-Core Securities Dealers of which:	186.40	20.33	196.99	19.20	241.48	20.99
Building Society	0.00	0.00	0.00	0.00	0.00	0.00
Insurance Companies	156.84	17.10	172.26	16.79	209.70	18.23
Others	29.56	3.22	24.73	2.41	31.78	2.76
Total	917.00	100.00	1,025.91	100.00	1,150.53	100.00

Chart 25 illustrates the total funds under management (reported both on and off the balance sheet) of securities dealers for the period 2013 – 2015. As at December 31, 2015, the total funds under management of the securities industry (comprising of core and non-core securities dealers), stood at J\$1,150.53 billion, representing an increase of 12.15 per cent over the similar period in 2014. Since 2013, the total funds under management has been increasing annually with the core securities dealers accounting for approximately 79.83 per cent on average of the total amount. Although the total funds under management increased in 2015, the total assets of the core securities dealers declined during the same period. This suggests that securities dealers may be strategically managing more of their clients' funds off the balance sheet.

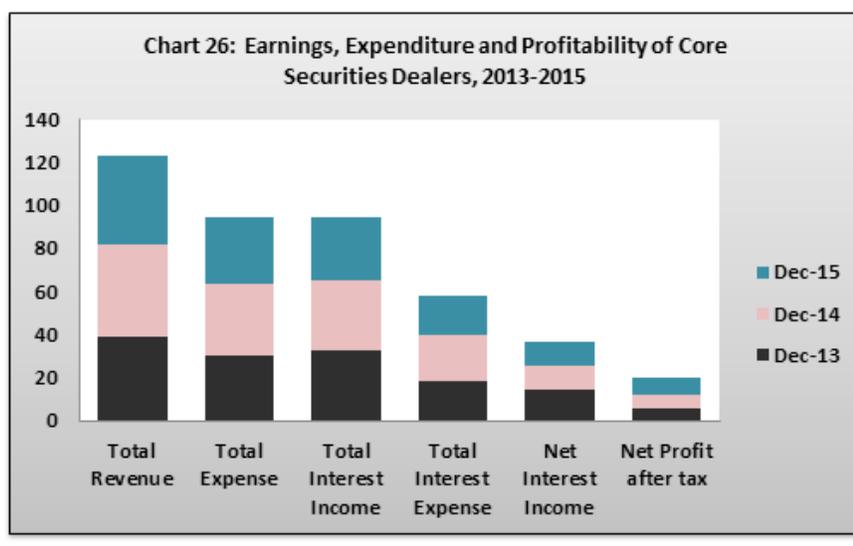


Chart 26 provides information on the earnings, expenditure and profitability of the core securities dealers over the last three years. Collectively, the core securities dealers remained profitable in 2015 recording a net after tax profit of J\$7.36 billion, despite a 3.01 per cent reduction in total revenue when compared to 2014. Of note, total interest income continued to be the main revenue source of the industry, accounting for approximately 70.52 per cent of total revenue recorded for the calendar year 2015.

¹⁰ FUM represents clients' funds which are managed by securities dealers either on or off the balance sheet. The term 'funds off balance sheet' can refer to situations where the funds invested by clients and the assets purchased with those funds are not reported on a securities dealer's balance sheet. Typically, the accounting records for these transactions are kept separate from the balance sheet to reflect that the securities dealer is not the recognized legal owner of the assets. This includes, for example, collective investment schemes (mutual funds, unit trusts etc.).

¹¹ These figures were restated due to the fact that one securities dealer which was previously classified in the sub-category 'Others' under the category 'Non-Core Securities Dealers' was reclassified to the 'Core Securities Dealers' category.

A Robust Securities Industries *cont'd*

Chart 27: Selected Prudential Indicators for Core Securities Dealers, 2013 – 2015

	Dec-2013 %	Dec-2014 %	Dec-2015 %	FSC Benchmark %
Capital Adequacy				
Capital / Total Assets	13.27	13.32	13.84	≥ 6
Capital Base ¹² / Risk Weighted Assets	21.89	21.59	20.98	≥ 10
Asset Quality				
Low Credit Risk Assets / Repo Liabilities	101.18	91.97	94.97	≥ 100
Profitability				
Return on Assets ¹³	1.11	1.14	1.38	
Return on Equity ¹⁴	8.34	8.59	9.99	
Net Interest Margin ¹⁵	43.02	34.40	39.76	
Net Profit Margin ¹⁶	15.03	14.94	17.71	

Chart 27 summarizes selected prudential indicators for the core securities dealers for the period 2013 to 2015. The sector remained adequately capitalized and robust despite the implementation of key reforms in the industry, namely the Retail Repo Reform. The quality of the assets underlying repurchase agreements is however an area of concern as evident from the fact that the average low-risk assets to repo liabilities ratio has fallen below the FSC's minimum benchmark requirement.

Overview of Collective Investment Schemes

As at December 31, 2015, the Unit Trusts Sector comprised twelve (12) unit trust funds, managed by five (5) fund managers. The unit trust portfolios consisted mainly of fixed income securities, real estate and equity investments. The total funds managed by unit trust fund management companies stood at J\$142.3 billion. This represented a 27.65 per cent increase over the previous year's amount of \$111.4 billion. **Chart 28** outlines a summary of the activities for the three-year period ended December 2015. The growth in funds managed by the unit trusts was due to (i) new funds; (ii) large purchases by investment managers for pension plans; and (iii) the continued movement of clients' funds from retail repo products to unit trust products.

Chart 28: Unit Trusts FUM Activities for the three year period ended December 2015

	Dec 2013	Dec 2014	Dec 2015
Total FUM (\$ Billions)	58.0	111.4	142.3
Activity during the year (\$Billions)			
Value of Units Sold	24.2	58.1	39.5
Value of Units Redeemed	17.4	13.0	21.4
Net Inflow	6.8	45.1	18.1

¹² Capital base is the regulatory capital which is comprised of tier 1 and tier capital.

¹³ Return on assets is computed by dividing net income after tax by total balance sheet assets.

¹⁴ Return on equity is computed by dividing net income after tax by balance sheet capital.

¹⁵ Net Interest Margin is computed by dividing net interest income by total interest income.

¹⁶ Net Profit Margin is computed by dividing net profit after tax by total revenue.

A Robust Securities Industries cont'd

Overview of Collective Investment Schemes cont'd

Chart 29 shows the combined net purchases over the period December 2013 to December 2015. It illustrates the variability of the buying and selling of units. All the quarters under review experienced net purchases, albeit at significantly different levels.

Mutual Funds

For the year ended December 31, 2015, ten (10) overseas mutual funds were registered with the FSC for sale in Jamaica. The mutual fund investment portfolios comprised mainly of equities and fixed income securities. The total amount invested in these funds by Jamaicans amounted to USD 206 million. **Chart 30** depicts the amount of purchases and redemptions done by Jamaicans during the period December 2013 to December 2015.



Overview of the Equities & Private Debt Markets

The private debt market is comprised mainly of short and medium term notes; however, instruments with tenures of five (5) years and more accounted for twenty (20) per cent of the total instruments registered in 2015. There were eighty-five (85) exempt distributions registered during 2015; a thirty-one (31) per cent reduction when compared to the one hundred and twenty three (123) recorded in 2014. However, the value of the transactions was fifty eight (58) per cent more than that recorded in 2014 (see **Chart 31**). The Accredited Investor Exemption was most utilized by issuers, accounting for fifty four (54) per cent of the distributions in 2015.

Public Offerings

During 2015, ten (10) publicly traded equity securities were registered with the FSC. All, but one (1), were listed on the JSE. The combined value of these listings amounted to approximately \$8.7 billion, reflecting a year-over-year increase of 383 per cent in the value of registered equity securities (See **Chart 32**).

Chart 30: Summary of Mutual Funds under Management by Jamaicans

	Dec 2013	Dec 2014	Dec 2015
Total FUM (USD million)	165	177	206
Activity during the year (USD million)			
Value of Units Sold	37	39	65
Value of Units Redeemed	16	32	25
Net Inflow	21	7	40

CHART 31: EXEMPT DISTRIBUTIONS REGISTERED BETWEEN 2011 - 2015

	2011	2012	2013	2014	2015
Number of Exempt Distributions	51	37	75	123	85
Value (\$ Billions)	31.9	40.1	31.1	75.9	120.1

CHART 32: PUBLIC OFFERINGS REGISTERED BETWEEN 2011 - 2015

	2011	2012	2013	2014	2015
Number of Public Offerings	7	4	17	6	10
Value (\$ Billions)	4	0.4	4.8	1.8	8.7

A Robust Securities Industries *cont'd*

Listings

The total listings on the Junior Market remained at twenty-three (23) throughout 2015. However, the volumes traded in the Junior Market during 2015 amounted to over 1.2 billion units, representing a 119 per cent increase over the 592 million units traded in 2014. While the Junior Market experienced a year over year increase in volume, the Main Market experienced a decline in volumes traded by 11 per cent, moving from 2.1 billion to 1.8 billion.

In 2015, both the Junior and Main Markets experienced year-over-year increases in the total number of transactions. The Junior Market recorded a 77 per cent increase in the total number of transactions, while there was a 35 per cent increase in the Main Market. Consistent with the increase in the number of trades, the monetary value of the amount traded significantly increased by 271 per cent over the previous year. The increase in value traded on the Junior Market was complimented by a little less spectacular 60 per cent increase recorded by the Main Market in 2015.

Average stock prices, both in the Junior and Main Markets experienced significant increases. The average price of stocks listed on the Main Market increased by 162 per cent in 2015 with 27 of the 32 stocks appreciating in value. The Junior Market showed a year-over-year average increase of 145.69 per cent, with 22 of its 23 listings appreciating in value during the year.

Supervisory Risk Assessment Outcome for 2015-2016

Annual assessments were conducted on 11 securities dealers that accounted for approximately 65 per cent of the industry's total funds under management as at December 31, 2015. The assessments focused primarily on three quantitative areas, namely: capital adequacy, asset quality and sensitivity to liquidity and interest rate risks. A brief summary is provided below:

- i. **Capital Adequacy** – Overall, the dealers remained adequately capitalized despite a few instances of a decline in balance sheet capital. The FSC continued to actively monitor this component of the risk assessment;
- ii. **Asset Quality** – The dealers' portfolios continued to be dominated by securities issued or guaranteed by the Government of Jamaica. This indicated high levels of concentration risk. Some level of diversification was observed during the period under review; and
- iii. **Sensitivity to Liquidity and Interest rate risks** – Given the significance of repurchase agreement transactions to securities dealers' activities, liquidity and interest rate risks continued to pose a serious threat to the dealers and the sector as a whole. The high levels of liquidity and interest rate risks were primarily attributable to the mismatches between the maturities of the repurchase agreement obligations and their underlying securities. If not appropriately managed, these risks could have significantly impacted the securities dealers' operations.

Risk Outlook for the Securities Industry

Over the medium term, the risk assessment areas will be further expanded to include detailed reviews of the governance framework and control environment of securities dealers. This move will be accomplished as the Securities Division transitions to a fully risk based supervisory framework. The expected benefit from such a transition is the enhanced supervisory oversight of activities and practices in the industry which pose the greatest risk to the soundness of securities dealers.

Over the next three years, the quality and quantity of core regulatory capital will be strengthened with the implementation of key provisions in the Securities (Prudential) Regulations, 2014. Securities dealers will be required to conduct stress testing and manage risks associated with large exposures. The Division will therefore continue to enhance its prudential supervision of the market to ensure that the levels of capital maintained by dealers are commensurate with their risk profiles.

Securities dealers' activities and their ability to diversify in foreign currency denominated securities continue to be restricted by Section 22 of the Bank of Jamaica Act and the accompanying ministerial orders. In light of the challenges posed by the restrictions, the FSC has made for a review of the limits.

Additionally, the contraction in the clients' funds recorded on the balance sheets as well as the growth in the off balance sheet funds under management that was observed in 2015/16 is expected to continue. As the prudential standards for the industry are enhanced, it is likely that dealers will continue to move funds off their balance sheet in order to reduce their financial risks and the capital charges associated with these risks. This realignment of the management of client funds means that the financial risks will move directly to the investors. Consequently, the Securities Division will place additional focus on enhanced disclosures in order to ensure that investors have access to adequate information which can assist them in understanding the risks associated with their investments.

A Trusted Private Pensions Industry

The Pensions Division of the FSC has formulated the following vision and mission statements as part of its stakeholder service charter:

VISION

To be an effective, impartial, credible and relevant regulator, engaging stakeholders to support the development and growth of a robust pensions industry.

MISSION

To enable a sustainable regulatory environment, supportive of the preservation of pension benefits aimed at improving pension adequacy, protection of members' rights, and increased coverage through the provision of information, guidance and oversight of all stakeholders.

Overview of the Private Pensions Landscape

As at December 31, 2015, there was a total of 801 approved pension plans. **Chart 33** provides more details.

Chart 33: Number of pension plans regulated by the FSC as at December 31, 2015

Status	Defined Benefit	Defined Contribution (DC)		Total
		Funds	Schemes	
Active	105	294	12	411
Inactive	5	14	0	19
Terminated	86	285	0	371
Total	196	593	12	801

Membership in active Defined Contribution (DC) Funds and Schemes stood at 80,473 while active membership of Defined Benefit (DB) Funds was 21,856. The annual growth in the membership of DC Funds and Schemes, which reflected an increase of 11 per cent, continues to outpace that of DB Funds, which registered a decrease in membership of 2 per cent. Of the membership in DC Funds, there were 40,023 members in approved Schemes reflecting an increase of 24 per cent from 32,253 members at the same date twelve months earlier (Chart 34). In addition, 60 per cent of total active membership was concentrated in 20 Funds and Schemes each having more than 1,000 members. Further, approximately 29 per cent of the active membership was concentrated in three Schemes each having more than 5,000 members. Funds with 50 or less members accounted for approximately 5 per cent of total active membership.

DC and DB Funds, which were inactive or being terminated accounted for an additional 2,327 and 5,328 members respectively. Further, 5,024 pensioners were being paid directly from all Funds and Schemes.

Chart 34: Membership as at December 31, 2015

Status	Defined Benefit	Defined Contribution		Total
		Funds	Schemes	
Active	21,856	40,450	40,023	102,329
Inactive	2,243	84	0	2,327
Terminated	3,626	1,702	0	5,328
Total	27,725	42,236	40,023	109,984

Chart 35 shows the percentage of the employed labour force. Analysis of the data also reflects that coverage is highest in the finance/commerce sectors and lowest in the bauxite/mining sectors.

Chart 35: Private Pension Coverage as a Percentage of the Employed Labour Force



Outsourcing of the administration and investment management of Funds and Schemes remains constant; with less than 5 per cent of these arrangements being self-managed. Chart 36 shows the number of approved investment managers by category as well as the private pension assets under their management.

Chart 36: Total Assets under Management & Number of Approved Investment Managers

Investment Managers	December 31, 2015		December 31, 2014		December 31, 2013	
	Number of Entities	Asset Values (\$'B)	Number of Entities	Asset Values (\$'B)	Number of Entities	Asset Values (\$'B)
Insurance Companies	3	207.65	3	173.85	3	154.79
Securities Dealers	16	155.19	16	133.65	16	120.14
Credit Unions/ Building Societies	2	0.30	2	0.24	2	0.27
Other	5	33.81	5	33.71	6	31.74
Total	26	396.95	26	341.45	27	306.94

A Trusted Private Pensions Industry cont'd

Authorization

During the FY2015, 145 applications were received, representing an 11 per cent decrease compared with the 163 submissions recorded in the previous year. **Chart 37** shows the number of submissions received and approved by categories of registrants and licensees.

Chart 37: Number and Types of Applications by Categories of Registrants and Licensees

Registrant & Licensees	Net Applications as at 3/31/2015 ⁸		New Applications	Approved In Current Year	Cancellations: 2015-16 Winding-up / Withdrawals		Net Applications as at 3/31/2016		
	Approved	Not Approved			Approved or Licensed	Not Approved	Approved	Not Yet Approved	Incomplete
	(1)	(2)	(3)	(4)	(5)	(6)	(7): (1)+(4)-(5)	(8)	(9)
Funds	342	66	2	5	10	4	337	58	1
Schemes	13	-	1	-	1	-	12	1	-
Trustees (Individuals)	2,050	98	133	114	237	15	1,927	70	27
Trustees (Corporate)	3	1	-	-	-	-	3	-	1
Responsible Officers¹⁷	38	4	4	5	2	2	41	1	-
Administrators	28	-	2	2	1	-	29*	-	-
Investment Managers	26	-	3	2	-	1	28*	1	-

* Includes one entity whose discontinuance has not been considered by the Board of Commissioners; R-revised

Auditors and Actuaries

The FSC is required to determine the suitability of the actuaries and auditors appointed to the pension plans which fall within the ambit of the Pensions Act. The FSC completed the processing of two of the three submissions received from auditors during FY2015/2016.

Amendments to Constitutive Documents

For the FY2015/16, fifteen (15) Constitutive Documents of superannuation funds with amendments were received by the FSC (See **Chart 38**).

Snapshot: Pension Plans & Schemes Performance

Aggregate total pension assets as at December 31, 2015 grew by 16 per cent when compared with the previous year. See **Chart 39**. This growth occurred despite the fact that a few Funds and one Scheme initiated the process of winding-up during the year.

Chart 38: Current Status of Amendments before the FSC for its consideration

Registrant & Licensees	Applications as at 3/31/2015	New Applications	Approved In Current Year	Applications as at 3/31/2016
	B/F			C/F
Funds	32	15	13	34
Schemes	-	-	-	-
Total	32	15	13	34

¹⁷ Previously the capacities of the Responsible Officers were reported by the FSC. The information in this table now reflects the actual number of persons acting as Responsible Officers in the private pensions industry

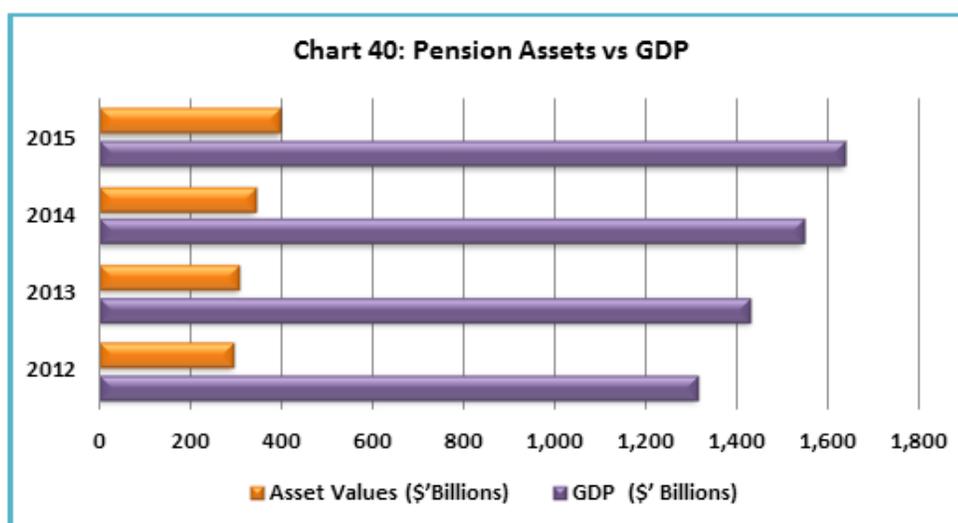
* Includes one entity whose discontinuance has not been considered by the Board of Commissioners.

^ Prior year information has been updated.

A Trusted Private Pensions Industry *cont'd*

Types of Investment	Amount Invested \$'Billion	% of Total Investments	Amount Invested \$'Billion	% of Total Investments	Amount Invested \$'Billion	% of Total Investments
	Dec-15		Dec-14		Dec-13	
Deposits	4.1	1.0%	2.8	0.8%	3.7	1.2%
Commercial Paper	0.2	0.1%	0.0	0.0%	0.3	0.1%
Securities of Governments	133.4	33.8%	138.3	40.9%	130.2	42.9%
Repurchase Agreements	25.4	6.4%	31.8	9.4%	22.8	7.5%
Bonds and Debentures	11.7	3.0%	5.2	1.6%	3.1	1.0%
Mortgage Loans	0.2	0.0%	0.3	0.1%	0.2	0.1%
Other Loans	2.7	0.7%	2.3	0.7%	1.9	0.6%
Promissory Notes	3.3	0.8%	2.4	0.7%	1.4	0.5%
Leases	2.8	0.7%	1.8	0.5%	1.8	0.6%
Stocks and Shares	58.1	14.7%	31.6	9.3%	30.2	9.9%
Real Estate	21.4	5.4%	20.1	5.9%	18.2	6.0%
Investment Arrangements	130.1	32.9%	100.6	29.7%	89.3	29.4%
Other Investments	1.6	0.4%	1.2	0.3%	0.6	0.2%
Total Investments	395.1	100.0%	338.4	100%	303.7	100%
Other Net Assets	1.8		3.0		3.2	
Total Assets	396.9		341.4		306.9	

The accumulated assets of Funds and Schemes combined over the past three calendar years were valued, on average, 23 per cent of Gross Domestic Product (GDP). Relative to the total financial system assets, the aggregate private pension industry assets accounted for 16 per cent.



A Trusted Private Pensions Industry *cont'd*

Supervisory Risk Assessment Outcome for 2015-2016

Off-site (Desk-Based) Examinations

Three hundred and fifteen (315) assessments of pension plans were completed during the fiscal year and 40 assessments were done for corporate entities. The number of superannuation funds (Funds) and retirement schemes (Schemes) regarded as exposed to high levels of risk remains stable. Issues relating to funding and solvency continue to be the main contributing factor in the risk profile of the plans assessed with high levels of risk.

As at March 31, 2016, there was a 1 percentage point improvement (from 93 per cent to 94 per cent) in the number of solvent Defined Contribution (DC) Funds and Schemes and a 2 percentage points increase in the number of solvent Defined Benefit (DB) Funds moving from 88 per cent to 90 per cent based on available data.

Two companies operating in the dual capacities as administrator and investment manager and one entity in its capacity as investment manager were considered as having high levels of risk as a result of poor risk management and weak internal controls. The number of licensees evaluated to possess moderate risk levels fell by 21 per cent over the fiscal period moving from 29 at end-March 2015 to 23 at end March 2016.

The outcomes of the risk assessments are as shown in **Charts 41** and **42**.

Chart 41: Results of Risk Assessment of Pension Plans

Early Warning Risk Assessment	Plan Impact	Risk Level		
		L	M	H
DC	L	110	0	4
	M	34	0	1
	H	59	0	2
Traditional DB ¹⁸	L	10	1	1
	M	13	0	0
	H	52	0	7
Hybrid DB ¹⁹	L	0	0	0
	M	0	0	0
	H	6	0	0
Mixed DB ²⁰	L	0	0	0
	M	0	0	0
	H	3	0	0
Retirement Schemes	L	0	0	0
	M	0	0	0
	H	10	1	1
Total		297	2	16

Warning Letters

One superannuation fund was issued a warning letter for failing to file required statutory reports.

¹⁸ This is a DB plan where benefits are linked through a formula to the members' wages or salaries, length of employment, or other factors.

¹⁹ This is a DB plan where benefits depended 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.

²⁰ This is a DB plan that has two separate DB and DC components but which are treated as part of the same plan.

Chart 42: Results of Risk Assessment of Corporate Service Providers

	Plan Impact	Risk Level		
		Low	Moderate	High
Administrators	Low	2	1	0
	Moderate	4	7	0
	High	1	4	2
Investment Managers	Low	2	2	0
	Moderate	3	5	0
	High	0	4	3
Corporate Trustees	Low	0	0	0
	Moderate	0	0	0
	High	0	0	0
Total		12	23	5

On-site Examination

Two of five (5) on-site examinations, involving two (2) companies, two (2) retirement schemes and one (1) superannuation fund, which were conducted during the fiscal year under review, were completed.

Winding-Up of Funds & Schemes

In this review period, the FSC received 15 new submissions (inclusive of 1 partial-winding-up) for the winding-up of Funds, three less than the corresponding period for the previous year; and one in respect of a retirement scheme. Proposed schemes of distribution of surplus assets were also filed in relation to 18 Funds. Approval for the winding-up of 21 Funds (representing a 91 per cent increase over the amount in the previous year) were granted by the FSC and, in respect of partial-winding-ups, nine (9) non-objections were issued.

Statement of Investment Policies and Principles

A total of 86 submissions were processed during the fiscal period.

Risk Outlook

The Jamaican economy grew nominally by approximately 6 per cent in 2015 and inflation stood at 3.66 per cent culminating the fifth consecutive year of single digit inflation and the lowest annual rate recorded in over a decade. However, the Jamaican dollar depreciated by 5.48 per cent during 2015. The private pensions industry remained stable as local and global economic challenges appeared to be easing. Direct investment in Government of Jamaica securities accounted for 34 per cent of the aggregate pension assets as at December 31, 2015. This continued to represent the single most significant 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 22 per cent to \$33 billion; representing 8 per cent of total invested assets. As a result of the growth of investment arrangements, which accounted for 57 per cent of the foreign currency stock, there was an increase in the pensions funds' exposure to foreign currency risk.

A Trusted Private Pensions Industry cont'd

Supervisory Risk Assessment Outcome for 2015-2016 cont'd

Risk Outlook cont'd

The local stock market experienced phenomenal growth of 97 per cent during 2015. For the private pensions industry, there was an aggregate 84 per cent increase in the value of direct holdings of stocks and shares within the portfolio of Funds and Schemes accounting for 15 per cent of the private pension assets, which are invested in equities. The improved performance of the local stock market continues to provide opportunities for Funds and Schemes, which need to diversify their portfolios and reduce counter party and foreign exchange risk exposures.

Despite the termination of some pension plans in 2015, there was an increased pension coverage in comparison to 2014, due to the growth of the number of Jamaicans participating in private pension arrangement. As Fund sponsors continued to feel the strain of the tight fiscal policies, this poses a threat to the sustained provision of adequate pension coverage, notwithstanding the growth of membership of the Schemes. The sustainability of increased membership in Schemes is partially dependent 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 governance practices of investment managers, administrators and trustees, it encouraged members of Funds and Schemes to be vigilant.

In particular, the FSC requires adequate disclosures to investors and the prudent investment of assets in accordance with the Statements of Investment Policies and Principles.

Outlook for the Pensions Division

For the FY2016/17, the Pensions Division has identified the following key areas of focus as it continues to robustly monitor and supervise the pensions industry:

Public Education - the Pensions Division will be actively engaging its stakeholders by holding a number of meetings aimed at sensitizing the industry to developing trends critical to the operation of the industry. In addition, publications with regards to the following topics are being proposed for the fiscal year:

- FSC's risk management framework;
- Information Folder;
- Good governance for trustees;
- Risk management and internal controls for trustees;
- Requirements for pension auditors; and
- Data on the value of pension assets for investment managers.

Upholding Market Integrity Through Investigation & Enforcement

The Investigation and Enforcement Division (I&E) is the conduct arm of the FSC charged with the responsibility of ensuring that individuals and entities operating in the insurance, securities and private pensions sectors comply with the laws administered by the FSC, and laws under which the FSC has been designated as a Competent Authority.

A critical component of the FSC's role as a credible regulator is its ability to execute enforcement actions grounded in the objectives of:

- Protecting users of FSC-regulated institutions;
- Securing fair, efficient, and orderly financial markets; and
- Promoting public and investor confidence in the integrity of those markets.

These objectives lie at the heart of I&E's core function to detect, deter and prevent misconduct in the market place, and to institute appropriate enforcement actions. To discharge these obligations, I&E performs the following functions:

- Investigate and process the handling of complaints submitted to the FSC by consumers;
- Conduct fit and proper assessments of applicants and persons employed within the FSC-regulated industries, pursuant to internal referrals where specific concerns are flagged;
- Conduct investigations into breaches of the laws that the FSC administers;
- Facilitate and strengthen sharing of information and collaboration with local, regional and overseas regulators and law enforcement agencies; and

- Lead and co-ordinate the FSC's functions as the Competent Authority for the purposes of countering money laundering and the financing of terrorism (AML/CFT).

In addition to the core functions, the I&E contributed to the FSC's financial education and played an active role on the Consumer Protection Working Group of the National Financial Inclusion Strategy.

Key Achievements of the Division for 2015-2016

The FY2015/16 was marked by successful efforts by I&E to promote compliance; strengthen market integrity; bolster consumer education and protection; and increase the visibility of the division. These efforts assisted the FSC in its organizational-wide strategies, both locally and internationally, to develop and implement policies and procedures integral to the development and preservation of robust, well-functioning markets. The following represents the highlights of I&E's achievements:

Investigations

The FSC, through I&E, conducts three main types of investigation:

- The processing and investigation of complaints
- Investigations into potential violations of the statutes governing the operations of the FSC-regulated; and
- Fit and proper investigations

Processing and Investigation of Complaints

During the review period, the FSC resolved 39 of the 106 complaints received. **Chart 43** displays the percentage of complaints received by industry.

I&E's work in receiving and investigating complaints resulted in consumers becoming more aware of the FSC as an avenue for addressing and resolving grievances stemming from their transactions/interactions with the regulated entities. Furthermore, through its complaints processing mechanism, the FSC gained greater access to valuable information on the scope, types, and severity of the issues consumers face regarding their transactions/interactions with the financial institutions. Access to this information provides the FSC with crucial data to -

- Inform its consumer education initiatives;
- Inform the FSC's risk profiling of its regulated entities;
- Enhance the dialogue with the FSC's licensees regarding their obligations to their consumers and the general public; and
- Target appropriately the most problematic areas of concern requiring enforcement action.

Investigations into Breaches of the Relevant Statutes

During FY2015/16, the I&E carried on 66 investigations; of which, four (4) were closed. Of the 66 investigations, seventeen (17) were fit and proper, while the remaining 49 were for possible breaches of the legislation.

Upholding Market Integrity Through Investigation & Enforcement cont'd

Fit and Proper Investigations

The FSC seeks to ensure that the persons operating within the regulated industries are of a certain calibre and fit to participate in the financial markets. I&E executes this function by conducting fit and proper assessments of applicants for licensing and registration and persons who are existing licensees/registrants to ascertain, among other things inter alia, their competence, integrity, character for honesty, probity and financial soundness.

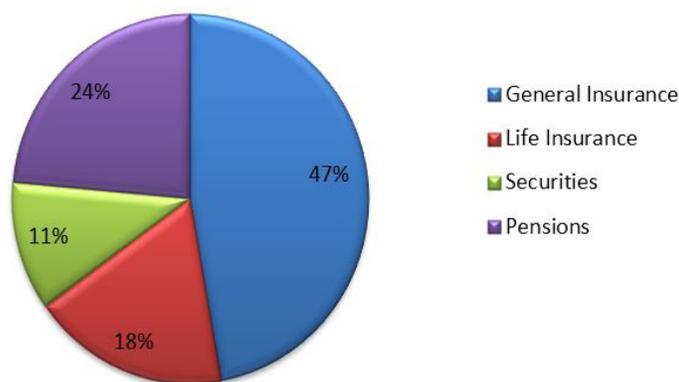
Anti-Money Laundering & Counter-Financing of Terrorism (AML/CFT)

As the FSC is the designated Competent Authority for the insurance, securities and private pensions sectors under the Proceeds of Crime Act (POCA) and the Terrorism Prevention Act (TPA), I&E is primarily responsible for advancing the FSC's efforts to satisfy this obligation. This is achieved through the implementation of a robust AML/CFT framework and the establishment of other initiatives designed to ensure that regulated entities and individuals are adequately educated and monitored in respect of their AML/CFT duties. I&E has undertaken or established the following AML/CFT initiatives:

- **The Creation of an AML/CFT Unit:** I&E spearheaded the establishment of a specialized and centralized Unit to address all aspects of the FSC's supervisory oversight and regulation in relation to AML/CFT. The AML/CFT Unit acts as the lead coordinator and repository of AML/ CFT supervision data for the FSC and as initiator of regulatory action relating to money laundering (ML) and terrorism financing (TF) breaches pursuant to POCA and TFA.
- **Guidelines:** I&E amended and finalized the Guidelines for Anti-Money Laundering & Counter-Financing of Terrorism issued by the Financial Services Commission (for Entities regulated under the Insurance, Pensions, & Securities Acts & Regulations). These Guidelines aid the FSC's licensees and registrants in instituting sound and effective AML/CFT programmes. The Guidelines were published in the Jamaica Gazette on August 11, 2015.

- **CFATF Mutual Evaluation:** In June of 2015, Jamaica underwent a Mutual Evaluation by the Caribbean Financial Action Task Force ("CFATF"),²¹ which assessed the strength and effectiveness of Jamaica's existing legal regime and measures to address the money laundering (ML) and terrorism financing (TF) challenges faced by the jurisdiction. On a micro level, the assessment also evaluated the (i) FSC's discharge of its role as a Competent Authority under POCA and the TPA for educating and promoting compliance with those laws by its licensees; and (ii) the measures implemented by the FSC to address ML and TF issues affecting its regulated industries.
- **Training/Public Briefing:** As part of the FSC's responsibility to educate its licensees on their AML/ CFT obligations under POCA and the TPA, I&E conducted the following AML/CFT training initiatives:
 - AML/ CFT Public Forum 2015
 - AML/CFT Annual Conference 2015
 - Issuance of Public Advisories and Updates relating to the following;
 - The CFATF Mutual Evaluation (MEV) Exercise for 2015;

Chart 43: Percentage Complaints Received by Industry, 2015 -2016



²¹ CFATF is a regionally-styled body of the Financial Action Task Force (FATF). FATF is the international standard setting body for "developing and promoting policies to combat money laundering and terrorist financing."

Upholding Market Integrity Through Investigation & Enforcement cont'd

- 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 AML/CFT Risks.
- **Publications:**
During the period under review, the following were published:
- Understanding the CFATF Mutual Evaluation Process (Publication in the FSC Compass),
 - Al Qaida listing disseminated to FSC's regulated sectors (periodically),
 - Advisory issued on the publication of the FSC's AML/CFT Guidelines in the Jamaica Gazette, and
 - Public Advisories on Unregistered Financial Operations

Strengthening Local, Regional, and International Enforcement Cooperation

As the local and international regulatory landscapes become increasingly homogenous and continue to evolve, regulators need enhanced local and cross-border collaborative efforts and strategies to strengthen the detection, investigation, and prosecution of misconduct in the market place, and so enhance deterrence.

I&E adopted several measures to establish and concretize regional and international commitments to the sharing of information for regulatory purposes. Dialogue was initiated with local and regional partners regarding participating in bilateral Memoranda of Understandings (MOUs) which would facilitate cooperation with our regulatory and provide mechanism for information sharing.

The FSC, made its first requests for assistance under the IOSCO MMOU and processed requests made by international regulatory bodies on securities-related matters.

Outlook for the I&E Division

The I&E will continue its efforts to:

- Enhance consumer protection and consumer awareness;
- Increase the visibility of the I&E Division and, by extension, the FSC;
- Strengthen cross-border and local cooperation and collaboration for enforcement and regulatory purposes;
- Bolster the FSC's AML/CFT supervisory and legal regime;
- Increase its participation in global efforts to regulate the markets that have implications for the regulated local markets;
- Implement the Zero Tolerance Policy - An initiative that was developed in 2015-16, which is aimed at holding licensees to a higher standard of compliance with the relevant laws and their obligations to consumers of their services; and
- Develop the Whistle-blower Programme - As part of its efforts to safeguard the public against market abuses and manipulation, the FSC will continue to develop a whistle-blower programme designed to incentivize and encourage the public to report misconduct to the FSC, and to protect against retaliation for making such disclosures.

Regulatory Reforms

In response to a dynamic and evolving financial market, the FSC constantly reviews and revises its legislative and supervisory framework. This falls within the responsibility of the Legal Services, Research and Policy Division. The legislative achievements of the FSC during FY2015 are set out below:



1

The Act was amended in order to keep pace with developments in the local and international insurance sectors and to be align with international standards. The amendments included:

- Enhanced disclosure requirements in relation to the average clause;
- Clarification of the treatment of unclaimed benefits;
- Exemptions for certain persons and categories of persons from the regulatory requirements under the Act;
- Requirements for insurance companies to introduce and implement comprehensive risk management programmes including stress testing and asset liability management; and
- Clarification of the priority for claims by policy holders in the event of the winding-up of an insurance company

2

The Collective Investment Schemes Regulations were reviewed during FY2015/16 to address operational issues arising from its implementation. A noteworthy change to the regulations were the amendments to Regulation 33 to exempt securities issued or guaranteed by the GOJ and the BOJ from the ten per cent diversification requirement that was prescribed in the original regulations. This change will allow a CIS to hold more than 10 per cent of their portfolio in GOJ and BOJ securities.

3

Changes were effected to the Securities (Retail Repurchase Agreements) Regulations, 2014 in July 2015 allowing for the use of unique identification numbers for repo clients issued by countries other than Jamaica and introducing other similar measures aimed at facilitating a smooth transition of the retail repo market from the existing framework into a trust based arrangement by the August 31, 2015 deadline under the MEFP.

Investor Education & Empowerment: Advancing Our Approach to Literacy for Youth

The FSC recognizes that investor education is inextricably linked to greater investor confidence. This investor confidence is derived from investors' understanding of the operations of financial markets. The FSC places high value on its role to safeguard against market manipulation and has been actively sharing with stakeholders about the critical role to be played by the investors themselves in protecting their own financial interests. The expected outcome is a more resilient capital market which in turn, drives economic growth. To this end, the FSC pursued a robust calendar of activities to promote investor education during the FY2015/16. Particular emphasis was placed on financial education and inclusion for the youth. In addition to the 2015/16 Schools' Financial Education Programme (SFEP), the following initiatives were undertaken:

- **UWI Mona Law School**

The FSC hosted 15 final-year students from the UWI, Mona Faculty of Law pursuing the inaugural "Caribbean Securities Regulation" course on the 18th of November 2015. Presentations were made by members of the FSC's Legal, Securities and Investigation & Enforcement Teams, followed by a tour of the FSC's offices. The students were accompanied by their Lecturer, Dr. Shazeeda Ali.

- **Junior Achievement Jamaica's "Biz-Town" Summer Camp**

The FSC has been partnering with Junior Achievement Jamaica (JAJ) and other key stakeholders to provide education to Jamaican youth about financial matters. As such, during the FY2015/16, the FSC participated in the JAJ BizTown Summer Camp, which was designed to focus on practical learning experiences by

creating replicas of business entities in the financial and other service industries. This provided students with a worthwhile opportunity to build their capacities in the areas of entrepreneurship, financial literacy and workforce readiness during their time out of school. Keron Morris, Manager of Office of Communications and International Relationships (OCIR), delivered a presentation on "Youth Finance" to approximately 20 students with ages ranging from 15-18 years along with 4 representatives from the JAJ. The aim of this presentation was to sensitize participants on the work of the FSC, credit bureaus, confidentiality, investments and how to manage their credit history.

- **JSE Youth Town Hall Meeting**

The JSE hosted its 8th National Investor Education Week during the period September 26th to October 1st, 2015 under the theme: "Financial Knowledge the Key to Wealth Creation". As a sponsor of this nationally significant financial literacy initiative, the FSC delivered a presentation at a Town Hall Meeting at the Jamaica Pegasus Hotel. The address was made to an estimated 500 youths in fifth and sixth form from high schools across the island. The aim of this experience was to share valuable lessons for building a solid financial education, which can assist the young aspirants throughout life.

- **Merlene Ottey High**

The FSC sponsored a financial education tour of the FSC, Bank of Jamaica and the Jamaica Stock Exchange for 30 students and two members of staff from the Merlene Ottey High School in Hanover in February 2016.

On their visit to the FSC, the students met members of staff who engaged them in meaningful discussion about financial goal-setting through budgeting, investments, credit management and protecting their personal information online. The tour of the Bank of Jamaica involved a visit to the Money Museum and facilitates lively discussions on the evolution of money and the role of the Central Bank. The participants learnt about the stock market and its importance during their visit of the Jamaica Stock Exchange.

- **Appointment to the Junior Achievement Jamaica Boards**

The FSC joined both the Executive and Operations Board of Junior Achievement Jamaica (JAJ) for the first time, during the FY2015. The FSC's Executive Director, Ms Janice P. Holness was appointed to the JAJ's Executive Board, while Mr Keron Morris, Head of the FSC's OCIR, was appointed to JAJ's Operations Board. The FSC's service on JAJ's Boards demonstrates its commitment to a long-term partnership with JAJ to promote and facilitate important life skills for our nation's youth. JAJ is led by its Executive and Operations Boards, which comprise leaders from both the private and public sectors. Junior Achievement (JA) is the world's largest organization dedicated to educating students about workforce readiness, entrepreneurship and financial literacy through experiential, hands-on programs.

Strengthening Human Resources

Development of Professional and Specialized Skills

Over the years, the FSC's management has placed great emphasis and importance on the development of professional and specialised skills of its employees, through varying avenues. The FSC facilitates and encourages the constant training of employees to ensure their continued professional and personal growth. During the FY2015/16, two employees were trained as Caribbean Financial Action Task Force (CFATF) assessors in the British Virgin Islands.

The main objective of the training was to provide participants with the requisite knowledge of the Financial Action Task Force (FATF) recommendations as well as the skills for conducting mutual assessments. The training consisted primarily of simulation exercises relating to the execution of a mutual assessment, conducting national risk assessments as well as the review of national risk assessments to determine levels of effectiveness of the measures in place to combat said risks.

This mutual assessment training was not only beneficial to the participants, but also to the region, and puts the FSC in a better position to support the Proceeds of Crime Act (POCA) and the Terrorism Prevention Act (TPA).

Nurturing Skills through Secondment and Attachment

In FY2015/16, three (3) employees of the FSC were seconded to overseas organizations. Details of the three secondments are as follows:

I. Ms Nyssa-Kaye Darby was seconded to IOSCO's administrative office in London in June 2015 for a period of two (2) weeks during IOSCO's 40th Annual Conference. The secondment enabled Ms Darby to observe the logistical and other associated arrangements of IOSCO's London office in preparation for Jamaica's hosting of IOSCO's 42nd Annual Conference in 2017.

II. Mr Floyd Thompson was seconded to the Policy and Research Unit at the Pension Commission (PC) in Bermuda for the period July 1-31, 2015 through an initiative spearheaded by the Caribbean Regional Technical Assistance Centre (CARTAC). At the end of the secondment, he submitted to CARTAC a report on the "**The Bermudian Pension Model**". During his secondment, he conducted an analysis of actuarial reports, off-site surveillance and worked on enforcement and early warning procedures. Like many others, this secondment provided Mr. Thompson with an opportunity to grow and improve on his skills while sharing his own experiences and learning with the Bermudian PC.

III. Ms Sherika Ellis's secondment to the International Organisation of Pension Supervisors (IOPS) Secretariat concluded in the FY2015/16. At the end of her stint, she produced a paper for IOPS on the "**Role of Actuarial Review in Private Pension Supervision**". More specifically, Ms Ellis' secondment involved in the following:

- Collaborating with the International Actuarial Association (IAA) and the Head of IOPS Secretariat to collate and analyze survey responses;
- Co-authorship of two papers on the above subject; and
- Preparing and delivering presentations of the research paper at the IOPS meeting in Paris.

Developing Today's Youth for Tomorrow's Leadership

The FSC engaged in a number of initiatives that seek to develop the talent, skills and career of tomorrow's leaders. The following provides a summary of these initiatives:

FSC's Internship Programme

During the FY2015/16, the FSC's Summer Work/Internship Programme saw thirty-one (31) young persons lending their talents and skills to the organization. It was opened to Pre-University and University students who desired on-the-job experience in an environment that is conducive to their nurturing their growth and development. The FSC's interest in providing such opportunities for our young people is aligned with its goal to "attract and retain the best talent." A number of the interns did exceptionally well and were rewarded with extensions of their contracts or were offered permanent employment in the organization.

Jody White and Nyssa-Kaye Darby were amongst those interns, who through their hard work and commitment have accepted permanent positions at the FSC.



Nyssa-Kay Darby



Jody White

Strengthening Human Resources *cont'd*

FSC's Internship Programme *cont'd*

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



Shéniele Grant

My FSC journey began in June 2015 with a phone call from the organizer of the UWI Math Department's Actuarial Internship Programme. I was told that the FSC wanted me. "Wanted" certainly sums up my feeling being at the FSC. Within just one month at the FSC, I became exposed to some of the traditional areas of actuarial work, which is exponentially more than the experience I had previously received from my first stint in participating in the Department's Programme.

After the internship programme had ended, I received a call from the Chief Actuary, Ms Sekayi Campbell, offering me the opportunity to work as an actuarial intern at the FSC. I gladly agreed and have been working, on a contract basis, with the FSC since October 2015. My time with the FSC has helped me in numerous ways. The most obvious benefit is the increased knowledge of the world of insurance and pensions. I have been trusted to be involved in various projects and most notably, the development of the FSC's Micro Insurance Regulatory Framework. I have met amazing staff members who have contributed significantly to fostering a feeling of belonging. I have been able to liaise with major players in the insurance and pensions industries; these conversations were also very insightful and contributed to my learning process. I will always consider the opportunities given to me at the FSC as the greatest start this budding actuary could have gotten and I remain grateful for this.

CARTAC Internship Programme

It is customary for CARTAC to facilitate summer internships under its Macroeconomic Internship Programme. CARTAC's Macroeconomic Internship Programme emerged as a result of the need to ensure that students from the University of the West Indies who specialized in Economics were provided with on-the-job exposure in that field to enable them to function in a global economy. In recognition of our role in nation building and strengthening regional capacity, the FSC was pleased to partner with CARTAC to allow for three (3) interns to join the FSC's flourishing Internship Programme. The interns, upon completion of the programme, were therefore required to submit a research paper, along with a summary of the knowledge gained during the internship.

Appendix A

List of Registered and Licensed Entities & Individual Dealers

Dealers (Companies)	
Alliance Investment Management Limited	Sterling Asset Management Limited
Barita Investments Limited	Stocks and Securities Limited
BPM Financial Limited	UGI Finance & Investments Limited β
Barita Unit Trusts Management Company Limited	Victoria Mutual Wealth Management Limited
BCW Holdings Limited D/B/A BCW Capital	West Indies Trust Company Limited
Capital Solutions Limited	
COK Sodality Co-operative Credit Union Limited	Investment Advisors
Credit Union Fund Management Company Limited	Allistair Macbeath
CWJ Employees Co-operative Credit Union Limited	SGF Investment Advisors Limited
FHC Investments Limited (formerly CCU Investments Limited)	Wayne Wray
FirstCaribbean International Securities Limited	Williams & Associates Investments Limited
Infiniti Capital Limited (formerly E. W. Lewis Investments & Finance Limited)	Thelwell Investments Limited
GK Capital Management Limited	
Guardian Life Limited	Dealers (Individuals)
Heritage Education Funds International (Jamaica) Limited	Bailey, Lorreston ^β
Ideal Finance Corporation Limited	Berry, Christopher *
Ideal Portfolio Services Company Limited	Berry, Konrod *
Intertrade Finance Corporation Limited β	Issa, Christopher
Jamaica Money Market Brokers Limited	
Jamaica National Building Society	
JMMB Fund Managers Limited (formerly Capital & Credit Fund Managers Limited)	
JMMB Securities Limited	
JN Fund Managers Limited	
MF&G Asset Management Limited	
M/VL Stockbrokers Limited	
Mayberry Investments Limited	
MoneyMasters Limited	
NCB Capital Markets Limited	
NCB Insurance Company Limited	
Sagicor Investments Jamaica Limited (formerly Pan Caribbean Financial Services Limited)	
Prime Asset Management Limited	
Proven Management Limited	
Proven Wealth Limited (formerly Guardian asset Management Limited)	
PWL Transition Limited (formerly First Global Financial Services Limited)	
Sagicor Securities Jamaica Limited (formerly RBTT Securities Jamaica Limited)	
Sagicor Life Jamaica Limited	
Scotia Asset Management (Jamaica) Limited (formerly Scotia DBG Fund Managers Limited)	
Scotia Investments Jamaica Limited (formerly Scotia DBG Investments Limited)	

Notes:

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

Appendix A *cont'd*

List of Registered and Licensed Entities & Individual Dealers *cont'd*

List of Registered Securities Entities		
Unit Trusts Management Companies & their respective Schemes		
Mutual Fund	Management Companies	Schemes
CI Sector Balanced Funds	Barita Unit Trusts Management Limited	Barita Multiple Portfolio Funds Barita Unit Trusts Money Market Fund Barita Unit Trusts Capital Growth Fund
CI Sector Diversified Equity Funds	Credit Union Fund Management Company Limited	CUFMC CUMax Fund
CI Sector Fixed Income Funds	Scotia Asset Management (Jamaica) Limited (formerly DB&G Unit Trusts Fund Managers Limited)	Scotia Premium Fixed Income Fund Scotia Premium Growth Fund Scotia Investment Fund
CI Sector Focused Equity Funds	JMMB Fund Managers Limited (formerly Capital & Credit Fund Managers Limited)	JMMB Life Goal Fund Jamaica Investment Income & Growth Fund Jamaica Investment Giltedge Fund Jamaica Investment Optimum Capital Fund
JNFM Mutual Funds Limited	Sagikor Investments Jamaica Limited (formerly Pan Caribbean Asset Management Limited)	Sagikor Sigma Funds
Scotia US Growth Mutual fund	NCB Capital Markets Limited	NCB Capital Market Limited Unit Trust Scheme
Scotiabank Canadian Growth Fund	Victoria Mutual Wealth Management Limited	VMW Money Market Fund
Scotia Caribbean Income Fund Inc.		
Scotiabank Global Growth Fund		
Scotiabank Money Market Fund		
Scotiabank US Dollar Bond Fund		

Appendix A *cont'd*

List of Registered and Licensed Entities & Individual Dealers *cont'd*

List of Registered Insurance Entities	
Life Insurance Companies	General Insurance Companies
CMFG Life Insurance Company Limited (formerly CUNA Mutual Insurance Society)	Advantage General Insurance Company Limited
CUNA Caribbean Insurance Jamaica Limited	American Home Assurance Company
JN Life Insurance Company Limited	British Caribbean Insurance Company Limited
Guardian Life Limited	AIG Jamaica Insurance Company Limited (formerly Chartis Jamaica Insurance Company Limited)
Sagicor Life Jamaica Limited	General Accident Insurance Jamaica Company Limited
NCB Insurance Company Limited	GK General Insurance Company Limited (formerly Jamaica International Insurance Company Limited)
Scotia Jamaica Life Insurance Company Limited	Guardian General Insurance Jamaica Limited
Insurance Agents	IronRock Insurance Company Limited
Alice Elizabeth Cohen T/A Alice Cohen Assurance	Key Insurance Company Limited
Audrey Hyacinth Legister T/A Audrey Legister Insurance Agent	JN General Insurance Company Limited
Axia Jamaica Insurance Agency Limited	The Insurance Company of West Indies Limited
Blossom Vivienne Anderson T/A Bliss Insurance Agent	Association of Underwriters
Carol Elizabeth Grant T/A Carol Grant Insurance Agent	Lloyds
Chancellor Insurance Agency Limited	
Crichton Insurance Agency Limited	
Cynthia Delores Benjamin T/A Sapphire Insurance Agent	
Destiny Insurance Agency Limited	
Doran Ferguson T/A Apex Insurance Agents	
Gensure Insurance Agents Limited	
Gersham McLaughlin T/A Global Risk Management Insurance Agents	
Glenda Patricia Miller T/A Glenda Miller Insurance Agent	
Gleneta Joan Kenyon T/A Kenyon Insurance Agency	
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	
Michael McGowan T/A M. McGowan Sales Agent	
Milvik Insurance Agent Limited	
Mutual Enterprises (Insurance) Agents Limited	
Nationwide Insurance Agents and Consultants Limited	
Norma Joan Walcott T/A Norma Walcott Insurance Agent	
Paul Anthony Simpson, General Insurance Agent	
Richard Harrison Wilson T/A Agency for Insurance Solutions	
Riviera Insurance Agency Limited	
Rosemarie Yvonne Wallace T/A Rose Wallace Insurance Agent	
Sagicor International Administrators Limited	
Sheila Kerline Powell T/A Powell Insurance Agency	

List of Registered and Licensed Entities & Individual Dealers *cont'd*

List of Registered Insurance Entities	
Insurance Brokers	Facultative Placement Brokers
Allied Insurance Brokers Limited	Allied Insurance Brokers Limited
Associated Owners Insurance Brokers Limited	Assurance Brokers Jamaica Limited
Assurance Brokers of Jamaica Limited	Billy Craig Insurance Brokers Limited
Billy Craig Insurance Brokers Limited	Caribbean Assurance Brokers Limited
Caribbean Assurance Brokers Limited	CGM Gallagher Insurance Brokers Jamaica Limited
CGM Gallagher Insurance Brokers Jamaica Limited	Desmond Mair Insurance Brokers Limited
Covenant Insurance Brokers Limited	Excel Insurance Brokers Limited
Desmond Mair Insurance Brokers Limited	Firm Insurance Brokers Limited
Excel Insurance Brokers Limited	Fraser Fontaine & Kong Limited Insurance Brokers
Firm Insurance Brokers Limited	JMMB Insurance Brokers Limited
Fraser Fontaine & Kong Limited Insurance Brokers	Lawe Insurance Brokers Limited
Genesis Insurance Brokers Limited	Marathon Insurance Brokers Limited
Jamaica Citadel Insurance Brokers Limited	Maritime General Insurance Brokers Limited
JMMB Insurance Brokers Limited	Mutual Security Insurance Brokers Limited
Lawe Insurance Brokers Limited	National Property & General Insurance Brokers Limited
Marathon Insurance Brokers Limited	Spectrum Insurance Brokers Limited
Maritime General Insurance Brokers Limited	Thwaites Finson Sharp Insurance Brokers Limited
Mutual Security Insurance Brokers Limited	Sagicor Insurance Brokers Limited
National Property & General Insurance Brokers Limited	
Orion Insurance Brokers Limited	Overseas Reinsurance Brokers
Pinnacle Insurance Brokers Limited	Aeon UK Limited (formerly Aeon Limited)
Progressive Insurance Brokers Ltd.	
Sagicor Insurance Brokers Limited	Local Reinsurance Brokers
Sarifa Insurance Brokers Limited	CGM Gallagher Insurance Brokers Jamaica Limited
Solid Life and General Insurance Brokers Limited	Maritime General Insurance Brokers Limited
Spectrum Insurance Brokers Limited	
Thwaites Finson Sharp Insurance Brokers Limited	

Appendix A *cont'd*

List of Registered and Licensed Entities & Individual Dealers *cont'd*

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

Appendix A *cont'd*

List of Registered and Licensed Entities & Individual Dealers *cont'd*

List of Licensed Pensions Entities	
Administrators	Investment Managers
Appliance Traders Limited	Appliance Traders Limited
Bank of Jamaica	Bank of Jamaica
Barita Investments Limited	Barita Investments Limited
Bank of Nova Scotia Jamaica Limited	BCW Capital Limited
BPM Financial Limited	BPM Financials Limited
Capital & Credit Securities Limited	Capital & Credit Securities Limited
Credit Union Fund Management Company Limited	City of Kingston Co-operative Credit Union
Development Bank of Jamaica Limited	Credit Union Fund Management Company Limited
Employee Benefits Administrator Limited	Development Bank of Jamaica Limited
FHC Investment Limited	FHC Investments Limited
Fiducia Benefits & Wealth Management Limited	Fiducia Benefits & Wealth Management Limited
First Caribbean International Securities Limited	First Caribbean International Securities Limited
First Caribbean International Bank	Guardian Life Limited
Guardian Life Limited	Investment Nominee Limited
IBM World Trade Corporation	Jamaica Money Market Brokers Limited
Investment Nominee Limited	Jamaica National Building Society
Jamaica Money Market Brokers Limited	JMMB Fund Managers Limited
JMMB Fund Managers Limited	JN Fund Managers Limited
JN Fund Managers Limited	Mayberry Investment Limited
Mayberry Investment Limited	MF&G Asset Management Limited
MF&G Asset Management Limited	MoneyMasters Limited
NCB Insurance Company Limited	NCB Insurance Company Limited
Nestle Jamaica Limited	Prime Asset Management Limited
Prime Asset Management Limited	PWL Transition Limited
PWL Transition Limited	RBTT Securities Jamaica Limited
Saxons Pension Services Limited	Sagicor Life Jamaica Limited
Scotia Investments Jamaica Limited	Scotia Investments Jamaica Limited
Scotia Jamaica Life Insurance Company	Veritat Nominee Limited
Veritat Nominee Limited	

Appendix B

Bulletins, Guidelines & Discussion Papers

In FY2015/16, the following bulletins, guidelines and discussion papers were released:

INSURANCE INDUSTRY

Bulletin: New requirements related to payment of proceeds from group life policies: IR-ADVI-15/11-0001 – November 10, 2015. This bulletin addressed concerns surrounding the payment of group life proceeds to designated beneficiaries of insured persons under group insurance contracts.

SECURITIES INDUSTRY

Consultative Paper: Proposed Amendments of the Securities (Takeovers and Mergers) Regulations, 1999 and Securities (Disclosure of Interest) Regulations, 1999: SR-CONSUL-16/01-0030- January 2016. This was released in order to notify the securities industry of the FSC's intention to amend the relevant regulations in order to strengthen the regulatory framework for the securities market.

Advisory: Strategy for Prudential Tightening: SR-ADVI-16/03-0010- March 2016. In keeping with the requirements of the MEFP, the FSC was required to introduce and gradually tighten the prudential standards for the securities sector. Accordingly, on March 31, 2016, the FSC implemented a Strategy for Prudential Tightening which was geared towards ensuring that in the near- to medium-term, the retail repo portfolios of individual firms and the securities industry as a whole will reach a level that is deemed by the FSC and the Bank of Jamaica (BOJ) to be systemically safe and prudentially manageable. The implementation of the strategy will be achieved by the following broad steps:

- Developing Prudential Guidelines for the securities industry, which complement the Securities (Prudential) Regulations, 2014;
- Implementing the Prudential Guidelines in tranches;
- Utilizing a new ratio, the Retail Repo Leverage Ratio (RRLR), as a supervisory tool by monitoring the trend in values of this ratio for securities dealers without establishing a prudential benchmark at the outset of the strategy implementation; and
- On a continuous basis, assessing the market impact of the prudential strategy and determining whether or not the systemic risk posed by the retail repo market warrants further prudential strengthening.

Guidelines: For Jamaica Depository Receipts: SR-GUID-15/04-0024 -April 2015. A depository receipt is a negotiable financial instrument issued by a securities dealer with the underlying asset being a foreign company's publicly traded securities. The Jamaica Depository Receipts Guidelines allows for the issuance of depository receipts via the Jamaica Stock Exchange and also through an exempt distribution format.

Advisory: New Retail Repurchase Agreement Regulatory and Operational Framework: SR-ADVI-15/07-0009- July 2015. This securities industry advisory was issued in July 2015 to provide further guidance on the application of several provisions outlined in the Securities (Retail Repurchase Agreements) Regulations, 2015. The advisory addressed:

- The set of new and/or revised legal documentation that would be used in the new retail repo trust arrangement;
- The funding currencies and the type of retail repo transactions that would be facilitated in the trust arrangement;
- The restrictions on the universe of securities that could be used in the trust arrangement inclusive of criteria, margin requirements and valuation methodology;
- The operational requirements for the JamClear systems, approved retail repo trustee and the dealers; and
- The operational process flow surrounding the processing, registration, and settlement of retail repo transactions

PENSIONS INDUSTRY

Advisory Paper: Amending the contribution limits in the constitutive documents of approved superannuation funds: PR-ADVI-15/06-0001- June 2015. This policy paper clarifies for the trustees and their agents that, as a matter of policy, a proposed amendment to the contribution limits to achieve consistency with the Income Tax Act is treated by the FSC to be an ordinary amendment and does not require the approval of the members.

Appendix C

FSC Statutes & Regulations

The statutory duties and responsibilities of the FSC and the regulatory provisions governing financial services in the areas of insurance, pensions and securities are stipulated in a number of laws. The 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) amended 2016;
- 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) amended 2015
- 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, 2015
- 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

Financial Statements



FINANCIAL SERVICES COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2016



KPMG
Chartered Accountants
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Jamaica, W.I.

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INDEPENDENT AUDITORS' REPORT

To the Members of
FINANCIAL SERVICES COMMISSION

Report on the Financial Statements

We have audited the financial statements of Financial Services Commission (Commission), set out on pages 65 to 93 which comprise the statement of financial position as at March 31, 2016, 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.

⁵
KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tarun Handa
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford

Nigel R. Chambers
W. Gihan C. de Mel
Nyssa A. Johnson
Wilbert A. Spence



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 Commission as at March 31, 2016, and of its financial performance, and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

A handwritten signature of the KPMG firm, written in blue ink, appearing as 'KPMG' in a cursive style.

Chartered Accountants
Kingston, Jamaica

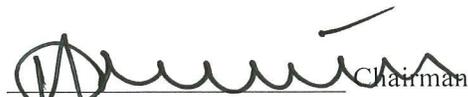
July 4, 2016

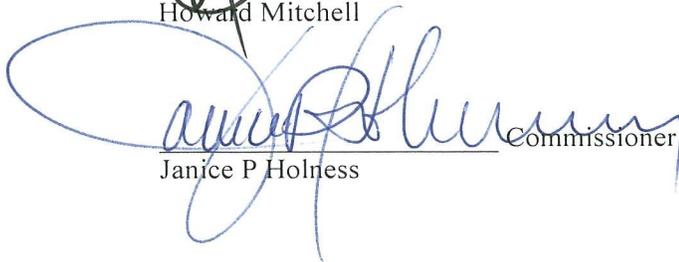
FINANCIAL SERVICES COMMISSION

Statement of Financial Position
March 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS			
Cash and cash equivalents	3	37,738,839	55,623,558
Resale agreements	4	1,023,947,729	820,141,724
Accounts receivable	5	158,715,201	184,552,767
Taxation recoverable	6	<u>2,841</u>	<u>11,221</u>
		<u>1,220,404,610</u>	<u>1,060,329,270</u>
CURRENT LIABILITIES			
Accounts payable	7	80,632,119	60,734,731
Deferred fees		<u>276,592,798</u>	<u>255,494,349</u>
		<u>357,224,917</u>	<u>316,229,080</u>
NET CURRENT ASSETS		863,179,693	744,100,190
NON-CURRENT ASSETS			
Intangible assets	8	27,953,726	4,621,353
Property, plant and equipment	9	<u>26,659,434</u>	<u>26,145,315</u>
		<u>54,613,160</u>	<u>30,766,668</u>
		<u>\$ 917,792,853</u>	<u>774,866,858</u>
Financed by:			
RESERVES	10	<u>\$ 917,792,853</u>	<u>774,866,858</u>

The financial statements on pages 65 to 93 were approved by the Board of Commissioners on July 4, 2016 and signed on its behalf by:


 _____ Chairman
 Howard Mitchell


 _____ Commissioner
 Janice P. Holness

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

FINANCIAL SERVICES COMMISSION

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
INCOME			
Fees		868,990,398	826,095,141
Interest income		54,303,825	48,523,263
Gain on disposal of property, plant and equipment		8,381	-
Other	11	<u>7,255,638</u>	<u>621,000</u>
		<u>930,558,242</u>	<u>875,239,404</u>
EXPENSES			
Advertising		648,933	742,848
Appeal tribunal		3,204,657	2,503,209
Audit		1,750,000	1,652,210
Bad debts, net of recoveries		13,215,545	(855,275)
Bank charges		519,044	250,566
Building maintenance		12,904,736	8,984,640
Commissioners' fees		2,689,518	1,743,425
Data security		8,611,695	8,508,113
Depreciation and amortisation	8,9	19,799,124	15,003,143
Irrecoverable General Consumption Tax		15,442,525	9,562,509
Market research costs		-	5,497,426
Motor vehicle and parking expenses		9,545,324	9,740,100
Office expenses		23,810,909	19,734,525
Printing and stationery		2,450,742	1,858,478
Professional fees		25,192,745	19,962,964
Public education		11,875,105	18,865,268
Rent	12(ii)	36,000,000	36,000,000
Staff costs	13	545,208,683	442,449,297
Subscriptions		19,404,505	19,167,743
Training and conferences		31,960,335	17,829,674
Utilities		<u>23,798,122</u>	<u>26,223,621</u>
		<u>808,032,247</u>	<u>665,424,484</u>
Surplus before grant		122,525,995	209,814,920
Grant	12(ii)	<u>36,000,000</u>	<u>36,000,000</u>
Surplus for the year		<u>\$158,525,995</u>	<u>245,814,920</u>

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

FINANCIAL SERVICES COMMISSION

Statement of Changes in Reserves
Year ended March 31, 2016

	<u>General Fund</u>	<u>Reserve</u> <u>(Note 10)</u>	<u>Capital</u> <u>Total</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	245,814,920	-	245,814,920
Financial distribution (note 21)	<u>(13,040,000)</u>	<u>-</u>	<u>(13,040,000)</u>
Balances at March 31, 2015	773,788,294	1,078,564	774,866,858
Total comprehensive income for the year:			
Surplus for the year	158,525,995	-	158,525,995
Financial distribution (note 21)	<u>(15,600,000)</u>	<u>-</u>	<u>(15,600,000)</u>
Balances at March 31, 2016	<u>\$916,714,289</u>	<u>1,078,564</u>	<u>917,792,853</u>

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

FINANCIAL SERVICES COMMISSION

Statement of Cash Flows
Year ended March 31, 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		158,525,995	245,814,920
Adjustments for:			
Depreciation and amortisation	8, 9	19,799,124	15,003,143
Gain on disposal of property, plant and equipment		(8,381)	-
Interest income		<u>(54,303,825)</u>	<u>(48,523,263)</u>
		124,012,913	212,294,800
(Increase)/decrease in current assets:			
Resale agreements		(203,806,005)	(187,825,032)
Accounts receivable and prepayments		26,265,816	(30,766,047)
Taxation recoverable		8,380	8,299,042
Increase/(decrease) in current liabilities:			
Accounts payable		19,897,388	(9,296,453)
Deferred fees		<u>21,098,449</u>	<u>10,369,211</u>
Net cash (used)/provided by operating activities		<u>(12,523,059)</u>	<u>3,075,521</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets	8	(31,521,077)	(4,557,305)
Additions to property, plant and equipment	9	(12,422,158)	(3,181,749)
Proceeds from sale of property, plant and equipment		306,000	-
Interest received		<u>53,875,575</u>	<u>47,896,578</u>
Net cash provided by investing activities		<u>10,238,340</u>	<u>40,157,524</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Financial distribution, being net cash used by financing activities	21	<u>(15,600,000)</u>	<u>(13,040,000)</u>
Net (decrease)/increase in cash and cash equivalents		(17,884,719)	30,193,045
Cash and cash equivalents at beginning of the year		<u>55,623,558</u>	<u>25,430,513</u>
Cash and cash equivalents at end of the year		<u>\$ 37,738,839</u>	<u>55,623,558</u>

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
Year ended March 31, 2016

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 14).

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 (see note 9).

At March 31, 2016, the Commission had in its employment 116 (2015: 113) employees, out of a Board-approved establishment of 127 (2015: 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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*, effective for accounting periods beginning on or after January 1, 2018, 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*. 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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):

- IFRS 15, *Revenue From Contracts With Customers* (cont'd)

The Commission will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

- 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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):

- 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.
- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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, 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’.

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, 2016 (reporting date), are prepared on the historical cost basis and are presented in Jamaica dollars (J\$), which is the functional currency of the Commission.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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

(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.

(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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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

(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 and equipment and intangible assets:

(i) Owned assets:

Items of property, plant and 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.

(f) Depreciation and amortisation:

Property, plant and 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% and 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 and 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 and equipment is transferred from capital reserve to the general fund.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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

(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 measured at amortised cost, less impairment losses [note 2(n)].

(k) Accounts payable:

Accounts payable are measured 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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

(m) Fees: (cont'd)

i. Securities (cont'd)

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”.

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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

(m) Fees: (cont'd)

ii. Insurance (cont'd)

Renewal Fees – Insurance Companies (cont'd)

(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.

(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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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

(n) Impairment (cont'd):

(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.

(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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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

(q) Related party (cont'd):

- 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).
 - viii) The entity, or any member of a group of which it is apart, provides key management services to the Commission.

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”.

(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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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

(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>2016</u>	<u>2015</u>
Current and saving accounts	37,732,884	55,617,603
Petty cash	<u>5,955</u>	<u>5,955</u>
	<u>\$37,738,839</u>	<u>55,623,558</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 5.35% and 6.20% (2015: 6.40% and 6.45%) as at the year-end. The market value of the underlying securities as at March 31, 2016 was approximately J\$1,074,850,400 (2015: J\$861,148,810).

The Commission's exposure to credit and currency risks relating to resale agreements are disclosed in note 17.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

5. Accounts receivable

	<u>2016</u>	<u>2015</u>
Trade receivables	140,727,701	136,886,776
Less: Allowance for impairment losses	(13,215,545)	(3,048,352)
	127,512,156	133,838,424
Prepayments and deposits (note 19)	21,766,753	41,113,992
Other receivables	2,182,878	2,775,187
Interest receivable	<u>7,253,414</u>	<u>6,825,164</u>
	<u>\$158,715,201</u>	<u>184,552,767</u>

The aging of trade receivables at the reporting date was:

	<u>2016</u>		<u>2015</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Past due 30 days	108,782,558	-	108,467,248	-
Past due 60 days	2,771,918	-	5,214,148	-
Past due 90 days	676,966	-	1,762,609	-
Over 90 days	<u>28,496,259</u>	<u>13,215,545</u>	<u>21,442,771</u>	<u>3,048,352</u>
	<u>\$140,727,701</u>	<u>13,215,545</u>	<u>136,886,776</u>	<u>3,048,352</u>

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

	<u>2016</u>	<u>2015</u>
Balance at April 1	3,048,352	12,933,600
Impairment recognised/(recovered)	<u>10,167,193</u>	<u>(9,885,248)</u>
Balance at March 31	<u>\$13,215,545</u>	<u>3,048,352</u>

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 \$3,048,352 (2015: \$Nil), were written-off during the year.

During the year, other receivables of \$Nil (2015: \$62,961) was written off to profit or loss as impairment losses.

The Commission's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 17.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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 \$Nil (2015: \$1,484,242).

7. Accounts payable

	<u>2016</u>	<u>2015</u>
Trade and other payables	25,794,866	24,213,430
Employee benefits –accrued vacation, gratuities and salary	<u>54,837,253</u>	<u>36,521,301</u>
	<u>\$80,632,119</u>	<u>60,734,731</u>

The Commission's exposure to liquidity and currency risks relating to trade and other payables are disclosed in note 17.

Included in the employee benefits is a provision of \$17,626,566 (2015: \$Nil) which represents the 5% performance incentive relating to performance for the year ended March 31, 2016. Preliminary analysis indicates that this will be paid in 2016/17.

8. Intangible assets

These represent software cost capitalized as follows:

	<u>2016</u>	<u>2015</u>
Cost:		
At beginning of year	45,391,978	40,834,673
Additions	<u>31,521,077</u>	<u>4,557,305</u>
At end of year	<u>76,913,055</u>	<u>45,391,978</u>
Amortisation:		
At beginning of year	40,770,625	39,054,371
Charge for the year	<u>8,188,704</u>	<u>1,716,254</u>
At end of year	<u>48,959,329</u>	<u>40,770,625</u>
Net book value	<u>\$27,953,726</u>	<u>4,621,353</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

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, 2014	7,841,426	120,540,017	65,066,786	193,448,229
Additions	-	2,377,268	804,481	3,181,749
Disposals	<u>-</u>	<u>(950)</u>	<u>-</u>	<u>(950)</u>
March 31, 2015	7,841,426	122,916,335	65,871,267	196,629,028
Additions	-	10,316,356	2,105,802	12,422,158
Disposals	<u>(403,434)</u>	<u>(816,364)</u>	<u>-</u>	<u>(1,219,798)</u>
March 31, 2016	<u>7,437,992</u>	<u>132,416,327</u>	<u>67,977,069</u>	<u>207,831,388</u>
Depreciation:				
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	<u>-</u>	<u>(950)</u>	<u>-</u>	<u>(950)</u>
March 31, 2015	3,280,768	108,836,270	58,366,675	170,483,713
Charge for year	1,185,694	6,659,132	3,765,594	11,610,420
Eliminated on disposals	<u>(215,164)</u>	<u>(707,015)</u>	<u>-</u>	<u>(922,179)</u>
March 31, 2016	<u>4,251,298</u>	<u>114,788,387</u>	<u>62,132,269</u>	<u>181,171,954</u>
Net book values:				
March 31, 2016	<u>\$3,186,694</u>	<u>17,627,940</u>	<u>5,844,800</u>	<u>26,659,434</u>
March 31, 2015	<u>\$4,560,658</u>	<u>14,080,065</u>	<u>7,504,592</u>	<u>26,145,315</u>

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>2016</u>	<u>2015</u>
General Fund	916,714,289	773,788,294
Capital reserve	<u>1,078,564</u>	<u>1,078,564</u>
	<u>\$917,792,853</u>	<u>774,866,858</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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

11. Other income

Other income during the year mainly represents reversal of payable balances from previous years, as well as seminar registration fees.

12. Grant

	<u>2016</u>	<u>2015</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.

(ii) The Commission has estimated the commercial value of the annual rental to be \$36,000,000 (2015: \$36,000,000) which has been recognised as a grant.

13. Staff costs

	<u>2016</u>	<u>2015</u>
Salaries, wages and related costs	482,608,408	393,491,350
Payroll statutory costs	28,658,513	25,600,196
Gratuity	20,442,555	10,466,757
Pension (note 15)	11,646,259	10,925,668
Motor vehicle loan subsidy*	<u>1,852,948</u>	<u>1,965,326</u>
	<u>\$545,208,683</u>	<u>442,449,297</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% (2015: 3%) per annum and the Commission will provide a subsidy of the difference between the 3% (2015: 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 \$3.08 million (2015: \$3.6 million) which will be recognised in profit or loss as they fall due.

14. Taxation

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

15. 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 Sagicor 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 \$11,646,259 (2015: \$10,925,668).

16. 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); and
- (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, 2016 were valued at approximately \$1,240 million (2015: \$1,167 million).

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

17. 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 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

17. Financial instruments (cont'd)

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

(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.

(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\$).

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

17. Financial instruments (cont'd)

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

(iii) Market risk (cont'd):

- Interest rate risk (cont'd):

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

	<u>2016</u> US\$	<u>2015</u> US\$
Foreign currency assets:		
Cash and cash-equivalents	4,027	42,407
Accounts receivable and prepayments	<u>-</u>	<u>309,592</u>
	<u>4,027</u>	<u>351,999</u>

The exchange rate for US\$1, in terms of Jamaica dollars, at the reporting date, was \$121.97 (2015: \$115.02).

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.

(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.

18. Contingent liabilities

As at March 31, 2016, 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

18. Contingent liabilities (cont'd)

(a) (cont'd)

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). This matter is closed as the Commission has successfully recovered the costs of JMD \$70,000 from the Claimant in April 2016.

- (b) An action commenced on July 18, 2013 in the Supreme Court against the Commission and former employees. 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 was heard in Chambers on October 27, 2015 and adjourned to May 31, 2016. The Commission is unable to quantify any future award of damages or costs at this stage. During the year, the Commission paid one hundred and ninety one thousand one hundred and fifteen dollars (JMD \$119,115) in legal fees.

- (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 five hundred thousand dollars (JMD \$1,500,000).

- (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.

A provision of JMD\$2,500,000 has been made, however, the adequacy of this amount is uncertain.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

18. Contingent liabilities (cont'd)

- (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 amount is JMD\$2,640 136. 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 £7,426 (JMD \$1,333,889).

The Claimant therefore owes the Commission costs in the sum of four million, seven hundred, seventy-nine thousand, two hundred and nineteen dollars (JMD \$4,779,219) which is to be set off against the amounts which is to be paid by the Commission to the Claimant (i.e. JMD\$2,640,136). Court proceedings on the recovery of costs continue

- (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.

A provision of JMD900,000 in respect of the appeal has been made, however, the adequacy of this amount is uncertain.

- (g) The Petitioners/Trustees of an Individual Retirement Scheme sought an order from the Supreme Court for the winding-up of the Retirement Scheme on the basis that the Scheme had no members and no assets. Based on the Pension Act, the Commission was joined as an interested party to the claim.

By way of an order of the Court on October 1, 2015, the Retirement Scheme was wound up.

There was no award of costs or damages against the Commission. There is also no liability for attorney's fees as the Commission was represented by in-house counsel in the matter.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

18. Contingent liabilities (cont'd)

- (h) A matter went before the Court for a determination on a number of issues concerning a Pension Plan. The Privy Council remitted the matter to the Supreme Court for further adjudication.

The Commission was joined as an interest party as the issues for adjudication partly surrounded the scope of the Commission's regulatory powers over unapproved pension plans. Judgment in this matter has been delivered by the court.

There was no award of costs or damages against the Commission. However, the costs of fees for legal representation in this matter are to be borne by the Commission. A provision of JMD\$900,000, has been made, however, the adequacy of this amount is uncertain.

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.

19. 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>2016</u>	<u>2015</u>
	\$	\$
Accounts payable:		
Trade and other payables - Commissioners	204,750	422,250
Employee benefits – other key management	<u>19,562,464</u>	<u>19,595,904</u>

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

	<u>2016</u>	<u>2015</u>
	\$	\$
Key Management Personnel compensation:		
Commissioners' fees	2,689,518	1,743,425
Salaries	87,711,228	83,342,936
Gratuity	19,315,241	11,130,350
Pension contributions	<u>187,296</u>	<u>179,387</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
Year ended March 31, 2016

20. 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).

21. 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".

As at the reporting date, the Commission upon request from the Ministry of Finance and Planning remitted \$15,600,000 (2015: \$13,040,000) to the Accountant General's Department. This represented the distribution approved by the Board of Commissioners for the last financial year 2014/15 (2015: 2013/14).

As at the date of approval of the financial statements, such distribution for the current financial year 2015/16 has not yet been ratified by the Board of Commissioners for submission to the Financial Secretary.

