FINANCIAL SERVICES COMMISSION

ANNUAL REPORT

2018-19

July 31, 2019

The Honourable Nigel Clarke, DPhil. M.P.
Minister of Finance and Public Service
Ministry of Finance and Public Service
30 National Heroes Circle
Kingston 4

Dear Minister Clarke:

In accordance with section 13(1) of the Financial Services Commission Act, 2001, we hereby submit to you, the Annual Report of the Financial Services Commission (FSC) for the Financial Year 2018/2019 and a copy of the FSC's Financial Statements for the year ended March 31, 2019, duly certified by its Auditors.

Sincerely,

Everton McFarlane
Executive Director

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GLOSSARY

AML	Anti-Money Laundering
BOC	Board of Commissioners
BOJ	Bank of Jamaica
CAIR	Caribbean Association of Insurance Regulators
CAPS	Caribbean Association of Pension Supervisors
CAR	Capital to Risk Weighted Assets Ratio
CEO	Chief Executive Officer
CFATF	Caribbean Financial Action Task Force
CGRS	Caribbean Group of Securities Regulators
CICD	Compliance & Internal Control Division
CIS	Collective Investment Scheme
CFT	Counter Financing of Terrorism
DB	Defined Benefit
DC	Defined Contribution
ERM	Enterprise Risk Management
FID	Financial Investigations Division
FSAP	Financial Sector Assessment Programme
FSC	Financial Services Commission
FUM	Funds Under Management
GDP	Gross Domestic Product
GOJ	Government of Jamaica
GPW	Gross Premium Written
IMF	International Monetary Fund
IFRS	International Financial Reporting Standards
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organization of Securities Commissions
JCFFS	Jamaica Constabulary Force Fraud Squad
JCSD	Jamaica Central Securities Depository
JSE	Jamaica Stock Exchange
MCCSR	Minimum Continuing Capital and Surplus Requirement
MCT	Minimum Capital Test
MDA	Ministries, Departments and Agencies
MOFPS	Ministry of Finance and Public Service
MMOU	Multilateral Memorandum of Understanding
OECD	Organisation for Economic Co-operation and Development
OTBH	Opportunity to be Heard
PBMA	Public Bodies Management and Accountability Act
RBS	Risk-Based Supervision
SFEP	Schools' Financial Education Programme
SOP	Standard Operating Procedures
SRR	Special Resolution Regime
TC	Toronto Centre
TFS	Targeted Financial Sanctions
UFO	Unregistered Financial Organization
USD	United States Dollars
WB	World Bank
WIW	World Investor Week

ORGANIZATIONAL OVERVIEW

The FSC is mandated to carry out the following functions as prescribed under Section 6 of Financial Services Commission Act:

- Supervise and regulate financial institutions that provide services to the public in the insurance, securities and pensions sectors (“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 operations 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.

The FSC is also committed to increasing the level of financial inclusion and promoting the soundness and integrity of the Jamaican financial market.

OUR STRATEGIC PRIORITIES

PROFILES OF COMMISSIONERS

Mrs Jacqueline Stewart Lechler, JP

Mrs. Stewart Lechler is the Managing Director of the Stewart's Automotive Group of Companies and has over 30 years' experience in the Automobile Industry with a focus on Finance, Administration, Operations and Human Resources. She was appointed to the FSC's Board in April 2016 and assumed the role of Chairman in July 2017.

She also holds board positions with the Stewart's Automotive Group of Companies, the Jamaica Chapter of Young Presidents Organization and was appointed to the Board of Wigton Wind Farms in 2019.

Mr Everton McFarlane

Mr. Everton McFarlane was appointed Executive Director of the Financial Services Commission in August 2017. Mr. McFarlane leads the Executive Management Team in executing the FSC's mandate to deliver a balanced, consistent and effective regulatory programme that will inspire confidence in Jamaica's financial system. As Executive Director, Mr McFarlane, is an ex officio member of the Board of Commissioners that governs the FSC.

Mr. McFarlane is an accomplished executive with over 20 years' experience developing and leading successful economic and regulatory policy initiatives in the public sector, notably at the Planning Institute of Jamaica and the MOFPS. He has served as technical advisor on national economic policies, and has played key roles in driving the development of comprehensive frameworks on tax policy reform and financial services regulation.

Most recently, he served as Financial Secretary (Assigned) at the Ministry of Finance and the Public Service (MOFPS), where he performed duties as Chief Executive Officer and Accounting Officer for the Ministry and its portfolio agencies. In these roles, he led the process of budgetary allocations for public service programmes and projects in keeping with high standards of transparency and accountability.

This is Mr. McFarlane's second tenure at the FSC, having previously served as Director of Policy and Research, and later as Senior Director, Securities. Mr. McFarlane holds Bachelor's and Master's Degrees in Economics from the University of the West Indies, Mona.

Mr Kevin G. Richards

Mr. Richards is the Chief Executive Officer of Kingston Properties Limited, a real estate investment company with a regional and international footprint. His career spans over 20 years of experience in the fields of investment management and real estate. He is a former Senior Director – Investments at Jamaica's National Insurance Fund, a multi-billion dollar government controlled pension scheme and has held senior executive positions with leading investment houses in Jamaica.

He holds a B.A. in Spanish and Economics from the University of the West Indies, Mona, an M.A. in Economics from Dalhousie University, Nova Scotia, Canada; a certificate from the Canadian Securities Institute and successfully completed the Real Estate Salesman Course from the University of Technology in Jamaica. He currently chairs the Real Estate Board of Jamaica and the Commission of Strata Corporations. He chairs the Finance Committee of both institutions and sits on the Developer's Application and Audit Committees.

Mr. Richards was appointed to the FSC's Board in August 2017.

Mrs. Myrtle Halsall, OD

Mrs. Halsall is an economist and a retired Central Banker. She spent over thirty years at the Central Bank of Jamaica (BOJ) where she retired at the level of Senior Deputy Governor. She was a member of the Bank's economic policy management team.

Mrs. Halsall has served on several Public Sector Boards and currently serves on the boards of the Jamaica Deposit Insurance Corporation and Morant Bay High School.

Mrs. Halsall was appointed to the FSC's Board in April 2016.

Ms Katherine P.C. Francis

Ms. Francis is Senior Vice President, Safety, Risk & Legal at the Jamaica Public Service Company Limited, where she also serves in the capacity of Corporate Secretary and General Counsel; included in her portfolio are the Claims and Easement Departments. She was appointed to the FSC's Board in August 2016.

In previous years, Ms. Francis has served in the Attorney General's Chambers of Jamaica, first as Crown Counsel and then as Assistant Attorney General. Ms. Francis has vast years of experience in the areas of corporate and commercial law as well as civil and commercial litigation. She is a member of the Jamaican Bar Association and a member of its Disciplinary Committee.

Ms. Francis is also a member of the New York Bar. She received a Juris Doctor from Fordham Law School, a Legal Education Certificate from the Norman Manley Law School and holds a Master's Degree in European Literature.

Mr Gerard. S Johnson

Mr. Johnson was appointed to the FSC's Board in July 2017 and resigned as a member in November 2018.

At the time of his resignation, Mr. Johnson remained a partner in a private business facilitation company; a consultant advisor to the Minister of Finance and the Public Service; and the regional representative for an international equity fund management firm. From 2010 to 2016, he was General Manager of the Caribbean Country Department of the Inter-American Development Bank . Previously, he served as Country Representative in Jamaica, Haiti and Guatemala.

He obtained a Bachelor's Degree in Economics from Georgetown University, a Post Graduate Diploma in Economic Analysis and a Master's Degree in Economics from the University of Kent at Canterbury, awarded in 1979.

Mr. Johnson is a national of the UK and Trinidad and Tobago, fluent in Spanish and proficient in Portuguese and French.

Mr Andre Hutchison

Andre Hutchinson was appointed to the FSC's Board of Commissioners in June 2016. He is an accomplished financial service professional with over a decade of experience in the local and regional financial services sector. His expertise in the bond, currency and equity trading sectors has been developed from knowledge acquired through working in progressively senior positions at some of the most highly regarded institutions in the Caribbean.

Currently, Mr. Hutchinson is the CEO of Caribbean Industrial Systems, a leading supplier of protective coatings throughout the Caribbean.

Mr. Erwin Burton BSc.,MSc.,J.P.

Mr. Erwin Burton is currently the Chairman of Hardware and Lumber Limited and was appointed to the FSC's Board of Commissioners in April 2016.

Mr. Burton has had a long and distinguished career at Grace Kennedy Group of Companies. He has held various senior managerial positions there, including Chief Executive Officer (CEO) of GK Foods, Deputy CEO of Grace Kennedy Limited and Senior Adviser to the CEO of Grace Kennedy.

Mr. Burton also served on the Boards of several Grace Kennedy subsidiaries including Grace Kennedy (Belize) Limited, Grace Foods USA, Inc., Grace Kennedy Canada Limited and Grace Foods UK Limited. He is a member of the Board of the Mico University College. He has also served as Chairman of the Sugar Company of Jamaica Holdings Limited.

Mr. Joseph Shoucair

Mr. Joseph Shoucair was appointed to the FSC's Board in October 2016. He is an Attorney-at-Law who has amassed over four decades of diverse experience. Mr. Shoucair previously held the positions of General Counsel and Corporate Secretary at the NCB Group of Companies for over 20 years and Managing Director of the Housing Agency of Jamaica for over four (4) years.

Mr. Shoucair is currently the Chairman of the Transport Authority of Jamaica and Chairman of SCJ Holdings Limited. He also serves on the Boards of Housing Agency Jamaica Limited and Clarendon Alumina Production Limited.

Mr. Nigel Logan, FCA, BSc

Mr. Logan, having successfully completed the ACCA Exams in 1995, is a qualified Chartered Accountant and now a Fellow of the Institute of Chartered Accountants of Jamaica. He has worked in financial and general management at the highest levels in the banking and public sectors for 17 years. In the public and private sectors, he has occupied various Senior Management positions which expanded over some 19 years. The organizations he has worked with include the NCB Jamaica Limited, Jamaica Citizens Bank, Knutsford Capital Merchant Bank, Infiniti Capital Limited and the National Health Fund.

Mr. Logan also served as the Group Chief Financial Officer for the Petroleum Corporation of Jamaica Group for over three years and acted as the Group Managing Director for 13 months during that period. He served as the Principal Finance Officer for the Ministry of Health for 8 years while chairing the Fees Committee and Health Sector Contracts Committee for 7 years.

He has served on a number of Boards, including the Health Corporation Limited, the South East Regional Health Authority and the Southern Regional Health Authority and as Chairman and member of various Finance and Audit Committees.

Mr. Logan has gained experience as a Business Consultant and has operated a number of small businesses. He has also worked as the Senior Consultant at HLB Boldeck, the eight largest accounting firm in Jamaica, where he was responsible for the consulting department of the firm, developing business plans, pursuing corporate restructuring and conducting business valuations.

Mr. Logan is the Chief Financial Officer of the UWI, Mona and member of various Boards and Committees of the Campus. An avid cricket connoisseur, player and manager, he is a former Honorary Treasurer of the Jamaica Cricket Association.

Mr. Logan was appointed to the FSC Board in July 2017.

EXECUTIVE MANAGEMENT TEAM

Mr Everton McFarlane
Executive Director

Mrs Nicolette Jenez
Deputy Executive Director

Ms Ingrid Pusey
General Counsel,
Head of Legal Services

Ms Stacian Bennett
Senior Director,
Investigation
and Enforcement

Mrs Angela Beckford
Chief Actuary

Mr Raymond Knight
Senior Director,
Insurance

Ms Karene Blair
Senior Director,
Securities

Mrs Joan Walker-Stewart
Senior Director,
Corporate Services

Mr Robert Hamilton
Senior Director, (Actg)
Compliance and Internal
Control Division

Mrs Cornelia Harper Peck
Senior Director,
Pensions

CHAIRMAN'S MESSAGE

CHAIRMAN
Mrs. Jacqueline Stewart Lechler, JP

Dear Stakeholders:

The financial year 2018-2019 (FY2018-2019) was in many ways a great year for the FSC. Owing to the diligence of staff, partners and other key stakeholders, the FSC was able to make great strides in executing a number of targeted initiatives aimed at strengthening its capacity to respond with a greater level of efficacy to the evolving needs of the private pensions, securities and insurance sectors.

Among the initiatives undertaken during the FY2018-2019 were the revision of bills to amend the Pensions (Superannuation Funds and Retirement Schemes) Act and the FSC Act, the initiation of a phased implementation of the large exposure framework for securities dealers and the promulgation of guidelines for the retail repo mismatch ratio. In addition, a reassessment of the capital standards of the insurance sector has commenced and is progressing at a favourable pace. The proposal for establishing a compensation scheme for the non-deposit taking sector was updated and submitted to the MOFPS. Collectively these activities signal our commitment to fostering stability and maintaining confidence in the regulated sectors.

During the period under review, the FSC also participated in Jamaica's Financial Sector Assessment Programme (FSAP), an exercise falling under the joint purview of the International Monetary Fund (IMF) and the World Bank (WB) which seeks broadly to assess the financial sector challenges with a view to recommending appropriate policy responses. Through the FSAP results, the FSC received support for a number of initiatives being undertaken, such as the development of a framework to facilitate the orderly resolution of financial entities during a crisis and efforts to enhance financial inclusion. The results of the exercise reemphasised the need for group-wide supervision, the establishment of a mechanism to facilitate the sharing of information and greater collaboration between the FSC and the BOJ as well as the strengthening of the market conduct standards and risk management frameworks.

On the supervisory front, as we take steps to modernize our regime by, for instance, implementing measures that will enable a smooth transition from the existing compliance-based framework to one that is risk-based, a three-year partnership agreement was entered into with the Toronto Centre (TC) during July 2018. To this end, the FSC is now benefiting from the TC's expertise in a number of areas that are fundamental to a successful transition, including framework design, quality assurance, reporting requirements, strategies for industry consultation and personnel training. Along with this milestone, the FSC, in conjunction with the BOJ, in some instances, also intensified its efforts to bolster its capacity in the area of group-wide supervision.

Notwithstanding the above achievements, much work remains to be done. Therefore, the upcoming financial year, and by extension the foreseeable future, is expected to be filled with dynamic yet interesting challenges. Responding to these challenges will require the right mix of human resource and technological capabilities. As such, already there has been great effort on the part of the FSC to shore up its internal process and systems through a number of avenues including by means of a revamped enterprise risk management framework and impending business process reorganization exercise which is aimed at optimizing operational efficiency.

On behalf of the Board, gratitude is extended to all staff and other stakeholders for their contribution to the FSC's achievements. As the FSC continues on its journey of becoming a first-rate financial sector regulator, I look forward to your continued support.

Mrs. Jacqueline Stewart Lechler, JP
Chairman

BOARD OF COMMISSIONERS' 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.

(i) OPERATIONAL REVIEW

For the protection of users of financial services in the insurance, securities and private pensions markets, the FSC not only maintained its focus on prudential and market conduct supervision, but expended significant time and resources undertaking initiatives aimed at developing the three sectors, executing its financial education campaign and improving its technological capabilities. Details of these focal areas are provided below:

(a) **Prudential Supervision** involves monitoring the health of regulated entities, assessing inherent and systemic threats to these entities and enforcing the adoption of risk management techniques that are adequate and effective given the size, nature and complexity of business operations. Some of the prudential supervisory activities undertaken during the reported period were:

(i) Onsite examinations and routine quarterly and annual desk-based risk assessments;

(ii) Stress Testing - Biannual review of the bottom-up stress test results of securities dealers, top-down stress testing in collaboration with the BOJ as well as stress tests of the largest twenty (20) pension plans;

(iii) Continuation of prudential reforms of the securities sector with the phased implementation of additional metrics to gauge liquidity, mismatch and large exposure risks;

(iv) Commencement of a quantitative impact study to refine the current solvency tests and to evaluate the impact of the proposed International Financial Reporting Standards (IFRS) 17 for both the life and general insurance sectors;

(v) Group-wide Supervision (Consolidated Supervision) – in addition to the routine data sharing, the FSC and the BOJ established a data sharing platform for the purpose of conducting a joint risk-based consolidated supervision. In addition, the FSC continued to work with other relevant Ministries, Departments and Agencies (MDAs) for legislative amendments to further empower the FSC to conduct group-wide supervision for financial groups that do not contain a deposit-taking institution; and

(vi) On-going development of the FSC's risk-based supervision framework across all three sectors;

(vii) The FSC continued its active participation with a number of MDAs in the development of the Special Resolution Regime (SRR).

(b) **Market Conduct Supervision** entails evaluating the regulated entities' practices towards prospective and existing customers in the marketing, distributing and delivery of post-sale services and contractual obligations as well as how the entities manage complaints. Activities in the FY2018-2019 included but are not limited to:

(i) Complaints Handling – Effective complaints handling is fundamental to the provision of quality service and effective supervision. The FSC continued to develop a friendly and efficient complaints handling system which allows for complaints to be responded to promptly, handled fairly and confidentially, and resolved appropriately whether via explanation, apology or regulatory action;

(ii) Revised Market Conduct Guidelines – The FSC issued revised market conduct guidelines for the insurance sector. It is expected that the revised market conduct guidelines for the securities industry will be completed and circulated in the FY2019-2020; and

(iii) Work is progressing on developing a concept paper to have legislative amendments to promote fair business practices, including disclosure standards for all types of financial institutions.

(c) **Market Development** - These activities, in collaboration with various stakeholders seek to enhance the ability of the financial market to facilitate more savings, a greater level of risk transfers and efficient financial intermediation. For the FY2018-2019, examples of these undertakings included the following:

(i) On-going development of a regulatory and supervisory framework for micro insurance products;

(ii) Submission of proposed legislative amendments to the Pensions (Superannuation Funds and Retirement Schemes) (Investment) Regulations, (2006);

(iii) The completion of a concept paper for the proposed regulations for the Trust and Corporate Services Providers Act; and

(iv) The revision to the FSC's AML/CFT Guidelines to widen the range of recommended address verifiers that can be utilized by licensees and registrants in the verification of address procedure for the applicant for business.

(d) **Financial Education Campaign** – The FSC increased the number of town hall meetings to seven (7) while maintaining the School Education Programme and its collaboration with local and international organisations to stage financial expositions, seminars and conferences. The FSC also expanded its reach in traditional and social media participating in several interviews and delivering presentations and speeches at a number of events including industry functions.

(e) **Improving FSC's technological capabilities** – The FSC's technological roadmap included the replacement of hardware and software to maintain current services as well as the acquisition of new systems to support the digital transformation.

(ii) REVIEW OF FINANCIAL PERFORMANCE (FY) 2018-2019

This subsection provides a brief overview of the FSC's financial performance during the FY2018-2019. It highlights the composition of FSC's revenue 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, 2019, based on International Financial Reporting Standards (IFRS). Highlights of the income and expenditure items are presented as in Chart 1. Charts 2-4 provide details of the sources of fee income from the Securities, Insurance and Pensions Industries for FY2017-2018 & FY2018-2019.

Chart 1: Composition of FSC's Revenue, FY2017 – 2018 & FY2018-2019

	2017 - 2018	2018 - 2019
	$'000	$'000
Total Income	**1,230,023**	**1,174,179**
Licensing/Registration Fees	1,027,705	1,150,660
Interest Income	44,420	22,698
Fees from seminars/workshops	460	445
Miscellaneous Income	1,069	684
IOSCO 2017	155,401	
Gain/Loss on PPE	969	(308)
Total Expenses	**1,153,731**	**975,719**
Appreciation in fair value of Investments as at fair value through Profit and loss	-	48,040
Change in fair value of available for sale investments	11,033	-
Surplus	**87,325**	**246,501**

Chart 2: Revenue from the Securities Industry FY2017 – 2018 & FY2018-2019

	2017 - 2018		2018 - 2019	
Source	**Revenue ('$000)**	**%age of Total**	**Revenue ('$000)**	**%age of Total**
Annual Licensing/Registration Fees - Securities Dealers Mutual Funds	165,509	72	176,714	66
Stock Exchange & JCSD Fees	47,953	21	76,292	28
Application Fees	16,830	7	15,145	6
Totals	**230,292**	**100**	**268,150**	**100**

Chart 3: Revenue from the Insurance Industry FY2017 – 2018 & FY2018-2019

	2017 - 2018		2018 - 2019	
Source	**Revenue ('$000)**	**%age of Total**	**Revenue ('$000)**	**%age of Total**
Annual Registration Fees- Life and General Companies	345,391	92	365,460	92
Annual Fees- Intermediaries	24,029	6	24,774	6
Application Fees	6,609	2	7,087	2
Totals	**376,029**	**100**	**397,321**	**100**

Chart 4: Revenue from the Pensions Industry FY2017 – 2018 & FY2018-2019

	2017 - 2018		2018 - 2019	
Source	**Revenue ('$000)**	**%age of Total**	**Revenue ('$000)**	**%age of Total**
Annual Licensing Fees- Investment Managers	420,775	99.9	484,442	99.8
Application Fees	609	.01	745	.02
Totals	**421,384**	**100**	**485,187**	**100**

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

Although there was no proposed change to the FSC's mandate during the FY2018-2019, a bill entitled the Tourism Workers Pension Act was tabled in the Parliament. The bill seeks to establish the Tourism Workers Pension Scheme, a defined contribution pension scheme for tourism workers and self-employed tourism workers. The bill names the FSC as the regulator for the scheme.

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

Due to delays in (i) the procurement process, (ii) the employment of selected persons and (iii) the completion of a project, three (3) items were deferred. These items were

- One of the initiatives to enhance surveillance and compliance with the applicable laws, regulations and guidelines,
- Business process re-engineering, and
- Job evaluation and re-classification project.

Chart 5 outlines the FSC's performance against selected strategic objectives for FY2018-2019

Chart 5: Summary of FSC's Achievements Measured Against selected Strategic Objectives for 2018-2019[1]

Strategic Objectives Initiatives	Results
Strategic Goal 1: Establish and maintain a proactive and responsive regulatory environment for the securities, insurance and pensions industries.	
1.1 Strategic Objective: To advocate timely policy and legislative changes in anticipation of, or response to, environmental dynamics	Met
1.2 Strategic Objective: To respond quickly to upside and downside risks	Met
Strategic Goal 2: Facilitate public education and awareness of information pertaining to the securities, insurance and pensions industries, as well as the general work of the FSC.	
2.1 Strategic Objective: To advance a consumer protection and financial capability agenda	Met
2.2 Strategic Objective: To build the FSC brand and reputation	Met
Strategic Goal 3: Foster and enforce compliance with legislation relating to the securities, insurance and pensions industries, through a robust enforcement programme.	
3.1 Strategic Objective: To quickly deter, detect and prosecute violations of the laws	Met
3.2 Strategic Objective: Collaborate and cooperate with partners locally and overseas to address global financial crimes	Met
Strategic Goal 4: Enhance FSC's performance through alignment and management of human, information and financial resources.	
4.1 Strategic Objective: To attract, develop and retain the best talent	Met
4.2 Strategic Objective: To transfer knowledge to and from partners	Met

[1]These results are preliminary and will be verified by the Control and Internal Compliance Division (CICD) during the FY2019-2020

(v) FORECAST AND PROJECTIONS OF KEY FINANCIAL & OPERATING MEASURES

Chart 6 provides a forecast of key financial and operating measures for the fiscal year 2019-2020 (FY2019-2020).

Chart 6: FSC's Financial Projections for 2019-2020 ($' 000)

	Actual	Projected
	FY 2018-2019	FY 2019-2020
	($'000)	($'000)
INCOME		
Fees	1,150,660	1,217,859
Interest Income	22,698	95,196
Other	1,130	1,380
Loss on disposal of Property Plant & Equipment	(308)	
TOTAL INCOME	**1,174,180**	**1,314,435**
EXPENSES:		
Advertising	1,491	1,510
Appeals Tribunal	4,030	2,628
Audit	2,311	2,024
Bad Debts	-	-
Bank Charges	1,294	1,475
Building Maintenance	14,697	24,718
Commissioners Fees	1,821	3,013
Data Security	8,404	9,800
Depreciation and amortisation	23,027	43,824
Foreign Exchange Loss	1,852	-
Motor Vehicle and parking expense	13,132	13,947
Office Expenses	26,424	23,790
Irrecoverable General Consumption Tax	31,615	68,524
Impairment losses on investments	663	-
Impairment losses on trade receivables, net of recoveries	(1,995)	
Printing and stationery	2,363	3,802
Professional fees	45,268	88,954
Public Education	49,266	38,770
Rent	1,994	2,000
Staff Cost	656,355	753,559
Subscriptions	29,628	35,138
Training and conferences	33,017	42,505
Utilities	29,062	34,696
TOTAL EXPENSES	**975,719**	**1,194,677**
Appreciation in value of investments classified As at fair value through profit or loss	48,041	
SURPLUS FOR THE YEAR	**246,501**	**119,758**

(vi) 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 dividends and therefore, for the purposes of Part 1 of the Second Schedule to the PBMA, it is not necessary for the FSC to provide notification of payment of dividend.

Conclusion

During the financial year 2018 -2019, the FSC made tremendous effort in undertaking numerous activities to facilitate the growth and development of a stable, robust and dynamic Jamaican financial market that is inclusive and that provides greater protection to its users. For the FY2019-2020, we will continue these efforts with even more energy and commitment. To the management, staff, clients and partners, the Board of Commissioners expresses gratitude for their continued support, dedication and commitment to the organisation during the FY2018-2019.

Mrs Jacqueline Stewart Lechler, JP
Chairman

CORPORATE GOVERANCE REPORT

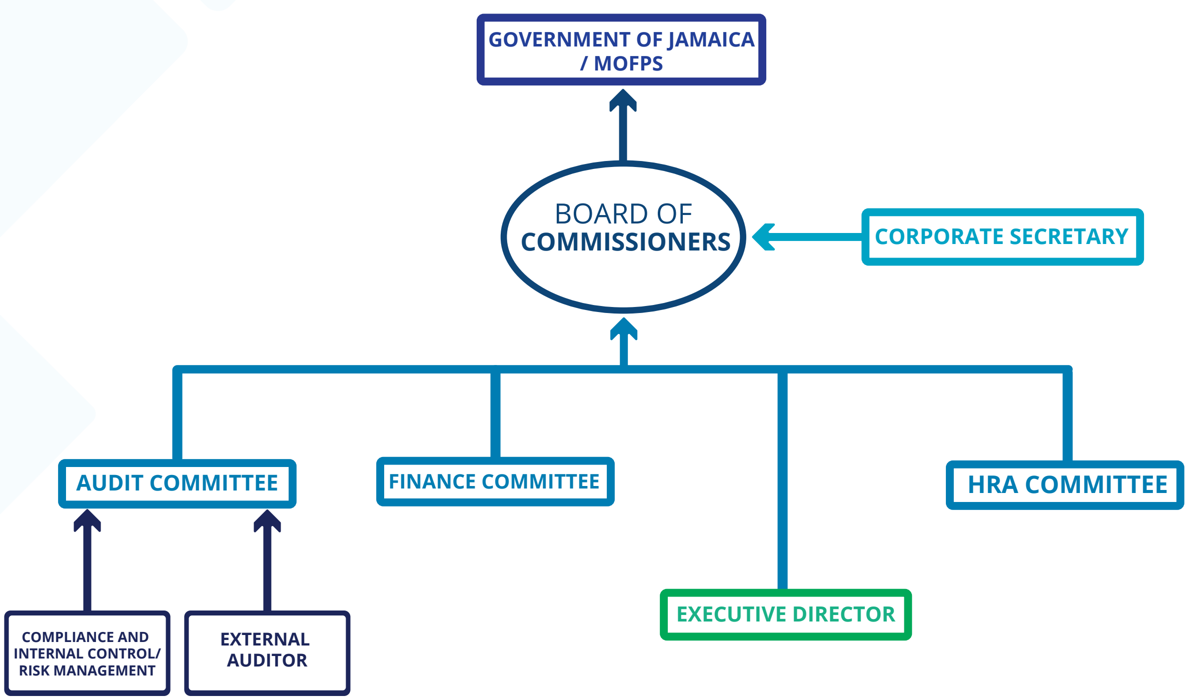
The Board of Commissioners is collectively responsible for the strategic and policy direction of the FSC. It aims to carry out its functions of general administration and oversight in accordance with principles and values that promote transparency, accountability, integrity and probity.

The Board is cognizant that good governance is a key ingredient for the success of the FSC and the achievement of its mandate and strategic goals. It is therefore critical that the FSC's governance culture is consistent with best practices that will enable long-term sustainability, increase effectiveness in delivering value to stakeholders and aid in national development.

As the focal point for corporate governance within the FSC, the Board proactively adopts practices and policies that promote the highest standards of ethical behaviour, sound governance and risk management. The FSC's corporate governance structure is arranged in such a manner to comply with best practices and to facilitate effective governance over the operations of the FSC. Chart 7 reflects the reporting relationships in the FSC's corporate governance structure. In implementing accepted standards, the Board is guided by the FSC Act, the PBMA & Regulations, the Financial Administration & Audit Act and the revised Corporate Governance Framework for Public Bodies.

The FSC operates within a dynamic and evolving environment and the Board is committed to its responsibility to ensure that practices and policies remain current and relevant.

Chart 7: FSC's Corporate Governance Structure



As part of a pilot programme by the MOFPS for the development of a Board Performance Evaluation Instrument for public bodies, an evaluation of the Board and its members was conducted during the FY2018-2019. Based on the evaluation process, the FSC provided feedback to the Ministry on the Evaluation Instrument. It is expected that the next evaluation of the Board will be conducted during FY2019-2020.

Board Meetings

The Board met ten (10) times during the FY2018-2019. Through these meetings, the Board was able to consider and deliberate on key strategic priorities and policy initiatives and other significant matters of the FSC, including:

- Corporate Plan and Budget for the succeeding financial year;
- FSC's Risk Management Framework-
  - Revisions to the Enterprise Risk Management (ERM) Policy;
  - Risk Register;
  - Statement of Risk Tolerance and Appetite;
- Proposals for establishing Compensation Schemes for the Non-Deposit Taking Financial Sector;
- Changes to the Pensions Investment Framework;
- National Financial Inclusion Strategy
- Financial Stability Assessment Programme Report;
- Consultation Papers -
  - Amendments to the Insurance Act to facilitate group insurance;
  - Regulations under the International Trust and Corporate Service Providers Act;
  - Addressing Gaps in Consumer Protection Regimes;
- Communication and Social Media Policy

The attendance of members at Board meetings is reflected in Chart 8.

Chart 8: Attendance at Board Meetings, FY2018-2019

Members		Meetings Attended
Jacqueline Stewart-Lechler	Board Chairman	9/10
Erwin Burton	Board Member	10/10
Katherine Francis	Board Member	8/10
Myrtle Halsall	Board Member	9/10
Andre Hutchinson	Board Member	9/10
Gerard Johnson[2]	Board Member	2/6
Nigel Logan	Board Member	4/10
Kevin Richards	Board Member	8/10
Joseph Shoucair	Board Member	6/10
Everton McFarlane	Executive Director	10/10

[2] Mr. Johnson resigned as a member of the Board in November 2018

Board Committees

To improve the efficiency and effectiveness of the Board in carrying out its functions, the Board has established three standing Committees with specific areas of responsibility as defined by their respective Terms of Reference.

Human Resource & Administration Committee

The Human Resource & Administration (HRA) Committee is comprised of five (5) members and met four (4) times for the FY2018-2019. During the year, the Committee reviewed and advised on human resource strategy, policies and programmes of the FSC. The attendance of members at meetings is reflected in Chart 9.

Chart 9: Attendance at HRA Committee Meetings, FY2018-2019

Members		Meetings Attended
Katherine Francis	Chairperson	4/4
Jacqueline Stewart-Lechler	Board Member	3/4
Erwin Burton	Board Member	4/4
Nigel Logan	Board Member	3/4
Everton McFarlane	Executive Director	4/4

Finance Committee

The Finance Committee is comprised of five (5) members and met four (4) times for the FY2018-2019. The attendance of members at meetings is reflected in Chart 10. During the year, the Committee carried out general financial oversight, regularly considered and reviewed financial reports, ensured accuracy and efficiency in financial management and also reviewed the operating budget for the succeeding year.

Chart 10: Attendance at the Finance Committee Meetings, FY2018-2019

Members		Meetings Attended
Andre Hutchinson	Chairperson	4/4
Katherine Francis	Board Member	2/4
Erwin Burton	Board Member	4/4
Kevin Richards	Board Member	3/4
Everton McFarlane	Executive Director	4/4

AUDIT COMMITTEE REPORT

The PBMA mandates that every public body having four (4) or more Board members must establish an Audit Committee of not less than three members. The FSC's Audit Committee is comprised of three (3) members, including a qualified chartered accountant.

The purpose of the Audit Committee is to assist the Board with oversight of the following:

i. financial reporting;
ii. systems of internal control;
iii. risk management; and
iv. audit processes (internal and external).

The duties of this Committee include:

- advising the Board on the adequacy, efficiency and effectiveness of the accounting and internal control structure and systems and on the independence of the auditors auditing the public body;
- reviewing and advising the Board on the annual financial statements to be included in the Annual Report;
- overseeing any internal audit and in the case of a special audit of the FSC, reviewing and advising the Board with respect to that report;
- reviewing and advising the Board on the annual auditor's report; and
- reviewing and monitoring the work of the internal control and risk functions to ensure that appropriate and effective systems are in place.

In carrying out its responsibilities of oversight, the Committee considers the following:

- Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
- Enterprise risk management activities;
- Compliance with MOFPS Circulars, the FSC Act, the PBMA and other relevant legislation and/or guidelines.

The Committee satisfied the minimum number of meetings to be held as it met each quarter during the FY2018 -2019 and also held a special meeting. Through its quarterly meetings, the Committee effectively performed its responsibilities and carried out the following activities:

- Receiving and considering internal audit reports and updates regarding compliance with the FSC's operational policies and procedures and making recommendations for improvements to the Executive Management team;
- Reviewing and advising on changes to the FSC's Enterprise Risk Management Framework, Risk Register and Statement of Risk Tolerance and Appetite;
- Providing guidance on Business Continuity implementation within the FSC;
- Considering changes to the Internal Audit Charter.

The attendance of members at meetings is reflected in Chart 11.

Chart 11: Attendance at the Audit Committee Meetings, FY2018-2019

Members		Meetings Attended
Myrtle Halsall	Chairperson	5/5
Nigel Logan	Board Member	4/5
Joseph Shoucair	Board Member	4/5

The Audit Committee receives regular updates regarding compliance with the FSC's operational policies and procedures as well as risk management activities from the Control and Internal Compliance Division (CICD).

INTERNAL CONTROL

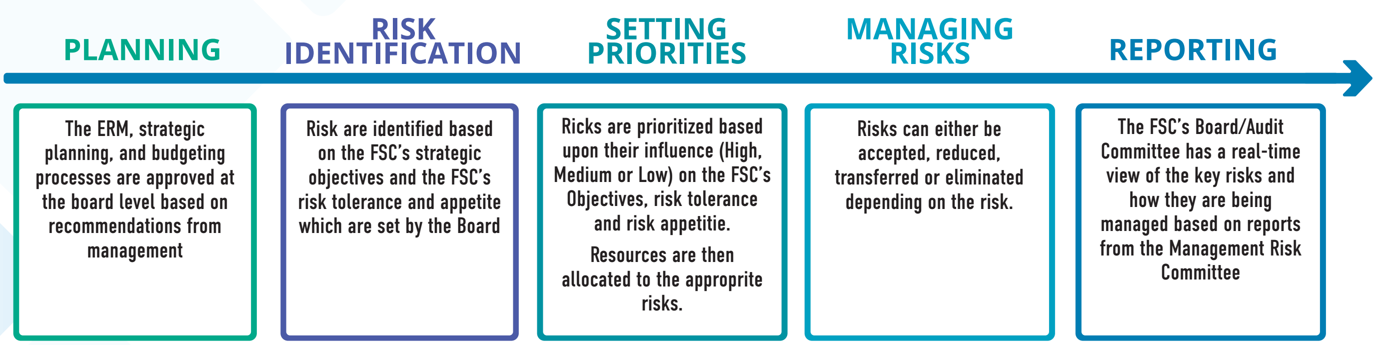
The mission of CICD is to provide independent and objective assurance, designed to add value and improve the FSC's operations by utilising an appropriate risk-based audit methodology. The CICD incorporates this risk-based approach to the development of its annual audit plan and the management of its audits. It concentrates predominantly on the areas of highest risk, in an effort to identify and recommend mitigating actions that can have the greatest impact on the FSC's objectives and mission without unduly affecting the organization's flexibility.

During the FY2018-2019, the CICD conducted its annual performance incentive audit for the FY2017-2018. The objective was to determine the level of achievement of the FSC's strategic objectives and involved an audit of all sixteen (16) of the FSC's Divisions/Departments to determine if they executed the necessary objectives for the organisation to achieve its goals for the FY2017-2018. Additionally, CICD conducted four (4) operational audits and developed action plans to address the deficiencies identified.

Risk Management

The FSC understands that risk management is essential in providing greater assurance that the organization's strategic objectives will be met and its mission fulfilled. Risk management begins at the strategic planning phase, where the Board and management identify high level objectives which are consistent with the mission and mandate of the FSC, and consider the risks associated with meeting these objectives. This then flows through to the integration of risk management in the day-to-day business decisions at the operational level. By focusing on promoting a strong risk management culture which guides our decision-making process at both the strategic and operational levels, the FSC has experienced improved execution of our objectives and greater accountability throughout the organization. Chart 12 provides an overview of the FSC's risk process.

Chart 12: The Risk Process



The FSC established its ERM framework in 2014, governed by the ERM Policy and Risk Appetite and Tolerance Statement, with the aim of taking a proactive approach to risk management. These documents articulate the amount and types of risk that we are prepared to be exposed to, which in turn determines appropriate risk treatments (accept, transfer, mitigate and avoid). Monitoring of risks is done on an on-going basis and reported quarterly to the Executive Director and the Audit Committee.

STRENGTHENING THE FSC’S ENTERPRISE RISK MANAGEMENT (ERM) FRAMEWORK

The FSC conducts annual ERM training for all employees in order to reinforce risk management concepts and practices at all levels of the organization, and to deepen understanding of the integral role that employees play in the risk management process. During this exercise, feedback is encouraged on recommended improvements to the ERM framework.

An overhaul of the ERM framework was executed during FY2018 -2019. The Management Risk Committee, which was reconstituted, facilitated the revision of the ERM Policy and the Statement of Risk Tolerance and Appetite. The FSC Risk Register was generated and published utilizing information from the Division/ Department Risk Assessments and the Management Risk Committee’s input. This register highlights areas of focus for risk management for the organization for the medium term.

MANAGING FSC’S RISKS

The risks faced by the FSC have been categorized under financial, operational and strategic risks. The Division/ Department Risk Assessments and consequently the FSC’s Risk Register underscore operational risks as priority. Action plans have been developed to address key risks identified, which will be tracked throughout the year as a part of risk reporting.

Board & Executive Management Remuneration

The Board of Commissioners is remunerated as determined by the Minister of Finance. Chart 13 provides information on the remuneration paid to the Non-Executive Commissioners. Chart 14 provides information on the remuneration paid to the executive management team.

Chart 13: Compensation of Commissioners FY2018-2019

Name of Commissioner	Fees ($’000)	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle ($’000)	Honoraria ($’000)	All other Compensation including Non-cash Benefits as applicable ($’000)	Total ($’000)
Jacqueline Stewart Lechler	378	420			**798**
Myrtle Halsall	165				**165**
Erwin Burton	131				**131**
Katherine Francis	140				**140**
Gerard Johnson	65				**65**
Nigel Logan	126				**126**
Kevin Richards	106				**106**
Joseph Shoucair	160				**160**
Andre Hutchinson	130				**130**
Total	**1,401**	**420**			**1,821**

Chart 14: Compensation of Executive Management FY2018-2019[3]

Position of Senior Executive	Year	Base Salary ($)	Gratuity ($)	Performance Incentive ($)	Travelling Allowance ($)	Other Allowance ($)	Non- Cash Benefit housing and value of the Company's motor vehicle ($)	Total ($)
Everton Mcfarlane *Executive Director*	2018/2019	13,149,626	3,128,837	1,008,000		1,374,624	120,000	18,781,087
Nicolette Jenez *Deputy Executive Director*	2018/2019	9,223,926	2,050,342	596,619	1,542,864	33,000	-	13,446,750
Angela Beckford *Chief Actuary*	2018/2019	10,774,988	2,641,889	-	1,542,864	33,000	-	14,992,741
Joan Walker Stewart *Senior Director Corporate Services*	2018/2019	7,844,577	1,807,777	606,761	1,542,864	33,000	-	11,834,979
Raymond Knight *Senior Director Insurance*	2018/2019	7,395,222	1,809,771	-	1,542,864	33,000	-	10,780,857
Cornelia Harper Peck *Senior Director Pensions*	2018/2019	3,672,114	-	-	771,432	-	-	4,443,545
Karene Blair *Senior Director Securities*	2018/2019	7,395,222	1,809,771	-	1,542,864	33,000	-	10,780,857
Stacian Bennett *Senior Director Investigations & Enforcement*	2018/2019	7,010,486	-	315,409	1,542,864	33,000	-	8,901,759
Robert Hamilton *Senior Director Compliance & Internal Control(Acting)*	2018/2019	525,012	-	-	128,572	-	-	653,584
Ingrid Pusey *General Counsel*	2018/2019	7,877,274	1,891,023	585,283	1,542,864	33,000	-	11,929,444

[3] The position of Senior Director, Pensions was filled on October 1, 2018. Mr. Robert Hamilton was appointed acting Senior Director Compliance and Internal Control on March 1, 2019

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility 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 FY2018-2019, the FSC contributed to the community through the following:

- Annual support of the Sigma Run,
- Donations to a number of charities. For example, the FSC supports the Jamaica Kidney Foundation in the fight against childhood kidney disease,
- Support to the Government of Jamaica (GOJ) Environmental Plan by, among other things, providing eco-friendly shopping bags. See photo "Go Green with the FSC"
- Development of a policy to reserve at least one place in its summer Work Programme for a person with a disability or disabilities. See Box 1

FSC JOINS THE FIGHT AGAINST CHILDHOOD KIDNEY DISEASE

From left: Ms. Erin Hayle, Foundation Coordinator of the Jamaica Kidney Kids Foundation looks on as Dr. Maolynne Miller, the Foundation's Founder and Chairperson, accepts a corporate donation from the Financial Services Commission's Communication & International Relations Manager, Mr. David Geddes.

With an estimated 400-600 new cases of chronic renal failure per million population each year, kidney (renal) disease negatively impacts the quality of life for many Jamaicans, including children. The impact on families can be devastating as the lives of their children are disrupted by costly, life-saving dialysis to treat this disease. Moved by this harsh reality affecting our youngest citizens, the FSC has stepped forward with a long-term commitment to support the Jamaica Kidney Kids Foundation (JKKF), which is dedicated to improving the care of Jamaican children living with kidney disease.

In response to an appeal for assistance, the FSC's Communication & International Relations Manager Mr. David Geddes presented a cheque for J$25,000 to JKKF's Founder and Chairperson Dr. Maolynne Miller, while visiting the Foundation's office at Ruthven Road Kingston on Monday, January 14, 2019. The work of the JKKF has been life changing for many poor families who are challenged with the expense of dialysis and other forms of patient care for children born with kidney defects, children who have inherited the disease and those that have acquired the disease through inflammation, severe infection, trauma, dehydration or as a result of cancer or severe heart disease.

In addition to dialysis support, the FSC will be supporting the Jamaica Kidney Kids Foundation as it works to provide support to a number of other constituents, namely:

- **Hospital support** – since 2013, JKKF has been the major supplier of consumables used for paediatric dialysis at medical facilities caring for children living with kidney disease, particularly the University Hospital of the West Indies.
- **Education for the medical community** - the JKKF hosts workshops and/or conferences for medical professionals to help them manage patients more efficiently, and prevent and manage end-stage kidney disease, up to the point of dialysis.

- **Subsidize the cost of specialist training** – through the Jamaica Kidney Kids Foundation Scholarship Fund, Jamaican paediatricians receive specialist training overseas.
- **Monthly outreach clinics** at the Cornwall Regional Hospital to facilitate patients in western Jamaica.
- **Family Support Group** – emotional support for families of children living with kidney disease.

Mr. Geddes pledged to assist the JKKF further: "given the trend we are seeing with chronic diseases, we believe the message of kidney care is an important one, especially for our young people. So beginning this year, the FSC will incorporate a presentation on kidney health by a representative from JKKF to students in our Schools' Financial Education Programme". Each year, the FSC sponsors a 6 week programme in personal finance and entrepreneurship for high school students in grades 9 to 11. "This year, we are slated to have another 600 participants who will benefit from not only information to help them make better financial decisions as adults, but also better choices for their health," Geddes confirmed.

Mrs. Kathryn Marrett, 66th President of the Jamaica Association of Insurance and Financial Advisors (JAIFA) greeting Mr. David Geddes, Manager of Communication and International Relations (FSC) at the President Inauguration held on November 12, 2018, at the Knutsford Court Hotel in Kingston.

The Jamaica Association of Insurance and Financial Advisors (JAIFA) at the recent installation ceremony for their 66th President Mrs. Kathryn Marrett, announced that its major fundraising beneficiary for this year would be the Jamaica Kidneys for Kids Foundation. Mr. Geddes was the guest speaker at the installation ceremony. The Jamaica Kidney Kids Foundation welcomes your support. Find them on Facebook at www.facebook.com/ JamaicaKidneyKidsFoundation or their website www.kidneykidsja.com

GO GREEN WITH THE FSC

Colleagues,

As Jamaica embarks on a campaign towards creating a more environmentally friendly place to live, work, do business and raise families, the FSC is keen on championing this cause in collaboration with staff. As such, we are happy to advise that OCIR in collaboration with the SDC, has organized to provide staff with eco-friendly shopping bags to help you as we transition to "scandal-free" living.

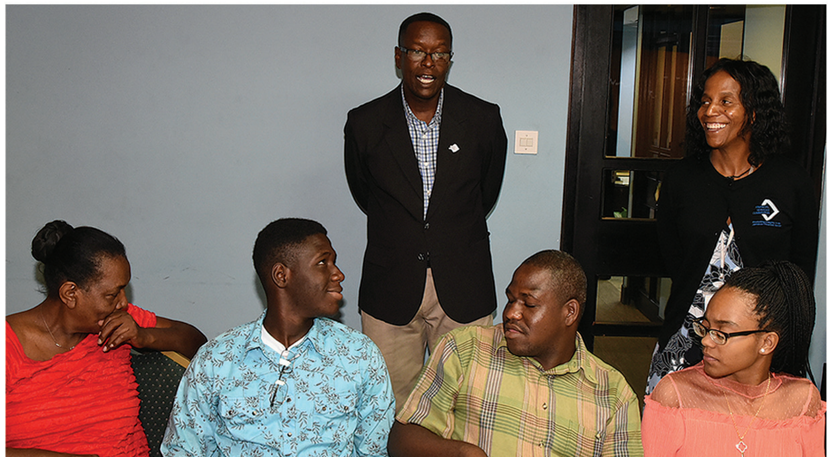
Please visit the SDC Chairman Miss Michelle Murphy to collect your bag today.

Enjoy!

Regards,
SDC/OCIR Team

BOX 1 – FSC'S SUPPORT TO CHILDREN WITH DISABILITIES AT RISK

Ms. Camille Welham, a member of the Past Students Association receiving an audio book on the role and function of the FSC from Communication and International Relations Manager Mr. David Geddes.



Human Resources & Administration Manager, (FSC) Mr. Wayne Robinson outlining the benefits of the newly implemented Summer Work Programme for persons with Disabilities.

Chairman of the Past Students Association, Ms. Camille Wilson, encouraging graduates to be relentless in seizing opportunities to network and exercise vigilance in investing. Check before you Invest.

Pensions Analyst (FSC), Mrs. Ann-Marie Trowers-Smith explaining the importance of Planning for Retirement at an early age. "It is Never too soon or too late to start planning for retirement".

Graduates and Past Students of the Salvation Army School for the Blind along with FSC Staff members Ms. Melissa Williams and Ms. Toni-Ann Bryson at the Luncheon held on June 29, 2018.

The Past Students Association of the Salvation Army School for the Blind has commended the Financial Services Commission (FSC) for its introduction of a policy to reserve at least one place in its Summer Work Programme for a person with a disability or disabilities.

The joint announcement was made by the Manager for Human Resources at the FSC Mr. Wayne Robinson and the Communication and International Relations Manager (FSC) Mr. David Geddes at a recent function to honour graduates of the School for the Blind. It was noted that the first Intern would be a graduate of the School and that the Past Students Association would recommend the recipient to the FSC.

Additionally Mr. Geddes also noted that the FSC's Schools Financial Education Programme which over the years has coached 2,500 students in financial responsibility is being reviewed to see how it can be expanded to place more focus on students with disabilities.

He quoted from a recent World Bank Report which stated that globally there are some 65 million primary school-age children who are not in school noting that approximately half of them are children with disabilities.

Mr. Geddes said according to the World Bank, even children with disabilities who do enroll are far less likely to complete school. It is estimated that 5% of children with disabilities will graduate. This he noted has resulted in us living in a world where only 3% of adults with disabilities are literate.

During the function, the graduates and past students were coached in retirement planning and the importance of wealth creation through investment and entrepreneurship. Eighteen (18) graduates from the School were hosted at the Luncheon.

The Association was also presented with an audio book on the role and function of the Financial Services Commission.

Chairman of the Past Students Association Ms. Camille Wilson in her comments at the function encouraged students to grasp every opportunity to advance themselves through the initiatives offered by the FSC and praised the organization for its continued commitment to the disabled community.

Starting next year, the FSC will collaborate with the other agencies and organizations serving persons with disabilities to widen the network from which the interns will be selected.

The Salvation Army School for The Blind & Visually Impaired Children was established in 1927 by the Salvation Army. It is a composite school which offers early childhood, primary, secondary and technical vocations. It is the only school in the island that caters to need of children with visual impairment between the ages of 4 to 21 years.

EXECUTIVE DIRECTOR'S REPORT

EXECUTIVE DIRECTOR
Everton McFarlane

Although starting on an optimistic note, global economic activity in 2018 softened amidst mixed economic performance across major economies. The emergence of key downside risks to growth became more apparent, particularly in the form of increased trade tensions and tighter financial market conditions. Notwithstanding the challenging global environment, the Jamaican economy remained resilient. For the 2018 calendar year, the Jamaican economy grew by 1.9 per cent. The observed economic improvement was mainly due to growth in the services and goods-producing sectors. The BOJ maintained its accommodative monetary policy stance. Other positive developments included higher levels of employment and business confidence. With continued fiscal discipline and a stable macroeconomic environment, the debt to gross domestic product (GDP) ratio continued to fall and by the end of December 2018, it was 96.1 per cent. The Jamaican dollar depreciated on a year-on-year basis by 2.2 per cent against the US dollar. Chart 15 illustrates selected macro indicators for the period 2013 -2018.

Chart 15: Selected Macro Indicators for Jamaica, 2013-2018

Selected Macroeconomic Indicators	2013	2014	2015	2016	2017	2018
Real GDP Growth Rate (%)	0.2	0.5	0.8	1.4	0.5	1.9
Net International Reserves (US$M)	1,052.8	2,001.6	2,437.3	2,719.4	3,208.3	3,005.41
Inflation (%)	9.5	6.4	3.7	1.7	5.2	2.4
T-Bill Yield (6 months) (%)	8.25	7.14	6.04	6.56	4.63	2.07
JSE Combined Market Index (points)	82,935	78,223	158,269	204,960	294, 987	384,557
Average Unemployment Rate (%)	15.2	13.7	13.5	12.9	11.7	9.1
Exchange Rate (end of period)	106.38	114.66	120.42	128.44	125.00	127.72
Percentage Rate of FX Depreciation (J$ vs US$)	7.8	14.4	5.3	6.7	-2.7	2.2

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

Introduction

The Insurance Division seeks to facilitate the development and growth of the insurance industry by maintaining confidence in the relationships amongst policyholders, insurance companies and insurance intermediaries. To further preserve such confidence, the Division is mandated to ensure that the principles and practices of sound market conduct are observed by all of its registrants in order to protect the interests of policyholders. Additionally, the Division, through its monthly, quarterly and annual reviews of insurance companies, monitors the solvency requirements of these insurance companies and ensures that insurers maintain the required prudential standards.

Chart 16: A snapshot of the Division's achievement for FY2018-2019

OVERVIEW OF GENERAL INSURANCE INDUSTRY

Chart 17: Number of Registrants in the Insurance Industry as at March 31, 2019

Type of Registrants	Registered At 31/3/18	Additions	Less Terminations/ Cancellations	Registered At 31/3/19
Life Insurance Companies	6	1	0	7
General Insurance Companies	11	1	0	12
Association of Underwriters	1	0	0	1
Insurance Brokers	26	0	1	25
Facultative Placement Brokers	18	0	0	18
Overseas Reinsurance Brokers	1	0	0	1
Local Reinsurance Brokers	2	0	0	2
Insurance Agents	35	9	1	43
Insurance Sales Reps.	3,459	270	99	3,630
Loss Adjusters	34	2	0	36
Loss Adjusters - Employed Practitioners	7	0	0	7
Investigators	21	0	0	21
Claims Negotiators	8	0	0	8
Insurance Consultants	2	2	0	4
Total	**3,631**	**285**	**101**	**3,815**

As at March 31, 2019, there were seven (7) registered life insurance companies and twelve (12) general insurance companies. The latest additions to the lists of life and general insurers were Canopy Insurance Limited and Massy United Insurance Limited, respectively.

For the year ended December 31, 2018, the general insurance companies employed approximately 1,192 persons (2017: 1,226) and wrote 509,063 policies (2017: 483,257). Chart 18 shows the number of policies and other key indicators by class of business for 2018.

Chart 18: Jamaican General Insurance Industry Data for 2018 [P]

	Liability	Property	Motor Vehicle	Pecuniary Loss	Marine Aviation & Transport	Accident	Total
Number of Policies	7,731	53,821	442,130	3,849	833	699	509,063
Gross Direct Premiums Written (J$'000)	2,199,064	21,449,807	22,296,301	1,499,768	399,763	214,497	48,059,200
Reinsurance Assumed (J$'000)	5,538	117,700	32,693	869	547	358	157,705
Reinsurance ceded (J$'000)	964,199	20,779,111	3,597,638	1,342,608	295,474	82,299	27,061,330
Net Premiums Written (J$'000)	1,240,402	788,396	18,731,356	158,029	104,836	132,556	21,155,574
% of Gross Premiums ceded	44%	96%	16%	89%	74%	38%	56%
Net Premiums Earned (J$'000)	1,226,565	706,749	17,641,153	143,411	104,694	133,904	19,956,476
Gross Direct Claims Incurred(J$'000)	825,810	850,028	12,728,575	29,513	57,955	31,346	14,523,227
Claims on Reinsurance assumed (J$'000)	0	0	0	0	0	0	0
Claims on Reinsurance Ceded (J$'000)	350,940	736,755	1,517,139	23,836	48,155	11,065	2,687,891
Net incurred claims (J$'000)	474,870	113,273	11,211,436	5,677	9,799	20,281	11,835,336
Claims ratio (%)	39%	16%	64%	4%	9%	15%	59%

[P] Preliminary

Chart 19: Aggregate Information and Financial Position of the General Insurance Industry

As at	Dec-16^A	Dec-17^A	Dec-18 ^P
	$'B	$'B	$'B
Balance Sheet			
Total Investment Assets	47.8	50.1	51.7
Total Assets	71.2	78.0	81.1
Insurance Liabilities	38.8	43.1	44.1
Other Liabilities	6.0	8.1	9.7
Total Liabilities	**44.9**	**51.2**	**53.8**
Capital & Surplus (incl. reserves)	**26.3**	**27.3**	**26.8**
Profit and loss (YTD) [4]			
Net Premium Earned	16.9	18.2	20.0
Net Investment Income	3.3	4.0	2.7
Other Income	1.0	0.2	0.7
Underwriting Expenses	16.6	19.0	19.2
Income before Tax	4.5	3.4	4.1
Taxes	0.9	1.0	1.4
Income (Loss) after Tax	**3.6**	**2.5**	**2.7**

[4]YTD: Year To Date [A]Audited [P]Preliminary

Chart 19 displays selected indicators for the general insurance industry such as total assets and net income. The weighted average Minimum Capital Test (MCT) ratio for the general insurance companies at the end of 2018 was 385.0 per cent (2017: 370.1 per cent), which exceeded the prescribed capital required of 250 per cent. Nine (9) of the twelve registered general insurance companies reported MCT scores above the 250 per cent regulatory benchmark as at December 31, 2018.[5]

Aggregate assets as at December 31, 2018 amounted to $81.1 billion and reflected a growth of 3.8 per cent over the $78.2 billion reported as at December 31, 2017. Aggregate invested assets, which made up 63.8 per cent of total assets, amounted to $51.7 billion and represented an increase of 3.2 per cent over the $50.1 billion report at the end of 2017.

Total revenue, which is the sum of the industry's total underwriting revenue, net investment income and other income, amounted to $23.3 billion in 2018 (2017: $22.4 billion). The general insurance companies recorded total underwriting revenue of $20.1 billion for the year which represented a 9.5 per cent comparative increase over the $18.3 billion recorded in 2017. This increase stemmed from a 12.1 per cent increase in total gross premium written within the industry which amounted to $48.4 billion for 2018 (2017: $43.2 billion). Underwriting expenses, which totalled $19.2 billion for 2018, represented a relative increase of 0.9 per cent over the prior year. The overall industry results from underwriting operations significantly improved over the prior year, as the industry reported aggregate underwriting profit of $0.9 billion for 2018 compared to aggregate underwriting loss of 0.7 billion in 2017.

Chart 20 displays the aggregate amount of claims and the claims ratio by class of business.

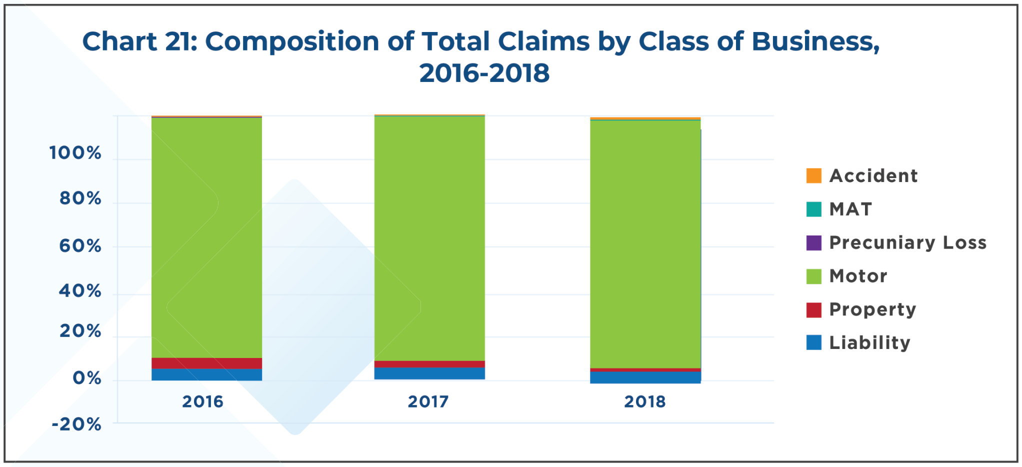
Chart 20: Aggregate Claims by Class of Business, 2016-2018

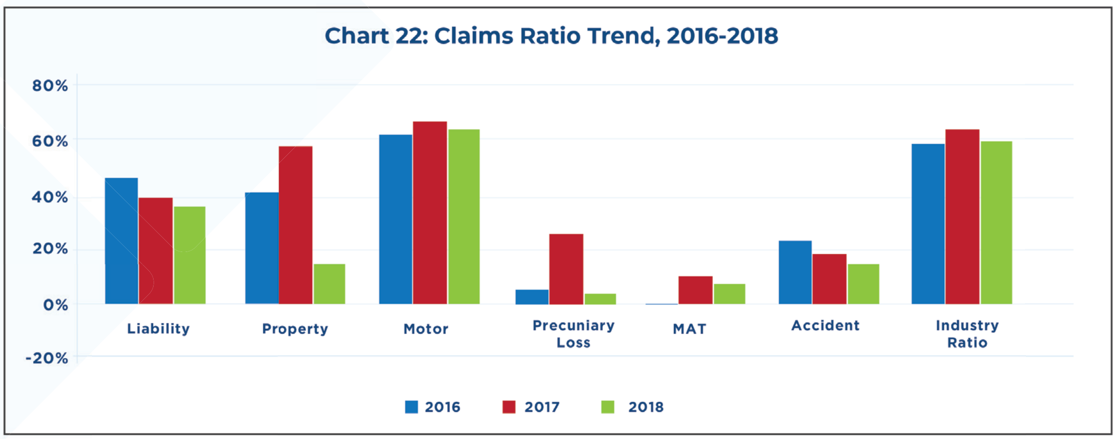
Class of Business	2016^A $' M	2017^A $' M	2018^P $' M
Liability	494.0	483.9	474.9
Property	367.2	363.7	113.3
Motor Vehicle	90,53.3	10,677.7	11,211.4
Pecuniary Loss	6.9	40.1	5.7
Marine Aviation & Transport (MAT)	(0.1)	10.5	9.8
Accident	36.7	45.2	20.3
Total	**9,958.00**	**11,620.99**	**11,835.34**

[A]Audited [P]Preliminary

[5] Subsequent Event: The general insurers who failed to meet the minimum MCT ratio as at December 31, 2018 have been subjected to enhanced supervision and have taken steps towards meeting the regulatory benchmark.

Aggregate net claims for 2018 increased by 1.8 per cent to $11.8 billion over the $11.6 billion reported for 2017. The overall increase was fuelled by an upturn in the number of claims emanating from the motor vehicle class of insurance business. Motor vehicle claims increased by $533.7 million or 5.0 per cent over the one-year period. As seen in Chart 21, Motor Vehicle has accounted for over 90 per cent of total claims. Chart 22 illustrates the trend in claims ratios by class of business for the general insurance industry for the period 2016-2018.





OVERVIEW OF LIFE INSURANCE INDUSTRY

For the year end December 31, 2018, the six registered life insurance companies employed 1,932 persons (2017: 1,883). Total gross premium written (GPW) in 2018 amounted to $60.8 billion (2017: $59.5 billion). Chart 23 exhibits the percentage of GPW by class of business. Chart 24 provides selected statistics for the period 2016-2018.

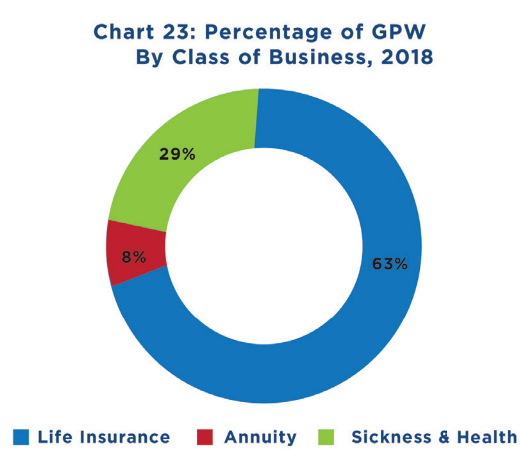


Chart 24 - Statistical Information and Financial Position of the Life Insurance Industry

As at	Dec-16[A]	Dec-17[A]	Dec-18[P]
	$'B	$'B	$'B
Balance Sheet			
Total Investment Assets	276.5	289.0	299.7
Total Assets	**297.2**	**312.1**	**324.2**
Insurance Liabilities	87.8	96.2	95.6
Other Liabilities	140.0	133.0	135.6
Total Liabilities	**227.8**	**229.2**	**231.2**
Capital & Surplus (incl. reserves)	**69.4**	**82.9**	**93.0**
Profit and loss (YTD)			
Net Premium Income	48.0	58.5	59.6
Net Investment Income	24.7	25.0	26.3
Other Income	4.7	5.8	6.7
Policy Benefits	28.4	30.6	34.9
Operating Expenses	22.5	25.0	27.1
Other Expenses	5.0	10.5	0.1
Taxes	4.6	4.8	6.4
Total Expenses	60.4	70.9	68.5
Net Income after tax	**16.9**	**18.3**	**24.1**

[A]Audited [P]Preliminary Differences due to rounding

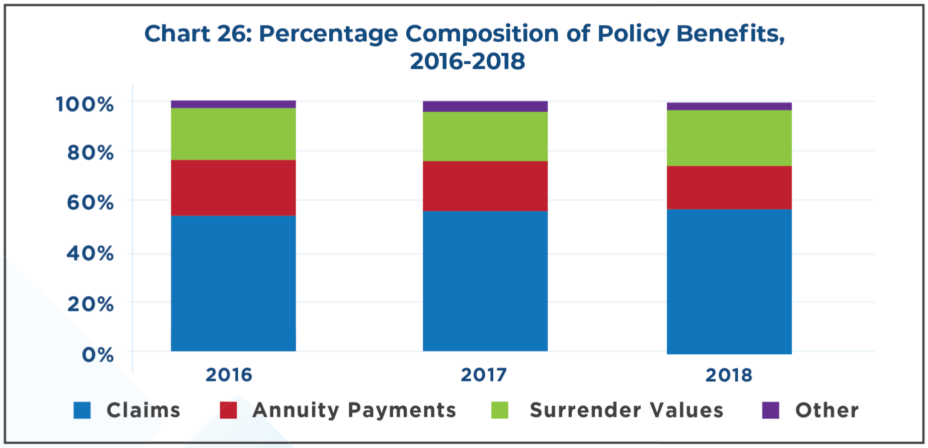
Aggregate assets amounted to $324.2 billion and reflected an increase of 3.9 per cent over the $312.1 billion reported as at December 31, 2017. Total liabilities increased by 0.9 per cent to 229.2 billion over the $231.2 billion reported at the end of 2017. Total invested assets amounted to $299.7 billion and accounted for 92.4 per cent of total assets. The life insurance industry recorded total net income after tax of $24.1 billion for the period, representing an increase of 31.5 per cent compared to the year ended December 31, 2017. Other income, consisting mostly of management fees, increased by 15.4 per cent to $6.7 billion while net investment income increase by 5.5 per cent to $59.6 billion.

Chart 25 shows that policy benefits for 2018 increased by 12.3 per cent over the amount recorded for 2017. Total claims accounted for over 58.3 per cent of total policy benefits while claims paid with respect to sickness and health insurance represented 65.4 per cent of the total recorded claims. Chart 26 displays the percentage composition of policy benefits for 2016-2018.

Chart 25: Aggregate Policy Benefits, 2016-2018

Policy Benefits	2016[A]	2017[A]	2018[P]
			$ 'Millions
Claims:	16,101.2	17,596.2	20,350.2
Of Which:			
Sickness & Health	10,933.4	11,866.5	13,305.9
Death Claims	5,013.0	5,554.2	6,888.5
Disability Claims	29.0	15.9	11.5
Matured Endowments	125.8	159.6	144.3
Annuity Payments	5,522.1	5,887.5	6,777.6
Surrender Values	5,894.6	6,257.6	6,859.7
Other	740.1	900.9	906.9
Total Policy Benefits	28,258.0	30,642.3	34,894.4

[A]Audited [P]Preliminary



Capital

By the end of 2018, the total capital, surplus and reserves for the life insurance industry amounted to $93.0 billion representing growth of 12.2 per cent over the $82.9 billion reported at the end of 2017. The weighted average Minimum Continuing Capital and Surplus Requirement (MCCSR) for the life insurance sector stood at 301.8 per cent (2017: 302.0 per cent) which was more than twice the regulatory benchmark of 150.0 per cent. All life insurance companies met the regulatory benchmark.

The companies with high MCCSR ratios skewed the industry's weighted average to an amount significantly higher than the 150.0 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.

SUPERVISORY RISK ASSESSMENT OUTCOME

The FSC has a supervisory framework for off-site or desk monitoring and on-site examinations. The FSC applies the CARAMELS framework in its assessment. All insurance companies are subject to an annual off-site examination based on the annual and audited financial statements for the year ended December 31. The FSC utilizes a supervisory ladder to rank each company. 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. Risk Assessment Reports are generated and used to inform the FSC's decision makers of the risk profile of each company and to identify the companies and areas within companies that should be given priority status for on-site examinations and closer monitoring.

At the end of 2018, there were six registered life insurance companies and twelve registered companies within the general insurance industry; however, only ten general insurers were fully operational. One general insurance company has ceased underwriting new business whilst another general insurance company obtained a licence to operate in Jamaica in the last quarter of 2018. In 2018, all registered insurance companies were assessed based on an off-site examination of their operations using the CARAMELS framework. Based on the off-site examinations conducted on the operations of general insurers, all were deemed as Normal or Stage Zero, except two companies which were given a Stage One and Stage Two ratings respectively. Of the six (6) off-site examinations conducted on the operations of life insurers, five (5) companies were rated as Stage Zero or Normal while one (1) was rated Stage One. Stage Zero, or Normal, indicates that there is no major risk identified while Stage One indicates that the company is exposed to risks that if left unattended could escalate into major challenges. At Stage Two (2), the company is exposed to significant risks to its financial viability or solvency and is subjected to a higher level of supervision than those ranked "Stage Zero" or "Stage One."

All companies, life and general, are also subject to a quarterly risk assessment. The outlook of the company is assessed quarterly and the company ranked: positive, negative or neutral. Outlook is based on the analysis of financial trends. Based on the review of the unaudited results as at December 31, 2018, the overall outlook for each insurance company which was operational during the entire prior year (2017) and current year was "neutral". A neutral outlook indicates that no general shift in trend was identified.

OUTLOOK FOR THE DIVISION

Risk Based Supervision

The Insurance Division in collaboration with the other sector divisions (Pensions and Securities) within the FSC is far advanced in completing the design of a Risk Based Supervision (RBS) methodology for supervision of the entities regulated by the FSC. For insurance companies, the methodology is designed to identify key risk factors to which each insurance company is exposed and to determine an appropriate intervention rating based on their individual risk profile.

The introduction of this RBS approach to supervision will assist the FSC in:

- Making better risk judgement;
- Quickly and consistently taking supervisory action where necessary;
- Strengthening the ability of supervisors to take effective control; and
- Improving oversight and reporting on problem entities.

It is intended to ensure that supervisory interventions are targeted and timely. The RBS model will also allow the Insurance Division to progress from the use of CARAMELS (compliance based) to a FSC-wide risk-based model covering all regulated industries.

For FY2019-2020, the Insurance Division will conduct two pilot on-site examinations (one life and one general insurance company) using the RBS methodology. The Division, and the FSC by extension, will also undertake a number of initiatives to sensitize stakeholders on the benefits and nuances of the Risk Based approach to supervision. All insurance companies will however be partially assessed using aspects of the RBS methodology during the FY2019-2020 financial year as part of the annual off-site examination process. The Division aims to fully transition to the RBS methodology in the FY2020-2021 financial year; this is however contingent on the outcome of the pilot examinations.

Inclusive Insurance

The FSC has continued the development of the Inclusive Insurance element of the National Financial Inclusion Strategy. It is anticipated that it will allow for affordable insurance to be available in Jamaica, through the use of various approved non-traditional insurance entities. It is expected that these entities will establish partnerships with other financial institutions and facilitate the distribution of micro insurance products in Jamaica.

Following extensive discussions among stakeholders, including cooperatives, insurance entities, utility companies, telecommunication service providers and the public, the micro-insurance guidelines, to be used in drafting the Regulations, are now at an advanced stage. Furthermore, the FSC has engaged in several public education forums aimed at informing the public about micro-insurance.

The consequences to an economy in which insurance is not utilized by a broad spectrum of the population can be significant. Micro-insurance can help to reduce the burden to the government when disasters occur, as insurance will help to cover losses sustained by low income individuals, thus enhancing risk mitigation and psychological security. The FSC will therefore strive to ensure that the mandate of the National Financial Inclusion Strategy is achieved.

Development of Regulatory Requirements

A review of the solvency requirements for both life and general insurance companies has begun by way of a Quantitative Impact Study in order to determine, inter alia, an optimal risk-based capital position for the insurance industry.

Additionally, the FSC has begun a review of the current investment provisions to make changes to be in line with international standards in respect of risk management policies and procedures. Life and general insurance companies will be required to present evidence that they have utilised appropriate risk management techniques which should include stress tests of the risks impacting the operations of the companies. The insurance companies will also be required to demonstrate how these risks will be mitigated.

Bulletins, Guidelines, Discussion Papers

The Insurance Division has published a number of revised bulletins and guidelines which include:

- Requirements for Registration as an Insurance Agent (Corporate), Insurance Broker (Corporate) and Insurance Company.
- Procedures for Placing Insurance Business with Unregistered Insurers
- Market Conduct for Insurance Companies and Intermediaries
- Corporate Governance for Insurance Intermediaries

During the period, the Insurance Division also issued the following consultation/discussion papers:

- Group Insurance Consultation Paper
- Micro-Insurance Consultation Paper

PROMOTING A HEALTHY SECURITIES INDUSTRY

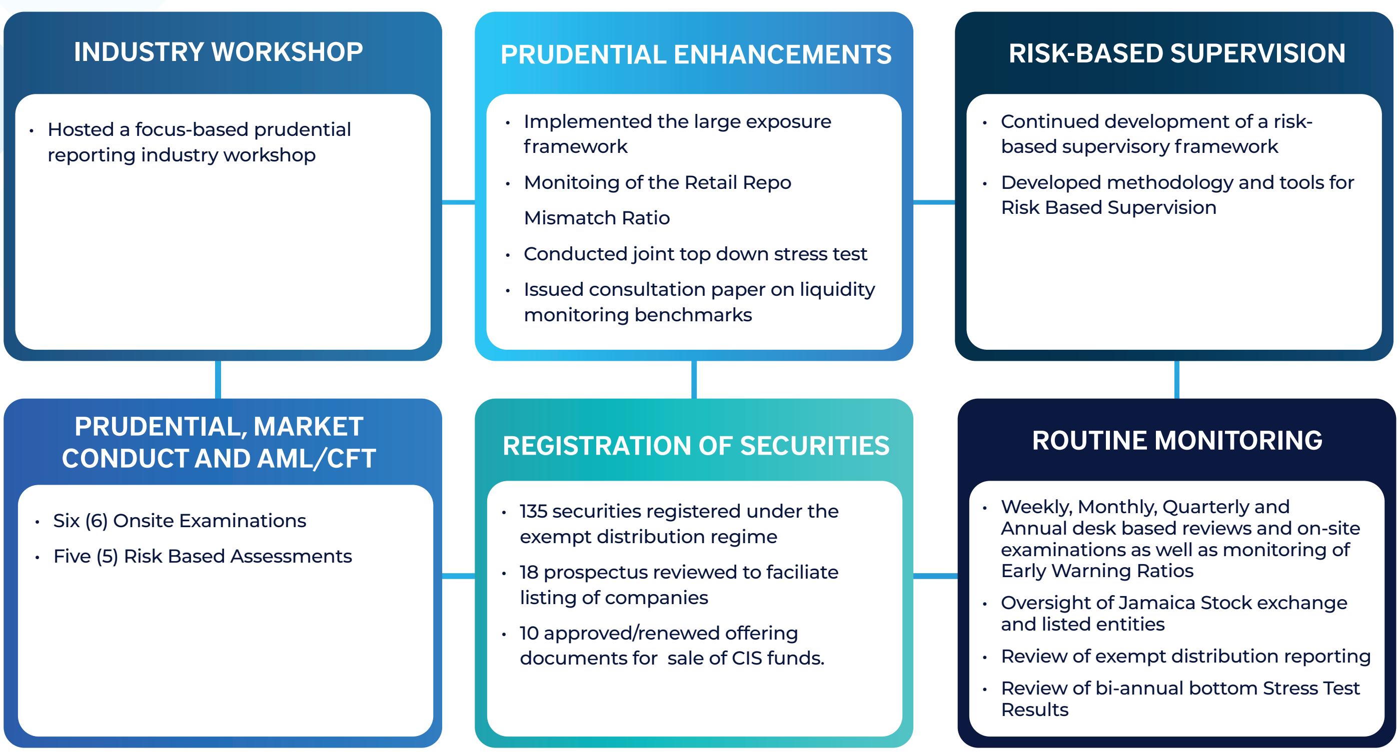
In keeping with the objectives of the GOJ to achieve consistent growth, the activities of the Securities Division continued to promote the development of a sound securities market in Jamaica. Growth in an economy hinges on the operations of an efficient and effective financial sector which is also impacted by the level of investor confidence in the markets. Accordingly, it is paramount that the Securities Division ensures that the relevant framework is in place to:

- Promote adequate disclosure, fairness and transparency
- Advance financial stability,
- Safeguard investors' assets,
- Promote a culture of market integrity, and
- Preserve public trust in our financial markets

Consequently, during FY2018-2019, the Securities Division continued the implementation of key reform measures which are part of the GOJ's commitment to the IMF to strengthen Jamaica's financial sector. The main enhancements in the supervisory framework pursued during the year related to the following:

i. Implementation of a top-down stress testing framework in conjunction with the BOJ;
ii. The continued development of a risk based supervision framework;
iii. Implementation of a Large exposure framework; and
iv. Monitoring of benchmarks intended to control risks inherent in the retail repurchase agreements market.

Chart 27: A Snapshot of the Division's Major Achievements



OVERVIEW OF THE SECURITIES INDUSTRY

Chart 28 illustrates the number of entities and individuals licensed and registered by the FSC by category of licenses or registration as at March 31, 2019

Chart 28: Number of Licensees & Registrants by Category as at March 31, 2019

	Licensed/ Registered At 31/3/18	Additions	Less Terminations/ Cancellations	Licensed/ Registered At 31/3/19
Securities Dealers [8]	44	0	0	44
Securities Dealers' Representatives	928	139	145	922
Investment Advisers	4	1	1	4
Investment Advisers' Representatives	3	0	0	3
Mutual Funds	11	0	0	11
Unit Trust Schemes	18	1	0	19
Total	**1,008**	**141**	**146**	**1,003**

[8] This includes three (3) individual securities dealers

As at March 31, 2019, there were forty-one (41) companies and three (3) individuals licensed as securities dealers in the market. Chart 29 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 engaged in securities dealing as their principal activity, which includes collective investment schemes 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 29: Number of Licensed Securities Dealers, by Type of Company, as at March 31, 2019

Institution Type	March 2019
Core Securities Dealers [9]	31
Non-Core Securities Dealers	10
of which:	
Commercial Bank[10]	1
Insurance Companies	4
Others	5
Total	**41**

[9] Ten of the core securities dealers are also CIS management companies.

[10] This entity was converted to a commercial bank and is currently in the process of surrendering its dealer license.

Statistical Snapshots of the Performance of the Industry

As at December 31, 2018, the total balance sheet assets of the securities industry (comprising core and non-core securities dealers) stood at approximately J$1.09 trillion, reflecting an increase of J$21.75 billion or 2.1 per cent over the corresponding period in 2017 (See Chart 30). This increase was primarily attributable to a J$18.09 billion or 3.6 per cent increase in the total assets held by non-core securities dealers, which accounted for 48.4 per cent of the total assets held by the industry.

The GOJ's debt securities accounted for approximately 39.0 per cent of the balance sheet assets while foreign currency denominated (FX) investments made up the majority of the investments that were reported on the balance sheet, a trend which has been noticeably increasing over the past few years. This trend suggests that securities dealers have been repositioning their investment portfolios to take on more FX exposure, possibly fuelled by an increased appetite from clients for their investments to be backed by hard currency as opposed to local currency. This view is supported by the fact that in excess of 50.0 per cent of the client funds reported on the balance sheet are denominated in foreign currency.

Chart 30: Total Balance Sheet Assets of Securities Dealers by Type of Company, 2016-2018

Category of Securities Dealers (Company)	Total Assets					
	Dec-2016		Dec-2017		Dec-2018	
	$ Billions	% of total	$ Billions	% of total	$ Billions	% of total
Core Securities Dealers	550.69	54.16	556.60	52.24	560.98	51.56
Non-Core Securities Dealers	466.13	45.84	508.81	47.76	526.90	48.44
of which:						
Building Society/Commercial bank[11]	153.32	15.08	166.73	15.65	166.42	15.29
Insurance Companies	294.73	28.99	320.84	30.11	333.90	30.69
Others	18.08	1.78	21.24	2.00	26.58	2.44
Total	**1,016.82**	**100.00**	**1,065.41**	**100.00**	**1,087.88**	**100.00**

[11] In 2016, a building society also licensed as a securities dealer was converted into a commercial bank.

Chart 31 displays the total balance sheet capital of securities dealers for the period 2016 – 2018. As at December 31, 2018, the total balance sheet capital of the securities industry (comprising core and non-core securities dealers) stood at J$184.8 billion, an improvement of 2.6 per cent when compared to the similar period in 2017. The improvement in the total balance sheet capital for the securities industry was primarily attributable to a 9.3 per cent increase in the capital held by the non-core securities dealers.

Chart 31: Total Balance Sheet Capital of Securities Dealers by Type of Company, 2016-2018

Category of Securities Dealers (Company)	Capital					
	Dec-2016		Dec-2017		Dec-2018	
	$ Billions	% of total	$ Billions	% of total	$ Billions	% of total
Core Securities Dealers	77.94	47.79	83.52	46.36	79.22	42.87
Non-Core Securities Dealers	85.15	52.21	96.64	53.64	105.58	57.13
of which:						
Building Society/Commercial bank	20.44	12.53	19.44	10.79	18.65	10.09
Insurance Companies	62.11	38.08	73.94	41.05	82.55	44.66
Others	2.60	1.59	3.26	1.80	4.38	2.37
Total	**163.09**	**100.00**	**180.16**	**100.00**	**184.80**	**100.00**

Chart 32 illustrates the total funds under management (reported both on and off balance sheet) of securities dealers for the period 2016 – 2018. As at December 31, 2018, the total Funds under Management (FUM) [12] of the securities industry stood at approximately J$1.63 trillion[13], representing an increase of 4.4 per cent over the similar period in 2017. The core securities dealers accounted for approximately 75.4 per cent of this amount. Notably, these core dealers include Collective Investment Schemes (CIS) fund managers which have seen an increase in the size of their CIS portfolios under management in recent times. This increase in CIS activity is not surprising in light of the Retail Repo Reform measures which have contributed to a decline in the size of the retail repo market and there might have been transference of investor funds into alternative product offerings, such as CIS.

[12] FUM represents clients' funds which are managed by securities dealers either on or off the balance sheet.
[13] This amount includes CIS funds and pension funds managed by securities dealer companies.

Chart 32: Total Funds under Management of Securities Dealers by Type of Company, 2016-2018

Category of Securities Dealers (Company)	Funds under Management (FUM)					
	Dec -2016		Dec-2017		Dec-2018	
	$ Billions	% of total	$ Billions	% of total	$ Billions	% of total
Core Securities Dealers	1,112.34	79.35	1,186.65	75.94	1,229.77	75.40
Non-Core Securities Dealers	289.46	20.65	375.96	24.06	401.10	24.60
of which:						
Insurance Companies	254.91	18.18	331.00	21.18	355.56	21.80
Others	34.55	2.46	44.96	2.88	45.54	2.80
Total	**1,401.8**	**100.00**	**1,562.61**	**100.00**	**1,630.87**	**100.00**

Over the last three years, off balance sheet FUM has accounted for approximately 68.0% of total managed funds on average. While total FUM has grown over the period, the proportion that is managed off-balance sheet has fluctuated as seen in Chart 33. The general structure suggests however that the securities dealers are strategically managing more of their clients' investments off their balance sheets.

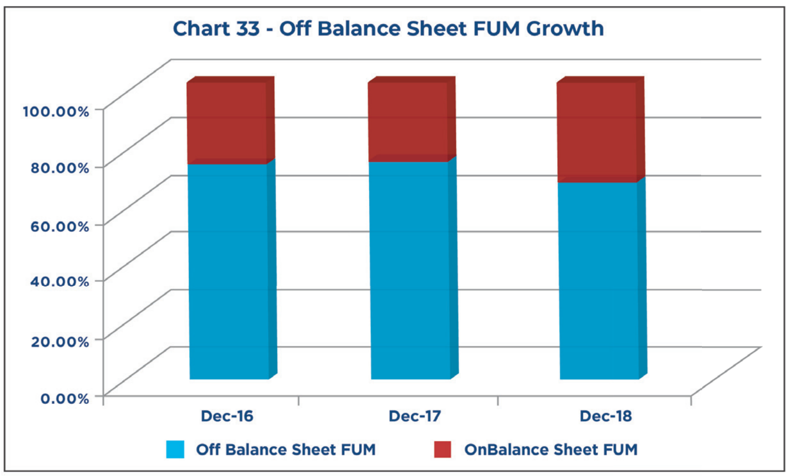


Chart 34 provides information on the earnings, expenses and profitability of the core securities dealers over the last three years. Collectively, the core securities dealers remained profitable in 2018 recording a net after-tax profit of J$11.97 billion. Of note, interest income accounted for approximately 47.7 per cent of total revenue recorded for the 2018 calendar year. This is an indication of a reduction of interest income as the main source of revenue for core dealers.

Chart 34: Earnings, Expenditure and Profitability of Core Securities Dealers, 2016-2018

	Dec-2016 $'B	Dec-2017 $'B	Dec-2018 $'B
Total Revenue	49.98	45.60	51.04
Total Expense	34.46	30.90	33.33
Total Interest Income	31.25	26.91	24.34
Total Interest Expense	17.88	15.91	13.80
Net Interest Income	13.37	11.00	10.54
Net Profit after tax	8.37	9.48	11.97

Note: Unaudited data

Chart 35 summarises selected prudential indicators for the core securities dealers for the period 2016 to 2018. Despite the implementation of key reforms in the industry, namely the Retail Repo Reform and an operational risk capital charge, the sector remained adequately capitalised and robust.

Chart 35 : Selected Prudential Indicators for Core Securities Dealers, 2016 – 2018

	Dec-2016 %	Dec-2017 %	Dec-2018 %	FSC Benchmark %
Capital Adequacy				
Capital / Total Assets	14.15	15.00	14.12	≥ 6
Capital Adequacy Ratio[14]	20.35	19.54	20.78	≥ 10
Profitability				
Return on Assets[15]	1.52	1.70	2.13	
Return on Equity[16]	10.73	11.35	15.11	
Net Interest Margin[17]	42.77	40.87	45.19	
Net Profit Margin[18]	16.74	20.78	23.45	

[14] The Capital Adequacy Ratio (CAR) is computed by dividing regulatory capital by aggregate risk-weighted assets and other risk exposures. Regulatory capital is comprised of tier 1 and tier 2 capital less prescribed deductions. An Operational Risk Weighted Assets capital charge was added to the CAR computation in 2016, which already included capital charges for credit risk, market risk, and foreign exchange exposure.
[15] Return on assets is computed by dividing net income after tax by total balance sheet assets.
[16] Return on equity is computed by dividing net income after tax by balance sheet capital.
[17] Net Interest Margin is computed by dividing net interest income by total interest income.
[18] Net Profit Margin is computed by dividing net profit after tax by total revenue.

Overview of Collective Investment Schemes (CIS)

Local Unit Trusts and Mutual Funds

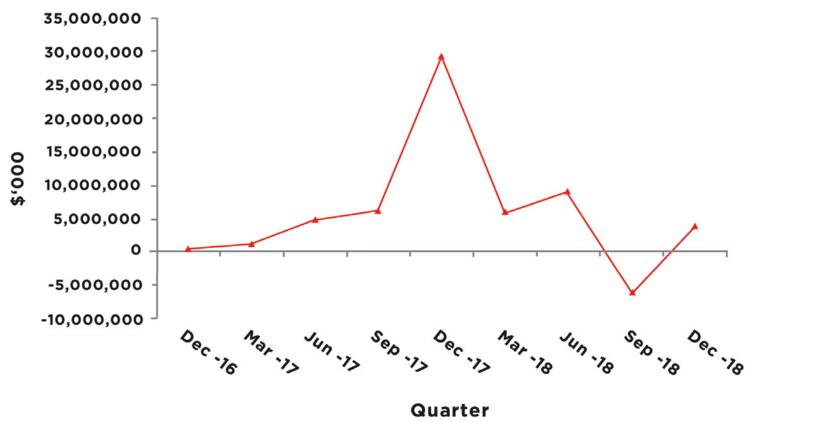
As at December 31, 2018, there were seventeen (17) local unit trusts and one (1) local mutual fund actively operating in Jamaica. They were being managed by ten (10) active fund managers. The local unit trust and mutual fund portfolios consisted mainly of fixed income securities, real estate and equity investments. The total funds managed stood at $276.2 billion, representing a 14.6 per cent increase over the previous year's amount of $241.1 billion (See Chart 36). The growth in funds managed by the fund managers was primarily due to (i) new funds; (ii) appreciation in the funds values due to market movements; and (iii) the continued movement of clients' funds from retail repo products into unit trust products.

Chart 36: FUM activities for the three-year period ended December 2018

TOTAL FUM ($ BILLIONS)	Dec 2016	Dec 2017	Dec 2018
	184.3	241.2	276.2
ACTIVITY DURING THE YEAR (IN TERM OF DOLLARS) ($ BILLIONS)			
Value of Units Sold	50.4	119.4	90.2
Value of Units Redeemed	28.3	77.6	77.1
Net Inflow	22.1	41.8	13.1

Chart 37 illustrates the combined unit trust net purchases over the period December 2016 to December 2018. All the quarters under review, except September 2018, experienced net purchases, albeit at significantly different levels. The exception in the September 2018 quarter resulted from an institutional investor reducing its investments holdings in a CIS portfolio.

Chart 37: Cumulative Unit Trust Purchases/ Redemptions for the Period December 2016 - December 2018



Overseas Mutual Funds

As at December 31, 2018, 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 USD287.5 million. Chart 38 depicts the value of purchases and redemptions done by Jamaicans during the period December 2016 to December 2018.

Chart 38: Summary of Overseas Mutual Funds held by Jamaicans

	2016	2017	2018
Total FUM (USD millions)	220	263	287
ACTIVITY DURING THE YEAR			
Value of Units Sold (USD millions)	46	58	33
Value of Units Redeemed (USD millions)	38	34	8
NET FLOWS			
Value (USD millions)	8	24	25

EQUITIES AND PRIVATE DEBT MARKETS OVERVIEW

Public Offerings

During the year ended December 2018, nineteen (19) securities were registered with the FSC, of which

seventeen (17) of these securities have been listed on the Jamaica Stock Exchange (JSE). The combined value of these listings amounted to approximately J$16.0 billion, reflecting a year-over-year increase of approximately 4.0 per cent in the value of registered securities. Stanley Motta Limited, JMMB Group Limited Preference Shares and MPC Energy Limited accounted for more than 79.0 per cent of the total value registered during the period. Chart 39 shows the amount of public offerings for the period 2014-2018.

Chart 39: Public Offerings Registered: 2014 - 2018

	2014	2015	2016	2017	2018
Number of Public Offerings	6	10	13	10	19
Value ($ Billions)	1.8	8.7	11.0	15.6	16.0

Equity Listings

As at December 31, 2018, the Main Market of the Jamaica Stock Exchange (JSE) had thirty-six (36) ordinary shares, seventeen (17) preference shares and four (4) bonds. On the Junior Market, there were 36 ordinary shares and two (2) preference shares, while on the US market there were six (6) ordinary shares and six (6) preference shares. Seventy-six (76) companies were listed across all three (3) markets of the JSE when compared to December 2017, which had sixty-six (66) listed companies. Chart 40 illustrates the year over year comparison for all three (3) markets on JSE.

The volume traded on the Main Market during 2018 amounted to approximately 3.21 Billion, units representing a 27.9 per cent increase when compared to the 2.51 Billion units that traded in 2017. The Junior Market of the JSE experienced a reduction of 10.2 per cent in volumes traded, dropping from 1.28 billion units in 2017 to 1.15 billion units at the end of 2018.

In 2018, both the Main and Junior Markets experienced year-over-year increases in the total number of transactions. The Junior Market recorded 21.0 per cent increase in the total number of transactions, while the Main Market recorded 40.0 per cent increase over 2017. The value of the trades on the Junior Market decreased by 15.7 per cent over the previous year to $5.57 billion, down from $6.61 billion, while the value traded on the Main Market moved from $35.72 billion in 2017 to $65.51 billion in 2018, an 83.4 per cent increase.

Average stock prices on both the Junior and the Main Markets experienced significant increases in 2018. Three (3) companies' stock prices on the Junior Market rose between 160.0 and 282.0 per cent for the year: SSL Venture Capital Jamaica Limited, formerly C2W Music increased by 282.0 per cent, Derrimon Trading Limited by 220.0 per cent and CAC 2000 Limited by 160.0 per cent for the year. While on the Main Market, Barita Investments Limited was the best performing stock with a 612.0 per cent gain, followed by Salada Foods Jamaica Limited and Palace Jamaica Limited with increases of 211.0 per cent increase and 159.0 per cent, respectively.

Chart 40: YTD December 2018 versus YTD December 2017

Main Market (non-block)	**YTD December 2018**	**YTD December 2017**	**Change**	**Change%**
Value	65.51 Billion	35.72 Billion	29.79 Billion	83.40%
Volume	3.21 Billion	2.51 Billion	693.00 Million	27.88%
Number of trades	60,812	43,408	17,404	40.09%
Market Cap	1.38 Trillion	1.04 Trillion	335.09 Billion	32.69%
Junior Market	**YTD December 2018**	**YTD December 2017**	**Change**	**Change%**
Value	5.57 Billion	6.61 Billion	-1.04 Billion	-15.73%
Volume	1.15 Billion	1.28 Billion	-133.24 Million	-10.15%
Number of trades	26,838	22,227	4,611	20.74%
Market Cap	139.77 Billion	114.79 Billion	24.98 Billion	21.76%
Combined Market	**YTD December 2018**	**YTD December 2017**	**Change**	**Change%**
Value	71.09 Billion	42.33 Billion	28.75 Billion	67.94%
Volume	4.36 Billion	3.80 Billion	559.76 Million	14.73%
Number of trades	87,650	65,635	22,015	33.54%
Market Cap	1.52 Trillion	1.16 Trillion	360.07 Billion	31.03%
USD Market	**YTD December 2018**	**YTD December 2017**	**Change**	**Change%**
Value	8.76 Million	12.49 Million	-3.73 Million	Change%
Volume	43.57 Million	43.67 Million	-100,947	-0.22%
Number of trades	1,187	1,405	-218	-15.51%
Market Cap	252.02 Million	222.57 Million	29.44 Million	13.23%

Private Offerings

There were 140 exempt distributions registered during 2018, representing a 14.0 per cent increase when compared to the 123 exempt distributions that were registered in 2017. The value of the transactions was 25.0 per cent more than what was recorded in 2017 (see Chart 41).

The private debt market was mainly comprised of medium and long-term notes; instruments with tenures of five (5) years and more accounted for 35.0 per cent of the total instruments (both USD and J$) registered with the FSC in 2018. The majority of J$ issues have medium term maturities with 53.0 per cent maturing within 1-5 years, while 35.0 per cent have maturities over five (5) years and 12.0 per cent have maturities in less than a year. The USD side was quite similar with 73.0 per cent maturing within 1-5 years, 19.0 per cent with maturities over five (5) years and 8.0 per cent maturing in less than a year.

Chart 41: Exempt Distributions Registered:2014 - 2018

	2014	2015	2016	2017	2018
Number of Exempt Distributions	123	85	86	123	140
Value ($ Billions)	75.9	120.1	177.6	199.7	262.6

There were 233 outstanding securities registered by 99 Issuers under the exempt distribution regime. This was valued at $353.0 billion as at December 31, 2018, an increase of 14.2 per cent when compared to the $309.0 billion outstanding as at 2017. This also represents an increase of 44 new securities issuances (over the 189 recorded as at December 2017. Additionally at the end of December 2018, there were nine (9) more issuers than the ninety (90) issuers recorded as at end-December 2017.

Supervisory Risk Assessment Outcome

As the FSC continues to enhance the regulatory and supervisory framework for its licensees, a new risk assessment tool was developed in keeping with the goal to transition to a forward-looking risk based supervisory framework. Consequently, annual assessments were conducted on selected dealers using an RBS assessment tool. The assessment tool is used to analyse the significant risks inherent in dealers' operations and the effectiveness of the various lines of defence to identify and manage these risks.

Five (5) core securities dealers were assessed using the revised format which looked at a significant activity of each entity and the various inherent risks that were associated with that activity. Additionally, the entities were assessed based on the various lines of defence that were in place to identify, mitigate and manage risks associated with the activities assessed as well as the overall operations. The financial management aspects of the entities were also considered to ascertain the level of institutional protections that were in place to address residual risks identified. The entities were then assigned a partial rating and planned supervisory actions were noted based on the results of the risk assessments.

The RBS assessment focused primarily on the: (i) inherent risks in significant activities inclusive of operational management; (ii) quality of risk management frameworks, compliance, internal audit, risk management and corporate governance practices (Board and Senior Management oversight); (iii) earnings, capital, liquidity and the management of these elements; and (v) results and planned action. A summary of the key areas of the assessments is provided below:

I. Inherent Risks

The revised risk assessments begins at the significant activity level as the assessment of the entity is driven by the risk exposure it has inherent in the various activities and processes that are involved in its operations. The various inherent risks range from credit, market, operational and regulatory compliance. The assessments revealed that while entities are exposed generally to the same types of risks, the level and impact of each type will vary based on the business models of each entity. The risk assessments looked at the inherent risks in isolation; without consideration of any mitigating mechanism in place to address these risks.

II. Quality of Risk Management

Consideration was given to the characteristics of the oversight functions in place to identify, mitigate and

manage the various risks that were identified based on the operations of the entities assessed. The reviews brought to the fore the various requirements that are necessary to address the myriad of challenges faced by industry players. Given the various types of risk exposures, entities are expected to have in place adequate controls to detect and address the risks while being able to facilitate and stimulate competitive advantage within the industry. This balance requires not only an appreciation of the regulatory requirements but also sufficient resources in order to have the structures in place. The oversight function also includes the level of oversight and governance given by the board and senior management. The effectiveness of the structures is assessed to ensure it is adequate in relation to the risk profile and appetite of the entity.

The Way Forward

The risk assessments conducted focused on a single activity for each entity. This allowed for a clear understanding of the methodology of the RBS framework rather than providing a risk profile for the entities. It also allowed for the identification of weaknesses and gaps in information and knowledge of each entity. While the review of prudential metrics continues to be a significant aspect of supervision, the RBS paradigm seeks to be more risk-focused and qualitative in nature. The main element is identifying the drivers of risks within entities and ascertaining the levels of controls and oversight in place to arrive at an overall net risk measure for each entity. While this type of assessment is in an early stage, it is envisioned that its gradual usage will enable a more in-depth knowledge of the regulated entities; resulting in more proactive supervision.

Outlook for the Division

The short to medium term will see the Division continuing on the path of implementing prudential measures to enhance the robustness of the securities market. The Division will continue its stress testing reporting framework while improving its monitoring and oversight of the securities industry which will aid in improving the risk identification capabilities within the Division. The focus for this year will be on a path to market deepening, growth and greater transparency. The risk based supervision framework will continue to be bolstered through institutional capacity and training.

The FY2019 -2020 will see the implementation of the following measures:

- An update to the exempt distribution framework;
- Enhanced market conduct rules;
- Fine-tuning process which will allow listed issuers an easier way of listing debt on the JSE; and
- The monitoring of the liquidity positions of the securities dealers

Although the Division continues to integrate the various prudential measures, consideration is being given to the impact this will have on the industry and as such continuous dialogue and discourse will form a part of the reform process.

There is a steady but slow movement into a more fee-based model by the industry. The overall economic factors such as interest rate movements, inflation, exchange rate movements and the government's monetary policy have impacted the securities industry. This has led to a reduction in interest spreads and more opportunities for investments in the real economy.

While the need for innovation and market depth is important, the protection of investors remains a key objective. The strides made in improving the prudential framework will need to match the changes in the market in order to ensure that the FSC achieves its objectives.

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

Vision and Mission Statement

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.

As the global pensions industry evolves, the FSC continues to develop and implement strategies in an effort to encourage growth in Jamaica's private pension industry. During this fiscal year, the FSC focused on the four (4) multi-year strategic objectives outlined below:

(i) Advocacy of policy and legislative changes
(ii) Response to risk
(iii) Development and enhancement of operational policies and procedures
(iv) Promotion of best practices and guidelines in keeping with international and local standards.

Chart 42: A Snapshot of the Division's Major Achievements

FACILITATING CHANGE

- REVIEWED DRAFT BILLS FOR THE AMENDMENT OF THE PENSIONS ACT.
- REVIEWED AND REVISED THE PROPOSED FAST TRACK AMENDMENTS TO THE INVESTMENT REGULATIONS.
- COMMENCED THE DEVELOPMENT OF RISK-BASED SUPERVISORY (RBS) FRAMEWORK AND CONCOMITANT ASSESSMENT TEMPLATES FOR A RBS APPROACH, INCLUDING STRESS TESTING PROCEDURES FOR PENSION PLANS.
- INITIATED THE CREATION AND IMPROVEMENT OF REPORTING FORMS FOR THE PENSIONS INDUSTRY.
- COMPLETED PHASE I OF THE DEVELOPMENT OF A TRUSTEES' HANDBOOK, WHICH COVERS THE OVERVIEW OF PENSION PLANS, THE LEGISLATIVE/REGULATORY ENVIRONMENT, TRUSTS AND TRUSTEESHIP, PENSION LEGISLATION AND THE DUTIES AND RESPONSIBILITIES OF TRUSTEES UNDER THE PENSIONS ACT AND REGULATIONS.

ACTIVE SUPERVISION

- CONDUCTED 364 DESK-BASED RISK ASSESSMENTS OF PENSION PLANS.
- CONDUCTED 22 DESK-BASED RISK ASSESSMENTS OF LICENSEES.
- COMPLETED 10 ON-SITE EXAMINATIONS.
- APPROVED 11 AMENDMENTS TO CONSTITUTIVE DOCUMENTS.

PUBLIC EDUCATION

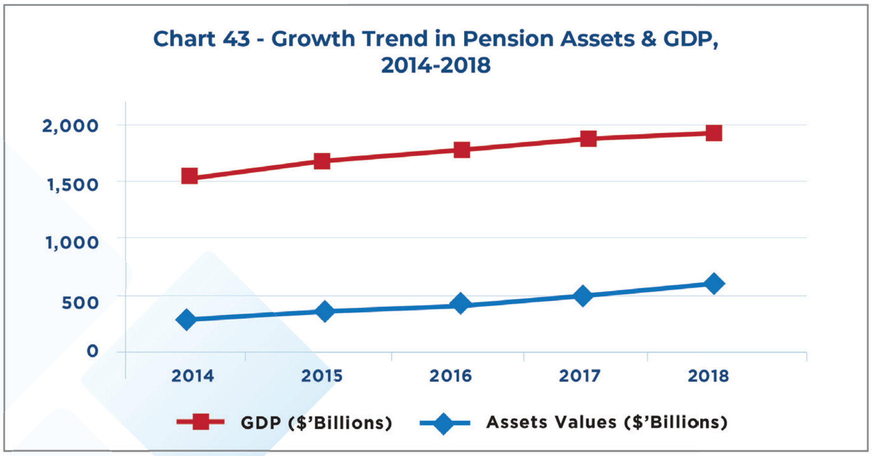
- PUBLISHED:
  THREE (3) BULLETINS:
  - COMPLIANCE: BEST PRACTICES,
  - FAILURE TO REMIT CONTRIBUTIONS, AND
  - MINIMUM CONTENT FOR AN INFORMATION FOLDER.
- QUARTERLY PRIVATE PENSION STATISTICS

PARTNERSHIP

CONTINUED PARTICIPATION IN RELEVANT PROJECTS LED BY:
- INTERNATIONAL ORGANIZATION OF PENSIONS SUPERVISORS (IOPS),
- INTER-AMERICAN DEVELOPMENT BANK
- CARIBBEAN ASSOCIATION OF PENSION SUPERVISORS (CAPS), AND
- TORONTO CENTRE (TC) AMONG OTHER INSTITUTIONS.

Overview of the Private Pensions Landscape

The Jamaican private pension industry has experienced an average quarterly growth of 3.0 per cent in asset value for the past five years. See Chart 43.

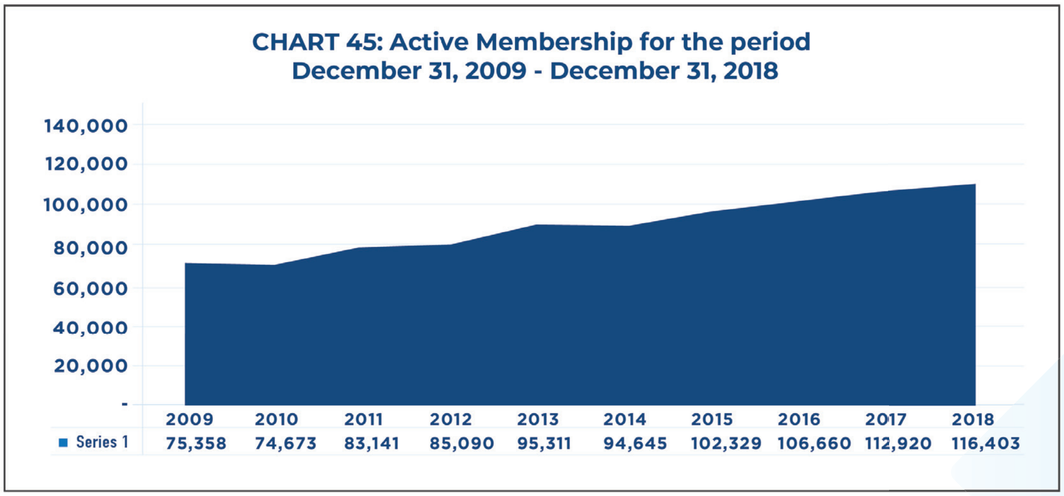


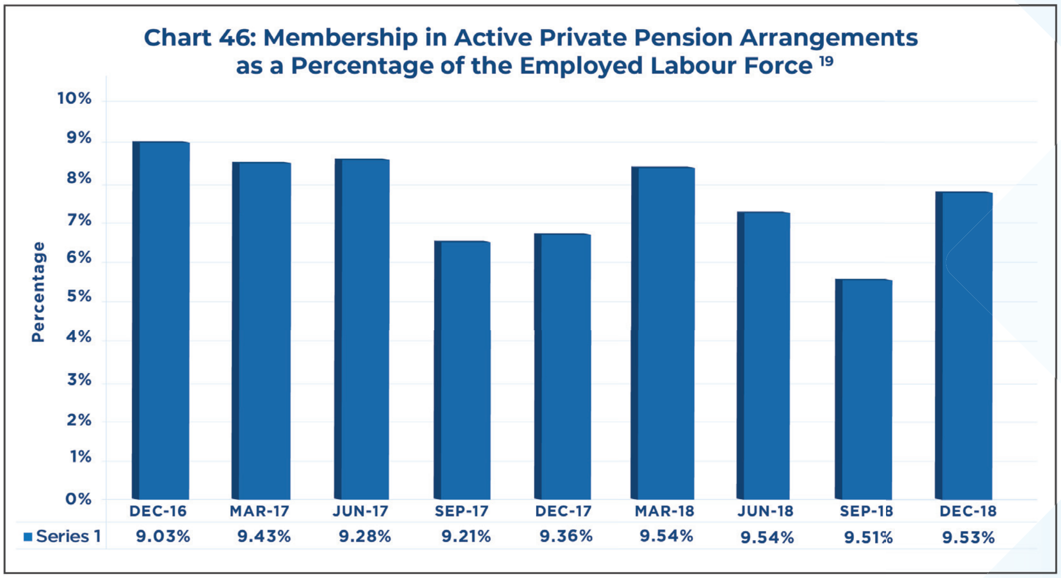
As at December 2018, the pension industry valued approximately $601.0 billion. As shown in Chart 44, the combined asset value of active plans as at December 31, 2018 was $593.7 billion, which represents approximately 99.0 per cent of total private pension assets in Jamaica.

Chart 44: Active, Terminating and Inactive Plans as at December 31, 2017 and 2018

	ACTIVE		TERMINATING		INACTIVE		TOTAL	
	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18	Dec-17	Dec-18
NUMBER OF PLANS								
Defined Benefit	99	97	91	93	4	4	194	194
Defined Contribution	300	292	299	308	13	13	612	613
Total	**399**	**389**	**390**	**401**	**17**	**17**	**806**	**807**
MEMBERSHIP								
Defined Benefit	21,103	20,681	1,429	78	894	894	23,426	21,653
Defined Contribution	91,817	95,722	870	554	58	52	92,745	96,328
Total Membership	**112,920**	**116,403**	**2,299**	**632**	**952**	**946**	**116,171**	**117,981**
ASSET VALUES ($'M)								
Defined Benefit	325,254	369,930	3,323	3,082	130	224	328,707	373,236
Defined Contribution	195,374	223,722	4,201	4,813	60	64	199,635	228,599
Total Asset Values	**520,627**	**593,651**	**7,524**	**7,895**	**190**	**288**	**528,341**	**601,834**

Also see in Chart 44, the number of active pension plans amounted to 389, ten fewer than the amount reported as at December 2017. The 389 active plans represented 48.0 per cent of the total number of private pension plans and of the 389 active plans, 292 were defined contribution (DC) plans. Membership in active pension plans accounted for approximately 97.0 per cent of combined membership in all pension plans. Chart 45 illustrates the growth trend in the active plans membership while Chart 46 demonstrates the percentage of the employed labour force that was in active pension plans from December 2016 to December 2018.





Regardless of the greater number of DC plans and larger membership pool of the DC plans, defined benefit (DB) plans accounted for the majority of private pension industry assets. The total asset value of active DB plans at December 2018 was $370.0 billion.

As at December 31, 2018, private pension coverage[20] was 9.7 per cent of the employed labour force, an increase from the 9.4 per cent reported in December 2017. Analysis revealed that pension coverage is the highest in the commerce/finance sector and lowest in the mining/bauxite sector.

As a result of the winding-up proceedings of a few pension plans, the number of terminating plans increased to 401 from the 390 reported as at December 2017. The total asset value of terminating plans as at December 2018 was $7.9 billion. Total assets for inactive plans valued $288.0 million. Chart 47 provides additional details.

Chart 47: Active Plans by Type as at December 31, 2018

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value ($'M)	Percentage of Asset Value
Retirement Schemes	13	3.34%	53,338	45.80%	40,568.4	6.83%
Superannuation Funds	376	96.66%	63,065	54.20%	553,082.8	93.17%
TOTAL	**389**	**100.00%**	**116,403**	**100.00%**	**593,651.1**	**100.00%**

[19] The Jamaican employed labour force as at October 31, 2018 was 1,219,700 according to the Planning Institute of Jamaica (pioj.gov.jm).

[20] This includes members from active, terminating and inactive pension plans

Investments

For Jamaican private pension plans, pooled investment arrangements continued to be the preferred asset class for investment and accounted for 37.0 per cent of all investments made by pension plans. This class consists of a combination of type I and II pooled funds as well as deposit administration contracts. As at December 31, 2018, investment arrangements stood at $224.0 billion; a 12.0 per cent increase when compared to the period ended December 31, 2017. Significant asset changes within pooled investment arrangements included increases in indirect investments of GOJ securities and stocks.

Direct holdings of GOJ securities continue to encompass the second largest percentage of total private pension investments at approximately 24.0 per cent with assets valued at $144.3 billion as at December 31, 2018. The aggregate investment portfolio for private pensions also recorded significant increases in bonds and debentures, promissory notes and stocks of 56.0 per cent, 62.0 per cent and 27.0 per cent, respectively. See Chart 48.

Chart 48: Aggregate Investment Mix

Types of Investment	Amount Invested ($'M)	% of Total Investments	Amount Invested ($'M)	% of Total Investments	Amount Invested ($'M)	% of Total Investments
	Dec-16		Dec-17		Dec-18	
Deposits	2,684.70	0.59%	5,075.70	0.97%	5,044.74	0.84%
Commercial Paper	247.4	0.05%	339.4	0.06%	199.44	0.03%
Securities of Governments	137,807.50	30.48%	138,319.70	26.31%	144,329.70	23.96%
Repurchase Agreements	16,907.30	3.74%	16,729.70	3.18%	13,588.60	2.26%
Bonds and Debentures	17,554.60	3.88%	21,438.00	4.08%	33,391.29	5.54%
Mortgage Loans	154.2	0.03%	149.1	0.03%	96.85	0.02%
Other Loans	3,602.80	0.80%	3,853.10	0.73%	3,813.79	0.63%
Promissory Notes	3,806.80	0.84%	3,788.20	0.72%	6,154.47	1.02%
Leases	2,835.70	0.63%	3,007.30	0.57%	3,496.76	0.58%
Stocks and Shares	76,898.30	17.01%	110,264.40	20.97%	139,872.55	23.22%
Real Estate	21,556.40	4.77%	21,103.40	4.01%	24,227.69	4.02%
Investment Arrangements	165,804.90	36.67%	199,563.60	37.96%	224,099.57	37.20%
Derivatives	-	0.00%	-	0.00%	-	0.00%
Other Investments	2,285.70	0.51%	2,124.90	0.40%	4,052.43	0.67%
Total Investments	**452,146.30**	**100.00%**	**525,756.50**	**100.00%**	**602,367.88**	**100.00%**
Other Net Assets	948.5		2,545.10		-533.72	
Total Assets	**453,094.9**		**528,301.8**		**601,834.1**	

At December 31, 2018, the Jamaican private pension industry had one less licensed investment manager compared to the previous calendar year. Life insurance companies accounted for 11.0 per cent of the total number of investment managers and for more than 50.0 per cent of the market share in terms of assets under management. At the end of the year, the assets managed by three life insurance companies stood at $315.8 billion. Securities Dealers continued to account for the largest number of licensees within the industry with 15 entities and the second largest portion of managed assets at $238.8 billion. Collectively, these entities managed funds amounting to $554.6 billion or 92.0 per cent of the total private pension industry assets. The smallest market share, approximately 8 per cent, consists of assets managed by the sole credit union and seven other entities. See Chart 49.

Chart 49: Total Assets under Management of Investment Managers

Investment Managers	Number of Entities Dec 2016	Asset Values Dec 2016 ($'M)	Number of Entities Dec 2017	Asset Values Dec 2017 ($'M)	Number of Entities Dec 2018	Asset Values Dec 2018 ($'M)
Insurance Companies	3	239,728.5	3	283,072.3	3	315,818.2
Securities Dealers	16	179,496.9	16	206,920.1	15	238,874.3
Credit Unions	2	364.5	1	433.6	1	482.9
Other	6	34,504.9	7	37,893.2	7	46,658.7
Total	**27**	**454,094.9**	**27**	**528,319.2**	**26**	**601,834.1**

Supervisory Risk Assessment Outcome

Responding to Risk

(i) Off-site (desk-based) examinations

Three hundred and sixty-four (364) assessments of pension plans were completed during the FY2018-2019 and twenty-two (22) assessments were done for corporate entities. The number of superannuation funds and retirement schemes regarded as exposed to high levels of risk moved from fifteen (15) as at the end of FY2017-2018 to twelve (12) at the end of FY2018-2019. Issues relating to funding and solvency continued to be the main contributing factors informing the risk profile of plans assessed with high levels of risk. See Chart 50.

Chart 50: Results of Risk Assessment of Pension Plans

Early Warning Risk Assessment	Plan Type	Plan Impact[21]	Risk Level		
			L	M	H
Superannuation Funds	DC	L	98	0	1
		M	60	2	1
		H	92	1	1
	Traditional DB [22]	L	2	0	1
		M	12	0	2
		H	57	1	5
	Hybrid DB [23]	L	0	0	0
		M	0	0	0
		H	7	0	0
	Mixed DB [24]	L	0	0	0
		M	0	0	0
		H	4	0	0
Retirement Schemes		L	0	0	0
		M	0	0	0
		H	16	0	1
		Total	**348**	**4**	**12**

[21] L – Low; M – Moderate; H- High

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

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

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

Reviews conducted revealed that no licensees were considered to have high levels of risk. Moreover, the number of licensees evaluated with moderate risk levels reflected a reduction of approximately 27.0 per cent, moving from 19.0 as at the end of FY2017-2018 to 15.0 as at the end of FY2018-2019. Chart 51 displays the results from risk assessment of corporate services providers.

Chart 51: Results of Risk Assessment of Corporate Service Providers

		Risk Level		
	Plan Impact	Low	Moderate	High
Administrators	*Low*	1	8	0
	Moderate	1	1	0
	High	2	6	0
Investment Managers	*Low*	0	3	1
	Moderate	3	4	0
	High	1	5	0
Corporate Trustees	*Low*	0	0	0
	Moderate	0	0	0
	High	0	1	0
	Total	**8**	**28**	**1**

As at December 2018, three hundred and seventy-four (374) plans or 95.0 per cent of the total active plans submitted solvency data. An analysis of the data provided revealed that there was a 3.0 per cent increase in the number of solvent DB plans and a 1.0 per cent increase in the number of solvent DC plans over the previous year. As seen in Chart 52, 95.0 per cent of all active plans are solvent.

Chart 52: Solvency Levels of Active Plans as at December 30, 2018

	Number of plans	Solvency Level				% of plans which are solvent
		Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
Defined Benefit	95	5	22	29	39	95
Defined Contribution	279	13	193	48	25	95
Total	**374**	**18**	**215**	**77**	**64**	**95**

(ii) On-Site Examinations

During the FY2018-2019, a total of ten (10) on-site examinations were completed. Thematic on-site examinations were completed for eight (8) pension plans, which were selected based on concerns regarding the effectiveness of the governance arrangements related to contributions. Pilot on-site examinations for two pension plans utilizing the RBS methodology being adopted by the FSC were also completed. The pilot examinations were focused on the investment process.

(iii) Winding-up of Funds & Schemes

For FY2018-2019, the FSC received fourteen (14) new winding-up submissions (inclusive of one (1) partial winding-up), two more than the previous corresponding period. Proposed schemes of distribution of surplus assets were also filed in relation to fourteen (14) plans. Approvals for winding-up of thirteen (13) plans (representing a 24.0 per cent decrease over that granted in the FY2017-2018) were granted by the FSC and, in respect of partial winding-ups, two (2) non-objections were issued, representing a 50.0 per cent decrease from the previous period.

(iv) Amendments

For the period under review, submissions were received regarding changes to be made to the Constitutive Documents of nine (9) superannuation funds. Chart 53 illustrates the current status of amendments before the FSC for its consideration.

Chart 53: Status of Amendments to Constitutive Documents

	Application as at March 31, 2018	New Applications	Approved in Current Year	Rejected/Withdrawn in Current Year	Applications as at March 31, 2019
	B/F				C/F
Superannuation Funds	25	9	11	1	22
Retirement Schemes	-	-	-	-	-
Total	25 [25]	9	11	1	22

[25] The amendment figure has been restated.

(v) **Statement of Investment Policies and Principles** - A total of thirty-six (36) submissions were processed during the fiscal period.

(vi) **Authorizations**

During the FY2018-2019, 165 applications were received, representing a 57.0 per cent increase compared with the 104 submissions recorded in the previous year. Chart 54 shows the number of submissions received and approved by categories of registrants and licensees.

Table 54: Number & Type of Registrants & Licensees

Registrants & Licensees	Approved as at March 31, 2018	New Applications	Approved	Terminations	Approved as at March 31, 2019
Superannuation Funds	331	3	8	10	329
Retirement Schemes	13	0	0	0	13
Trustees (Individuals)	2,026	157	122	46	2,102
Trustees (Corporate)	3	0	0	0	3
Responsible Officers	40	3	3	6	37
Administrators [26]	27	1	1	2	26
Investment Managers [27]	27	1	1	2	26

[26] The figure for March 31, 2018 has been restated

[27] The figure for March 31, 2018 has been restated

Risk Outlook

The Planning Institute of Jamaica (PIOJ) reported that the Jamaican economy grew by 1.9 per cent for 2018 calendar year. The PIOJ indicated that increased activities in the goods producing and services industries contributed to the improved GDP. This is reflective of growth in more business areas that boast contractual workers and self-employed individuals who would benefit from participating in retirement schemes as a means of further long term saving options and retirement planning. The PIOJ also stated that the largest increases in employment were recorded in the real estate, renting and business activities, hotels and restaurants, other community, social and personal services activities.

Additionally, there are more opportunities for growth in the retirement scheme segment within the private pension industry as the Statistical Institute of Jamaica recorded an all-time low unemployment rate of 8.7 per cent as at December 2018, the lowest average unemployment rate in 51 years. Specifically, youth unemployment (ages 14-24) stood at 24.9 per cent. Areas of business that are still left relatively untapped by pension funds are the rapidly expanding business process outsourcing (BPO) and logistics industries. Opportunities exist for investment managers and administrators to offer pension related products to firms within these emerging markets.

Foreign currency denominated assets as a percentage of total invested pension assets is 8.5 per cent (this includes indirect investment in foreign securities assets in Investment Arrangements). Therefore, significant foreign currency risk exposure continues to exist for pension plans. The FSC recommends that continued efforts be made by trustees and investment managers to apply prudent risk mitigating strategies for the management of pension investment portfolios to lower foreign currency risk.

The pension industry faces significant interest rate risk, as there is significant exposure to interest bearing assets within the portfolio of the industry. The low interest rate environment continues to impact investment returns for pension plans; trustees and investment managers continue to search for higher investment yields. Opportunities for such yields exist in alternative investments that may consist of riskier assets. As a result, the prudent practices surrounding the administration and management of the pension arrangements by trustees are challenged now more so than ever.

While this persists, the local stock exchange remains buoyant. In October 2018, Bloomberg reported that Jamaica's index outperformed approximately 100 other equity gauges and labelled the JSE as the world's best performer for 2018. The performance of the local stock market will continue to provide good investment opportunities for pension plans that seek to further diversify their portfolios and reduce counter party risk exposure.

The following still remains as other risk concerns of the pension industry:

- The ageing Jamaican population and lowered fertility rates - Longevity risk exists as it is anticipated that some pensioners may outlive their pension savings. This issue is exacerbated by the low pension coverage in Jamaica: mainly among self-employed persons and those of the informal sector. Persons may become wards of the state or will have to rely on the meager stipend available through the National Insurance Scheme or the goodwill of others.
- The downsides of a low interest rate environment - The scarcity of high yielding assets poses a risk to the long-term financial viability of pension plans. Trustees of funds and schemes will seek real returns, possibly in riskier investments, in order to secure sufficient returns to satisfy future obligations.
- The gradual withdrawal of the GOJ from the local debt market has reduced the quantity and quality of assets left available for pension investments.

Outlook for the Pensions Division

The FSC recognizes the need for continuous evaluation and reinvention as the pension industry advances and as such, will be focusing on the following key areas during the next fiscal year:

(i) Trustee Education - emphasis will be placed on the completion of the second phase of the development of the trustees' handbook.

(ii) Finalize the development and implementation of a risk based supervisory framework for the Pensions Industry

(iii) Policy and Legislative Changes - The Pensions Division will be continuing to actively advocate for the following in response to the evolving environmental dynamics:

- The fast tracking amendments to the Investment Regulations.
- Comprehensive review of the Investment Regulations with a view to including further amendments as part of Phase II of the Pension Reform.
- Amendments to the Pensions (Superannuation Funds and Retirement Schemes) Act as part of Phase II of Pension Reform
- Completion of the update to reporting forms to facilitate risk-based supervision

(iv) Financial Inclusion – The Pension Division will continue to pursue pension inclusion through the development of guidelines and or legislative changes, if necessary, to facilitate the implementation of micro-pensions.

(v) Public education - Publication of a guideline or bulletin for the benefit of external stakeholders.

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

This section provides a summary of the activities, developments and accomplishments that have been undertaken and/or achieved by the Investigation and Enforcement Division (I&E) during the FY2018-2019.

Promoting Effective Collaboration with Counterparts

The financial world is faced with increasingly complex challenges composed of multiple factors that are often interrelated. In order to effectively address these challenges, the FSC must coordinate efforts among all stakeholders and related counterparts, in an integrated and inclusive manner. I&E continued its participation in this coordinated effort which included the utilization of the existing International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding (MMOU), as well as the on-going joint development of MOUs with local counterparts, namely Financial Investigations Division (FID) and the Jamaica Constabulary Force Fraud Squad (JCFFS).

During the reporting period, I&E utilized the MMOU to make requests to our counterpart agencies for assistance and/or information in our on-going investigations geared towards identifying the major players and counteracting/curtailing the activities of Unregistered Financial Organizations (UFOs) within our jurisdiction. Chart 55 shows the number of requests that were made by the FSC as well as those requests that were made to the FSC from other jurisdictions.

Chart 55: Number of Requests made and received by the FSC

REQUESTS MADE TO THE FSC	FY 2018-2019
Bermuda Monetary Authority	1
Cayman Islands Monetary Authority	1
Eastern Caribbean Central Bank	1
Total Request made to the FSC	3
REQUESTS MADE BY THE FSC	**FY 2018-2019**
SEC, USA	0
Securities Commission of the Bahamas	1
FCA, UK	1
Trinidad &Tobago Securities	1
Total Request made by the FSC	3

Additionally, as an extension of the said on-going UFO investigations and to aid with our investigations into complaints against suspected breaches by our registrants/licensees, I&E liaised with the FID and the JCFFS to develop MOUs with each entity. Both MOUs have been drafted by I&E for the comment/approval of the respective counterpart agencies.

Achievements of the Division

- Statistical Snapshot

(I) Managing Complaints & Handling Enquiries

There were a total of seventy-two (72) complaints received during the FY2018-2019. Chart 56 shows the percentage distribution of complaints by sector while Chart 57 provides brief description of the complaints by sector.

Chart 56 - Complaints for FY2018-2019

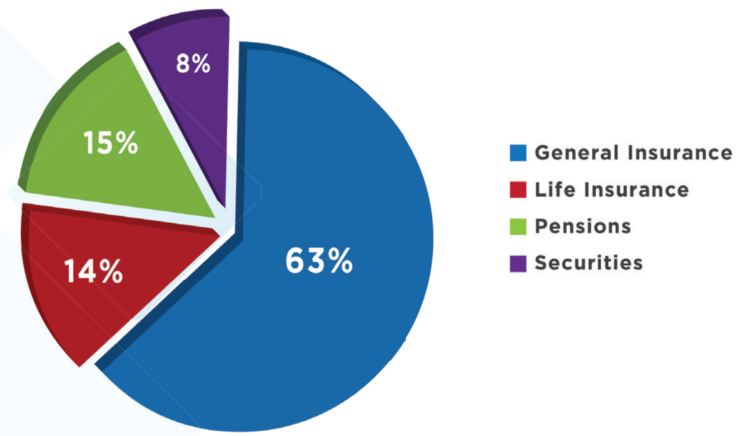


Chart 57: Nature of Complaints by Sector

General Insurance **# | Complaint sub-category**	**Life Insurance** **# | Complaint sub-category**	**Pensions** **# | Complaint sub-category**	**Securities** **# | Complaint sub-category**
8 | Refusal to honour Claim	2 | Policy: lapse/ cancellation	4 |Benefits: non-payment	1 |Dividend/Interest: non-payment cancellation
21 | Unreasonable Delay	4 |Policy: other disputes	2 |Misconduct: Trustee/Admin	1 |Dispute Share price
3 | Liability Disputes 4 | Insufficient Quantum	4 |Miscommunication/Other	2 |Plan: Wind-Up/Termination 3 | Miscellaneous/Other	2 |Dispute Account Mgmt. 2 |Miscommunication/Other
6 | Premium Disputes			
1 | Policy: lapse/ cancellation			
2 | Prop. damage/Personal Injury			
Total: 45	**10**	**11**	**6**

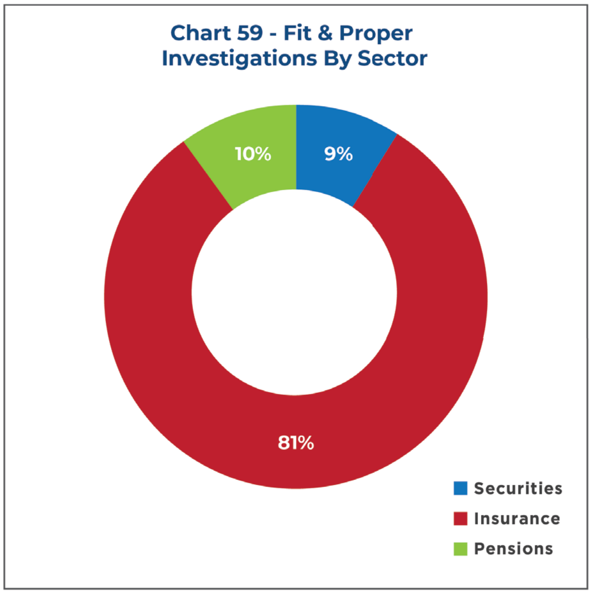
(II) Investigations

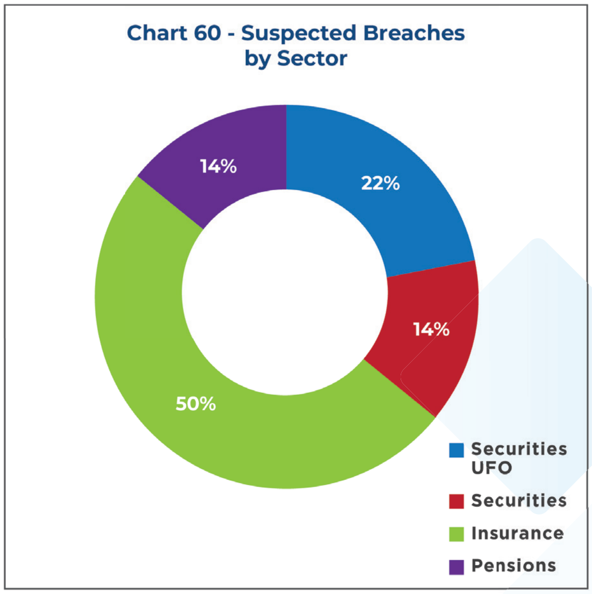
As shown in Chart 58, a total of thirty-five (35) new investigations were opened: twenty-two (22) fit and proper investigations; and the remaining thirteen (13) being investigations into registrants/licensees' suspected breaches of statutes/regulations and the activities of UFOs.

Chart 58: Number and Type of investigations conducted during FY2018-2019

Reporting Period	**Fit & Proper**	**Suspected Breaches**	**Total**
Investigations brought forward from previous reporting period	40	48	88
Investigation opened: April 2018 – March 2019	22	13	35
Investigation resolved: April 2018 – March 2019	11	3	14
Total unresolved investigations as at March 2019	51	58	109

For the thirty five (35) investigations that were opened during the FY2018-2019, Charts 59 & 60 show the percentage distribution by sector.





(III) Enforcement

The following is a summary of the enforcement actions taken by the FSC against licensees and registrants that have contravened the Acts and Regulations administered by the FSC, for the FY2018-2019. The enforcement actions taken were based on recommendations presented by the Insurance and Securities Divisions, and thereafter approved by the Board of Commissioners (BOC). Enforcement actions were taken against two Securities Dealers, one Insurance Broker and two Insurance Agents. Enforcement was also recommended in respect of Fixed Penalty Offences specified in the Fourth Schedule to the FSC Act, for breaches committed by Insurance Sales Representatives and other persons found to be operating in contravention of section 70 of the Insurance Act.

The recommended enforcement actions also included:

- Notice of Intention to Cancel Registration;
- Notice of Intention to Suspend Licence/Registration;
- Notice of Suspension of Licence/Registration; and
- Notice of Cancellation of Licence.

► Insurance

The recommended enforcement actions were premised on evidence that registrants committed breaches of the Insurance Act and Regulations. Particularly, the breaches identified mainly stemmed from the under capitalization of the Broker and Agents. The breaches stemming from the non-compliance with the legislative requirements were as follows:

- Failure to meet minimum capital requirements as prescribed by the requirements under Regulation (35)(1)(a) of the Insurance Regulations;
- Failure to meet minimum capital requirements as prescribed by the requirements under Regulation (35)(1)(b) of the Insurance Regulations.

► Securities

The recommended enforcement actions were premised on evidence that indicated that two licensees were in breach of the Securities Act; the Securities (Conduct of Business) Regulations; and the Securities (Prudential) Regulations. Enforcement action was also recommended where the licensees failed to comply with Directions issued by the FSC.

The BOC was presented with the recommendation for the cancellation of a securities dealer's licence on the following grounds:

- False Statements Concerning the Company's Affairs- Misrepresentation of Financial Position;
- Failure to maintain the minimum capital requirement;
- Breach of Directions; and
- Breach of Regulations - Failure to submit Annual Report and Audited Financial Statements.

(III) AML/CFT QUESTIONNAIRE

In November 2018, the FSC distributed an Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Questionnaire to all its licensees/registrants. This questionnaire constitutes an offsite tool to assist the FSC in its AML/CFT monitoring activities. The information received from the responses is necessary for the construction of a platform to:

- Create an initial risk profile of each regulated entity;
- Provide valid and pertinent information on a macro basis on the AML/CFT infrastructure, policies, practices and processes that currently exist in the insurance and securities sectors;
- Establish the areas in the AML/CFT framework where there are widespread vulnerabilities and facilitate the implementation of mitigating measures;
- Assess the level of AML/CFT compliance within the insurance and securities sectors;
- Develop structured customized onsite audit processes that will utilize the data from each entity to facilitate more efficient and streamlined examinations.

It was recommended that regulated entities use the questionnaire as a self-evaluation tool, as it provided indicators of deficiencies and non-compliance within their AML/CFT programme.

(VI) Findings from Review of the AML/CFT Questionnaire

The insurance intermediary sector had the most deficiencies in its AML/CFT framework. However, the inadequacies of the AML/CFT system at the insurance intermediary level are mitigated somewhat by the insurance companies' (especially life insurance) strong compliance.

The most frequent occurring deficiency involves issues with the AML/CFT Policy and Procedures Manual, as twenty-nine (29) entities (31.0 per cent) had problems meeting the requirements in this area. The next highest occurrences of deficiencies were:

- No independent annual audit of AML/CFT framework; and
- No verification procedures for source of funds

Both of these measures are critical requirements that the regulated entities are failing to meet and will be addressed by the FSC with priority.

Seventeen (17) institutions have failed to conduct risk assessments on their customers. This constitutes 18.0 per cent of the total number of regulated entities and therefore, increased awareness and training will be directed to these institutions to alert them to their failings in this respect.

(V) AML/CFT Supervisory Actions

Efforts to Strengthen the Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) Framework.

Review of the FSC's Guidelines for Anti-Money Laundering and Counter-Financing of Terrorism to Regulated Entities

The FSC is currently in the process of reviewing its 2015 Guidelines for Anti-Money Laundering and Counter-Financing of Terrorism to Regulated Entities. These revised guidelines aim to provide financial institutions that are regulated by the FSC with new AML/CFT measures to be implemented. These measures include the requirement to adopt a risk based approach to their respective AML/CFT framework; develop risk profiles for all customers with corresponding Know Your Customer (KYC) and Customer Due Diligence (CDD) requirements; incorporate the cash transaction limit requirements of the POCA; a heightened focus on PEPs; and highlight the increasing usage and normalization of virtual currencies and its associated risks. Additionally, the revised Guidelines incorporate the amendments to AML and CFT legislation and the passage of the United Nations Security Council Resolutions Implementation Act ("Counter Proliferation Financing"). The revised Guidelines are expected to be finalized by July 2019.

Establishment of the AML Unit

The FSC established its AML Unit in April 2018 in keeping with the recommendation made in the Mutual Evaluation Report (MER)[28] by the Caribbean Financial Action Task Force (CFATF)) that the anti-money laundering and the combating of financing of terrorist and proliferation (AML/CFT) supervisory activities should be segregated from core prudential supervision. The AML Unit has been tasked with the overarching responsibility of ensuring that the entities regulated by the FSC are compliant with respect to their AML/CFT requirements under prescribed legislation.

The AML Unit conducted two targeted onsite audits based on referrals from the FID on suspicion of breaches of section 101A of the Proceeds of Crime Act (POCA), which imposes a limit on cash transactions. These onsite audits resulted in:

- For one entity, no breach of section 101A identified. However, there were other breaches detected that resulted in the issue of a Supervisory Letter;
- For the second entity, breaches of section 101A confirmed along with other serious breaches resulting in the conversion to a full-scale AML/CFT audit and a joint audit with other Officers of I&E. The joint audit was based on allegations of insider trading and market manipulation, which are predicate offences for money laundering. This investigation is on-going.

Supervisory Coordination and Cooperation between the AML Unit and the Sector Divisions

Standard Operating Procedures (SOPs) are now in effect between the AML Unit and two sector divisions (Insurance and Securities). These procedures are designed to outline the operating parameters between the AML Unit and the Insurance and Securities Divisions in conducting AML/CFT onsite audits. The procedures will adopt an integrated approach where there is coordination and consolidation between the prudential supervisors and the AML Unit to ensure there is limited duplication of supervisory actions and to incorporate the technical skills, knowledge and synergies of both categories of supervisors and for the optimization of resources.

The FSC has adopted a risk-based approach in conducting its AML/CFT supervisory monitoring and enforcement activities. This approach seeks to ensure that measures instituted to prevent or mitigate money laundering and terrorism financing are commensurate with the identified risks, thereby resulting in a more efficient allocation of scarce resources. Effective supervision and enforcement is a critical component of a robust anti money laundering and targeted financial sanctions (TFS) regime. The FSC's supervisory and enforcement framework will comprise wide-ranging financial supervisory measures that include preventative measures and related sanctions and other remedial actions.

AML Know Your Customer Requirements- Address Verification Issues

The FSC has recognized that the customer address verification procedure can be the most challenging and burdensome part of the CDD process for regulated entities and their customers. In order to avoid financial exclusion of vulnerable legitimate persons and to lessen the frustration being experienced by financial institutions in validating addresses of customers but still maintaining the integrity of address verification processes in conformity with relevant legislation, the FSC has expanded the range of valid address verifiers to its licensees. In this regard, an Advisory has been disseminated to the FSC's regulated entities.

[28] January 2017

INTERNATIONAL PARTNERSHIPS

The FSC continued to lead efforts to collaborate with global partners to advance areas of common interest shared with our regional and international counterparts working to impact the global insurance, securities and private pensions industries. Our interactions with major international organizations in FY2018-2019 included:

Caribbean Association of Pension Supervisors (CAPS)

CAPS held its 8th Annual Conference and Annual General Meeting June 18-19, 2018 at the Marriott Hotel in St. Kitts and Nevis under the theme, *"Enhancing the Micro and Macro Dimensions of Pension Regulation and Supervision."* Representatives from all twenty (20) members and associate members of the Caribbean Community (CARICOM) were in attendance. In addition, the FSC through CAPS welcomed two (2) employees from the Antigua's Financial Services Regulatory Commission to Jamaica for hands on training.

Deputy Executive Director Mrs. Nicolette Jenez addressing the 2018 CAPS conference.

Toronto Centre (TC)

The FSC has recognised the need to adopt a risk-based approach to supervision in keeping with international best practices for insurance, private pensions and securities supervisors. To this end, the FSC has partnered with Toronto Centre (TC)[29] in a long-term country engagement, which spans the three year period July 2018-June 2021. The engagement involves guidance on developing the supervisory framework and tools, and training geared towards building institutional knowledge. The FSC hosted TC in three site visits between July 2018 and March 2019.

Caribbean Association of Insurance Regulators (CAIR)

In furtherance of its role in the development of insurance supervision in the Caribbean, the FSC was represented by members of the Insurance Division at the annual CAIR workshop in St Kitts June 20-22, 2018. The theme for the event was *"Enhancing Domestic and Cross-Border Supervision and Stress Testing in the Insurance Sector"*. The event was attended by more than 60 persons from territories across the English and Dutch speaking Caribbean.

CAIR was formed in the early 1990's with the goal of improving the competence of Caribbean insurance regulators while also encouraging networking and cooperation among them. The main objective of CAIR, however, is to advocate, encourage and support the development and strengthening of insurance regulation in the Caribbean, with the aim of attaining and maintaining world-wide accepted standards.

Mr. Raymond Knight and Miss Elizabeth Smith from the FSC's Insurance Division, serve on the CAIR Executive.

[29] TC is an independent, non-profit organization that delivers capacity-building programs in the areas of banking, insurance, securities, pensions, microfinance, and microinsurance supervision.

Caribbean Group of Securities Regulators (CGSR)

The FSC is an active member of the CGSR and was able to make a meaningful impact at its 14th Annual Conference and Workshop on Thursday 24 May 2018, in Nassau, The Bahamas. The theme explored *"Strengthening Risk-Based Supervision and The Framework for Promoting Financial Stability in the Caribbean."*

The conference and workshop included notable speakers from local, regional and international organizations, including Paul Andrews, Secretary General of the International Organisation of Securities Commissions (IOSCO); Kathryn Edmundson, Executive Director, International Forum for Investor Education; Cecilia Melville, monetary and financial policy economist, CARICOM Secretariat; and Jerry Butler, Executive Director, Inter-American Development Bank.

The areas addressed were timely and included topics such as economic and financial stability in the Caribbean, threats to the financial system (and derisking) throughout the Caribbean, improving corporate governance practices in the securities market and an informative panel discussion addressing regulatory preparedness for financial technology (FinTech). The CGSR was established to create a forum for regional securities regulators to discuss issues facing Caribbean securities and financial markets.

International Organizations of Pension Supervisors (IOPS)

The active participation of the FSC as a member of IOPS continued during the year under review. Jamaica was represented by the FSC at the IOPS Technical Committee meeting, Annual General Meeting and the Organisation for Economic Co-operation and Development (OECD) / IOPS Global Forum in Beijing, China – October 24-26, 2018. This annual meeting provided the FSC with an opportunity for capacity building arising from the training facilities which the IOPS convenes annually.

INVESTOR EDUCATION

Empowering consumers of financial services to take responsibility for their financial lives is an essential part of the FSC's role and mandate as the regulator of Non Deposit Taking Financial Institutions. Much of the FSC's work over the last decade has focused on educating and empowering consumers, particularly our youth, to make financial decisions that can move them forward. We have long recognized that there are significant gaps in financial knowledge, behaviour and attitude, and these heighten the potential for missteps as our financial marketplace grows more complex.

As in other small economies, our government is tasked with protecting the financially vulnerable while balancing the need for developing more robust and diverse financial markets. Part of achieving this goal means creating more inclusive financial products and services that will improve access to credit and lessen reliance on cash – critical steps for boosting small businesses and growing our economy. In support of this overarching goal, the FSC pursued a multi-stakeholder approach designed to highlight the opportunities and challenges that we all face throughout our financial lives. Using a variety of strategies and communication channels, the primary objective was to better equip consumers to make informed financial decisions that would enable them to reach their life goals and thereby secure financial well-being. Our key activities are briefly summarized below:

- **Town Hall Meeting Series**

Every other month, the FSC convenes a Town Hall meeting with residents in local communities across the island. Retirement planning is high on the agenda of each meeting.

We have had the participation of the Pension Fund Association of Jamaica and our own Pensions Division in leading discussions around retirement and lifestyle planning. Meetings were held in:

- Savanna La-Mar, Westmoreland
- Lucea, Hanover
- Montego Bay, St James
- Ocho Rios, St Ann
- Junction, St. Elizabeth
- Port Maria, St Mary
- Falmouth, Trelawny

The meetings are organized in collaboration with the JSE, the Consumer Affairs Commission, the Jamaica Deposit Insurance Corporation and also with the support of the Insurance Association of Jamaica. A three-pronged approach to financial well-being: savings and investments, purchasing insurance and participating in a retirement benefit scheme were emphasized at the meetings. The MOFPS has also partnered with us and presented on financial inclusion.

- **Conferences and Expos with Influencer Groups**

1. Jamaica Teachers Association – As influencers, teachers are high on the agenda of outreach activities planned by the Office of Communication and International Relations (OCIR) of the FSC. They are well respected members of society and have great influence in the lives of youth, which are a critical target group for the FSC's message of financial inclusion. As such, the FSC has participated at the last 2 annual conferences which brought together more than 500 teachers from across the island each year.
2. Nurses' Association of Jamaica typically hosts over 600 nurses and nurse practitioners at its Annual General Meeting and Conference. Nurses are also an influential group at the community level, and so the FSC was also on location to engage nurses in dialogue about the role and functions of the FSC and about investing for retirement and other long term goals. There was also a presentation on identifying and avoiding pyramid schemes.
3. Jamaica Employers Federation brings together a diverse range of over 400 participants including CEOs, Human Resource and Industrial Relations practitioners, managers and academics. The FSC is present each year to have one-on-one discussions with these corporate leaders about incorporating financial literacy in personal development programmes for staff. Several companies usually invite the FSC to come into the workplace and present to employees.

4. Jamaica Police Federation Conference held in St. Ann. Tthis annual conference attracts approximately 700 men and women employed by the Jamaica Constabulary Force. We share the message of making additional preparations for retirement and skills in personal finance. Additionally several police divisions usually collaborate with the FSC in smaller groups.

- **Social Media**

This is a critical platform for engaging Jamaicans in discussions around retirement planning. As part of the overall communication strategy, we continue to use this platform to promote financial education and as a communication tool for inspiring better individual choices regarding retirement. The OCIR has been making strides in growing organic followers of the FSC's profiles on Instagram @fscjamaica, Youtube/FSC Jamaica and Facebook.com/fscjamaica. There are plans to do so more aggressively in the FY2019 - 2020.

Our Town Hall meetings and other special public events are covered live on our social media platforms and are recorded and broadcast on cable television.

- **IOSCO World Investor Week 2018**

In October 2018, the FSC and the JSE jointly commemorated World Investor Week (WIW) as well as National Investor Education Week. The FSC collaborated with JSE to organize seven (7) events over the period and reached 1,000 persons across the island in face-to-face dialogue and another 500,000 individuals via electronic media.
There was a distinct focus on youth – particularly targeting tertiary institutions. This was also the focus for the inaugural WIW in the previous year. One of the promising answers to youth unemployment is entrepreneurship. This works in tandem with our message on long term financial planning.

Financial Empowerment of Youth through the Schools' Financial Education Programme (SFEP)

Since 2011, the FSC has sponsored the participation of approximately 5,000 high school students in an annual programme aimed at building financial skills of youth. The ability to manage money, build assets safely and plan for the future, is a core component of a larger set of economic and social assets required to achieve more sustainable livelihoods.

During the FY2018-2019, students from seventeen (17) schools island-wide participated over a 4-month period in the SFEP. All students had the opportunity to be part of a Financial Education Tour involving the FSC, JSE and the BOJ. The students also took part in the Essay and Video competitions to demonstrate their new understanding of topics such as budgeting, saving, investing, credit management and avoiding unregistered investment schemes. The programme culminated with an Awards Luncheon at the Pegasus Hotel in Kingston that honoured students and their teachers and showcased talented performances by youth. SFEP is rolled out in partnership with Junior Achievement Jamaica.

Electronic and Print Media Advertising Campaign

In addition to the above-mentioned activities, the FSC disseminated its message through the electronic and print media. This included the following:

- Articles on retirement published in Relaunched Newsletter "FSC InVestEd"
- FSC Minute episodes on Cable, News and Sports
- Radio interviews and sponsorships: RJR Cross Country Road Show
- On-going commercials aired on Kool97FM, Power106FM, Mello FM, and Nationwide News
- Newspaper Features and Advertorials

Everton McFarlane
Executive Director

APPENDICES

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS AS MARCH 31 , 2019

ADMINISTRATORS

- Appliance Traders Limited
- Bank of Jamaica
- Barita Investments Limited
- Bank of Nova Scotia Jamaica Limited
- BPM Financial Limited
- Credit Union Fund Management Company Limited
- Development Bank of Jamaica Limited
- Employee Benefits Administrator Limited
- FHC Investment Limited
- First Caribbean International Securities Limited
- First Caribbean International Bank
- Guardian Life Limited
- IBM World Trade Corporation
- Jamaica Money Market Brokers Limited
- JMMB Fund Managers Limited
- JN Fund Managers Limited
- Mayberry Investment Limited
- MF&G Asset Management Limited
- NCB Insurance Company Limited
- Nestle Jamaica Limited
- Proven Wealth Limited
- Saxons Pension Services Limited
- Scotia Investments Jamaica Limited
- Scotia Jamaica Life Insurance Company
- Veritat Nominee Limited
- VM Pensions Management Limited

CORPORATE TRUSTEE

- Appliance Traders Limited
- Barita Unit Trusts Management Co
- Capital & Credit Merchant Bank
- MF& G Asset Management Limited

INVESTMENT MANAGERS

- Appliance Traders Limited
- Bank of Jamaica
- Barita Investments Limited
- BPM Financials Limited
- City of Kingston Co-operative Credit Union
- Credit Union Fund Management Company Limited
- Development Bank of Jamaica Limited
- FHC Investments Limited
- First Caribbean International Securities Limited
- Guardian Life Limited
- Jamaica Money Market Brokers Limited
- Jamaica National Building Society
- JMMB Fund Managers Limited
- JN Fund Managers Limited
- Mayberry Investment Limited
- MF&G Asset Management Limited
- MoneyMasters Limited
- NCB Insurance Company Limited
- Proven Wealth Limited
- Sagicor Life Jamaica Limited
- Sagicor Securities Limited
- Scotia Investments Jamaica Limited
- Sterling Asset Management Limited
- Veritat Nominee Limited
- VM Pensions Management Limited

INVESTMENT ADVISERS

- Hyacinth Lightbourne
- Wayne Wray
- Williams & Associates Investments Limited
- Thelwell Investments Limited

DEALERS (COMPANIES)

- Alliance Investment Management Limited
- Barita Investments Limited
- BPM Financial Limited
- Barita Unit Trusts Management Company Limited
- Capital Solutions Limited
- COK Sodality Co-operative Credit Union Limited
- Credit Union Fund Management Company Limited
- Community & Workers of Jamaica Co-operative Credit Union Limited (formerly C&WJ Employees Co-operative Credit Union Limited)
- FHC Investments Limited (formerly CCU Investments Limited)
- First Caribbean International Securities Limited
- GK Capital Management Limited
- Guardian Life Limited
- Heritage Education Funds International (Jamaica) Limited
- Ideal Finance Corporation Limited
- Ideal Portfolio Services Company Limited
- Infiniti Capital Limited
- Jamaica Money Market Brokers Limited
- Jamaica National Building Society
- JMMB 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
- Proven Management Limited
- Proven Wealth Limited
- Proven Fund Managers Limited
- Sagicor Investments Jamaica Limited
- Sagicor Securities Jamaica Limited
- Sagicor Life Jamaica Limited
- Scotia Investments Jamaica Limited
- Scotia Jamaica Life Insurance Company Limited
- Sterling Asset Management Limited
- Stocks and Securities Limited
- Sygnus Capital Limited
- Victoria Mutual Pensions Management Limited (formerly Prime Asset Management Limited)
- Victoria Mutual Wealth Management Limited
- West Indies Trust Company Limited

DEALERS (INDIVIDUALS)

- Berry, Christopher*
- Berry, Konrod*
- Issa, Christopher

*The asterisks indicate individual dealers who are associated with a company that is also licensed as dealer

COLLECTIVE INVESTMENT SCHEMES

MUTUAL FUNDS

- CI Sector Balanced Funds
- CI Sector Diversified Equity Funds
- CI Sector Fixed Income Funds
- CI Sector Focused Equity Funds
- JNFM Mutual Funds Limited
- Scotia US Growth Mutual fund
- Scotiabank Canadian Growth Fund
- Scotia Caribbean Income Fund Inc.
- Scotiabank Global Growth Fund
- Scotiabank Money Market Fund
- Scotiabank US Dollar Bond Fund

UNIT TRUST FUND MANAGERS

- Barita Unit Trusts Management Limited
- Credit Union Fund Management Company Limited
- JMMB Fund Managers Limited
- Money Masters Limited
- NCB Capital Markets Limited
- Proven Fund Managers Limited
- Proven Wealth Limited
- Sagicor Investments Jamaica Limited
- Scotia Investments Jamaica Limited
- Stocks & Securities Limited
- Victoria Mutual Wealth Management Limited

UNIT TRUST SCHEMES

- Barita Multiple Portfolio Funds
- Barita Unit Trusts Money Market Fund
- Barita Unit Trusts Capital Growth Fund
- CUFMC CUMax Fund
- JMMB Life Goal Fund
- Jamaica Investment Income & Growth Fund
- Jamaica Investment Giltedge Fund
- Jamaica Investment Optimum Capital Fund
- Money Masters Multiple Portfolio Fund
- NCB Capital Markets Limited Unit Trust Scheme
- NCB Capital Markets Limited (Non-diversified) UTS
- Proven Select Fund
- Proven Non-Diversified Fund
- Scotia Premium Fixed Income Fund
- Scotia Premium Growth Fund
- Sagicor Sigma Funds
- Stocks & Securities Limited Unit Trust Scheme
- The Scotia Investment Fund
- VMW Money Market Fund

INSURANCE INVESTIGATORS

- AB Investigation Services Limited T/A AB Investigation
- BINOC Visions Investigations Limited
- Delroy Anthony Lawson T/A DL Express Investigation & Process Service
- Detect Investigations Company Limited
- Charles Oliver Rodriquez T/A Charles Rodriquez Investigations
- Clive Ashton Jones T/A Searchlight Investigators
- Conrad Vaughn Myrie T/A C.I.S. Claims Investigation
- Errol Orlando Rattray T/A Quality Adjusters
- Focus Investigations Limited
- Harcon Business and Investigations Services Limited
- Ian Blackwood T/A ACTAR Investigations
- Impact Investigations Services Limited
- Jones Solomon Jaisingh T/A Network Coordinate
- Joseph Clement Messam T/A PROCUR (Professional Procurers)
- Kevin Aundrae Virgo T/A Quality Investigations
- Latoure DeAvergne Duhaney T/A Genesis Protective Services
- Priority Investigations Limited
- Roger Richard Robinson T/A Premier Loss Adjusting and Investigations
- Vinel Central Investigation & Security Consultancy Limited
- Wayne Michael Wallace T/A Trivalent Consulting Services
- Yvonne Joy Thompson-Cox T/A Progressive Insurance Services

INSURANCE

LIFE INSURANCE COMPANIES

- Canopy Insurance Limited
- CUNA Caribbean Insurance Jamaica Limited
- JN Life Insurance Company Limited
- Guardian Life Limited
- Sagicor Life Jamaica Limited
- NCB Insurance Company Limited
- Scotia Jamaica Life Insurance Company Limited

GENERAL INSURANCE COMPANIES

- Advantage General Insurance Company Limited
- American Home Assurance Company
- AIG Jamaica Insurance Company Limited
- British Caribbean Insurance Company Limited
- General Accident Insurance Jamaica Company Limited
- GK General Insurance Company Limited
- Guardian General Insurance Jamaica Limited
- IronRock Insurance Company Limited
- Key Insurance Company Limited
- JN General Insurance Company Limited
- Massy United Insurance Limited
- The Insurance Company of West Indies Limited

LOCAL REINSURANCE BROKERS

- CGM Gallagher Insurance Brokers Jamaica Limited
- MGI Insurance Brokers Limited (formerly Maritime General Insurance Brokers Limited)

INSURANCE CONSULTANTS

- Action & Advice Claims Cwonsultants Limited
- Camille Aretha Wilson T/A DCLA Insurance Consultants
- Eberle Alric Robert Dawes T/A Flavoured Consultants In Insurance
- Lydia-Sherry Obinim T/A Obinim Insurance Consultancy

CLAIMS NEGOTIATORS

- Colleen Veronica Pryce T/A Crowne Consultant Services
- Collin Michael Harley T/A Insight Insurance Services
- Claims Administrators Limited
- Egerton Orlando Stewart T/A Stewart Recovery Action & Solution
- Fidelity Insurance Claims Consultants Limited
- Karen Patricia Murphy T/A Image Claims Negotiating Services
- Natalie Kerr T/A Direct Claims Services
- Sophia Lorrains Smith T/A Emerald Consulting & Recovery Services

OVERSEAS REINSURANCE BROKERS

- Aeon UK Limited (formerly Aeon Limited)

ASSOCIATIONS OF UNDERWRITERS

- Lloyds

INSURANCE BROKERS

- Allied Insurance Brokers Limited
- Associated Owners Insurance Brokers Limited
- Assurance Brokers of Jamaica Limited
- Billy Craig Insurance Brokers Limited
- Caribbean Assurance Brokers Limited
- CGM Gallagher Insurance Brokers Jamaica Limited
- Covenant Insurance Brokers Limited
- Desmond Mair Insurance Brokers Limited
- Excel Insurance Brokers Limited
- Firm Insurance Brokers Limited
- Fraser Fontaine & Kong Limited Insurance Brokers
- Genesis Insurance Brokers Limited
- Jamaica Citadel Insurance Brokers Limited
- JMMB Insurance Brokers Limited
- Lawe Insurance Brokers Limited
- Marathon Insurance Brokers Limited
- MGI Insurance Brokers Limited (formerly Maritime General Insurance Brokers Limited)
- National Property & General Insurance Brokers Limited
- Orion Insurance Brokers Limited
- Pinnacle Insurance Brokers Limited
- Sagicor Insurance Brokers Limited
- Sarifa Insurance Brokers Limited
- Solid Life and General Insurance Brokers Limited
- Spectrum Insurance Brokers Limited
- Thwaites Finson Sharp Insurance Brokers Limited

FACULTATIVE BROKERS

- Allied Insurance Brokers Limited
- Assurance Brokers Jamaica Limited
- Billy Craig Insurance Brokers Limited
- Caribbean Assurance Brokers Limited
- CGM Gallagher Insurance Brokers Jamaica Limited
- Desmond Mair Insurance Brokers Limited
- Excel Insurance Brokers Limited
- Firm Insurance Brokers Limited
- Fraser Fontaine & Kong Limited Insurance Brokers
- JMMB Insurance Brokers Limited
- Lawe Insurance Brokers Limited
- Marathon Insurance Brokers Limited
- MGI Insurance Brokers Limited (formerly Maritime General Insurance Brokers Limited)
- National Property & General Insurance Brokers Limited
- Pinnacle Insurance Brokers Limited
- Spectrum Insurance Brokers Limited
- Thwaites Finson Sharp Insurance Brokers Limited
- Sagicor Insurance Brokers Limited

APPENDIX B: BULLETINS, GUDIELINES & DISCUSSION PAPERS

In keeping with the principle of transparency and communication, the FSC continued to provide information and guidance to our licensees, registrants, other stakeholders and the general public through the issuance of the bulletins, guidelines and discussion papers. The following bulletins, guidelines and discussion papers were released during the FY2018-2019:

GENERAL

GEN-CONSUL-18/10-0003 - Proposals for a Specialized Insolvency Framework for Insolvent/Non-Viable Financial Institutions

The proposals in this paper are being circulated to licensees/registrants of the FSC for consultation purposes.

GEN-CONSUL-18/12-0004- Proposals for Regulations under the International Corporate and Trust Services Providers Act

The objective of this consultation paper is to obtain the feedback of stakeholders on proposals for regulations to be made under the International Trust and Corporate Services Providers Act (the Act) to facilitate the registration and supervision of International Trust and Corporate Service Providers in Jamaica.

GEN-ADVI-19/02-0001 - Advisory on Revised Guidelines on CDD/KYC Identification and Address Verification Requirements

To advise FSC's licensees that the FSC has now widened the range of recommended address verifiers that can be utilized by licensees and registrants in the verification of address procedure for the applicant for business.

INSURANCE

IR-GUID-19/02-0018 - Revised Guidelines on Market Conduct For Insurance Companies And Intermediaries

The purpose of these Guidelines is to establish specific standards for insurance companies and intermediaries registered in Jamaica, in conducting insurance business with customers, and by extension, policyholders.

IR-CONSUL-19/03-0018 Micro-Insurance Consultation Paper 2019

The purpose of this paper is to outline the proposed rules to be utilized in the micro-insurance framework, these rules are intended to ultimately become regulations.

IR-ADVI-19/02-0009 Bulletin for Corporate Governance for Insurance Intermediaries

The objective of this bulletin is to provide a general framework based on best practices and in some cases based on legislative provisions for the implementation of a robust and sustainable Corporate Governance by all insurance intermediaries.

IR-ADVI-19/03-0010 Bulletin for Procedure for Placing Insurance Business with Unregistered Insurers

The objective of this bulletin is to provide general guidance to Facultative Placement Brokers on the requirements for placing insurance business with Unregistered Insurers.

IR-ADVI-18/12-0007 Bulletin for: Requirements for Registration as an Insurance Agent (Corporate)

The objective of this bulletin is to provide general guidance to Insurance Agents on some of the conditions which must be fulfilled in order to be registered as a corporate Insurance Agent in Jamaica.

IR-ADVI-18/12-0008 Bulletin for: Requirements for Registration as an Insurance Company

The objective of this bulletin is to provide general guidance to Insurance Companies, on some of the conditions which must be fulfilled before an application for registration as an insurance company under the Act can be considered.

IR-ADVI-18/12-0006 Bulletin for: Requirements for Registration as an Insurance Broker (Corporate)
The objective of this bulletin is to provide general guidance to Insurance Brokers on some of the conditions which must be fulfilled before an application for registration as a broker under the Act can be considered.

AR-ADVI-19/01-0008- Requirements for the December 31, 2018 Valuation of Actuarial Reserves and Other Policy Liabilities of Life Insurers
The purpose of the advisory is to outline the FSC's expectations with respect to the valuation and the preparation of the Appointed Actuary's report (AAR).

AR-ADV-18/04/0007-1 - Addendum to Bulletin on: Relaxation of the Minimum Capital Test Requirement
This addendum serves to update and clarify certain aspects of the Bulletin AR-ADVI-17/01-0007

IR-CONSUL-18/12-0017 - Group Insurance Consultation Paper 2018
The purpose of this paper is to outline recommendations to amend the Insurance Act to make provision for certain group insurance arrangements to be effectuated without the requirement for insurable interest as well as to introduce certain safeguards to protect members of the group.

SECURITIES

SR-GUID-18/09-0025- Guidelines for the Retail Repo Mismatch Ratio Prudential Benchmark
This guidelines advises the industry the development and the phase-implementation of the Retail Repo Mismatch Ratio (RRMR). The RRMR directly indicates the degree to which the securities dealer's retail repo portfolio is exposed to the impact of movements in interest rates.

SR-CONSUL-18/09-0031 - An Appropriate Definition and Level of a Liquidity Ratio for the Securities Sector
The FSC seeks the industry's feedback on the proposal to apply the Volatile Funding Sources Coverage Ratio (VFSCR). The VFSCR was deemed the most appropriate liquidity ratio for the securities sector given that the components of the ratio are reflective of the liquidity risk facing the securities sector based on their funding models

PENSIONS

PR-ADVI-19/1-0004 - Bulletin for Minimum Content of the Information Folder
This bulletin seeks to assist trustees and their agents by elucidating the pertinent information that ought to be incorporated in the Information Folder relating to each of the matters specified in the Third Schedule of the RLR Regulations.

PR-ADVI-18/11-0003 - Bulletin for Failure to Remit Contributions
The objective of this bulletin is to provide general guidance and best practice suggestions to trustees, agents of trustees and sponsors regarding the:

(i) Obligation of sponsors to remit their own contributions as well as those of members.

(ii) Trustees' responsibility to ensure the accurate and timely remittance of contributions.

(iii) FSC's expectation concerning the monitoring of the payment of contributions.

PR-ADVI-19/2-0005 - Bulletin for COMPLIANCE – Best Practices
The purpose of this bulletin is to:

- Outline the FSC's expectations for licensees and corporate registrants under the Pensions Act and its Regulations;
- Engender a compliance culture within the pension industry; and
- Provide guidance with a view to ensuring that the compliance framework is suitable for the size, nature and complexity of the business models of the licensees and corporate registrants that have oversight of funds.

APPENDIX C: FSC STATUTES & REGULATIONS [30]

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, 2014 and 2016
- 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

[30] The International Trust and Corporate Services Act was enacted in 2017. It names the FSC as the regulator, The regulations have not yet been promulgated.

FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Members of
FINANCIAL SERVICES COMMISSION

Opinion

We have audited the financial statements of Financial Services Commission (Commission), set out on pages 74 to 113, which comprise the statement of financial position as at March 31, 2019, the statements of profit or loss and other comprehensive income, changes in reserves and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Commission as at March 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
FINANCIAL SERVICES COMMISSION

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
FINANCIAL SERVICES COMMISSION

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Chartered Accountants
Kingston, Jamaica

July 25, 2019

Statement of Financial Position
March 31, 2019

	Notes	2019	2018
CURRENT ASSETS			
Cash and cash equivalents	5	903,383	63,406,039
Securities purchased under resale agreements	6	476,156,120	547,812,640
Accounts receivable	7	142,724,566	153,225,312
Taxation recoverable	8	1,417,873	658,425
		621,201,942	765,102,416
CURRENT LIABILITIES			
Bank overdraft, unsecured	5	4,944,146	-
Accounts payable	9	170,022,263	142,387,324
Deferred fees		405,231,628	349,194,500
		580,198,037	491,581,824
NET CURRENT ASSETS		41,003,905	273,520,592
NON-CURRENT ASSETS			
Investments	10	1,311,780,641	884,719,739
Intangible assets	11	11,766,389	9,997,148
Property, plant and equipment	12	59,918,072	30,742,130
		1,383,465,102	925,459,017
		$1,424,469,007	1,198,979,609
Financed by:			
RESERVES	13	$1,424,469,007	1,198,979,609

The financial statements on pages 74 to 113, were approved by the Board of Commissioners on July 25, 2019 and signed on its behalf by:

dmiec
______________ Board Chairman
Jacqueline Stewart Lechler

______________ Chairman of Audit Committee
Myrtle Halsall

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

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2019

	Notes	2019	2018
INCOME			
Fees		1,150,659,901	1,027,704,584
Interest income		22,698,417	44,420,306
(Loss)/gain on disposal of property, plant and equipment		(307,904)	968,721
IOSCO 2017	14(i)	-	155,400,537
Other	14(ii)	1,129,571	1,529,238
		1,174,179,985	1,230,023,386
EXPENSES			
Advertising		1,490,692	1,579,274
Appeal tribunal		4,030,042	3,512,160
Audit		2,310,650	1,910,650
Bank charges		1,294,341	1,280,617
Building maintenance		14,697,088	11,341,210
Commissioners' fees		1,820,713	1,850,401
Data security		8,404,001	8,271,895
Depreciation and amortisation	11,12	23,026,570	20,146,015
Foreign exchange loss		1,852,126	6,820,193
IOSCO 2017	14(i)	-	319,046,636
Irrecoverable General Consumption Tax		31,615,022	23,547,802
Impairment losses on investments		662,505	-
Impairment losses on trade receivables, net of recoveries		(1,995,129)	(4,826,044)
Motor vehicle and parking expenses		13,132,303	11,487,451
Office expenses		26,423,986	23,022,633
Printing and stationery		2,363,030	2,378,733
Professional fees		45,268,510	37,119,966
Public education		49,266,204	28,047,902
Rent	15	1,994,977	3,204,167
Staff costs	16	656,355,270	591,991,045
Subscriptions		29,628,291	23,724,718
Training and conferences		33,016,643	11,617,183
Utilities		29,061,632	26,656,443
		975,719,467	1,153,731,050
Appreciation in value of investments classified as at fair value through profit or loss		48,040,856	-
Surplus for the year		246,501,374	76,292,336
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Change in fair value of available-for-sale investments	13	-	11,032,836
Total comprehensive income for the year		$ 246,501,374	87,325,172

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

Statement of Changes in Reserves
Year ended March 31, 2019

	General Fund	Capital Reserve (Note 13)	Investment Reserve (Note 13)	Total
Balances at March 31, 2017	1,116,465,873	1,078,564	-	1,117,544,437
Total comprehensive income for the year:				
Surplus for the year	76,292,336	-	-	76,292,336
Other comprehensive income: Items that may be reclassified to profit or loss: Change in fair value of available-for-sale, investments being total other comprehensive income	-	-	11,032,836	11,032,836
	76,292,336	-	11,032,836	87,325,172
Financial distribution (note 24)	(5,890,000)	-	-	(5,890,000)
Balances at March 31, 2018	1,186,868,209	1,078,564	11,032,836	1,198,979,609
Adjustment on initial application of IFRS 9 [note 3a(i)] – Classification of investments	11,032,836	-	(11,032,836)	-
Adjustment on initial application of IFRS 9 [note 3a(i)] – Expected credit losses	(17,201,976)	-	-	(17,201,976)
Adjusted balances at April 1, 2018	1,180,699,069	1,078,564	-	1,181,777,633
Surplus for the year, being total comprehensive income for the year	246,501,374	-	-	246,501,374
Financial distribution (note 24)	(3,810,000)	-	-	(3,810,000)
Balances at March 31, 2019	$1,423,390,443	1,078,564	-	1,424,469,007

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

Statement of Cash Flows
Year ended March 31, 2019

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		246,501,374	76,292,336
Adjustments for:			
Depreciation and amortisation	11,12	23,026,570	20,146,015
Loss/(gain) on disposal of property, plant and equipment		307,904	(968,721)
Appreciation in fair value of investments		(48,040,856)	-
Interest income		(22,698,417)	(44,420,306)
		199,096,575	51,049,324
(Increase)/decrease in current assets:			
Securities purchased under resale agreements		74,051,597	533,390,479
Accounts receivable and prepayments		21,948,525	25,513,817
Taxation recoverable		(759,448)	(654,660)
Increase/(decrease) in current liabilities:			
Accounts payable		27,634,939	53,093,073
Deferred fees		56,037,128	37,274,231
Net cash provided by operating activities		378,009,316	699,666,264
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets	11	(11,335,971)	-
Additions to property, plant and equipment	12	(42,943,686)	(16,705,530)
Proceeds from sale of property, plant and equipment		-	2,610,351
Investments, net		(413,423,998)	(873,686,903)
Interest received		26,057,537	49,561,101
Net cash used by investing activities		(441,646,118)	(838,220,981)
CASH FLOWS FROM FINANCING ACTIVITY			
Financial distribution, being net cash used by financing activity	24	(3,810,000)	(5,890,000)
Net decrease in cash and cash equivalents		(67,446,802)	(144,444,717)
Cash and cash equivalents at beginning of the year		63,406,039	207,850,756
Cash and cash equivalents at end of the year		$(4,040,763)	63,406,039
Comprised of:			
Cash and cash equivalents		903,383	63,406,039
Bank overdraft, unsecured		(4,944,146)	-
		$(4,040,763)	63,406,039

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

Notes to the Financial Statements
March 31, 2019

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 17).

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 12).

At March 31, 2019, the Commission had in its employment 129 (2018: 128) employees, out of a Board-approved establishment of 132 (2018: 132) employees.

2. Basis of preparation

(a) Statement of compliance:

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

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards that became effective during the year

Certain new and amended standards which were in issue, came into effect for the current financial year. This is the first set of the Commission's annual financial statement in which IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*, have been applied from April 1, 2018. Changes to significant accounting policies are described in note 3.

New and amended standards and interpretations issued 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:

- The Commission will adopt IFRS 16, *Leases* effective April 1, 2019. IFRS 16 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. Lessees 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.

- Amendments to IFRS 9, *Financial Instruments,* effective retrospectively for annual reporting periods beginning on or after January 1, 2019, clarify the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations issued that are not yet effective (continued):

- Amendments to IFRS 9, *Financial Instruments* (continued)

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
  - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
  - A new control-based approach to de-recognition will allow an entity to derecognize an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

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

2. Basis of preparation (continued)

(b) Basis of measurement and functional and presentation currency:

The financial statements, as at and for the year ended March 31, 2019 (reporting date), are prepared on the historical cost basis and are presented in Jamaica dollars (J$), which is the functional currency of the Commission.

(c) Use of estimates and judgments:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. 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) Financial assets:

Judgements

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

- *Applicable to 2019 only*:

(1) Classification of financial assets:

The assessment of the business model within which assets are held and assessment of whether the contractual terms of financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements of its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL require significant judgement.

2. Basis of preparation (continued)

(c) Use of estimates and judgments (continued):

(i) Financial assets (continued):

Key assumptions concerning the future and other sources of estimation uncertainty:

- *Applicable to 2019 only*

Allowance for impairment losses:

In determining amounts recorded for impairment losses of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of the forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates.

(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.

3. Changes in significant accounting policies

The Commission has initially adopted IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* from April 1, 2018. There are other new standards that were also effective from April 1, 2018 but they do not have a material effect on the Commission's financial statements.

Due to the transition method chosen by the Commission in applying IFRS 9 and IFRS 15, comparative information throughout these financial statements has not been restated to reflect the requirements of these new standards.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets;
- additional disclosures related to IFRS 9 [see notes 3(a) and 20(b)];
- additional disclosures related to IFRS 15 [see note 4(k)].

Except for the changes below, the Commission has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

3. Changes in significant accounting policies (continued)

(a) IFRS 9, *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Commission has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require separate presentation in the statement of profit or loss and other comprehensive income of impairment of financial assets. Additionally, the Commission has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale (AFS).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Commission's financial assets as at April 1, 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at April 1, 2018 relates mainly to the new impairment as disclosed below:

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at March 31, 2018	Impairment allowance	IFRS 9 carrying amount at April 1, 2018
			$	$	$
Financial assets					
Accounts receivable	Loans and receivables	Amortised cost	133,197,350	(14,806,899)	118,390,451
Other accounts receivable	Loans and receivables	Amortised cost	20,027,962	-	20,027,962
Cash and cash equivalents	Loans and receivables	Amortised cost	63,406,039		63,406,039
Investments	Available-for-sale	FVTPL	884,719,739	-	884,719,739
Securities purchased under resale agreements	Loans and receivables	Amortised cost	547,812,640	(2,395,077)	545,417,563
Total Financial Assets			1,649,163,730	(17,201,976)	1,631,961,754

3. Changes in significant accounting policies (continued)

(a) IFRS 9, *Financial Instruments* (continued)

The impact, net of tax, of transition to IFRS 9 on the opening general fund and investment reserve is as follows:

	$
(i) General Fund:	
Impairment allowance on trade accounts receivable	14,806,899
Impairment allowance on investments	2,395,077
Transition adjustment- IFRS 9 at April 1, 2019	17,201,976

	$
(ii) Investment Reserve:	
Reclassification of changes in classification of AFS to FVTPL	(11,032,836)

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Transition

For assets in the scope of the IFRS 9 impairment model, impairment loses are generally expected to increase and become more volatile. The Commission has determined that application to IFRS 9 impairment requirements at April 1, 2018 results in an additional allowance for impairment as follows:

Trade accounts receivable:

	$
Loss allowance at March 31, 2018 under IAS 39	6,431,911
IFRS 9 – Transitional adjustments for trade receivables	14,806,899
Loss allowance at April 1 2018 under IFRS 9	21,238,810

Securities purchased under resale agreement:

	$
Loss allowance at March 31, 2018 under IAS 39	-
IFRS 9 – Transitional adjustments for Securities purchased under resale agreement	2,395,077
Loss allowance at April 1 2018 under IFRS 9	2,395,077

3. Changes in significant accounting policies (continued)

(a) IFRS 9, *Financial Instruments* (continued)

Transition (continued)

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at April 1, 2018. Accordingly, the information presented for 2018, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

(b) IFRS 15, *Revenue Recognition*

Under IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was effective on April 1, 2018, and supersedes all existing guidance on revenue recognition.

The adoption of IFRS 15 did not impact the timing or amount of income from contracts for services to customers and the related assets and liabilities recognised by the Commission. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

4. Significant accounting policies

(a) Grants:

Monetary grants are recognized in income and accounted for on the accruals basis. Grants in kind are accounted for when the services or assets are received by the Commission.

4. Significant accounting policies (continued)

(b) 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 4(k)].

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.

(c) 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:

Office furniture	10%
Motor vehicles	20%
Leasehold improvement and Equipment	25%
Computer equipment and software	25%

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

(d) 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.

(e) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and are shown at cost.

Bank overdrafts that are repayable on demand and form an integral part of the Commission's cash management activities, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

4. Significant accounting policies (continued)

(f) Securities purchased under resale agreements:

Securities purchased under 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.

(g) Investments:

Policy applicable from April 1, 2018

Investments that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss. Interest income from these financial assets is included in "Interest income" using the effective interest method.

The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Policy applicable before April 1, 2018

Available-for-sale investments are measured at fair value, except where fair value cannot be reliably determined, in which case they are stated at cost, with any movements in fair value included in other comprehensive income. The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

(h) Accounts receivable:

Policy applicable from April 1, 2018

Accounts receivable are measured at amortised cost, less impairment losses. An impairment loss is recognised using the expected credit loss model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not yet been incurred, considering for their measurement past events and current conditions, as well as reasonable and supportable forecasts affecting collectability [see also note 4(k)].

4. Significant accounting policies (continued)

(h) Accounts receivable (continued):

Policy applicable before April 1, 2018

Accounts receivable are measured at amortised cost, less impairment losses. Allowance for impairment loss relates to customers who have not serviced their accounts for a protracted period of time.

(i) Accounts payable:

Accounts payable are measured at amortised cost.

(j) 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.

(k) Fees:

The effect of initially applying IFRS 15 on the Commission's revenue from contracts is described in note 3.

Revenue recognition under IFRS 15 (applicable after April 1, 2018)

Revenue is measured based on the consideration specified in a contract with a customer. The Commission recognises revenue when it transfers control over service to a customer.

Performance obligations and revenue recognition policies:

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

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.

4. Significant accounting policies (continued)

(k) Fees: (continued)

Revenue recognition under IFRS 15 (applicable after April 1, 2018)(continued)

Performance obligations and revenue recognition policies (continued):

i. Securities (continued)

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.

4. Significant accounting policies (continued)

(k) Fees: (continued)

Revenue recognition under IFRS 15 (applicable after April 1, 2018)(continued)

Performance obligations and revenue recognition policies (continued):

ii. Insurance (continued)

Renewal Fees – Insurance Companies

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

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

(2) Jamaican and CARICOM General Insurance Companies

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

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

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

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

iii. Pension

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

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

Revenue recognition under IAS 18 (applicable before April 1, 2018)

Revenue from services provided is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

4. Significant accounting policies (continued)

(l) Impairment:

Financial assets

Policy applicable from April 1, 2018

The Commission recognises loss allowances for expected credit losses (ECLs) on debt instruments that are not measured at FVTPL and financial assets measured at amortised cost.

The Commission measures loss allowances at an amount equal to lifetime ECLs, except for the following which are measured at 12-month ECLs:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than trade receivables) on which credit risk has not increased significantly since their initial recognition.

The Commission considers a debt investment security to have a low risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Commission does not apply the low credit risk exemption to any other financial instruments.

12-month ECLs are the portion of ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Commission expects to receive).

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Commission considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Commission's historical experience and informed credit assessment and including forward looking information.

4. Significant accounting policies (continued)

(l) Impairment (continued):

Financial assets (continued)

Policy applicable from April 1, 2018 (continued)

The Commission assumes that the credit risk on financial assets has increased significantly if more than 90 days past due.

The Commission recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Commission in full, without recourse by the Commission to action such as realising security if any is held; or
- the financial asset is more than 120 days past due.

Credit-impaired financial assets

At each reporting date, the Commission assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the Commission determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Commission's procedures for recovery of amounts due.

4. Significant accounting policies (continued)

(l) Impairment (continued):

Financial assets (continued)

Policy applicable before April 1, 2018

An allowance for impairment is established if there is objective evidence that the Commission will not be able to collect all amounts due according to the original contractual terms. The amount of the allowance is the difference between the carrying amount and the recoverable amount.

Non-financial assets

The carrying amounts of the Commission's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. 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.

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.

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.

(m) 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.

(n) 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, securities purchased under resale agreements, investments and accounts receivable. Similarly, financial liabilities include bank overdraft, accounts payable and deferred fees.

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Commission becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from April 1, 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Commission changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The financial assets that meet both of the following conditions and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as "held to collect" and measured at amortised cost.

Amortised cost represents the net present value ("NPV") of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Accounts receivable
- Securities purchased under resale agreements

Due to their short-term nature, the Commission initially recognizes these assets at the original invoices or transaction amount less expected credit losses.

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from April 1, 2018 (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy statements associated with each item.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition except in the period after the Commission changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first reporting period following the change in business model.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the Commission has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Commission has transferred substantially all the risks and rewards of the asset, or (b) the Commission has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Commission's financial liabilities, which include bank overdraft, accounts payable and deferred fees are recognised initially at fair value.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in the individual policy statements associated with each item.

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets – Policy applicable before April 1, 2018

The Commission classified non-derivative financial assets into the following categories:

- *Loans and receivables:* Securities acquired with fixed or determinable payments and which were not quoted in an active market, were classified as loans and receivables.
- *Available for sale:* Securities acquired which are quoted in an active market were classified as available for sale investments. They were intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates or market price.
- *Other financial liabilities:* The Commission classified non-derivative financial liabilities into this category.

4. Significant accounting policies (continued)

(o) Related parties:

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

a) A person or a close member of that person's family is related to a reporting entity if that person:

i) has control or joint control over the reporting entity;

ii) has significant influence over the reporting entity; or

iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi) The entity is controlled, or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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".

4. Significant accounting policies (continued)

(p) Determination of fair value:

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Commission has access at that date. The fair value of a liability reflects its on-performance risk. Some financial instruments lack an available trading market. These instruments have been valued using present value or other generally accepted valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

The Commission's policy on the determination of fair value is disclosed in note 21.

(q) 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.

5. Cash and cash equivalents

	2019	2018
Current and saving accounts	861,786	63,400,084
Petty cash	41,597	5,955
	$903,383	63,406,039

Bank overdraft, unsecured of $4,944,146 (2018: Nil) represents a book overdraft arising from unpresented cheques as at the end of the reporting period.

6. Securities purchased under resale agreements

Resale agreements represents purchased of Government of Jamaica Local Registered Stocks by the Commission from a broker under agreement to resell them on specified dates (within a year), a specified amounts. The balance is shown net of expected credit losses of $3,057,583 (2018: Nil)

The interest rates on resale agreements ranged between 2.5% - 3.5% (2018: 3% - 5.5%) for Jamaica dollars and 1.95% - 2.15% (2018: 0.45% to 1.5%) for US dollars as at the year-end. The market value of the underlying securities as at March 31, 2019 was approximately J$320,685,500 (2018: J$351,654,328) and US$160,373,553 (2018: US$1,573,616).

The Commission's exposure to credit and currency risks relating to securities purchased under resale agreements are disclosed in note 20.

7. Accounts receivable

	2019	2018
Trade receivables	145,470,589	139,629,261
Less: Allowance for impairment losses (a)	(19,243,681)	(6,431,911)
	126,226,908	133,197,350
Prepayments and deposits (b)	9,914,905	11,139,493
Other receivables	3,223,633	3,747,674
Interest receivable	3,359,120	5,140,795
	$142,724,566	153,225,312

Allowances for doubtful accounts were established until March 31, 2018 based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Effective April 1, 2018 such allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are recognised over their term.

Under this ECL model, the Commission use its accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable.

(a) The movement in the allowance for impairment in respect of trade receivables is as follows:

	2019	2018
Balance at April 1	6,431,911	11,945,555
Transitional adjustments - IFRS 9 [note 3(a)]	14,806,899	-
Impairment losses recovered	(1,995,129)	(5,513,644)
Balance at March 31	$19,243,681	6,431,911

7. Accounts receivable (continued)

(b) Prepayments and deposits comprise the following:

	2019	2018
International Membership fees	5,886,643	6,305,147
IT software maintenance	1,904,901	2,798,339
Other	2,123,361	2,036,007
	$9,914,905	11,139,493

As disclosed in note 3, the application of IFRS 9 impairment requirements at April 1, 2018 , in respect of other accounts receivable, did not result in a material change in the allowance for impairment recognised in the financial statements and, hence also the need for any transition adjustments.

The Commission's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 20.

8. Taxation recoverable

Taxation recoverable represents tax withheld by financial institutions on interest income earned on balances held with those institutions.

9. Accounts payable

	2019	2018
Trade and other payables	98,270,896	64,629,064
Employee benefits –accrued vacation, gratuities and salary	71,751,367	77,758,260
	$170,022,263	142,387,324

The Commission's exposure to liquidity and currency risks relating to trade and other payables are disclosed in note 20.

Included in employee benefits is a provision of $30,106,000 (2018: $34,456,245) which represents the 10% performance incentive relating to performance for the year ended March 31, 2019.

10. Investments

	2019	2018
Designated FVTPL (2018: Available for sale):		
Unit trust	1,052,754,889	606,785,749
Government of Jamaica Securities:		
J$ local bonds	177,861,975	233,166,846
US$ denominated local bonds	81,163,777	44,767,144
	$1,311,780,641	884,719,739

Investments, excluding interest receivable, are due from the reporting date as follows:

	2019	2018
No specific maturity	1,052,754,889	606,785,749
1 year to 5 years	177,861,975	233,166,846
Over 5 years	81,163,777	44,767,144
	$1,311,780,641	884,719,739

11. Intangible assets

These represent software cost capitalized as follows:

	2019	2018
Cost:		
At beginning of year	77,635,450	77,635,450
Additions	11,335,971	-
At end of year	88,971,421	77,635,450
Amortisation:		
At beginning of year	67,638,302	58,435,724
Charge for the year	9,566,730	9,202,578
At end of year	77,205,032	67,638,302
Net book value	$11,766,389	9,997,148

12. Property, plant and equipment

	Motor vehicles	Office furniture, equipment and leasehold improvements	Computer equipment	Total
At cost:				
March 31, 2017	7,437,992	140,666,818	70,642,086	218,746,896
Additions	6,224,654	5,343,146	5,137,730	16,705,530
Disposals	(5,793,991)	-	-	(5,793,991)
March 31, 2018	7,868,655	146,009,964	75,779,816	229,658,435
Additions	5,839,306	8,610,809	28,493,571	42,943,686
Disposals	-	(6,456,258)	(42,761)	(6,499,019)
March 31, 2019	13,707,961	148,164,515	104,230,626	266,103,102
Depreciation:				
March 31, 2017	5,410,096	121,422,998	65,292,135	192,125,229
Charge for year	1,008,731	7,158,032	2,776,674	10,943,437
Eliminated on disposals	(4,152,361)	-	-	(4,152,361)
March 31, 2018	2,266,466	128,581,030	68,068,809	198,916,305
Charge for year	1,439,574	7,510,728	4,509,538	13,459,840
Eliminated on disposals	-	(6,148,354)	(42,761)	(6,191,115)
March 31, 2019	3,706,040	129,943,404	72,535,586	206,185,030
Net book values:				
March 31, 2019	$10,001,921	18,221,111	31,695,040	59,918,072
March 31, 2018	$ 5,602,189	17,428,934	7,711,007	30,742,130

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.

13. Reserves

	2019	2018
General Fund	1,423,390,443	1,186,868,209
Capital reserve (i)	1,078,564	1,078,564
Investment reserve (ii)	-	11,032,836
	$1,424,469,007	1,198,979,609

(i) 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.

(ii) In the previous year, this represented unrealised gains on revaluation of certain investments.

14. Other income

(i) In the previous year, this represented fees collected from attendees of the IOSCO Conference held in May 2017. Cost aggregating Nil (2018: $319,046,636) were directly related to payments made to suppliers and contactors involved in the event.

(ii) Other income during the year mainly represents seminar registration fees and reversal of payable balances from previous years.

15. Rent

	2019	2018
	$1,994,977	3,204,167

In the prior year, on March 31, 2018 a 20 year lease agreement was signed with owners of the building, Government of Jamaica (through the Ministry of Land, Water, Environment and Climate Change).

16. Staff costs

	2019	2018
Salaries, wages and related costs	587,167,969	533,794,804
Payroll statutory costs	31,615,016	29,468,774
Gratuity	20,590,455	14,286,323
Pension (note 18)	14,843,505	12,266,554
Motor vehicle loan subsidy (i)	2,138,325	2,174,590
	$656,355,270	591,991,045

(i) 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% (2018: 3%) per annum and the Commission will provide a subsidy of the difference between the 3% (2018: 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 $9.08 million (2018: $5.32 million) which will be recognised in profit or loss as they fall due.

17. Taxation

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

18. Pension fund

Effective June 1, 1996, the Securities Commission commenced operations of a contributory pension fund ("Plan" or "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). Effective December 1, 2009, the Plan is administrated and managed by Victoria Mutual Pensions Management Limited (formerly Prime Asset Management Limited).

The Fund is a defined-contribution plan which is set up under trust.

The Fund is subject to periodic actuarial reviews at intervals of not more than three years. The last actuarial review at May 31, 2017, disclosed total assets of $412.3 million, past service liabilities of $383.7 million and a surplus of $28.6 million.

Contributions by the Commission for the year amounted to $14,843,505 (2018: $12,266,554).

19. 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, 2019 were valued at approximately $1.160 billion (2018: $1.104 billion).

20. Financial instruments

(a) Fair values:

The fair values of cash and cash equivalents, securities purchased under 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 reputable financial institutions and investments are made in repurchase agreements involving Government of Jamaica securities. Debt securities are mainly government issued debt for which risk of default is considered low.

At the reporting date, credit risk is concentrated in cash and cash equivalents, securities purchased under resale agreements, accounts receivable and investments 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.

Trade receivables

The aged receivable balances are regularly monitored. Allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are recognised over their term.

20. Financial instruments (continued)

(b) Financial risk management (continued):

(i) Credit risk (continued):

Expected credit loss assessment for trade receivables as at March 31, 2019

The Commission estimates expected credit losses ("ECL") on trade receivables using a provision matrix based on historical credit loss experience as well as the credit risk and expected developments for each group of customers. The following table provides information about the ECL's for trade receivables as at March 31, 2019.

	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		$	$	
Current (not past due)	3.3%	118,086,349	3,949,299	no
31-60 past	6.4%	838,000	53,912	no
61-90 days	3.3%	3,902,067	130,502	no
91-120 days	3.3%	7,808,873	274,668	no
Over 121 days	100%	14,835,300	14,835,300	yes
		145,470,589	19,243,681	

Other accounts receivable

Credit losses on other receivables materially comprise staff advances which are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Commission expects to receive). No impairment allowances were recognised on initial adoption of IFRS 9 and there has been no change during the period.

Cash and cash equivalents and securities purchased under resale agreements

Cash and cash equivalents and securities purchased under resale agreements are managed by the Commission's treasury department and amounts are held with reputable banks and financial institutions with high credit rate and considered to have minimal risk of default.

Impairment on cash and cash equivalents has been measured at 12 months expected loss basis and reflects the short maturities of the exposures. The Commission considered that cash and cash equivalents have low credit risk. No impairment allowances were recognised on initial adoption of IFRS 9 and there has been no change during the period.

20. Financial instruments (continued)

(b) Financial risk management (continued):

(i) Credit risk (continued):

Cash and cash equivalents and securities purchased under resale agreements (continued):

The Commission limits its exposure to credit risk by investing only in liquid assets with counterparties that have high credit ratings. Securities purchased under resale agreements are held with reputable financial institutions. Therefore, management does not expect any counterparty to fail to meet its obligations.

Expected credit loss assessment for securities purchased under resale agreements as at March 31, 2019

Impairment on securities purchased under resale agreements has been measured on the 12-months expected loss basis. Information about the credit risk and quality of these financial assets are as follows:

	2019 Stage 1 12-month ECL	2018
Gross carrying amount	479,213,703	547,812,640
Less: impairment allowance	(3,057,583)	-
	$476,156,120	547,812,640

The impairment allowance recognised is analysed as follows:

	2019 Resale agreements
Transitional adjustment-IFRS 9 [note 3(a)]	2,395,077
Recognised during the period	662,505
Balance at March 31, 2019	$3,057,582

(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.

20. Financial instruments (continued)

(b) Financial risk management (continued):

(ii) Liquidity risk (continued):

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.

(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 6) and does not have any borrowings.

  Fair value sensitivity analysis for fixed rate instruments

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

- Foreign currency risk:

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

  The Commission incurs foreign currency risk primarily on amounts held in United States dollars (US$).

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

	2019 US$	2018 US$
Foreign currency assets:		
Cash and cash-equivalents	6,797	199,411
Securities purchased under resale agreements	1,231,984	1,573,616
Investments	986,458	605,995
	2,225,239	2,379,022

20. Financial instruments (continued)

(b) Financial risk management (continued):

(iii) Market risk (continued):

- Foreign currency risk (continued):

The exchange rate for US$1, in terms of Jamaica dollars, at the reporting date, was $126.78 (2018: $124.65).

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.

21. Fair value of financial instruments

Fair value amounts represent estimates of the arm's-length consideration that would currently be agreed 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 these instruments have been determined using a generally accepted alternative method.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value.

Financial instrument	Method
Government of Jamaica Securities.	Discounting future cash flows of these securities at the estimated reporting date using yields published by a broker. Where prices are not available fair value is assumed to approximate amortised cost.

21. Fair value of financial instruments (continued)

Determination of fair value and fair values hierarchy

Financial instrument	Method
Government of Jamaica US$ Global bonds.	Prices of bonds at reporting date as quoted by broker/dealer, where available.
Cash equivalents, resale agreements, accounts receivable and other payables.	Assumed to approximate their carrying values, due to their short-term nature.
Unitised funds	Prices provided by fund managers

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The Commission considers relevant and observable market prices in its valuations where possible.

21. Fair value of financial instruments (continued)

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy.

2019

		Carrying amount				**Fair value**			
	Note	Amortised cost $	Fair value through profit and loss $	Fair value through other comprehensive income $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value:									
Investments	10	-	1,311,780,641	-	1,311,780,641	1,052,754,889	259,025,752	-	1,311,780,641

2018

		Carrying amount				**Fair value**			
	Note	Loan and receivables $	Available for-sale $	Other financial asset $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value:									
Investments	10	-	884,719,739	-	884,719,739	606,785,749	277,933,990	-	884,719,739

22. Contingent liabilities

The Commission is contingently liable in respect of legal claims and proceedings arising in the ordinary course of business. The facts and circumstances relating to particular cases are evaluated in determining whether it is more likely than not that there will be a future outflow of funds and, once established, whether a provision relating to a specific case is necessary or sufficient. Where the outcome cannot be reliably estimated or where the Commission is confident in its defence, no provision is made in the financial statements. Accordingly, significant management judgement relating to provisions and contingent liabilities is required since the outcome of litigation is difficult to predict. The Commission does not expect the ultimate resolution of the actions to which it is a party to have a significant adverse impact on the financial position of the Commission.

As at March 31, 2019, there were seven (2018: nine) litigation proceedings for which legal fees of approximately $42,494,704 (2018: $26,600,000) were provided for.

23. 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:

	2019 $	2018 $
Accounts payable:		
Trade and other payables - Commissioners	-	344,725
Employee benefits – other key management	24,784,461	17,600,618

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

	2019 $	2018 $
Key Management Personnel compensation:		
Commissioners' fees	1,820,713	1,850,401
Salaries	108,617,023	93,498,308
Gratuity	16,949,182	14,286,323
Pension contributions	750,357	303,305

24. Allocation to the Government of Jamaica Consolidated Fund

Self- financing Public Bodies are required to provide for the payment of financial distribution based on the criteria outlined in Regulations 2-18 of the Public Bodies Regulations 2015. Public Bodies are therefore expected to provide distributions of 5-10% of surplus to be transferred to the Consolidation Fund.

As at the reporting date, the Commission upon request from the Ministry of Finance and Planning remitted $3,810,000 (2018: $10,200,000) to the Accountant General's Department.

NOTES

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