



**FINANCIAL
SERVICES
COMMISSION**



**2019-2020
ANNUAL
REPORT**

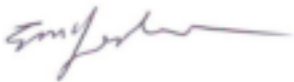
July 31, 2020

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 2019/2020 and a copy of the FSC's Financial Statements for the year ended March 31, 2020, duly certified by its Auditors.

Sincerely,

A handwritten signature in black ink, appearing to read 'Everton McFarlane', written in a cursive style.

Everton McFarlane
Executive Director

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GLOSSARY

AML	Anti-Money Laundering
BOJ	Bank of Jamaica
CAIR	Caribbean Association of Insurance Regulators
CAPS	Caribbean Association of Pension Supervisors
CAR	Capital Adequacy Ratio
CEO	Chief Executive Officer
CICD	Compliance & Internal Control Division
CIS	Collective Investment Scheme
CFT	Countering Financing of Terrorism
DB	Defined Benefit
DC	Defined Contribution
ERM	Enterprise Risk Management
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
JCSD	Jamaica Central Securities Depository
JSE	Jamaica Stock Exchange
MCCSR	Minimum Continuing Capital and Surplus Requirement
MCT	Minimum Capital Test
MOFPS	Ministry of Finance and Public Service
NFIS	National Financial Inclusion Strategy
RBS	Risk-Based Supervision
SFEP	Schools' Financial Education Programme
TC	Toronto Centre
TPA	Terrorism Prevention Act
UFO	Unregistered Financial Organization
USD	United States Dollars
WIW	World Investor Week

ORGANIZATIONAL OVERVIEW

OUR MANDATE

Section 6 of Financial Services Commission Act outlines our responsibilities. These include:

- 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.

Our Vision

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

Our Values

- Fairness
- Accountability
- Confidentiality
- Communication
- Excellence
- Integrity
- Teamwork

Our Mission

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

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

ORGANIZATIONAL OVERVIEW

OUR STRATEGIC PRIORITIES

Our Strategic Goals

Establish and maintain a proactive and responsive regulatory environment for the securities, insurance and pensions industries.

Foster and enforce compliance with legislation relating to the securities, insurance and pensions industries, through a robust enforcement programme

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

Facilitate public education and awareness of information pertaining to the securities, insurance and pensions industries, as well as the general work of the FSC.

BOARD OF COMMISSIONERS



MRS. JACQUELINE STEWART LECHLER, JP

Mrs. Stewart Lechler is 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 of the Board in July 2017.

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



MR. EVERTON MCFARLANE

Mr. McFarlane was appointed Executive Director of the FSC 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 Ministry of Finance and the Public Service (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 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.

BOARD OF COMMISSIONERS



MRS. MYRTLE HALSALL, OD

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



MR. ANDRE HUTCHINSON

Mr. Andre Hutchinson was appointed to the FSC's Board of Commissioners in June 2016. He is an accomplished financial services 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 financial institutions in the Caribbean.

Currently, Mr. Hutchinson is the Chief Executive Officer (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 CEO of GK Foods, Deputy CEO of Grace Kennedy Limited and Senior Adviser to the CEO.

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. In the past, he also served as the Chairman of the Sugar Company of Jamaica Holdings Limited.

BOARD OF COMMISSIONERS



MR. RONALD YOUNG

Mr. Ronald Young has practiced for several years as an Attorney-at-Law. He graduated from the University of the West Indies Faculty of Law in Barbados in 1999 with a Bachelor of Laws (LLB) Honours Degree. He subsequently obtained his Legal Education Certificate in 2001 from the Norman Manley Law School. Prior to his law degree, he attained a Bachelor of Arts Degree, with First Class Honours, from the University of the West Indies, Mona Campus.

He spent four years employed to the law firm of Myers Fletcher & Gordon, where he was elevated to the position of Senior Associate in the Commercial Department, with emphasis on corporate law, intellectual property, entertainment law, telecommunications law and commercial contracts.

In 2005, Mr. Young was employed to Lime (Cable & Wireless Jamaica Limited) as Legal Advisor (Head of Department) in the Legal, Regulatory and Public Policy Division advising on all aspects of intellectual property, entertainment law, commercial and telecommunications law.

Since March of 2008 he has operated the law firms Williams Young Parker, with Co-Partners Senator Arthur Williams Jnr and Michelle Parker, and then his own law firm Young Law in 2019.

Mr. Young has several years of experience in commercial and corporate matters, intellectual property, civil litigation and in the entertainment industry.

He has served as secretary of the Bar Associations Intellectual Property Law Committee, Deputy Chairman of the Jamaica Anti-Piracy Alliance (JAPA) Legal Advisor to the Young Men Christian Association (YMCA) and the Jamaica Business Development Centre. Mr. Young also serves on several Boards of Directors including Stewarts Hardware Limited and Production Resource Systems Limited (PRS).

He was appointed to the FSC's Board on April 29, 2019.

BOARD OF COMMISSIONERS



MS. SIMONE PEARSON

Ms. Simone Pearson is the Group General Counsel and Corporate Secretary at Jamaica Producers Group Limited (JP). JP is a publicly listed conglomerate which owns and operates businesses in the areas of Logistics, Infrastructure and Speciality Food and Drink in Europe, the UK, the USA and across the Caribbean. At JP, Ms. Pearson is responsible for leading the legal and corporate governance portfolio of the group's diverse global businesses.

Ms. Pearson's legal career spans both the public and private sectors. She started her career as an associate at Livingston, Alexander and Levy specialising in Intellectual Property Law. From there she transitioned to the public sector where she spent 10 years at the Attorney General's Chambers, the principal legal advisor to the Government of Jamaica, eventually becoming Divisional Director of the Constitutional and Legislative Affairs Division and the Commercial Affairs Division. At the Attorney General's Chambers Ms. Pearson was responsible for providing legal advice and representation in respect of the Government's wide-ranging legislative programme and also in respect of public private partnerships and the divestment of Government assets.

Ms. Pearson was admitted to practice law in 2001 and holds a Masters in Law (LL.M.) from the University of London, a Bachelor of Laws (LL.B.) from the University of the West Indies and a Certificate of Legal Education from Normal Manley Law School. Ms. Pearson currently serves on the Board of Directors of the Governor-General Jamaica Trust and has previously served as a Director, and Chairperson of the Human Resources Committee of the Board of the Institute of Jamaica.

She was appointed to the FSC's Board on April 29, 2019.



MRS. HILLARY ROBERTSON, COMMISSIONER

Mrs. Hillary Ann Robertson is a Senior Director at the BOJ with over 30 years of experience in the areas of monetary economic policy and economic programming. She is currently on secondment to the Ministry of Finance and the Public Service as Senior Technical Advisor to the Minister.

Mrs. Robertson is a graduate of the University of the West Indies, Mona and holds Bachelor's and Master's Degrees in Economics. She was appointed to the FSC's Board on April 29, 2019.



Condolences

The Financial Services Commission (FSC) deeply regrets the passing of Board Commissioner, Mr. Nigel Logan. Commissioner Logan had been appointed to the FSC Board in July 2017.

He served on the FSC's Board Audit and Finance Committees, where he brought a wealth of wisdom as well as senior accounting and finance experience to the role.

Mr. Logan was an accomplished Chartered Accountant who worked in financial and general management at the highest levels in the banking and public sectors for almost 20 years.

He was notably an avid cricket connoisseur, player and manager, and former Jamaica Cricket Association administrator. Our team will remember Commissioner Logan's sage counsel, which was anchored in his track record of successes in tackling various challenges throughout his career. We fondly recall his professional, yet affable nature. His impeccable attention to detail and measured, logical arguments also inspired the enduring respect of his peers at the Commission.

The Board, management and staff of the FSC extend sincere condolences to his family, friends and colleagues.

CHAIRMAN'S MESSAGE

Dear Stakeholders:

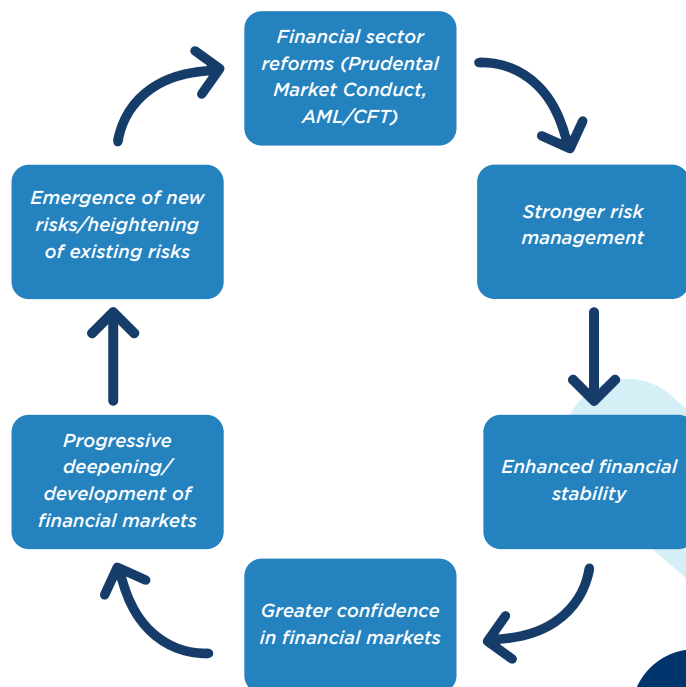
I am pleased to present to you the Annual Report of the Financial Services Commission (FSC) for the financial year ended March 31, 2020 (FY2019/2020).

During the year, a number of key initiatives geared at strengthening the functions of the FSC were undertaken. These included, inter alia: amendments to the Pension (Investment) Regulations aimed at providing greater flexibility to pension plan in managing pension plan assets within a prudent framework; preparation of a bill to amend the FSC Act in order to enable the FSC to more effectively conduct group-wide supervision; the issuance of guidelines aimed at enhancing its market conduct standards for regulated entities; the finalization of proposals for the reform of the solvency regime for the General Insurance Sector, and the drafting of legislation to strengthening crisis management and resolution (in collaboration with the Bank of Jamaica, the Jamaica Deposit Insurance Corporation, the Ministry of Finance and the Public Service, and the Ministry of Industry, Commerce, Agriculture and Fisheries).

Regulatory development during FY2019/2020 was supported by the continued roll-out of previously introduced reforms such as the phased implementation, for securities dealers, of prudential



CHART 1: THE VIRTUOUS CYCLE OF REGULATORY AND FINANCIAL MARKET DEVELOPMENT



CHAIRMAN'S MESSAGE

requirements to better manage large exposure and mismatch risks. These activities are part of a larger programme of financial sector reforms aimed at facilitating a deepening of financial markets whilst ensuring that prudential and market conduct standards remain relevant and adequate to mitigate risks attendant with financial market development. The ultimate aim is to foster a virtuous cycle of regulatory and financial market development.

These financial sector reforms are being complemented by a programme of reform of the FSC's supervisory methodology, which aims to progressively shift the focus from a reliance on compliance-based supervisory assessments to more forward-looking risk-based supervision. To this end, the FSC has continued to institutionalize stress-testing as an integral supervisory tool (in collaboration with the Bank of Jamaica), and to progressively roll-out a Risk based Supervisory (RBS) methodology. Significantly, the FSC completed pilot RBS on-site examinations across all three regulated sector, and the experience from those pilots will provide valuable insight for further development of the RBS framework, which is expected to become fully operational by FY 2021/2022.

Going forward, as we work together with our various local and international stakeholders to navigate the uncertainties arising from the domestic and global impacts of the COVID-19 pandemic, greater emphasis must be placed on ensuring that the FSC continues to adopt a forward-looking approach to anticipate and respond to emerging risks in an agile manner. Internally too, the FSC must continue to reform itself organizationally to enhance its technological footprint for greater productivity, and to ensure higher standards of regulatory service delivery to stakeholders. Our Board is committed to supporting the executives, management and staff to deliver on these challenging imperatives.

On behalf of the Board of Commissioners, I take great pleasure in extending sincere thanks to our strategic partners and key stakeholders, whose varied contributions throughout the year enhanced the work of the FSC. I also take pleasure in commending our staff for their continued hard work and dedication in advancing the mandate of the FSC. I look forward to a successful FY2020-2021.



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

In keeping with its mandate of protecting users of financial services in the insurance, securities and private pensions markets, the FSC embarked on a multi-pronged approach which included the following:

1. Monitoring the soundness of the regulated entities in order to have these entities maintain their ability to honour the obligations to their clients. Stress tests, on-site examinations and routine quarterly as well as annual desk-based risk assessments;
 2. On-going efforts to safeguard the stability of Jamaica's financial market by
 - a. Continuing early warning monitoring of the retail repo mismatch ratio
 - b. Collaborating with the BOJ and the Jamaica Deposit Insurance Corporation (JDIC) in areas such as
 - i. stress testing and participating in the Financial Regulatory Committee (FRC) and the Financial System Stability Committee (FSSC),
 - ii. The phased implementation and monitoring of the large exposure limits, and
 - iii. The development of a crisis resolution framework for Jamaica.
 - c. Submitting to the Ministry of Finance
 3. Enhancing market conduct standards for regulated entities' practices towards prospective and existing customers in the marketing, distributing and delivery of post-sale services and contractual obligations. It also includes requirements for managing complaints. During the reporting year, the FSC issued revised market conduct guidelines for the securities sector and prepared concept papers for amendment to the insurance and securities legislation to include these revised requirements.
 4. Facilitating market deepening as well as the development and innovation of financial products and services. The FSC issued advisories regarding
 - (i) the amendment to the pool of allowable assets for retail repurchase agreements and
 - (ii) the requirements for the digital asset framework.
- and Public Service (MOFPS) proposals for amendments to the relevant legislation that will require insurance companies and pension plans to improve their risk management practices. A risk management guideline for pension plans was also issued by the FSC;
- d. Collaborating with the MOFPS and the Chief Parliamentary Counsel (CPC) to advance the preparation of a bill to amend the Financial Services Commission Act to enable the FSC to conduct comprehensive group-wide supervision.
 - e. The continuation of a quantity impact study to review and refine the insurance risk-based solvency tests. The study for the general insurance companies was completed and proposals for refinement were completed.

BOARD OF COMMISSIONERS' REPORT

5. Promoting financial inclusion by staging the annual event Schools' Financial Education Programme (SFEP). Also the work and dialogue continued between the FSC and the MOFPS to amend the relevant legislation to facilitate the establishment of micro-insurance framework while a suitable consultant was engaged to assist the FSC with the development and implementation of a micro-pension framework in Jamaica.
6. Developing and implementing on a phased basis the FSC's Risk-based Supervision Framework for the three regulated sectors. Pilot exercises were done for each sector.
7. Commencing the transformation of the FSC's organisational culture and the enterprise management information system.

Financial Review

This subsection provides an overview of the FSC's financial performance during the FY2019-2020. 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, 2020, based on International Financial Reporting Standards (IFRS). Highlights of the income and expenditure items are presented as in Chart 2.

CHART 2: COMPOSITION OF FSC'S REVENUE, FY2018 - 2019 & FY2019 - 2020

	2018 - 2019	2019 - 2020
	\$' 000	\$' 000
Total Revenue	1,174,180	1,314,875
Of Which		
<i>Fees</i>	1,150,660	1,150,660
<i>Interest Income</i>	22,698	27,507
<i>Loss on disposal of Property Plant & Equipment</i>	(308)	-
<i>Foreign exchange gain</i>	-	13,715
<i>Other</i>	1,130	126
Total Expenses	975,719	1,146,236
<i>Appreciation in the value of investments classified as at fair value through profit or loss</i>	48,041	69,351
Comprehensive income for the year	246,501	237,990

Charts 3-5 provide details of the sources of fee income from the Insurance, Securities and Pensions Industries for FY2018 - 2019 & FY2019 - 2020.

BOARD OF COMMISSIONERS' REPORT

CHART 3: REVENUE FROM THE INSURANCE INDUSTRY FY2018 - 2019 & FY2019 - 2020

Source	2018-2019		2019-2020	
	Revenue ('\$000)	Percentage of Total	Revenue ('\$000)	Percentage of Total
Annual Registration Fees - Life and General Companies	365,462	92	375,950	92
Annual Fees - Intermediaries	24,774	6	28,442	6
Application Fees	7,087	2	6,196	2
Totals	397,323	100	410,588	100

CHART 4: REVENUE FROM THE SECURITIES INDUSTRY FY2018 - 2019 & FY2019 - 2020

Source	2018-2019		2019-2020	
	Revenue ('\$000)	Percentage of Total	Revenue ('\$000)	Percentage of Total
Annual Licensing/Registration Fees - Securities Dealers Mutual Funds	176,714	66	191,486	64
Stock Exchange & JCSD Fees	76,292	28	92,989	31
Application Fees	15,145	6	14,760	5
Totals	268,151	100	299,235	100

CHART 5: REVENUE FROM THE PENSIONS INDUSTRY FY2018 - 2019 & FY2019 - 2020

Source	2018-2019		2019-2020	
	Revenue ('\$000)	Percentage of Total	Revenue ('\$000)	Percentage of Total
Annual Licensing Fees - Investment Managers	484,442	99.9	563,101	99.9
Application Fees	745	0.01	601	0.01
Totals	485,187	100	563,702	100

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

Although there was no proposed change to the FSC's mandate during the FY2019-2020, the Tourism Workers' Pensions Act, 2019 came into effect on January 31, 2020. The Act establishes the Tourism Workers Pension Scheme, a defined contribution pension scheme for tourism workers and self-employed tourism workers. The Act names the FSC as the regulator for the scheme.

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

There were no changes to the corporate plan during FY2019-2020. Chart 6 provides a summary of the FSC's achievement against its strategic objectives.

BOARD OF COMMISSIONERS' REPORT

CHART 6: SUMMARY OF FSC'S ACHIEVEMENTS MEASURED AGAINST ITS STRATEGIC OBJECTIVES FOR 2019 - 2020 ¹

Strategic Objectives and Initiatives	Results
Strategic Goal 1: Establish and maintain proactive and responsive regulatory and supervisory frameworks for the securities, insurance and pensions industries, to ensure financial sector stability and promote sound financial sector development and modernization.	
Initiative 1.1: Implement Strategic Initiative to promote IMF and Government Matrix	Met
Initiative 1.2: On-going Phased Implementation of the FSC Risk Based Supervision Framework for all three sector Divisions	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	
Initiative 1: Expand outreach projects and partnerships in support of the national agenda	Met
Initiative 2: Projects to enhance FSC visibility and public image including public events such as Town Hall meetings and workshops, and media engagements.	Met
Strategic Goal 3: Foster and enforce compliance with legislation relating to the securities, insurance and pensions industries, through a robust enforcement programme	
Initiative 1: Enhance surveillance and compliance with the applicable laws, regulations and guidelines	Met
Initiative 2: To enhance surveillance and risk assessment capabilities of the FSC to monitor and detect non-compliance with applicable legislation and guidelines	Met
Initiative 3: Establishment of a unregistered financial organization (UFO) Task Force to detect, detect and coordinate investigation of unregistered financial organizations	Met
Strategic Goal 4: Enhance FSC's performance through alignment and management of human, information and financial resources	
Initiative 4.1: Strategic Organizational Restructuring and Job Evaluation	Not met
Initiative 4.2: Develop systems to collect, analyse and share timely information (including deployment of SharePoint and the development of an Integrated Regulatory System ("IRS"))	Not met
Initiative 4.3.1: Prudent financial management	Met
Initiative 4.3.2: Cost containment	Met

¹ These results are preliminary (representing Management's revised self-assessment), and will be verified by the FSC's Control and Internal Compliance Division (CICD) during the FY2020-2021.

BOARD OF COMMISSIONERS' REPORT

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

Chart 7 provides a forecast of key financial and operating measures for the fiscal year 2020-2021 (FY2020 - 2021).

CHART 7: FSC'S FINANCIAL PROJECTIONS FOR 2020-2021 (\$' 000)

		Actual	Projected
		<i>FY2019-2020</i>	<i>FY2020-2021</i>
		<i>(\$' 000)</i>	<i>(\$' 000)</i>
INCOME			
	Fees	1,273,526	1,404,141
	Interest Income	27,507	101,748
	Foreign exchange gain	13,715	-
	Other	126	1,380
		1,314,875	1,507,269
EXPENSES			
	Advertising	700	1,028
	Appeal Tribunal	4,059	2,843
	Audit	2,024	2,109
	Bank Charges	1,146	1,374
	Building Maintenance	12,016	41,618
	Commissioner's Fees	1,636	2,263
	Data Security	9,680	10,332
	Depreciation and Amortization	29,156	43,374
	Irrevocable General Consumption Tax	23,077	68,040
	Impairment losses on Investments	513	-
	Impairment losses on Trade receivables	(3,151)	-
	Interest on Lease Liabilities	8,451	-
	Motor Vehicle and Parking Expenses	12,760	16,883
	Office Expenses	26,554	25,449
	Printing & Stationery	2,675	3,221
	Professional Fees	39,663	59,513
	Public Education	33,344	45,142
	Staff Costs	861,915	988,869
	Subscriptions	26,115	40,761
	Training & Conferences	23,276	43,286
	Utilities	30,626	31,556
		1,146,236	1,427,661
Appreciation in value of investments classified as fair value through profit or loss		69,351	-
Surplus for the year		237,990	79,608
Other comprehensive income: Items that may be reclassified to profit or loss change in fair value of available for sale investments		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		237,990	79,608

BOARD OF COMMISSIONERS' REPORT

(ii) 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 FY2019-2020, the FSC embarked on number activities to facilitate the growth, development and the inclusiveness of the non-banking sector of the Jamaican financial market. Due to the high degree of professionalism and dedication from management and staff, it was a successful year. The Board of Commissioners expresses gratitude to the management, staff, clients and partners for their support and collaboration through-out the financial year.



Mrs. Jacqueline Stewart Lechler, JP

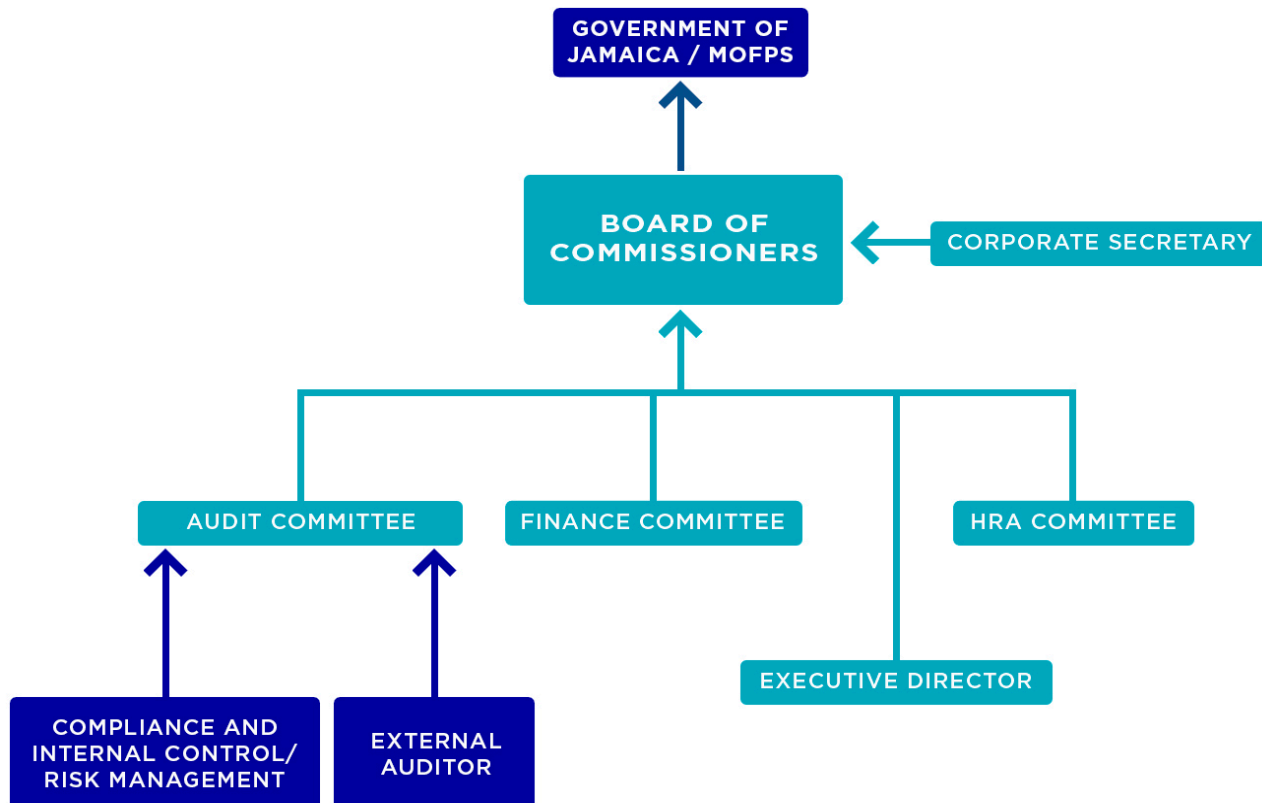
Chairman

CORPORATE GOVERNANCE 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. 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. Our Board consists of a Chairman, the Executive Director (ex officio) and up to eight (8) other members. Each Commissioner, with the exception of the Executive Director, is appointed by the Minister of Finance and Public Service for a term of up to five years and may be reappointed to serve additional terms. The Board of Commissioners appoints the Executive Director.

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. In implementing accepted standards and best practices, 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.

CHART 8: REFLECTS THE REPORTING RELATIONSHIPS IN THE FSC's CORPORATE GOVERNANCE STRUCTURE.



CORPORATE GOVERNANCE REPORT

The Board met twelve times for the year. The attendance of members at Board meetings is reflected in Chart 9.

CHART 9: ATTENDANCE AT BOARD MEETINGS, FY2019 - 2020 ²

MEMBERS	MEETINGS ATTENDED	
<i>Mrs. Jacqueline Stewart-Lechler</i>	Board Chairman	<i>12/12</i>
<i>Mr. Erwin Burton</i>	Board Member	<i>9/12</i>
<i>Mrs. Myrtle Halsall, OD</i>	Board Member	<i>11/12</i>
<i>Mr. Andre Hutchinson,</i>	Board Member	<i>11/12</i>
<i>Ms. Simone M. Pearson</i>	Board Member	<i>8/12</i>
<i>Mrs. Hillary Robertson</i>	Board Member	<i>10/12</i>
<i>Mr. Ronald Young</i>	Board Member	<i>9/11</i>
<i>Mr. Everton McFarlane</i>	Executive Member	<i>12/12</i>

BOARD COMMITTEES

In addition to the Board Committees shown in Chart 8, the Board established a Corporate Governance Board Committee in FY2019-2020; however, that committee will become operational in FY2020-2021. The Board through a panel of Commissioners grants audience to an aggrieved applicant, registrant or licensee, who wishes to make representations to it in respect of an adverse decision such as the FSC's proposed intention to refuse, cancel or suspend a license or registration.

Human Resource & Administration Committee

The Human Resource & Administration (HRA) Committee is comprised of three (3) members and met five (5) times for the FY2019-2020. 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 10.

CHART 10: ATTENDANCE AT HRA COMMITTEE MEETINGS, FY2019 - 2020

MEMBERS	MEETINGS ATTENDED	
<i>Mr. Ronald Young</i>	Chairperson	<i>5/5</i>
<i>Mrs. Jacqueline Stewart-Lechler</i>	Board Member	<i>4/5</i>
<i>Mr. Erwin Burton</i>	Board Member	<i>5/5</i>

² Mr Nigel Logan was appointed to the Board in July 2017 passed away in September 2019

CORPORATE GOVERNANCE REPORT

FINANCE COMMITTEE

The Finance Committee is comprised of three (3) members and met six (6) times for the FY2019-2020. The attendance of members at meetings is reflected in Chart 11. 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 11: ATTENDANCE AT THE FINANCE COMMITTEE MEETINGS, FY2019 - 2020

MEMBERS	MEETINGS ATTENDED	
Mr. Andre Hutchinson	Chairperson	6/6
Mrs. Hillary Robertson	Board Member	5/5
Mr. Erwin Burton	Board Member	5/6

AUDIT COMMITTEE REPORT

The FSC's Audit Committee is comprised of two (2) members. 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 effectively performed its responsibilities and carried out the following activities:

- Receiving and considering internal audit reports and updates regarding

CORPORATE GOVERNANCE REPORT

- 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 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).

The attendance of members at meetings is reflected in Chart 12.

CHART 12: ATTENDANCE AT THE AUDIT COMMITTEE MEETINGS, FY2019 - 2020 ³

MEMBERS	MEETINGS ATTENDED	
Mrs. Myrtle Halsall	Chairperson	4/4
Ms. Simone Pearson	Board Member	3/3

INTERNAL CONTROL

The mission of the Compliance and Internal Control Division (CICD) is to provide independent and objective assurance designed to add value and mitigate the risk of loss stemming from operational dysfunctions. The CICD incorporates a risk-based approach to the development of its annual audit plan and the management of its audits. It concentrates predominantly on the areas of the highest risk, and identifies deficiencies that can have the most significant impact on the FSC's objectives, and recommends mitigating actions.

During the FY2019-2020, the CICD conducted its annual performance incentive audit for the FY2018-2019. The objective was to determine the level of achievement of the FSC's strategic goals. This involved a review of all seventeen (17)

of the FSC's Divisions/Departments in verifying if they executed the necessary objectives for the organisation to achieve its goals for the FY2018-2019. Additionally, it involved an evaluation of the effectiveness of the strategic plan implementation and performance monitoring. CICD also conducted three (3) operational audits and developed action plans to address the deficiencies identified.

The results of the internal audits were communicated to management in the form of written reports, consultation, and advice. Written reports included identified deficiencies, implications, risk ratings, recommendations and management comments outlining specific actions to mitigate identified risks and to ensure that operational objectives are achieved. Action plans were developed to address and monitor the deficiencies identified and were reported to the Board Audit Committee.

³ Mr Nigel Logan chaired the Audit Committee; he passed away in September 2019. He and Commissioner Halsall attended the first audit committee for the FY2019-2020 in July 2019, which was the first meeting for the financial year. Ms Pearson joined the BAC in September of 2019.

CORPORATE GOVERNANCE REPORT

CHART 13: THE RISK PROCESS

PLANNING	RISK ASSESSMENT	SETTING PRIORITIES	MANAGING RISKS	MONITORING AND REPORTING
The FSC's Strategic Plan and budget are approved at the Board level based on recommendations from management.	Risks to the FSC's strategic objectives, operations and financial position are identified and measured.	Risks are prioritized based on their impact, and the net risk relative to the FSC's risk appetite. Resources to manage risks are then allocated accordingly.	Action Plans are developed. Risks can be accepted, mitigated, transferred or avoided, depending on the risk appetite.	The FSC's Board Audit Committee has a view of key risks and how they are being managed based on reports from the Management Risk Committee.

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. Risk management concepts and practices are reinforced through annual training for all employees.

The FSC established its **Enterprise Risk Management** (ERM) framework in 2014, which was then revamped during FY2018-19. The FSC is governed by the ERM Policy and Statement of

Risk Tolerance and Appetite. These documents articulate the amount and types of risk that we are prepared to be exposed to, which in turn determine appropriate risk treatments (accept, mitigate, transfer, and avoid). Monitoring of risks is done on a quarterly basis through Key Risk Indicators and tracking Action Plans, which are reported to the Executive Director and the Audit Committee.

Managing FSC's Risks

On an annual basis, the FSC Risk Register is 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 in the medium term.

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 and strategic risks as priority.

Business Continuity

The declaration of COVID-19 as a pandemic in March 2020 triggered the activation of the FSC's Business Continuity Plan. Remote access for the majority of

CORPORATE GOVERNANCE REPORT

employees, and rosters for employees working from the office to promote social distancing were a few of the protocols implemented. Training/ Conferences, as well as meetings were conducted online via ZOOM technology. The Management Information Systems Unit also increased its advisories on Cyber-attacks.

Board & Executive Management Remuneration

The Board of Commissioners is remunerated as determined by the Minister of Finance. Charts 14 and 15 provide information on the remuneration paid to the Non-Executive Commissioners and the executive management team respectively.

CHART 14: COMPENSATION OF COMMISSIONERS FY2019 - 2020 ⁴

NAME AND POSITION OF COMMISSIONERS	FEES (\$)	MOTOR VEHICLE UPKEEP/ TRAVELLING OR VALUE OF ASSIGNMENT OF MOTOR VEHICLE (\$)	HONORARIA (\$)	ALL OTHER COMPENSATION INCLUDING NON-CASH BENEFITS AS APPLICABLE (\$)	TOTAL (\$)
Jacqueline Stewart Lechler <i>Chairman of the Board of Commissioners</i>	346,500	385,000			731,500
Myrtle Halsall <i>Chairman - Audit Committee</i>	157,500				157,500
Erwin Burton	129,500				129,500
Nigel Logan	84,700				84,000
Joseph Shoucair	24,000				24,000
Andre Hutchinson <i>Chairman - Finance Committee</i>	148,500				148,500
Katherine Francis	17,500				17,500
Kevin Richards	22,400				22,400
Ronald Young <i>Chairman - Human Resource Administration Committee</i>	120,750				120,750
Simone Pearson <i>Chairman - Opportunity to be Heard Panel</i>	102,200				102,200
Hilary Robertson	97,300				97,300
TOTAL	1,250,850	385,000			1,635,850

⁴ Ms Francis, Messers Shoucair and Richards resigned.

CORPORATE GOVERNANCE REPORT

CHART 15: COMPENSATION OF EXECUTIVE MANAGEMENT FY2019 - 2020

Name and Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Everton McFarlane Executive Director	2019/ 2020	14,734,482	4,686,440	120,000	0	1,461,624	0	21,002,546
Nicolette Jenez Deputy Executive Director	2019/ 2020	10,644,684	3,043,666	1,697,149	0	226,464	0	15,611,963
Angela Beckford Chief Actuary	2019/ 2020	11,085,117	4,016,853	1,697,149	0	1,553,173	0	18,352,292
Ingrid Pusey General Legal Council	2019/ 2020	9,718,645	3,034,241	1,697,149	0	120,000	0	14,570,035
Karene Blair Senior Director Securities	2019/ 2020	8,425,895	2,778,997	1,697,149	0	120,000	0	13,022,041
Robert Hamilton Senior Director Compliance & Internal Control	2019/ 2020	6,043,241	412,681	1,697,149	0	1,613,526	0	9,766,597

CORPORATE GOVERNANCE REPORT

CHART 15: COMPENSATION OF EXECUTIVE MANAGEMENT FY2019 - 2020 (CONTINUED FROM PREVIOUS PAGE)

Name and Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Raymond Knight- Senior Director, Insurance	2019/ 2020	8,628,663	2,773,213	1,697,149	0	165,627	0	13,264,653
Joan Walker Stewart Senior Director, Corporate Services	2019/ 2020	8,628,663	2,603,821	1,697,149	0	165,627	0	13,095,260
Cornelia Harper Senior Director Pensions	2019/ 2020	8,280,615	2,320,217	1,697,149	0	120,837	0	12,418,817
Stacian Bennett Senior Director Investigation & Enforcement	2019/ 2020	8,127,064	2,373,643	1,697,149	0	120,000	0	12,317,856

CORPORATE GOVERNANCE REPORT

Corporate Social Responsibility

At the FSC, we believe that our company has a responsibility to assist the people, the community and the environment in which it operates. The FSC perceives that it is imperative to lend our time, resources and efforts to strengthen the surrounding communities and organisations. Events that serve as segments of the FSC's corporate social responsibility programme for the FY2019-2020 included:

- Salvation Army School for the Blind Graduate Luncheon sponsored by the FSC in July 2019.
- Debate Mate Urban Debate League and Cup – held October 2018 to May 2019. Debate Mate Jamaica (DMJ) is an innovative social enterprise, which runs a sustainable and cost effective programme, helping young Jamaicans living in areas of high child poverty to acquire key 21st-century skills. The programme was implemented in 24 schools.
- The Jamaica Alumni Association of High Schools (JAAHS) second annual education Fair held at the Karl Hendrickson Auditorium, Jamaica College, in November 2019 under the theme “The Orange Economy: Exploring Careers in the Creative and Cultural Industries”. More than 700 students from 13 secondary schools across the island were in attendance.
- The Combined Disabilities Association Development Seminar held in Kingston on November 16.
- UWI Actuarial Association Annual Fund-raising Dinner and Awards 2019.
- University of Technology – Jamaica Finance Seminar held Oct 30, 2019.

THE EXECUTIVE DIRECTOR'S REPORT

The global economic landscape in 2019 was characterized by diminishing levels of growth, the slowest pace since the financial crisis of 2008. This reflected on-going geopolitical tensions and slowed domestic investment in developed economics such as the United States and China. As such, lowered interest rates to combat downside risks to economic growth incentivized investors' exposure to riskier assets, and as a result, increased risks to financial stability.

Nevertheless, Jamaica exhibited low gross domestic product (GDP) growth of 0.9 per cent for 2019 with gains in service related industries such as tourism & remittance being offset by industries such as mining. Despite the tame GDP growth, there were other positive macroeconomic developments such as:

- local equities rose 31 per cent aided by Jamaica's accommodative fiscal &

monetary stance.

- continued lower unemployment and
- a reduced Debt to GDP of 94 per cent were sustained through the end of 2019.

An already vulnerable global market was rattled by the emergence of a communicable virus mutation, COVID-19, which first appeared in Wuhan, China in December of 2019. Jamaica, being an open and vulnerable economy, is expected to suffer severe economic consequences from measures taken to curtail the spread of COVID-19 in the first quarter of 2020. Early economic projections estimated that real GDP growth could contract by a range of 2 to 15 per cent locally as best-worst case scenario for the fiscal year 2020. Chart 16 illustrates selected macro indicators for the period of 2014-2019.

CHART 16: SELECTED MACRO INDICATORS FOR JAMAICA, 2014-2019

SELECTED MACROECONOMIC INDICATORS	2014	2015	2016	2017	2018	2019
Real GDP Growth (%)	0.5	0.8	1.4	0.5	1.9	0.9
Net International Reserves (US\$M)	2,001.6	2,437.3	2,719.4	3,208.3	3,005.41	3,162.53
Inflation (%)	6.4	3.7	1.7	5.2	2.4	6.2
T-Bill Yield (6months) (%)	7.14	6.04	6.56	4.63	2.07	1.58
JSE Combined Index (points)	78,223	158,269	204,960	294,987	383,557	505,294
Average Unemployment Rate (%)	13.7	13.5	12.9	11.7	9.1	7.2
Exchange Rate (end of period)	114.66	120.42	128.44	125	127.72	132.57
Percentage Rate of FX Depreciation (\$J vs US\$)	14.4	5.3	6.7	-2.7	2.2	3.8

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

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 Insurance 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 Insurance Division, through its monthly ⁵, quarterly and annual reviews, monitors the solvency requirements of insurance companies and ensures that the required prudential standards are maintained.

CHART 17: A SNAPSHOT OF THE DIVISION'S ACHIEVEMENTS FOR FY2019-2020

ROUTINE MONITORING AND SUPERVISION & POLICY APPROVALS	<ul style="list-style-type: none"> • Completed 16 Annual Risk Assessments • Completed 70 Quarterly Risk Assessments • Completed 128 Intermediary semi-annual monitoring Reports • Completed the review of 8 Reinsurance Treaty Programmes (four [4] of which were detailed reviews) • Processed/approved 387 registration applications • Reviewed and approved ten (10) new/amended insurance policies • Oversight of other insurance intermediaries
RISK-BASED SUPERVISION (RBS)	<ul style="list-style-type: none"> • Continued development of the RBS framework • Developed several templates to facilitate RBS • Executed two (2) pilot on-site examinations
ON-SITE EXAMINATIONS	<ul style="list-style-type: none"> • Completed five (5) on-site examinations as follows: <ul style="list-style-type: none"> • Two (2) were insurance companies using the RBS methodology; and • Three (3) were insurance intermediaries using the targeted approach
REVISED GUIDELINES/ BULLETINS & LEGISLATIVE PROJECTS	<ul style="list-style-type: none"> • Revised the framework and issued guidelines on the procedure for the Approval of New Insurance Policies and Insurance Policy Amendments • Assisted in the Quantitative Impact Study with respect to stress testing - the report has been completed and the legislative framework has been drafted • Prepared proposals for legislative amendments concerning Group Insurance, Microinsurance, Asset Liability Management and Investments

⁵ On February 20, 2020, the Insurance Division issued a correspondence to the industry advising of the relaxation of monthly filings by insurance companies (subject to the company not being under any special regime and/or enhanced monitoring by the FSC). This directive was partly as a result of the FSC embarking on the implementation of Risk Based Supervision (RBS) methodology in its risk assessment of insurance companies.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

OVERVIEW OF THE INSURANCE INDUSTRY - REGISTRANTS

CHART 18: NUMBER OF REGISTRANTS IN THE INSURANCE INDUSTRY AS AT MARCH 31, 2020

TYPE OF REGISTRANTS	REGISTERED AS AT 31/03/2019	ADDITIONS	LESS TERMINATIONS/CANCELLATIONS	REGISTERED AS AT 31/03/2020
Life Insurance Companies	7	0	0	7
General Insurance Companies	12	0	0	12
Association of Underwriters	1	0	0	1
Insurance Brokers	25	1	2	24
Facultative Placement Brokers	18	0	0	18
Overseas Reinsurance Brokers	1	0	0	1
Local Reinsurance Brokers	2	0	0	2
Insurance Agents	43	1	2	42
Insurance Sales Reps	3,630	379	125	3,884
Loss Adjusters	36	1	4	33
Loss Adjusters - Employed Practitioners	7	2	0	9
Investigators	21	3	2	22
Claim Negotiators	8	0	4	4
Insurance Consultants	4	0	0	4
TOTAL	3,815	387	139	4,063

There was no merger or acquisition for the various categories of registrants during the period ending March 31, 2020.

OVERVIEW OF THE GENERAL INSURANCE INDUSTRY

As at March 31, 2020, there were twelve (12) registered general insurance companies in Jamaica, of which ten (10) were fully operational. For the remaining two (2) insurance companies, one company has ceased underwriting new business whilst the other company operates in Jamaica, but on a much smaller scale. There was no addition or termination/cancellation during the period under review.

For the year ended December 31, 2019, the general insurance companies employed approximately 1,232 persons (2018: 1,192) and wrote 553,793 policies (2018: 509,063). Chart 19 shows the number of policies and other key indicators by class of business for the calendar year ended 2019.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

CHART 19: AGGREGATE INFORMATION AND FINANCIAL POSITION OF THE GENERAL INSURANCE INDUSTRY

JAMAICAN GENERAL INSURANCE INDUSTRY DATA FOR 2019 ^(P)							
	LIABILITY	PROPERTY	MOTOR VEHICLE	PECUNIARY LOSS	MARINE AVIATION & TRANSPORT	ACCIDENT	AGGREGATE
<i>NUMBER OF POLICIES</i>	8,110	44,744	486,520	4,128	417	9,874	553,793
<i>GROSS DIRECT PREMIUMS WRITTEN (J\$'M)</i>	2,611.8	25,893.1	25,182.2	1,576.0	565.3	353.3	56,181.7
<i>REINSURANCE ASSUMED (J\$'M)</i>	5.9	130.0	41.3	0.8	-0.6	175.0	177.7
<i>REINSURANCE CEDED (J\$'M)</i>	1,248.8	25.4	5,300.8	1,374.1	493.8	97.6	33,867.8
<i>NET PREMIUMS WRITTEN (J\$'M)</i>	1,368.9	670.5	19,922.7	202.7	70.9	255.9	22,491.5
<i>PERCENTAGE OF GROSS PREMIUMS CEDED (%)</i>	47.8	97.9	21.0	87.2	87.4	27.6	60.3
<i>NET PREMIUMS EARNED (J\$'M)</i>	1,288.6	563.1	19,689.5	136.6	83.2	247.2	22,008.2
<i>GROSS DIRECT CLAIMS INCURRED (J\$'M)</i>	351.5	2,342.2	15,298.6	54.6	-33.6	38.4	18,051.7
<i>CLAIMS ON REINSURANCE ASSUMED (J\$'M)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>CLAIMS ON REINSURANCE CEDED (J\$'M)</i>	104.9	2,031.8	2,332.0	41.8	-46.0	15.5	4,479.9
<i>NET INCURRED CLAIMS (J\$'M)</i>	246.6	310.5	12,966.7	12.8	12.4	22.9	13,571.8
<i>CLAIMS RATIO (%)</i>	19.1	55.1	65.9	9.4	14.9	9.2	61.7

P - Preliminary

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

CHART 20: AGGREGATE INFORMATION AND FINANCIAL POSITION OF THE GENERAL INSURANCE INDUSTRY ⁶

AS AT	DEC-15 ^A	DEC-16 ^A	DEC-17 ^A	DEC-18 ^A	DEC-19 ^P
	\$'B	\$'B	\$'B	\$'B	\$'B
BALANCE SHEET					
Total Investment Assets	45.2	47.8	50.1	51.7	51.1
Total Assets	64.9	71.2	78.0	81.1	86.8
Insurance Liabilities	35.4	38.8	43.1	44.1	47.8
Other Liabilities	6.0	6.0	8.1	9.7	12.3
Total Liabilities	41.4	44.8	51.2	53.8	60.1
Capital & Surplus (incl. reserves)	23.4	26.3	27.3	27.3	26.7
Profit and Loss (Year to Date)					
Net Premium Earned	16.3	16.9	18.2	20.0	22.0
Net Investment Income	2.8	3.3	4.0	2.7	3.1
Other Income	0.7	1.0	0.2	0.7	0.7
Underwriting Expenses	14.4	16.6	19.0	19.2	20.9
Income before Tax	5.4	4.6	3.4	4.2	4.9
Taxes	1.1	0.9	1.0	1.4	1.1
Income (Loss) after Tax	4.3	3.7	2.4	2.7	3.8

A - Audited

P - Preliminary

Chart 20 provides a summary of the financial highlights for the general insurance industry such as total assets, total liabilities and net income.

As at December 31, 2019, all except two (2) general insurance companies ⁷ met the Minimum Capital Test (MCT) ratio requirement of 250.0 per cent. Notwithstanding, the general insurance industry had a weighted average MCT ratio of 283.8 per cent ⁸ (2018: 314.0 per cent) which exceeded the 250.0 per cent regulatory benchmark. The MCT ratio for general insurance companies assesses the risk levels of a company's assets and policy liabilities in relation to its available capital.

The solvency ratio, which is also used to assess capital adequacy, measures each company's leverage by looking at the company's capital and surplus and reserve relative to total liabilities.

As at December 31, 2019, all but one general insurance company which operates as a branch and is in a run-off phase of its operation met the FSC's minimum solvency ratio of 25.0 per cent.

⁶ The capital displayed in this table is the statutory or regulatory capital. It excludes certain forms of capital. As a result, capital plus total liabilities will not equal to total assets.

⁷ The two (2) general insurance companies which did not meet the minimum MCT ratio are currently under a special regime (Growth Initiative Project) where there is a relaxation of the MCT ratio from 250.0 per cent to 150.0 per cent.

⁸ The weighted average MCT ratio was calculated using the un-audited statutory filings as at December 31, 2019. The quarterly un-audited MCT ratios are an estimate submitted by the companies' management, and are verified by the FSC on an ad hoc basis or as the need arises. However, the annual (audited) MCT ratios are calculated by the companies' Appointed Actuaries and are verified by the FSC.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

The aggregate total assets of the general insurance industry increased by 7.0 per cent to \$86.8 billion as at December 31, 2019 (December 2018: \$81.1 billion). Similarly, the total liabilities for the industry increased year on year by approximately 11.7 per cent to \$60.1 billion. (December 2018: \$53.8 billion).

As at December 31, 2019, the general insurance companies reported total revenue of \$26.8 billion (2018: \$23.3 billion). Additionally, total underwriting revenue of \$22.0 billion for the year 2019 represented a 10.0 per cent comparative increase over the \$20.0 billion which was reported in 2018. This increase stemmed from a 15.9 per cent increase in total gross premium written within the industry which amounted to \$56.2 billion for 2019 (2018: \$48.5 billion). Underwriting expenses, which totalled \$20.9 billion for 2019, represented a relative increase of 8.9 per cent over the corresponding period (December 2018: \$19.2 billion). Further, the industry reported aggregate underwriting profit of \$1.1 billion in 2019 compared to 0.9 billion in 2018.

The aggregate net claims reported in 2019 increased by \$1.8 billion or 15.3 per cent to \$13.6 billion in December 2019 from the \$11.8 billion in December 2018. The growth in combined claims was driven by the 15.7 per cent increase in motor vehicle claims (See Chart 21).

CHART 21: AGGREGATE CLAIMS BY CLASS OF BUSINESS, 2015-2019

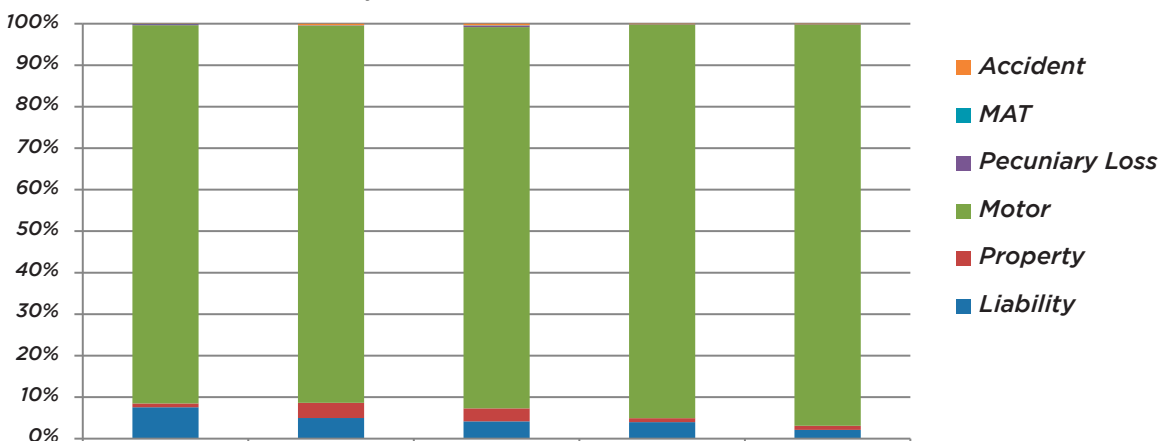
CLASS OF BUSINESS	2015 ^A	2016 ^A	2017 ^A	2018 ^A	2019 ^P
Liability	670.6	494.0	483.9	469.9	246.6
Property	79.4	367.2	363.7	112.1	310.5
Motor Vehicle	8,062.0	9,053.3	10,677.7	11,210.6	12,966.7
Pecuniary Loss	24.2	6.9	40.1	5.8	12.8
Marine Aviation & Transport (MAT)	3.0	(0.1)	10.5	8.6	12.4
Accident	4.6	36.7	45.2	19.6	22.9
Total	8,843.8	9,958.0	11,621.1	11,826.6	13,571.9

A - Audited

P - Preliminary

Further, as shown in Chart 22, the motor vehicle class of insurance business consistently accounted for more than 80.0 per cent of total claims over the past five-year period.

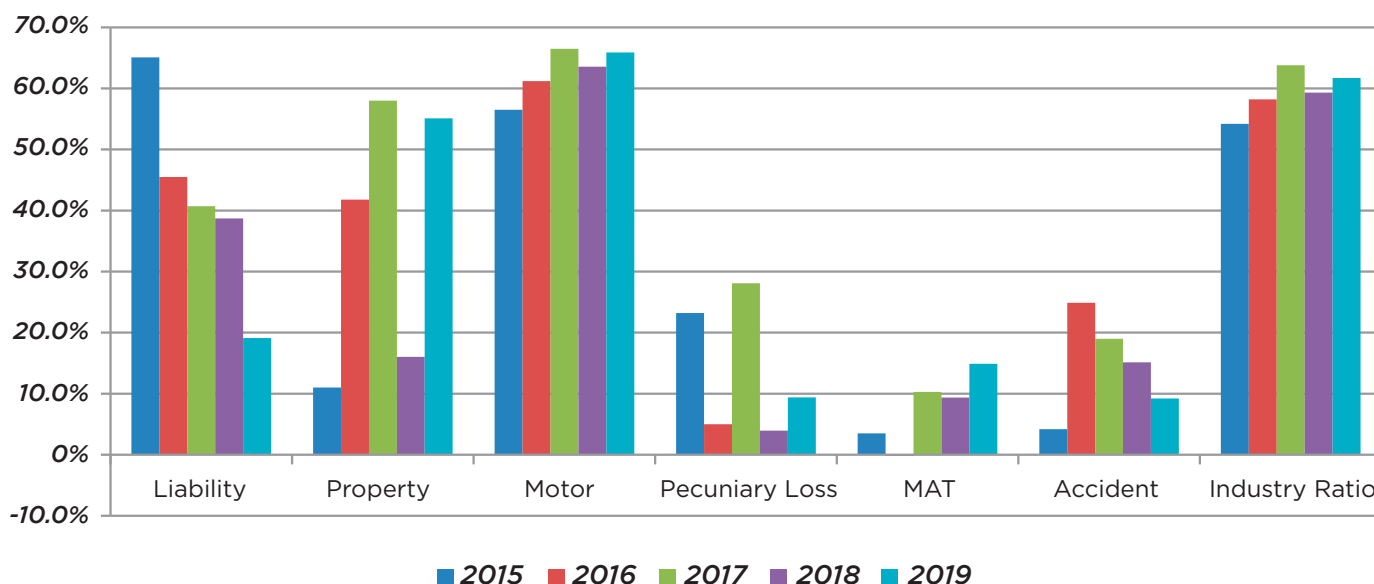
CHART 22: PERCENTAGE COMPOSITION OF TOTAL CLAIMS BY CLASS OF BUSINESS, 2015-2019



FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

Additionally, Chart 23 shows the trend in claims ratio ⁹ by class of business for the general insurance industry for the period 2015-2019.

CHART 23: BUSINESS OF CLASS CLAIMS RATIO TREND 2015-2019



OVERVIEW OF THE LIFE INSURANCE INDUSTRY

As at March 31, 2020, there were seven (7) registered life insurance companies in Jamaica. There was no addition or termination/cancellation during the period under review.

For the year ended December 31, 2019, the seven (7) registered life insurance companies employed approximately 2,081 persons (2018: 1,932). Additionally, the total gross premium written (GPW) reported in 2019 was \$68.3 billion which represented a 12.3 per cent increase over the corresponding period (December 2018: \$60.8 billion). Chart 24 displays the percentage of GPW by class of business.

⁹ Claims ratio is computed as net incurred claims divided by the net premium earned.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

CHART 24: PERCENTAGE COMPOSITION OF GPW BY CLASS OF BUSINESS 2019

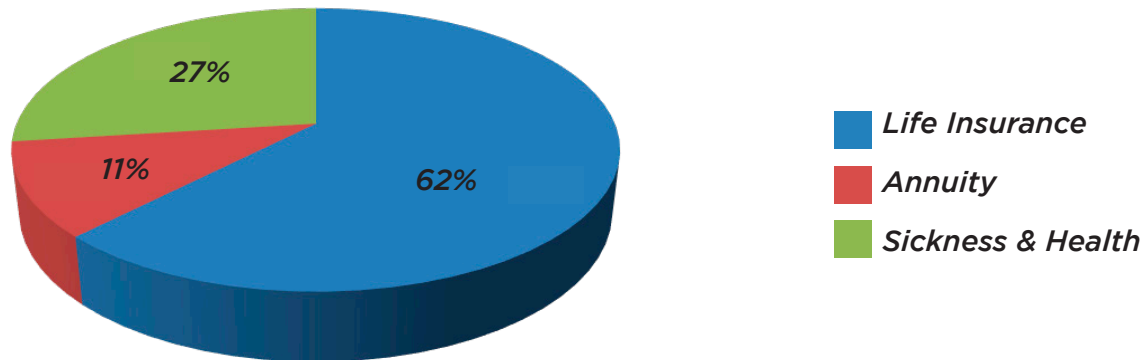


Chart 25 illustrates a statistical summary of the Life Insurance Industry for the period 2015-2019:

CHART 25: STATISTICAL INFORMATION AND FINANCIAL POSITION OF THE LIFE INSURANCE INDUSTRY					
AS AT	DEC 15 ^A	DEC 16 ^A	DEC 17 ^A	DEC 18 ^A	DEC 19 ^P
	\$'B	\$'B	\$'B	\$'B	\$'B
BALANCE SHEET					
Total Investment Assets	263.5	276.5	289	299.7	329.8
Total Assets	281.7	297.2	312.1	324.2	359.6
Insurance Liabilities	81.1	87.8	96.2	95.6	99.3
Other Liabilities	132.0	140.0	133.0	135.6	151.9
Total Liabilities	213.1	227.8	229.2	231.2	251.2
Capital & Surplus (incl. reserves)	68.9	69.4	82.9	93.0	108.4
PROFIT AND LOSS (YTD)					
Net Premium Income	49.9	48.0	58.5	59.6	67.0
Net Investment Income	23	24.7	25	26.3	30.6
Other Income	4.0	4.7	5.8	6.7	7.8
Policy Benefits	24.3	28.4	30.6	34.9	39.5
Operating Expenses	24.6	22.5	25	27.1	34.2
Other Expenses	0.3	5.0	10.5	0.1	1.7
Taxes	3.5	4.6	4.6	6.4	5.6
Total Expenses	52.7	60.5	70.7	68.5	81.0
NET INCOME AFTER TAXES	24.2	16.9	18.6	24.1	24.5

A - Audited P - Preliminary

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

As at December 31, 2019, the total reported assets was \$359.6 billion which represented a 10.9 per cent increase over the corresponding period (December 2018: \$324.2 billion). Further, the accumulated invested assets were \$329.8 billion which represented 91.7 per cent of the total combined assets. Additionally, total liabilities increased by 8.7 per cent year on year (See Chart 25).

The life insurance industry reported total net income after tax of \$24.5 billion as at December 31, 2019, representing an increase of 1.7 per cent when compared to the corresponding period (December 2018: \$24.1 billion).

Chart 26 illustrates the composition of the policy benefits in the life insurance industry for the period 2015-2019:

CHART 26: AGGREGATE POLICY BENEFITS, 2015-2019					
POLICY BENEFITS	2015^A	2016^A	2017^A	2018^A	DEC 19^P
	\$'MILLIONS				
CLAIMS	13,590.3	16,101.20	17,596.20	20,350.2	22,620.6
Of Which:					
Sickness & Health	9,753.6	10,933.4	11,866.5	13,305.9	14,952.3
Death Claims	3,492.2	5,013.0	5,554.2	6,888.5	7,494.5
Disability Claims	13.6	29.0	15.9	11.5	10.0
Matured Endowments	330.9	125.8	159.6	144.3	163.8
Annuity Payments	4,898.3	5,522.1	5,887.5	6,777.6	8,143.1
Surrender Values	5,190.8	5,894.6	6,257.6	6,859.7	7,678.7
Other	607.2	740.1	900.9	906.9	1,011.8
Total Policy Benefits	24,286.6	28,258.0	30,642.2	34,894.4	39,454.2

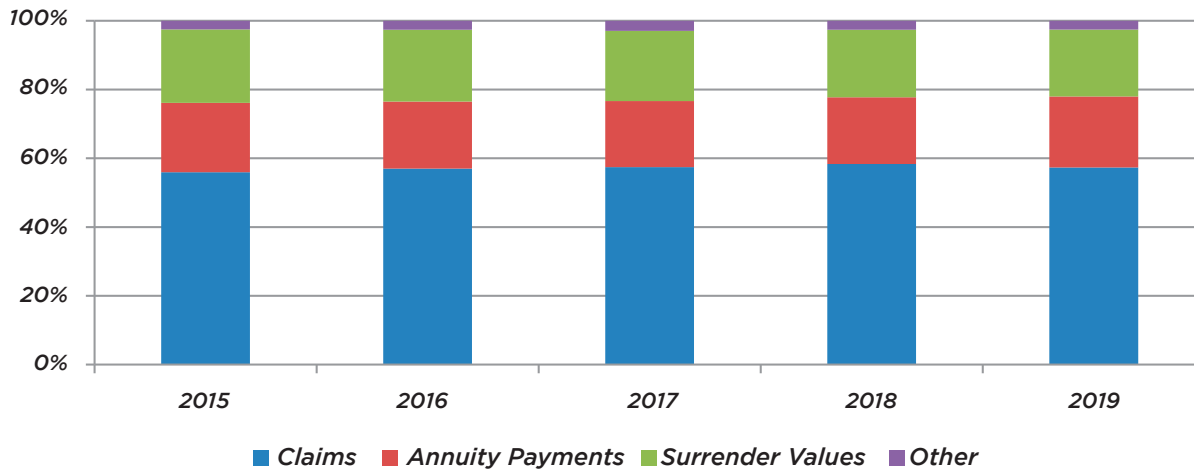
A - Audited P - Preliminary

As at December 31, 2019, policy benefits increased by 13.1 per cent to \$39.5 billion in 2019 from the \$34.9 billion in 2018. Total combined claims accounted for 57.3 per cent of the total policy benefits. Sickness and health for the industry accounted for 66.1 per cent of the total claims. Chart 27 shows the percentage composition of policy benefits for the period 2015-2019.

As at December 31, 2019, the total reported capital, surplus and reserves for the life insurance industry was \$108.4 billion which represented an increase of 16.6 per cent when compared to the corresponding period (December 2018: \$93.0 billion). The weighted average Minimum Continuing Capital and Surplus Requirement (MCCSR) for the life insurance sector was 250.7 per cent (2018: 311.4 per cent) which was above the regulatory benchmark of 150.0 per cent. All life insurance companies were compliant in meeting this regulatory benchmark.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

CHART 27: PERCENTAGE COMPOSITION OF POLICY BENEFITS, 2015-2019



SUPERVISORY RISK ASSESSMENT OUTCOME

The FSC has a supervisory framework for off-site and on-site examinations. The FSC is presently at the phase of fully transitioning from the CAMELS framework¹⁰ (compliance based) to adopting a Risk-Based Supervision (RBS) model in its risk assessment of all insurance companies. Under the RBS framework, the FSC will focus on the key risks inherent in the activities that are significant to an insurance company achieving its business objectives and assessing the quality of the company’s processes to measure, manage and mitigate these risks.

All insurance companies are subject to an annual off-site examination based on the audited annual financial statements for the year ended December 31. The off-site analysis involves a holistic review of the company, the impact of the external environment on its operations, business model and strategic objectives together with its institutional levels of protection¹¹. The outcome of the aforementioned review may trigger additional review by the FSC. Annual 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 these companies that should be given priority status for on-site examinations and/or closer monitoring and supervision by the FSC. In 2019, of the nineteen (19) registered insurance companies, two (2) were subjected to the full RBS framework as they were a part of the on-site examinations. Additionally, all registered companies, life and general, are subject to quarterly risk assessments.

Based on the analysis of the industry, it was noted that the interest rates existing as at March 2020 are among the lowest Jamaica has ever experienced. From a macro-economic standpoint this development is favourable. However, the implications for the insurance industry may be adverse. Insurance companies with positive cumulative interest sensitivity gap, may experience a decline in their profit and revenue, should interest rates continue to decline. There was significant growth of the Jamaica Stock Exchange (JSE), with major indices continuing to record double digit growth following the enviable achievement in 2015

¹⁰ The CAMELS framework assesses insurers’ risk profile according to the following areas of exposure: C-Capital; A-Assets; R-Reinsurance, A-Actuarial, M-Management; E-Earnings; L-Liquidity; Subsidiaries.

¹¹ Institutional Level of Protection (ILP) includes capital, liquidity and earnings.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

of being designated the best performing stock exchange globally. However with stock market volatility, entities with significant equity holdings, could see major decline in their equity value, should the unit prices decrease.

OUTLOOK FOR THE INSURANCE DIVISION

o Risk Based Supervision

The Insurance Division in collaboration with the other sector divisions (Pensions and Securities) continues to move forward with the implementation of RBS.

For FY2019-2020, the Insurance Division conducted two (2) pilot on site examinations (one life and one general insurance company) using the RBS methodology. The Division, and by extension the FSC, completed a number of initiatives to sensitize stakeholders on the benefits and nuances of the RBS approach to supervision. Additionally, several RBS templates were created to facilitate the completion of the field work for the aforementioned pilot on-site examinations.

The Division aims to fully transition to the RBS methodology during the FY2020-21. Further, for the FY2020-21, the Insurance Division will conduct three (3) additional pilot on-site examinations two (2) life insurance companies and one (1) general insurance company) using the RBS methodology.

o National Financial Inclusion Strategy (NFIS) - Inclusive Insurance

The Insurance Division and by extension the FSC has continued the development of the Inclusive Insurance element of the NFIS. In 2019, the Insurance Division drafted the provisions for Micro-insurance Regulations and is currently taking the necessary steps to have it promulgated into legislation.

It is anticipated that micro-insurance will allow for affordable insurance to be available in Jamaica, through the use of various approved non-traditional insurance entities in partnerships with other financial institutions to facilitate the distribution of the micro-insurance products. Further, it is expected that micro-insurance will assist to reduce the burden faced by the government whenever there is a disaster, especially for individuals in the low income bracket who may not be able to afford the traditional forms of insurance, thus enhancing risk mitigation and psychological security.

o Development of Regulatory Requirements

Currently, the FSC uses the Minimum Continuing Capital and Surplus Requirement (MCCSR) and Minimum Capital Test (MCT) as solvency tests in assessing the capital adequacy of regulated

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

entities in the life and general insurance sectors respectively. However, with the adaptation of the International Financial Reporting Standards (IFRS) by Jamaica in 2002, coupled with a thorough review of the Jamaican solvency framework in 2012, it was recommended that a Quantitative Impact Study (QIS) be conducted to assist in the reformulation of the MCCSR and MCT to take account of the valuation methodology promulgated by IFRS 17. The reporting standard of IFRS 17 was revised to take effect on January 1, 2023¹².

Phase II of the Quantitative Impact Study (QIS II), for both the life and general insurance industry was completed and the consultant's final report with recommendations has been submitted. For the general insurance industry, the consultant recommended changes be made to the Minimum Capital Test whereas for the life insurance industry, the consultant recommended another quantitative study to revise the capital standard (MCCSR) to take into account the International Financial Reporting Standard; Insurance Contracts (IFRS 17).

¹² At its March 2020 meeting, The International Accounting Standards Board decided to defer the effective date of IFRS 17 for another year to January 1, 2023.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

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 remains important that the Securities Division continues to ensure that a 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 FY2019-2020, 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:

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

CHART 28: A SNAPSHOT OF THE DIVISION'S MAJOR ACHIEVEMENTS

PRUDENTIAL ENHANCEMENTS	<ul style="list-style-type: none"> • Continued phased implementation of the large exposure framework • Monitoring of the Retail Repo Mismatch Ratio • Update of Exempt Distribution Guidelines • Proposed updates to the Guidelines for Issuers of Securities • Introduction of Market Conduct Guidelines
RISK-BASED SUPERVISION	<ul style="list-style-type: none"> • Advancement in the continued development of a risk-based supervisory framework • Completed pilot reviews using RBS methodology
PRUDENTIAL, MARKET CONDUCT AND AML/CFT	<ul style="list-style-type: none"> • Seven (7) Onsite Examinations • Six (6) Risk Based Assessments
REGISTRATION OF SECURITIES	<ul style="list-style-type: none"> • 168 securities registered under the exempt distribution regime • 19 prospectus reviewed to facilitate listing of companies • 14 approved/renewed offering documents for sale of CIS funds.
ROUTINE MONITORING	<ul style="list-style-type: none"> • Weekly, Monthly, Quarterly and Annual desk based reviews and on-site examinations as well as monitoring of Early Warning Ratios • Oversight of Jamaica Stock exchange and listed entities • Review of exempt distribution reporting • Review of bi-annual bottom up Stress Test Results

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Chart 29 illustrates the number of entities and individuals licensed and registered by the FSC by category of licenses or registration as at March 31, 2020.

CHART 29: NUMBER OF LICENSEES & REGISTRANTS BY CATEGORY				
	Licensed/ Registered At 31/3/19	Additions	Less Terminations/ Cancellations	Licensed/ Registered At 31/3/20
Securities Dealers ¹³	44	1	2	43
Securities Dealers' Representatives	922	218	133	1,007
Investment Advisers	4	0	0	4
Investment Advisers' Representatives	3	0	0	3
Mutual Funds	11	0	0	11
Unit Trust Schemes	19	1	0	20
TOTAL	1,003	220	135	1,088

As at March 31, 2020, there were forty (40) companies and three (3) individuals licensed as securities dealers in the market. Chart 30 categorises each company-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 their 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 30: NUMBER OF LICENSED SECURITIES DEALERS, BY TYPE OF COMPANY,
AS AT MARCH 31, 2020**

Institution Type	March 31, 2020
Core Securities Dealers ¹⁴	31
Non-core Securities Dealers	9
of which:	
Commercial Bank ¹⁵	1
Insurance Companies	3
Others	5
TOTAL	40

¹³ This includes three (3) individual securities dealers

¹⁴ Ten of the core securities dealers are also CIS management companies.

¹⁵ This entity was converted to a commercial bank and is currently in the process of surrendering its dealer license.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Statistical Snapshots of the Performance of the Industry

As at December 31, 2019, the total balance sheet assets of the securities industry (comprising core and non-core securities dealers) stood at approximately J\$1.14 trillion, reflecting an increase of J\$56.52 billion or 5.2 per cent over the corresponding period in 2018 (See Chart 31). This increase was attributable to a J\$89.61 billion or 15.97 per cent increase in the total assets held by core securities dealers, which accounted for 56.9 per cent of the total assets held by the industry.

The GOJ's debt securities accounted for approximately 30.0 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. 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 31: TOTAL BALANCE SHEET ASSETS OF SECURITIES DEALERS BY TYPE OF COMPANY, 2015-2019

Category of Securities Dealers (Company)	Total Assets									
	Dec-15		Dec-16		Dec-17		Dec-18		Dec-19	
	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total
Core Securities Dealers	531.36	55.82	550.69	54.16	556.6	52.24	560.98	51.56	650.59	56.85
Non-Core Securities Dealers	420.59	44.18	466.13	45.84	508.81	47.76	526.9	48.44	493.81	43.15
of which:										
Building Society/ Commercial Bank	128.44	13.49	153.32	15.08	166.73	15.65	166.42	15.29	166.42	14.54
Insurance Companies	275.38	28.93	294.73	28.99	320.84	30.11	333.9	30.69	297.94	26.03
Others	16.77	1.76	18.08	1.78	21.24	2	26.58	2.44	29.45	2.57
TOTAL	951.95	100	1,016.82	100	1,065.41	100	1,087.88	100	1,144.40	100

Note: Unaudited data

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Chart 32 displays the total balance sheet capital of securities dealers for the period 2015 – 2019. As at December 31, 2019, the total balance sheet capital of the securities industry (comprising core and non-core securities dealers) stood at J\$231.96 billion, an improvement of 25.5 per cent when compared to the similar period in 2018. The improvement in the total balance sheet capital for the securities industry was primarily attributable to a 43.6 per cent increase in the capital held by the core securities dealers.

CHART 32: TOTAL BALANCE SHEET CAPITAL OF SECURITIES DEALERS BY TYPE OF COMPANY, 2015-2019										
<i>Category of Securities Dealers (Company)</i>	<i>Capital</i>									
	Dec-15		Dec-16		Dec-17		Dec-18		Dec-19	
	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total
Core Securities Dealers	73.06	47.12	77.94	47.79	83.52	46.36	79.22	42.87	113.73	49.03
Non-Core Securities Dealers	82.00	52.88	85.15	52.21	96.64	53.64	105.58	57.13	118.23	50.97
of which:										
Building Society/ Commercial Bank	19.35	12.48	20.44	12.53	19.44	10.79	18.65	10.09	18.65	8.04
Insurance Companies	60.49	39.01	62.11	38.08	73.94	41.05	82.55	44.66	94.29	40.65
Others	2.16	1.39	2.6	1.59	3.26	1.8	4.38	2.37	5.29	2.28
TOTAL	155.06	100	163.09	100	180.16	100	184.8	100	231.96	100

Note: Unaudited data

Chart 33 illustrates the total funds under management (reported both on and off balance sheet) of securities dealers for the period 2015 – 2019. As at December 31, 2019, the total Funds under Management (FUM) of the securities industry stood at approximately J\$1.83 trillion¹⁶, representing an increase of 12.04 per cent over the similar period in 2018. The core securities dealers accounted for approximately 73.7 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. There might also have been some transference of investor funds into alternative product offerings, such as CIS.

¹⁶ This amount includes CIS funds and pension funds managed by securities dealer companies.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

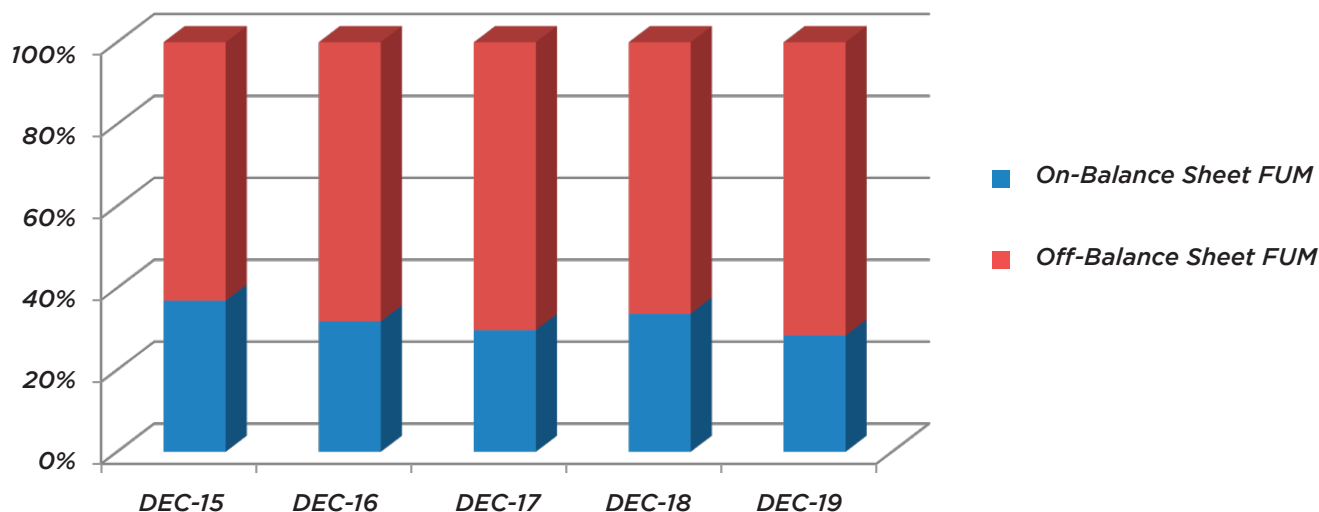
CHART 33: TOTAL FUNDS UNDER MANAGEMENT OF SECURITIES DEALERS BY TYPE OF COMPANY, 2015-2019

Category of Securities Dealers (Company)	Funds under Management (FUM) ¹⁷									
	Dec-15		Dec-16		Dec-17		Dec-18		Dec-19	
	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total
Core Securities Dealers	909.04	79.01	1,112.34	79.35	1,186.65	75.94	1,229.77	75.4	1,346.13	73.67
Non-Core Securities Dealers	241.48	20.99	289.46	20.65	375.96	24.06	401.1	24.6	481.02	26.33
of which:										
Insurance Companies	209.70	18.23	254.91	18.18	331	21.18	355.56	21.8	416.42	22.79
Others	31.78	2.76	34.55	2.46	44.96	2.88	45.54	2.8	64.60	3.54
TOTAL	1,150.52	100	1,401.80	100	1,562.61	100	1,630.87	100	1,827.15	100

Note: Unaudited data

Over the last five years, off-balance sheet FUM has accounted for on average approximately 68.0% of total managed funds. While total FUM has grown over the period, the proportion that is managed off-balance sheet has fluctuated as seen in Chart 34. Nevertheless, the general structure suggests however that the securities dealers are strategically managing more of their clients' portfolios off their balance sheets.

CHART 34: OFF BALANCE SHEET FUM GROWTH



Note: Unaudited data

¹⁷ FUM represents clients' funds which are managed by securities dealers either on or off the balance sheet.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

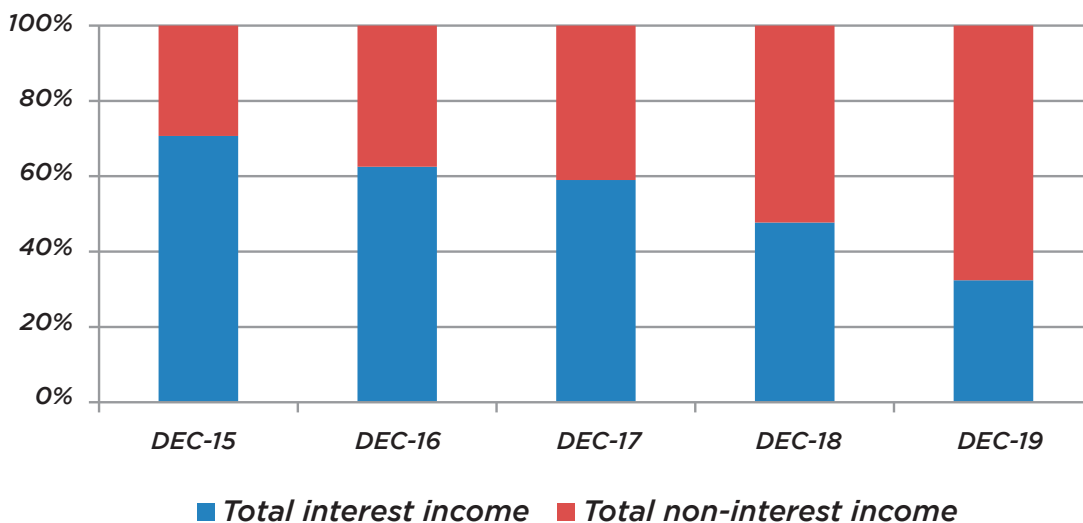
Chart 35 provides information on the earnings, expenses and profitability of the core securities dealers over the last five years. Collectively, the core securities dealers remained profitable in 2019 recording a net after-tax profit of J\$25.06 billion. Of note, interest income accounted for approximately 32.4 per cent of total revenue recorded for the 2019 calendar year. This is an indication of a reduction of interest income as the main source of revenue for core dealers. Chart 36 depicts the percentage composition of total revenue for the period 2015-2019.

CHART 35: EARNINGS, EXPENDITURE AND PROFITABILITY OF CORE SECURITIES DEALERS, 2015-2019

	DEC-2015 \$'BILLION	DEC-2016 \$'BILLION	DEC-2017 \$'BILLION	DEC-2018 \$'BILLION	DEC-2019 \$'BILLION
TOTAL REVENUE	41.31	49.98	45.60	51.04	61.10
Total Expense	31.39	34.46	30.90	33.33	30.21
Total Interest Income	29.21	31.25	26.91	24.34	19.78
Total Interest Expense	17.60	17.88	15.91	13.80	11.70
Net Interest Income	11.60	13.37	11.00	11.00	8.07
Net Profit after tax	7.08	8.37	9.48	11.97	25.06

Note: Unaudited data

CHART 36: PERCENTAGE COMPOSITION OF TOTAL REVENUE, 2015-2019



Note: Unaudited data

Chart 37 summarises selected prudential indicators for the core securities dealers for the period 2015 to 2019. 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.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

CHART 37: SELECTED PRUDENTIAL INDICATORS FOR CORE SECURITIES DEALERS, 2015-2019

	DEC-15 %	DEC-16 %	DEC-17 %	DEC-18 %	DEC-19 %	FSC BENCHMARK %
CAPITAL ADEQUACY						
Capital / Total Assets	13.75	14.15	15	14.12	17.48	≥ 6
Capital Adequacy Ratio ¹⁸	20.45	20.35	19.54	20.78	22.86	≥ 10
PROFITABILITY						
Return on Assets ¹⁹	0.74	1.52	1.7	2.13	2.19	
Return on Equity ²⁰	4.57	10.73	11.35	15.11	10.80	
Net Interest Margin ²¹	39.71	42.77	40.87	45.19	40.80	
Net Profit Margin ²²	17.14	16.74	20.78	23.45	41.01	

Note: Unaudited data

Overview of Collective Investment Schemes (CIS)

Local Unit Trusts and Mutual Funds

As at December 31, 2019, there were eighteen (18) 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 \$349.6 billion, representing a 26.7 per cent increase over the previous year's amount of \$275.8.2 billion (See Chart 38). The growth in funds managed by the fund managers was primarily due to (i) new funds and (ii) appreciation in the fund values due to market movements.

¹⁸ 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.

¹⁹ Return on assets is computed by dividing net income after tax by total balance sheet assets.

²⁰ Return on equity is computed by dividing net income after tax by balance sheet capital.

²¹ Net interest margin is computed by dividing net interest income by total interest income.

²² Net profit margin is computed by dividing net profit after tax by total revenue.

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CHART 38: FUM ACTIVITIES FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 2019

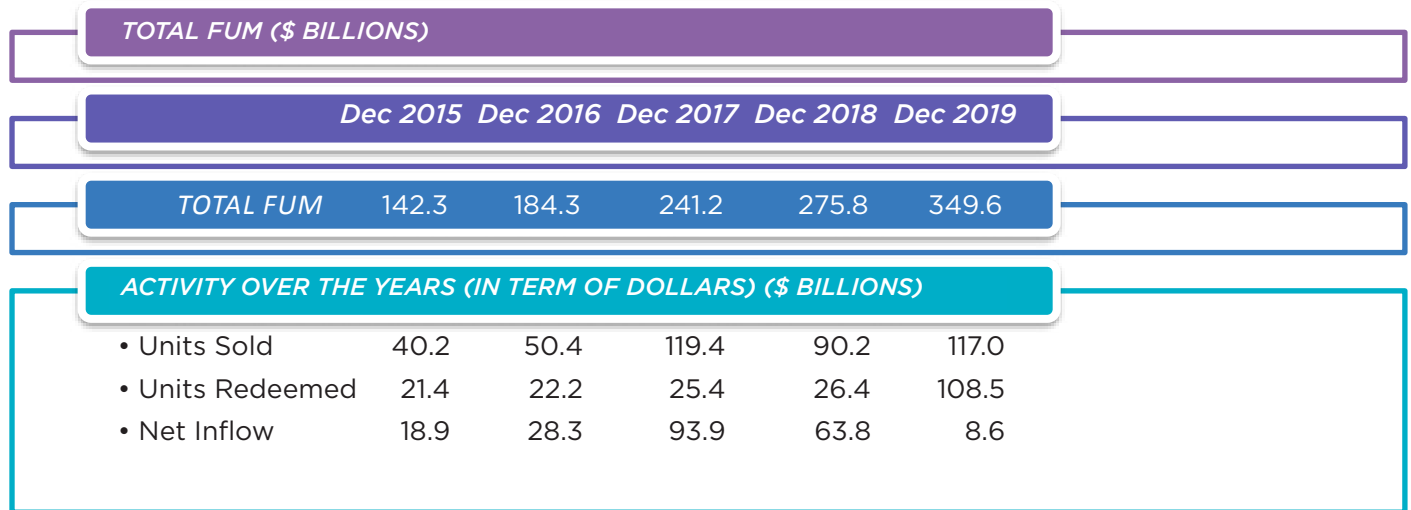
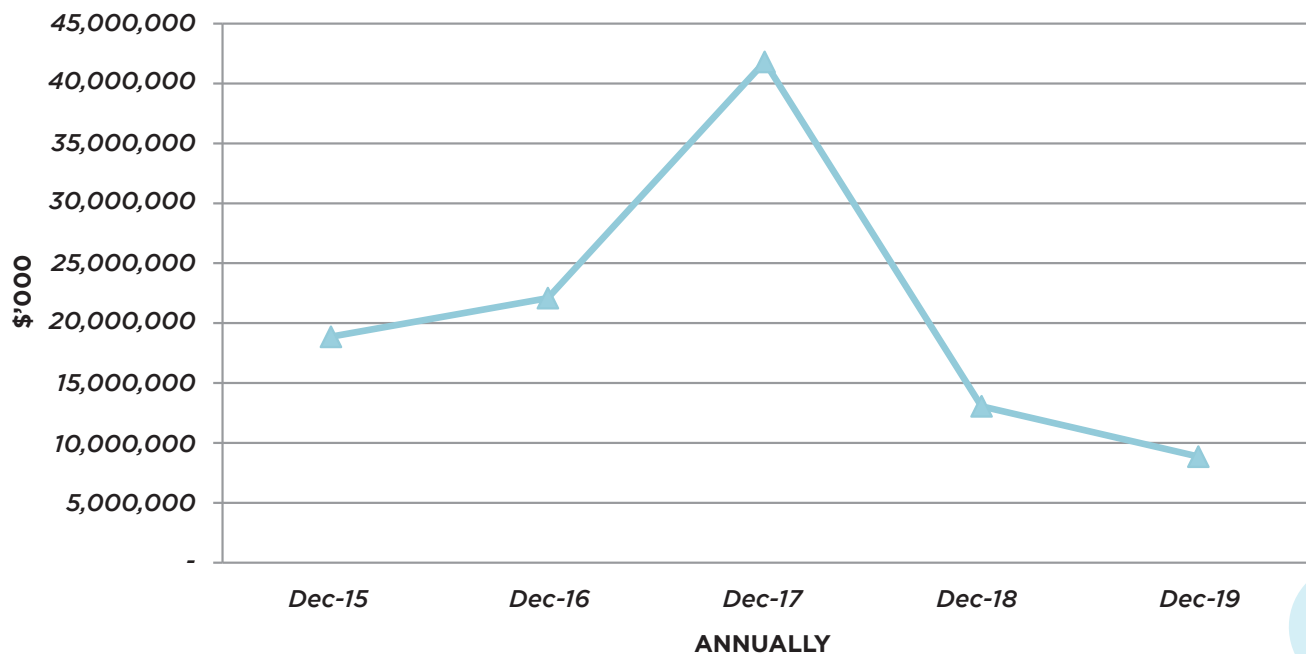


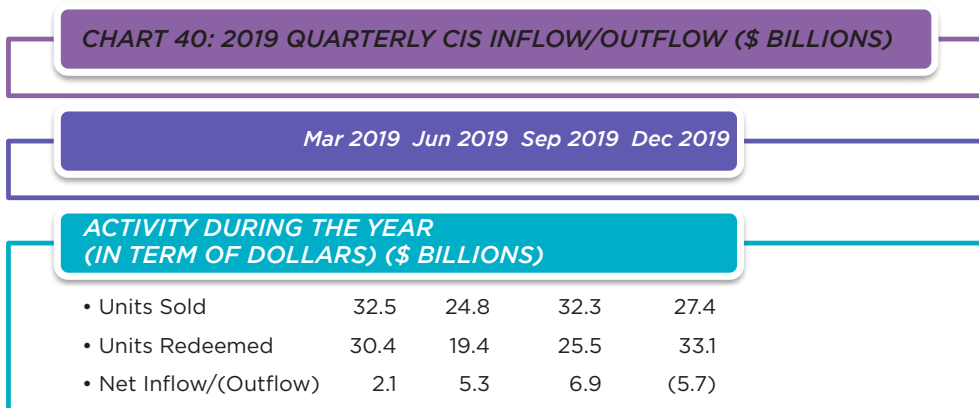
Chart 39 illustrates the combined CIS net purchases over the years December 2015 to December 2019. All the year ends experienced net purchases, albeit at significantly different levels.

CHART 39: CUMULATIVE CIS NET PURCHASES OR (REDEMPTION) DEC 2015 - DEC 2019



PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Chart 40 illustrates the combined cis net inflow/outflow during the 2019 calendar year quarters. Of the four quarters, three experienced net inflows while one experienced net outflows.



Overseas Mutual Funds

As at December 31, 2019, ten (10) overseas mutual funds were registered with the FSC for sale in Jamaica. The mutual fund investment portfolios comprise mainly equities and fixed income securities. The total amount invested in these funds by Jamaicans amounted to USD303.1 million. Chart 41 depicts the value of purchases and redemptions done by Jamaicans during the years December 2015 to December 2019.

CHART 41: SUMMARY OF OVERSEAS MUTUAL FUNDS HELD BY JAMAICANS

	2015	2016	2017	2018	2019
TOTAL FUM (USD MILLIONS)	206	220	263	287	303
ACTIVITY DURING THE YEAR					
Value of Units Sold (USD millions)	64	46	58	33	48
Value of Units Redeemed (USD millions)	25	38	34	8	34
NET FLOWS					
Value (USD millions)	39	8	24	25	14

EQUITIES AND PRIVATE DEBT MARKETS OVERVIEW

Public Offerings

During the year ended December 2019, twenty-two (22) securities were registered with the FSC, of which 14 were listed on the Jamaica Stock Exchange (JSE). Among the 22 registered securities, primary offerings of Ordinary Shares accounted for 12, there were 4 Rights Issues, 3 Listings by Introduction and 3 Preference Shares.

The combined value of these registrations, which include equities and debt securities, amounted to approximately \$50 billion, reflecting a year-over-year increase of approximately 212.5 per cent in the value of registered securities. Equity securities accounted for \$43 billion of the total listings for the calendar

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

year. Wigton Windfarms Limited, Sagicor Select Fund Limited and Eppley Caribbean Property Value Fund accounted for approximately 25 per cent of the total value of registered securities while companies who registered rights issues and additional public offerings accounted for approximately 49 per cent. Chart 42 shows the number and the combined value of the securities registered by the FSC for the period 2015-2019.

CHART 42: PUBLIC OFFERINGS REGISTERED: 2015 - 2019	2015	2016	2017	2018	2019
Number of Public Offerings	10	13	10	19	22
Value (\$ Billions)	8.7	11.0	15.6	16.0	50.0

Equity Listings

As at December 31, 2019, the Main Market of the Jamaica Stock Exchange (JSE) had 43 ordinary shares, 16 preference shares and four 4 bonds. On the Junior Market, there were 41 ordinary shares and 3 preference shares, while on the US market there were 7 ordinary shares and 8 preference shares. The JSE had a total of 87 companies listed across all three (3) markets compared to December 2018, which had 76 listed companies.

The volume traded on the Main Market during 2019 amounted to approximately 8.72 Billion units, representing a 171.65 per cent increase when compared to the 3.21 Billion units that traded in 2018. The Junior Market also experienced an increase of 148.56 per cent in volume traded, increasing from 1.15 billion units in 2018 to 2.87 billion units at the end of 2019.

In 2019, both the Main and Junior Markets experienced year-over-year increases in the total number of transactions. The Junior Market

recorded a 78 per cent increase in the total number of transactions, while the Main Market recorded a 103 per cent increase over 2018. The value of the trades on the Junior Market increased by 68.60 per cent over the previous year to \$9.39 billion, up from \$5.57 billion, while the value traded on the Main Market moved from \$65.51 billion in 2018 to \$91.76 billion in 2019, a 40.07 per cent increase. Chart 43 illustrates the year over year comparison for all three (3) markets on JSE.

Average stock prices on both the Junior and the Main Markets experienced significant increases in 2019. Three (3) companies' stock prices on the Junior Market rose between 109.0 and 273.4 per cent for the year: Fontana Limited, increased by 273.4 per cent, The Limners and Bards Limited by 201.0 per cent and Mailpac Group Limited by 109.0 per cent for the year. While on the Main Market, Jamaica Stock Exchange increased by 168.8 per cent, followed by Victoria Mutual Investment Limited and Sygnus Credit Investments Limited with increases of 138.30 per cent and 136.83 per cent, respectively.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

CHART 43: YTD DECEMBER 2019 VERSUS YTD DECEMBER 2018

Main Market (non-block)	YTD December 2018	YTD December 2019	Change	Change%
<i>Value</i>	\$65.51 Billion	\$91.76 Billion	\$26.24 Billion	40.07%
<i>Volume</i>	3.21 Billion	8.72 Billion	5.51 Billion	171.65%
<i>Number of trades</i>	60,812	123,562	62,750	103.19%
<i>Market Cap</i>	\$1.38 Trillion	\$1.92 Trillion	\$546.11 Billion	39.13%
Junior Market	YTD December 2018	YTD December 2019	Change	Change%
<i>Value</i>	\$5.57 Billion	\$9.39 Billion	\$3.81 Billion	68.60%
<i>Volume</i>	1.15 Billion	2.87 Billion	1.71 Billion	149.56%
<i>Number of trades</i>	26,838	47,755	20,917	77.94%
<i>Market Cap</i>	\$139.77 Billion	\$151.35 Billion	\$11.57 Billion	8.28%
Combined Market	YTD December 2018	YTD December 2019	Change	Change%
<i>Value</i>	\$71.09 Billion	\$101.15 Billion	\$30.06 Billion	42.28%
<i>Volume</i>	4.36 Billion	11.59 Billion	7.22 Billion	165.55%
<i>Number of trades</i>	87,650	171,317	83,667	95.46%
<i>Market Cap</i>	\$1.52 Trillion	\$2.08 Trillion	\$557.69 Billion	36.60%
USD Market	YTD December 2018	YTD December 2019	Change	Change%
<i>Value</i>	\$8.76 Million	\$27.88 Million	\$19.11 Million	218.06%
<i>Volume</i>	43.57 Million	105.29 Million	61.71 Million	141.63%
<i>Number of trades</i>	1,187	2,090	903	76.07%
<i>Market Cap</i>	\$252.02 Million	\$374.61 Million	\$122.59 Million	48.64%

Private Offerings

There were 168 exempt distributions registered during 2019, representing a 20.0 per cent increase when compared to the 140 exempt distributions that were registered in 2018. The value of the transactions was 16.5 per cent more than the amount recorded in 2018 (see Chart 44).

The private debt market was mainly comprised of medium and long-term notes which accounted for 89.4% of the total instruments (both USD and J\$) registered with the FSC in 2019. The majority of J\$ issues have medium term maturities with 72.52 per cent maturing within 1-5 years, while 16.79 per cent have maturities over five (5) years and 10.69 per cent have maturities in less than a year. The USD side was quite similar with 70.0 per cent maturing within 1-5 years, 20.0 per cent with maturities over five (5) years and 10.0 per cent maturing in less than a year.

CHART 44: EXEMPT DISTRIBUTIONS REGISTERED: 2015 - 2019	2015	2016	2017	2018	2019
<i>Number of Exempt Distributions</i>	85	86	123	140	168
<i>Value (\$ Billions)</i>	120.1	177.6	199.7	262.6	306.0

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Supervisory Risk Assessment and Risk Based Supervision Pilot exercise Outcome

As the FSC continues to enhance the regulatory and supervisory framework for its licensees within the Securities sector, a new risk assessment tool has been 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 the 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.

Six (6) 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 the 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 protection that was 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 the entity's risk management framework, compliance, internal audit, risk management and corporate governance practices (Board and Senior Management oversight); and
- (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 begin 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 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.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Similarly, an onsite pilot examination of a core securities dealer was undertaken during the year. The methodology used was in line with the format used for the risk assessments however the exercise was more intrusive and included onsite engagements with key personnel within the entity. The exercise served to test the methodology, allow practicable application of the tools developed and guidance to the pilot institution around issues that were observed.

The Way Forward

The risk assessments conducted focused on multiple activities for each entity however not all activities and processes were reviewed. This allowed for a clear understanding of the methodology of the RBS framework rather than providing a complete risk profile for the entities. It also allowed for the identification of weaknesses and knowledge gaps in 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 the entities and ascertaining the levels of controls and oversight in place to arrive at an overall net risk 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.

In the same vein, the onsite pilot exercise provided a wealth of knowledge on the practical implementation of the new framework. There was active feedback from the pilot institution that also bolstered the effectiveness and credibility of the new framework. The intention is to roll out to other entities in order to build the capacity and experience of the FSC as we continue on the implementation timeline.

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 along with the continued implementation of the RBS framework. 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 is market deepening, growth and greater transparency. The risk based supervision framework will continue to be bolstered through institutional capacity and training.

The FY 2020 - 2021 will see the implementation of the following measures:

- An update to the exempt distribution framework including amended guidelines;
- Guidelines for the Digital assets framework to be developed
- Advancement of the Ministry of Finance and Public Service financial deepening agenda
- Continued prudential modernization through the updates of regulations and guidelines
- The enhanced monitoring of the liquidity positions of the securities dealers and the implementation of a liquidity benchmark

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 with the industry and stakeholders will form a part of the reform process.

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

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

VISION

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

MISSION

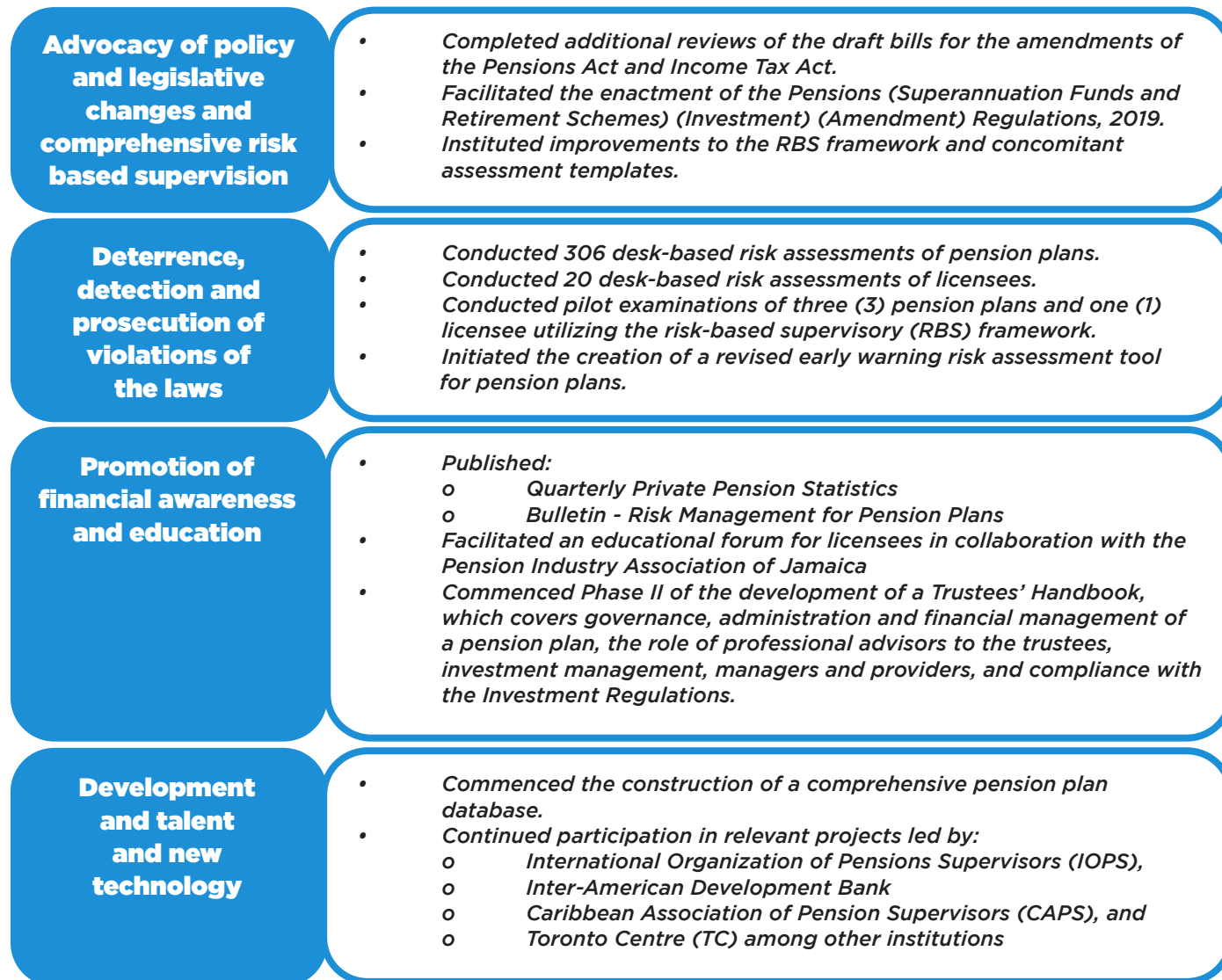
To enable a sustainable regulatory environment, supportive of the preservation of pension benefits aimed at improving pension adequacy, protection of members' rights, and increased coverage through the provision of information, guidance and oversight of all stakeholders.

The FSC, in its commitment to strengthen its relationship with pension industry stakeholders and encourage the expansion of the Jamaican pension landscape, pursued the following four (4) multi-year strategic objectives during this fiscal year:

- (i) Advocacy of policy and legislative changes and comprehensive risk based supervision;
- (ii) Promotion of financial awareness and education among all our stakeholders;
- (iii) Deterrence, detection and prosecution of violations of the laws; and
- (iv) Development of talent and new technology.

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

CHART 45: A SNAPSHOT OF THE DIVISION'S MAJOR ACHIEVEMENTS

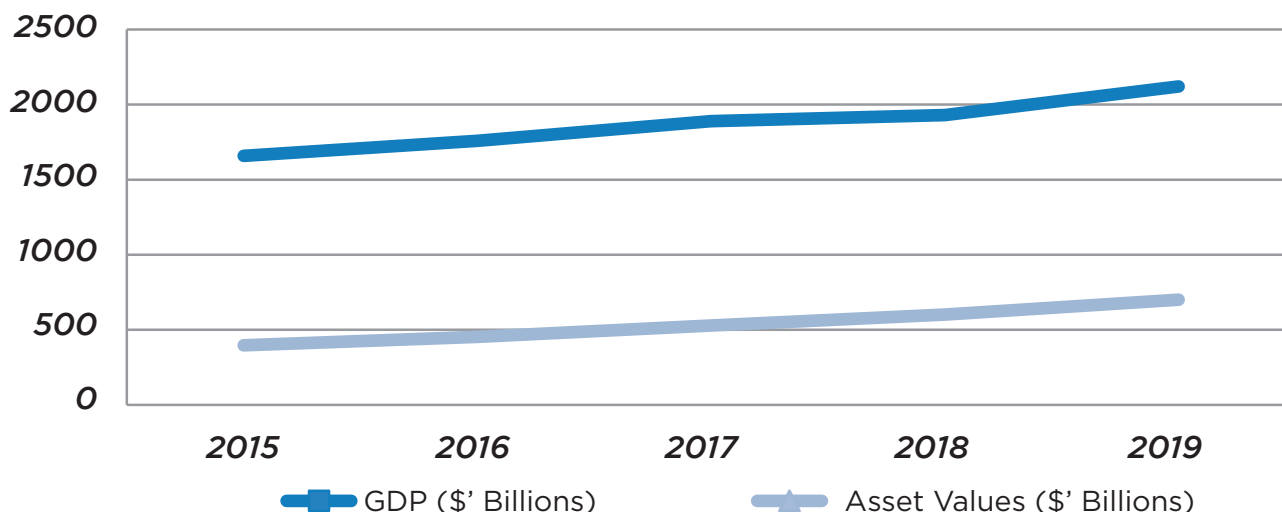


Overview of the Private Pensions Landscape

Over the last five years, the private pension industry's average growth was 4 per cent per quarter and 15.5 per cent per annum. Moreover, the accumulated assets of superannuation funds and retirement schemes combined over the past five calendar years were valued at, on average, 29 per cent of GDP (See Chart 46).

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

CHART 46: PENSION ASSETS VS GDP



As at December 31, 2019, the total private pension industry assets was approximately \$700.7 billion, and the combined asset value of active plans represented approximately 98.0 per cent of the total assets. Chart 47 provides additional details.

CHART 47: ACTIVE, TERMINATING AND INACTIVE PLANS AS AT DECEMBER 31, 2018 AND 2019

	ACTIVE		TERMINATING		INACTIVE		TOTAL	
	Dec-18	Dec-19	Dec-18	Dec-19	Dec-18	Dec-19	Dec-18	Dec-19
NUMBER OF PLANS								
Defined Benefit	97	92	93	98	4	4	194	194
Defined Contribution	292	287	308	315	13	13	613	615
Total	389	379	401	413	17	17	807	809
MEMBERSHIP								
Defined Benefit	20,681	20,487	78	232	894	1827	21,653	22,546
Defined Contribution	95,722	104,144	554	602	52	55	96,328	104,801
Total Membership	116,403	124,631	632	834	946	1882	117,981	127,347
ASSET VALUES (\$'M)								
Defined Benefit	369,930	419,349	3,082	4,052	224	260	373,236	423,661
Defined Contribution	223,722	271,223	4,813	5,776	64	69	228,599	277,068
Total Asset Values	593,651	690,572	7,895	9,828	288	329	601,834	700,729

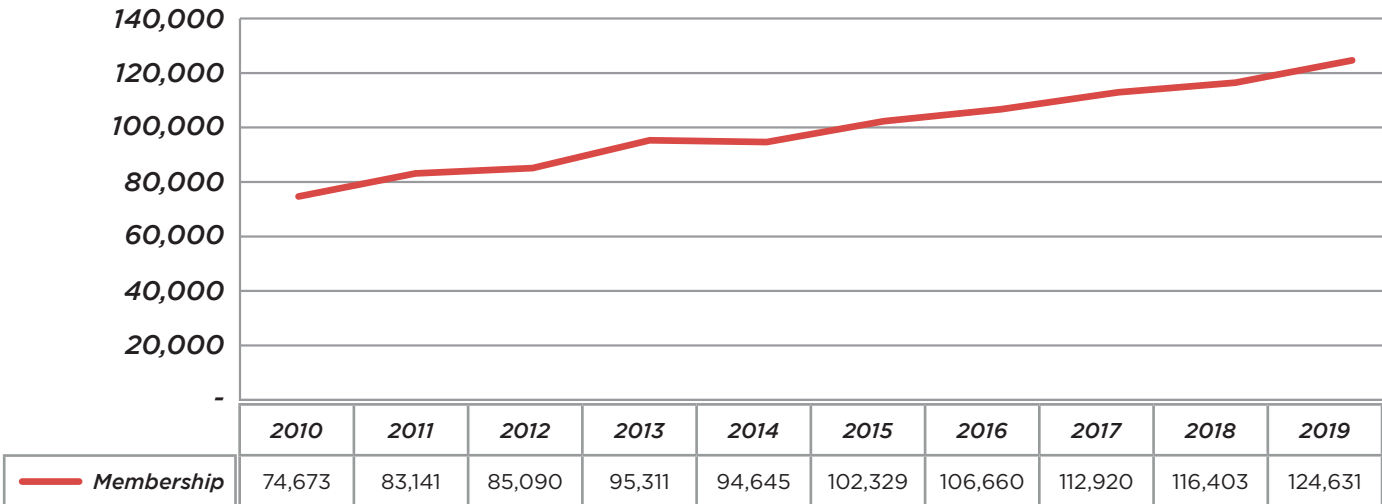
ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

The number of terminating plans increased from the 401 reported as at December 31, 2018, to 413, bringing the total asset value of terminating plans as at December 2019 to \$9.8 billion. The assets for inactive plans was \$329.0 million, and the 1,882 inactive plan members reported at the end of 2019 reflected a 98 per cent increase in total inactive membership since the 946 recorded in 2018.

There are 379 active plans as at December 31, 2020, which represents 47.0 per cent of the total number of private pension plans. While there was a reduction in the number of active plans during the calendar year, membership in active pension plans accounted for approximately 99.0 per cent of combined membership in all private pension plans. Notwithstanding the greater number of active defined contribution (DC) plans and the larger membership pool of these plans, defined benefit (DB) plans accounted for the majority of the private pension industry assets. The total asset value of active DB plans as at December 31, 2019, was \$419.3 billion.

Chart 48 illustrates the growth trend in the membership of the active plans over the last ten (10) years, while Chart 49 details the active plans by type as at December 31, 2019.

CHART 48: ACTIVE MEMBERSHIP FOR THE PERIOD DECEMBER 31, 2010 TO DECEMBER 31, 2019



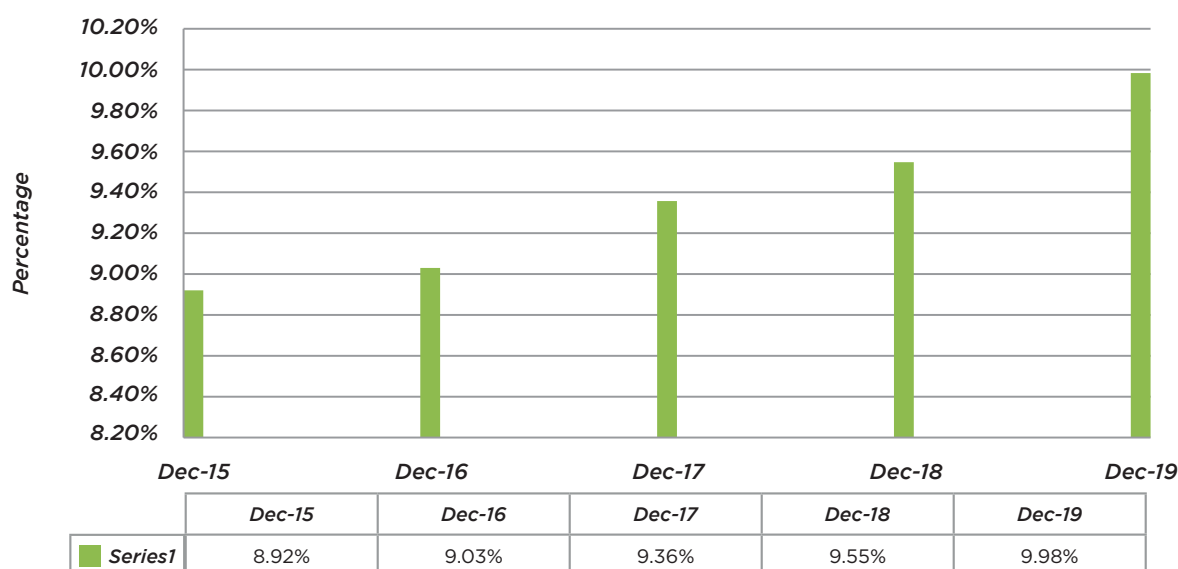
ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

CHART 49: ACTIVE PLANS BY TYPE AS AT DECEMBER 31, 2019

	<i>Number of Active Plans</i>	<i>Percentage of Plans</i>	<i>Number of Members</i>	<i>Percentage of Membership</i>	<i>Asset Value as at Dec 31, 2019 (\$' Millions)</i>	<i>Percentage of Asset Value</i>
Retirement Schemes	13	3.43%	59,760	47.95%	50,051	7.25%
Superannuation Funds	366	96.57%	64,871	52.05%	640,521	92.75%
TOTAL	379	100.00%	124,631	100.00%	690,572	100.00%

As at December 31, 2019, private pension coverage ²³ was 10.1 per cent of the employed labour force, an increase from the 9.7 per cent reported in December 2018 (See Chart 50). Pension coverage continues to be highest in the commerce/finance sector and lowest in the mining/bauxite sector.

CHART 50: MEMBERSHIP IN ACTIVE PRIVATE PENSION PLANS AS A PERCENTAGE OF THE EMPLOYED LABOUR FORCE ²⁴



Investments

As at December 31, 2019, pooled investment arrangements (which consist of a combination of Type I and II pooled funds and deposit administration contracts), direct holdings of stocks and shares and GOJ securities constituted the largest investments within the aggregate private pension portfolio with 37.5 per cent, 25.8 per cent and 20.5 per cent, respectively. Also, the aggregate investment portfolio recorded significant increases in commercial paper (by 65.5 per cent), promissory notes (by 58.1 per cent), and leases (by 48.2 per cent) (See Chart 51).

The gradual shift from investments in GOJ securities to investments in equity and pooled arrangements continued during the year. As at December 31, 2019, pooled investment arrangements stood at \$263.6 billion; a 17.6 per cent increase when compared to the period ended December 31, 2018. An increase in indirect investments of bonds and debentures and commercial paper represented the most significant asset change within pooled investment arrangements.

²³ This includes members from active, terminating and inactive pension plans.

²⁴ The Jamaican employed labour force as at October 31, 2019 was 1,248,400 according to the Planning Institute of Jamaica (pioj.gov.jm).

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

CHART 51: AGGREGATE INVESTMENT MIX

TYPES OF INVESTMENT	DEC-15		DEC-16		DEC-17		DEC-18		DEC-19	
	AMOUNT INVESTED (\$'M)	% OF TOTAL INVESTMENTS	AMOUNT INVESTED (\$'M)	% OF TOTAL INVESTMENTS	AMOUNT INVESTED (\$'M)	% OF TOTAL INVESTMENTS	AMOUNT INVESTED (\$'M)	% OF TOTAL INVESTMENTS	AMOUNT INVESTED (\$'M)	% OF TOTAL INVESTMENTS
Deposits	4,109.45	1.04%	2,684.74	0.59%	5,075.70	0.97%	5,044.74	0.84%	6,069.75	0.86%
Commercial Paper	211.05	0.05%	247.40	0.05%	339.4	0.06%	199.44	0.03%	330	0.05%
Securities of Governments	133,381.74	33.76%	137,807.50	30.48%	138,319.70	26.31%	144,329.70	23.96%	143,915.47	20.50%
Repurchase Agreements	25,374.34	6.42%	16,907.27	3.74%	16,729.70	3.18%	13,588.60	2.26%	19,445.09	2.77%
Bonds and Debentures	11,715.93	2.97%	17,554.63	3.88%	21,438.00	4.08%	33,391.29	5.54%	38,808.98	5.53%
Mortgage	190.65	0.05%	154.18	0.03%	149.1	0.03%	96.85	0.02%	32.63	0.00%
Other Loans	2,728.70	0.69%	3,602.85	0.80%	3,853.10	0.73%	3,813.79	0.63%	4,233.75	0.60%
Promissory Notes	3,339.74	0.85%	3,806.82	0.84%	3,788.20	0.72%	6,154.47	1.02%	9,732.96	1.39%
Leases	2,822.92	0.71%	2,835.68	0.63%	3,007.30	0.57%	3,496.76	0.58%	5,182.18	0.74%
Stocks and Shares	58,137.24	14.71%	76,898.31	17.01%	110,264.40	20.97%	139,872.55	23.22%	180,819.45	25.75%
Real Estate	21,392.65	5.41%	21,556.37	4.77%	21,103.40	4.01%	24,227.69	4.02%	25,672.87	3.66%
Investment Arrangements	130,085.13	32.92%	165,804.86	36.67%	199,563.60	37.96%	224,099.57	37.20%	263,609.80	37.54%
Derivatives	0	0.00%	0	0.00%	-	0.00%	-	0.00%	0	0.00%
Other Investments	1,637.51	0.41%	2,285.73	0.51%	2,124.90	0.40%	4,052.43	0.67%	4,314.22	0.61%
Total Investments	395,127.04	100.00%	452,146.33	100.00%	525,756.50	100.00%	602,367.88	100.00%	702,167.15	100.00%
Other Net Assets	1,820.04		948.54		2,545.10		-533.72		-1,436.87	
TOTAL ASSETS	396,947.08		453,094.87		528,301.80		601,834.10		700,730.28	

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

The number of licensed investment managers did not change during the year, and life insurance companies continued to account for more than 50.0 per cent of the market share in terms of assets under management, despite representing only 11.0 per cent of the total number of investment managers. As at December 31, 2019, the assets managed by three life insurance companies stood at \$362.9 billion, and the assets managed by the industry's fifteen securities dealers amounted to \$281.2 billion. Collectively, securities dealers and insurance companies managed funds of approximately 92.0 per cent of the total private pension industry assets. The sole credit union and seven other entities managed the remaining 8 per cent of private pension assets (See Chart 52).

CHART 52: TOTAL ASSETS UNDER MANAGEMENT OF INVESTMENT MANAGERS

<i>Investment Managers</i>	Number of Entities	Asset Values (\$'M)	Number of Entities	Asset Values (\$'M)	Number of Entities	Asset Values (\$'M)	Number of Entities	Asset Values (\$'M)	Number of Entities	Asset Values (\$'M)
	<i>2015</i>		<i>2016</i>		<i>2017</i>		<i>2018</i>		<i>2019</i>	
<i>Insurance Companies</i>	3	207,653	3	239,728	3	283,072	3	315,818	3	362,851
<i>Securities Dealers</i>	16	155,185	16	178,497	16	206,920	15	238,874	15	281,160
<i>Credit Unions</i>	2	304	2	365	1	434	1	483	1	543
<i>Other</i>	5	33,805	5	34,505	7	37,893	7	46,659	7	56,176
TOTAL	26	396,947	26	453,095	27	528,319	26	601,834	26	700,730

SUPERVISORY RISK ASSESSMENT OUTCOME

Responding to Risk

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

Three hundred and six (306) risk assessments of pension plans were completed during the FY2019-2020. Of this amount, eight (8) superannuation funds were assessed as having high levels of risk, a reduction from the twelve (12) reported as at the end of FY2018-2019. Issues relating to solvency and funding continued to be the main contributing factors informing the high risk profile of these plans (See Chart 53).

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

CHART 53: RESULTS OF RISK ASSESSMENT OF PENSION PLANS

EARLY WARNING RISK ASSESSMENT	PLAN TYPE	PLAN IMPACT	RISK LEVEL		
			Low	Moderate	High
<i>Superannuation Funds</i>	DC	<i>Low</i>	64	1	2
		<i>Moderate</i>	55	0	2
		<i>High</i>	84	2	1
	Traditional DB ²⁵	<i>Low</i>	2	0	1
		<i>Moderate</i>	4	0	0
		<i>High</i>	60	0	2
	Hybrid DB ²⁶				
		<i>High</i>	8	0	0
	Mixed DB ²⁷				
		<i>High</i>	4	0	0
<i>Retirement Schemes</i>		<i>Low</i>	1	0	0
			13	0	0
		<i>Total</i>	295	3	8

Twenty (20) assessments of corporate entities were completed during the fiscal year, and the reviews revealed that one licensee was considered to have high levels of risk. Chart 54 displays the results from the risk assessments done on corporate services providers.

CHART 54: RESULTS OF RISK ASSESSMENT OF CORPORATE SERVICE PROVIDERS

		RISK LEVEL		
	PLAN IMPACT	Low	Moderate	High
<i>Administrators</i>	<i>Low</i>	2	5	0
	<i>Moderate</i>	1	1	0
	<i>High</i>	1	6	0
<i>Investment Managers</i>	<i>Low</i>	0	3	1
	<i>Moderate</i>	1	5	0
	<i>High</i>	0	6	0
<i>Corporate Trustees</i>	<i>Low</i>	0	0	0
	<i>Moderate</i>	0	0	0
	<i>High</i>	0	0	0
	<i>Total</i>	5	26	1

²⁵ This is a DB plan where benefits are linked through a formula to the members' wages or salaries, length of employment, or other factors.

²⁶ 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.

²⁷ This is a DB plan that has two separate DB and DC components but which are treated as part of the same plan.

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

As at December 31, 2019, three hundred and sixty-eight (368) plans or 97.0 per cent of the total active plans submitted solvency data. An analysis of the data provided revealed that there was a 1.0 per cent increase in the number of solvent DC plans over the previous year, while the solvency of DB plans remained the same. As seen in Chart 55, 95.0 per cent of all active plans are solvent.

CHART 55: SOLVENCY LEVELS OF ACTIVE PLANS AS AT DECEMBER 31, 2019

SOLVENCY LEVELS OF ACTIVE PLANS AS AT DECEMBER 31, 2019						
	# of plans	Solvency Level				% of plans which are solvent
		Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
<i>DB</i>	91	5	21	24	41	95%
<i>DC</i>	277	12	190	55	20	96%
TOTAL NUMBER	368	17	211	79	61	95%

(ii) On-Site Examinations

During the FY2019-2020, a total of three (3) pilot on-site examinations were initiated utilizing the RBS methodology being adopted by the FSC. As at March 31, 2020, two (2) of the three (3) examinations were completed and one (1) was on-going. Two (2) of the examinations focused on all significant activities of the entity, while the remaining examination focused on the administration process and the quality of the board of trustees' oversight.

(iii) Winding-up of Superannuation Funds

The FSC received twenty (20) new winding-up applications (inclusive of nine (9) partial winding-ups) during the FY2019-2020, six (6) more than the previous corresponding period. Approvals for winding-up of sixteen (16) plans, (representing a 23.08 per cent increase over that granted in the FY2018-2019) were granted by the FSC and, in respect of partial winding-ups, five (5) non-objections were issued, representing a 150.0 per cent increase from the previous period. Twenty-two (22) plans submitted proposed schemes of distribution of surplus assets.

(iv) Amendments

For the FY2019-2020, nineteen (19) applications were received regarding changes to be made to the Constitutive Documents of superannuation funds. Chart 56 illustrates the current status of amendments before the FSC for its consideration.

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

CHART 56: STATUS OF AMENDMENTS TO CONSTITUTIVE DOCUMENTS

	<i>Application as at March 31, 2019</i>	<i>New Applications</i>	<i>Approved in Current Year</i>	<i>Rejected/ Withdrawn in Current Year</i>	<i>Total</i>
	B/F				C/F
<i>Superannuation Funds</i>	22	19	16	6	19
<i>Retirement Schemes</i>	0	0	0	0	0
Total	22	19	16	6	19

(v) Statement of Investment Policies and Principles (SIPP)

Twenty (20) submissions were processed during the fiscal period. The trustees of all approved pension plans have been directed, via the investment managers, to revise the SIPPs for their plans to achieve compliance with the Investment Regulations as amended, for submission to the FSC in the FY2020-2021.

(vi) Authorizations

During the FY2019-2020, 97 applications were received, representing a 41.1 per cent decrease compared with the 165 submissions recorded in the previous year. Chart 57 shows the number of submissions received and approved by categories of registrants and licensees.

CHART 57: NUMBER & TYPE OF REGISTRANTS & LICENSEES

<i>Registrants & Licensees</i>	<i>Application as at March 31, 2019</i>	<i>New Applications</i>	<i>Approved in Current Year</i>	<i>Rejected/ Withdrawn in Current Year</i>	<i>Total</i>
<i>Superannuation Funds</i>	329	3	18	15	332
<i>Retirement Schemes</i>	13	0	0	0	13
<i>Trustees (Individuals)</i>	2,102	90	113	88	2,127
<i>Trustees (Corporate)</i>	3	0	0	0	3
<i>Responsible Officers</i>	37	3	1	2	36
<i>Administrators</i>	26	0	0	1	25
<i>Investment Managers</i>	26	1	1	1	26

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

Performance and Risk Outlook

The Planning Institute of Jamaica (PIOJ) reported real GDP growth for the calendar year 2019 of 0.9 per cent. This reflects Jamaica's seventh year of consecutive economic growth. The PIOJ attributed the positive out-turns to the Services (Hotels, Sales and Distribution and Finance) and Manufacturing industries. Continued growth in these sectors is favourable for the private pensions industry, as these industries make up the vast majority of active pension plans.

Jamaica continues to experience record low unemployment rates. According to the Statistical Institute of Jamaica the unemployment rate as at the last quarter of the fiscal year was 7.2 per cent, a 0.6% decline relative to the previous quarter and a 1.5 per cent decline year-on-year. This has been due to increased job creation, buoyed by the introduction and rise of the Business Process Outsourcing (BPO) sector. This sector consists mainly of young individuals who would greatly benefit from participating in arrangements that foster long term social security. Therefore, opportunities exist for pension service providers to offer pension products to the BPO sector.

During the December 2019 quarter, annual inflation accelerated above the Bank of Jamaica's target range of 4 - 6 per cent band, due to increased inflation of agricultural food prices. Nevertheless, market interest rates continued to remain low. Many plans have gradually improved their returns by taking advantage of the investment opportunities offered by the local stock market which has been bolstered by several oversubscribed initial public offerings. Over the past year, the Jamaica Stock Exchange main index recorded an annual growth of 34 per cent, despite a 2 per cent decline suffered in the last quarter of 2019.

The recent gains experienced could however be diminished due to the pandemic (COVID-19) declared by the World Health Organization, which presents a downside risk to financial markets and businesses. It is anticipated that there may be an extreme impact on the

stock market and foreign currency which may translate into a loss of capital for many pension plans with lingering uncertainty within the industry. The long term negative impact may also result in a number of pension plans winding-up as some sponsoring employers may need to discontinue businesses while others seek to manage employment related expenses. Other potential risk concerns of the pension industry relate to:

- Liquidity – the winding-up of pension plans may involve the payout of benefits on an unscheduled basis which has implications for liquidity in the current investment environment.
- Solvency – for DB plans, where the employer assumes the responsibility for funding promised pension benefits, in times of uncertainty, actuarial assumptions may need to be adjusted, which can affect the results of actuarial valuations and a plan that is currently solvent could become insolvent after its asset/liabilities have been assessed by the appointed actuary.
- Benefit adequacy – for DC plans where the members are fully exposed to investment risks, pension values may be adversely affected and replacement ratios may decline. This is particularly problematic for persons who are nearing retirement and those exiting pension plans as they are potentially securing pensions or taking benefit refunds based on assets with suppressed market values. Where annuity contracts are secured in the present economic conditions, they would not benefit from any potential economic recovery.

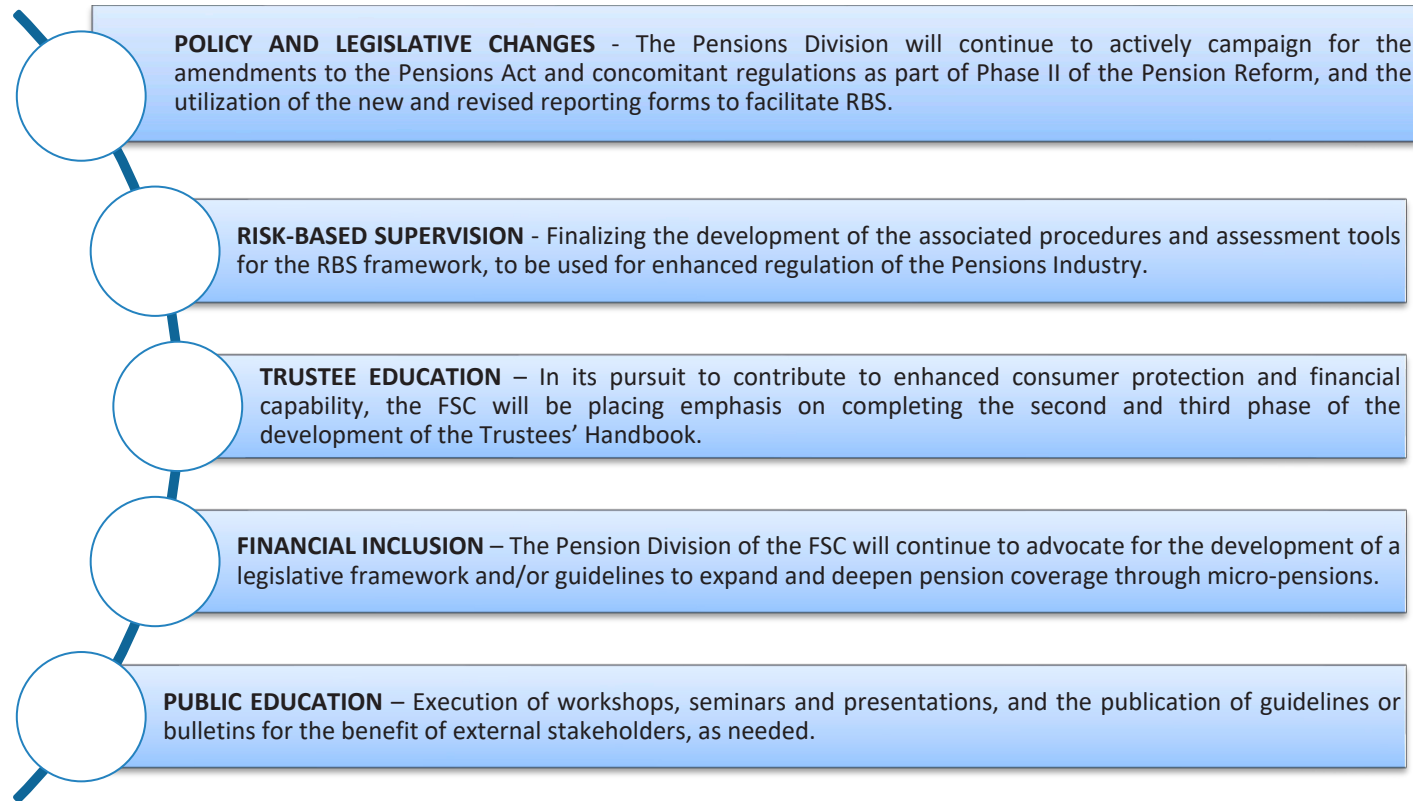
The FSC encourages investment managers and trustees to ensure that sufficient due diligence is practiced in the management of plan assets. Prudent practices, enhanced governance and proper risk management are especially critical at this time where pension benefits, primarily for those approaching retirement, are threatened by this global crisis.

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

Planned Programme of Work

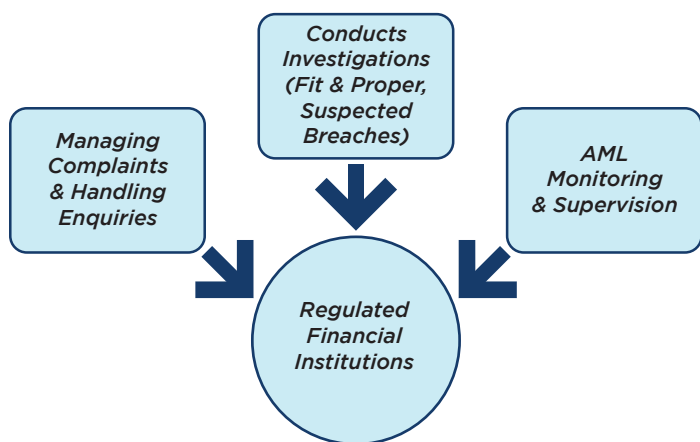
To facilitate and sustain a dynamic environment supportive of growth in the pensions industry, the FSC will be focusing on the key areas as shown in Chart 58, during the next fiscal year:

CHART 58: KEY AREAS OF FOCUS FOR THE FY2020 - 2021



PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

The main mandate of the Investigations and Enforcement Division (I&E) is to protect the users of regulated financial services by ensuring that financial institutions conform to defined market conduct standards. I&E is also responsible for coordinating the supervisory and enforcement activities related to the prescribed anti-money laundering and countering financing of terrorism and proliferation (AML/CFT/CFP) framework. Chart 59 illustrates the primary activities of the I&E division.



Achievements of the Division

(i) Managing Complaints & Handling Enquiries

The I & E closed/resolved one hundred and thirty-one (131) complaints, twenty (20) fit & proper assessments, and three (3) suspected breaches, amounting to a total of one hundred and fifty-four (154) closures. There remains a balance of one hundred and twenty-four (124) files/matters that are unresolved, and carried forward into FY2020 - 2021. See Chart 60 and Chart 61

CHART 60: COMPLAINTS FOR FY2019 - 2020

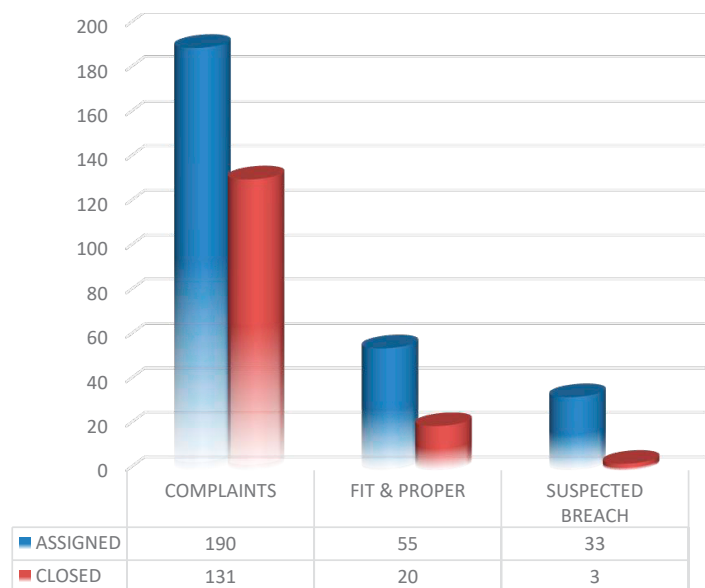
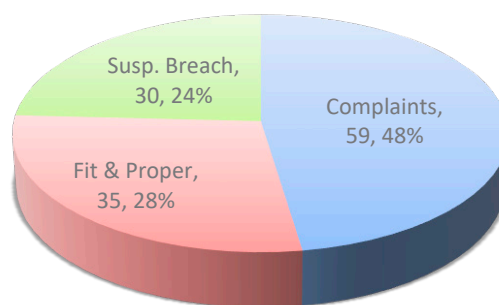


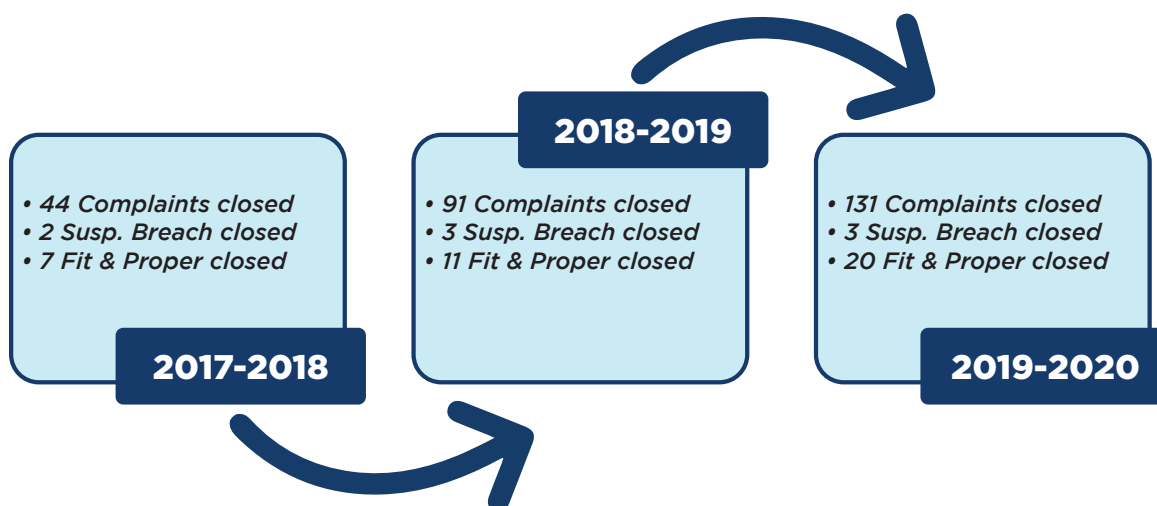
CHART 61: UNRESOLVED MATTERS CARRIED INTO 2020/2021



PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

Through the years, the Investigation Team has been making steady and significant improvements in its efficiency, responsiveness and output. See Chart 62. However, continued improvements are needed in order for the Team to meet and maintain its desired service standards. We are committed to that goal, and so we continue to strive.

CHART 62: THREE YEAR TREND OF CLOSURE OF COMPLAINTS AND INVESTIGATION



(ii) Enforcement Activity

Five (5) enforcement actions were undertaken in the FY2019-2020; three of which were initiated from the I&E's investigations, and two of which arose from supervision and monitoring activities. Chart 63 displays more details of these enforcement actions.

CHART 63: DETAILS OF ENFORCEMENT ACTIONS IN FY2019 - 2020

ENTITY/PERSON	TYPE OF BREACH IDENTIFIED	ENFORCEMENT ACTION INITIATED
Securities Dealer	<ul style="list-style-type: none"> Failed minimum capital requirements Material false statements to the FSC 	Notice of Intention to Cancel licence
Insurance Broker	<ul style="list-style-type: none"> Failed minimum capital requirements 	Cancellation of Registration
Insurance Broker	<ul style="list-style-type: none"> Placing insurance business with unregistered insurer 	Fixed Penalty
Insurance Sales Rep.	<ul style="list-style-type: none"> Failure to meet Fit & Proper standards 	Cancellation of Registration
Insurance Claims Agent	<ul style="list-style-type: none"> Failure to meet Fit & Proper standards 	Fixed Penalty

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

CHART 64: ENFORCEMENT ACTIVITY: 3 YEAR TREND



(iii) Backlog Reduction Project:

A Backlog Project spanned the nine-month period of July 2019 to March 2020, and targeted sixty-six (66) matters for focused attention and resolution by the project team. The project was completed within the stipulated period, having successfully achieved closure/completion for sixty-one (61) matters. The remaining five (5) matters were made current as requiring present-day monitoring and/or investigation.

(iv) Long Term/ Continuing Planning and Development:

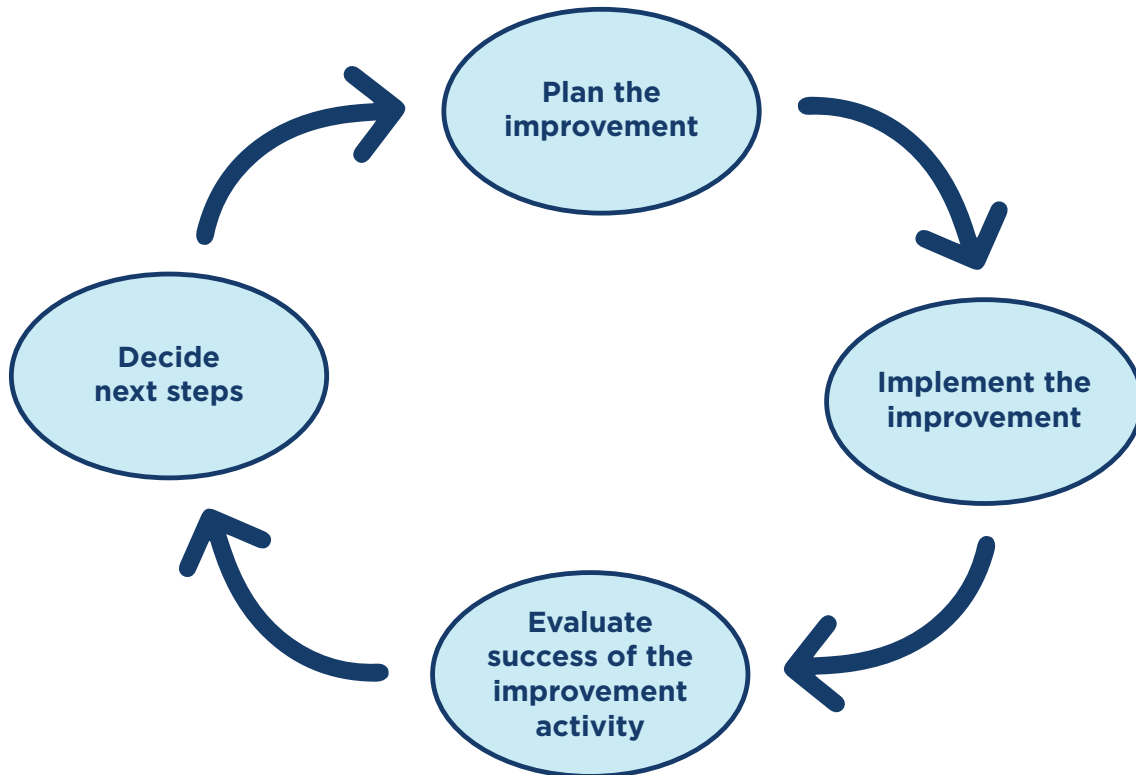
In FY2019-2020 the I&E conceptualized and developed operation manuals, policies and/or procedures to supplement and improve effectiveness and efficiency of the following four (4) frameworks:

- Complaints,
- Whistle-blower,
- Enforcement, and
- Fit & Proper Assessments.

Through a kaizen process of continual improvement, the team adjusted its approach to the conduct of Fit & Proper assessment and Complaints investigations. Those adjustments included the practice of a formalized plan/strategy for every investigation, adaptation of a more hands-on (pick-up-the-phone) approach to slow moving respondents, utilization of investigator sub-teams for technical support and peer-assessments, as well as updated reporting standards. The results so far have been clear improvements in (i) efficiency of conduct (ii) quality of work-product and (iii) quantity of work-output.

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

CHART 65: I&E'S KAIZEN PROCESS OF CONTINUAL IMPROVEMENT



We note that said frameworks proposed and the adjustments already made in our approach to investigations is not a one-and-done deal. Instead, once approved and implemented, the frameworks, along with our practices, must be tested in real-time by day-to-day use and application.

As such, in keeping with our culture of continual improvement, related adjustments and innovations will follow as needed over time. The goal here is to achieve seamless effective processes, for consistent quality and timely output, in pace with the needs of the regulated markets.

AML/CFT ²⁸ Supervisory Actions

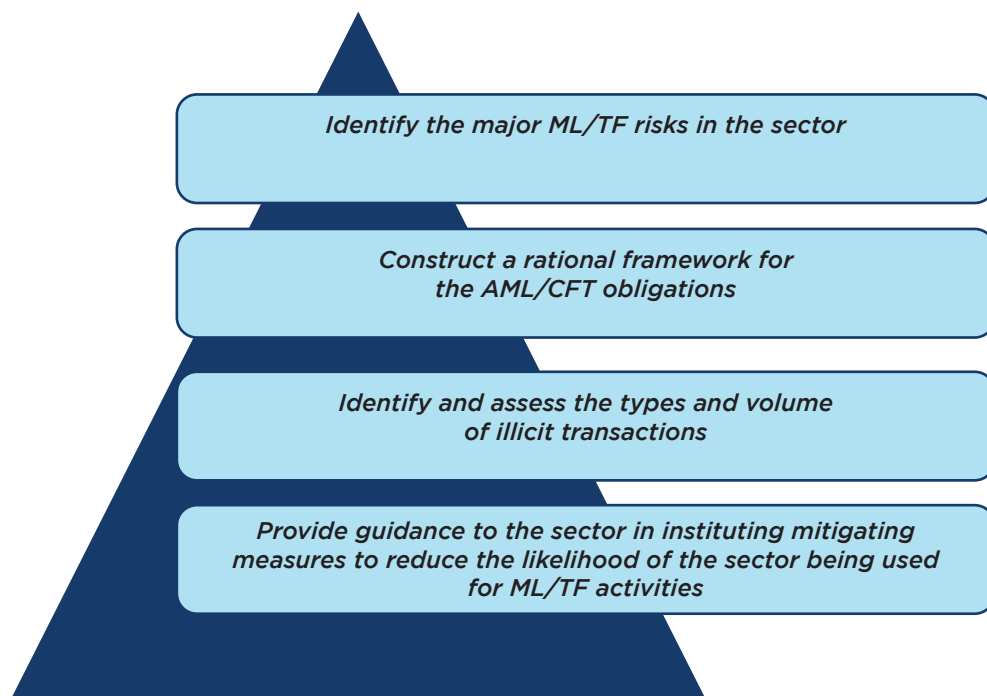
(a) Thematic Study Conducted on the General Insurance Sector

The AML Unit within the I&E conducted a thematic study titled “Identifying Risk Elements in the General Insurance Sector in Adapting to its Proposed Removal from the AML/CFT Legislative Framework”. The study was required based on the proposed removal of the sector from its existing obligations under the Proceeds of Crime Act (POCA), the Terrorism Prevention Act (TPA) and the United Nations Security Council Resolutions Implementation Act (UNSCRIA). Chart 66 displays the key objectives of the thematic study.

²⁸ Anti-Money Laundering/Counter-Financing of Terrorism

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

CHART 66: THEMATIC STUDY OBJECTIVES



The findings of the thematic study corresponded with findings of previous assessments indicating that the sector is indeed low risk for money laundering and terrorism financing, and should therefore be removed from the provisions of the AML/CFT/CFP regulatory framework. Notwithstanding these findings, recommendations were made for the retention of some AML/CFT preventative measures.

(b) Advisories on Legislative Amendments to AML/CFT/CFP Legislation Affecting Insurance Businesses

The FSC has issued two Advisories to insurance businesses as follows:

(i) Legislative Amendments Resulting in the Exclusion of General Insurance Businesses

There were amendments to POCA, TPA and UNSCRIA effective November 15, 2019 resulting in the exclusion of the following as obliged entities under the legislation:

- General insurance companies; and
- Insurance intermediaries that conduct general insurance business

Accordingly, an obliged entity under these laws with respect to businesses in the insurance industry is:

“a person who-

- I. carries on life insurance business within the meaning of the Insurance Act;

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

- or
- II. performs services as an insurance intermediary, in respect of life insurance business, within the meaning of the Insurance Act, but does not include an insurance consultant or an adjuster.”

(ii) Amendments to TPA to Include Insurance Intermediaries Engaged in Life Insurance Business

An amendment to section 2 of the TPA on November 15, 2019 has resulted in the inclusion of any person who performs services as an insurance intermediary, in respect of life insurance business as a financial institution under this legislation. This amendment requires insurance intermediaries who are engaged in life insurance business to conform to all CFT measures as prescribed in the TPA and its attendant regulations. Prior to this amendment, these persons were not obliged persons under the TPA.

(c) AML/CFT Risk Profiles of Regulated Entities

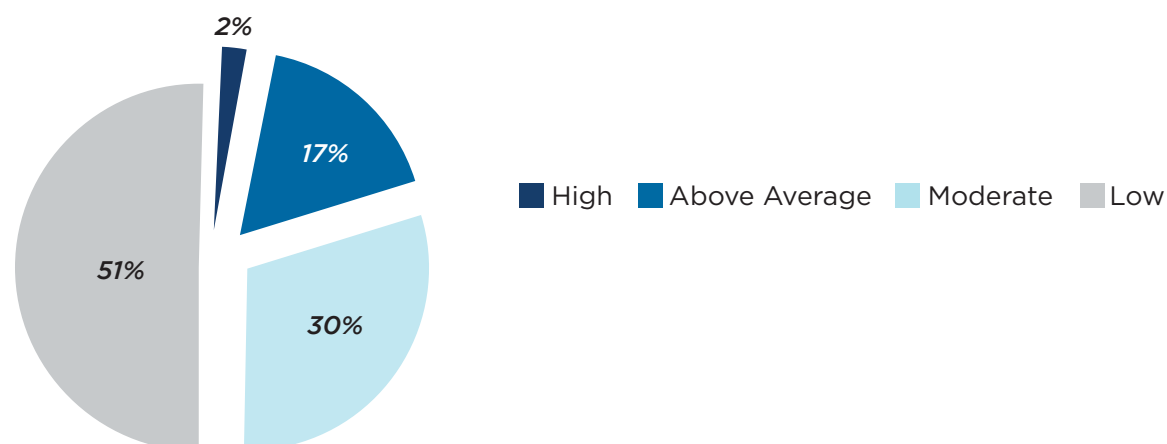
The AML Unit has developed risk profiles on those of its regulated entities which are subject to the AML/CFT/CFP legislative framework. This is in keeping with the FSC’s policy of adopting a risk based approach to its supervisory activities.

CHART 67: SUMMARY OF THE AML/CFT RISK LEVELS FOR REGULATED ENTITIES THAT WERE ASSESSED DURING FY2019-2020.

RISK LEVELS	SECTORS					
	Securities Dealers	Insurance Sector				TOTAL
		General Insurance	Life Insurance	Corporate Agents	Broker	
<i>High</i>	2	-	-	-	-	2
<i>Above Average</i>	8	-	-	-	7	15
<i>Moderate</i>	6	-	3	6	11	26
<i>Low</i>	22	11	3	5	4	45
TOTAL	38	11	6	11	22	88

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

CHART 68: PERCENTAGE OF FIRMS BY RISK LEVELS



(d) Onsite AML/CFT Risk Audit

The AML Unit completed one onsite AML/CFT risk audit during the current financial year, using its revised audit procedures. An audit tool has been developed in Excel that assigns a risk rating for each of the ten audit processes. The composite rating based on the audit findings is used to modify the initial risk profile of the audited entity.

(e) Revised AML/CFT/CFP Guidelines ²⁹

The FSC has revised its AML/CFT/CFP Guidelines to reflect recent amendments to relevant legislation and revisions to the Financial Action Taskforce (FATF) Forty Recommendations. These Guidelines were signed by the authorized ministers and published in the Gazette to ensure legal efficacy.

(f) Emerging Developments on the AML Horizon

The FSC has been designated the regulator for two new sectors that are expected to be brought under the AML/CFT regulatory framework in the new financial year.

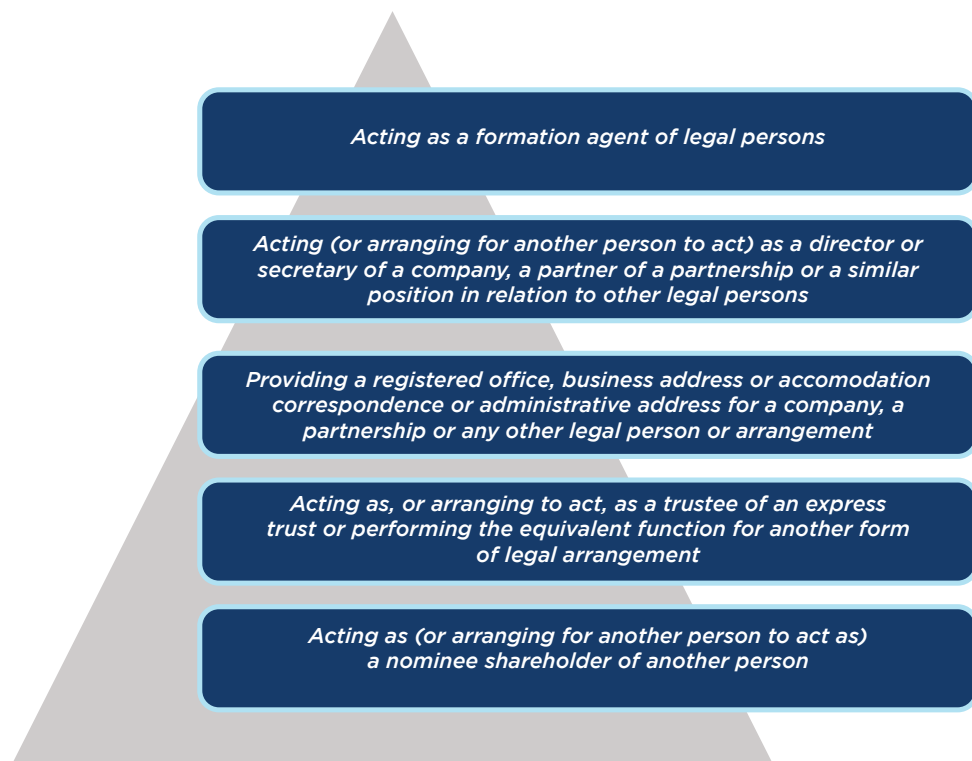
(i) Trusts & Corporate Service Providers (TCSPs)

The International Corporate and Trust Service Providers Act (ICTSPA) was passed in the Senate on January 20, 2017 but is not yet in effect. That Act only covers international service providers and therefore, domestic service providers are not regulated. In order to comply with FATF Recommendation 25 – Transparency and Beneficial Ownership of Legal Arrangements, the ICTSPA is being amended to include all trust and corporate service providers (TCSPs) – both domestic and international. TCSPs offering the following services (See Chart 69) will be brought under the AML/CFT regime as designated non-financial institutions.

²⁹ The revised Guidelines do not incorporate the November 2019 amendments to POCA, TPA and UNSCR1A

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

CHART 69: PROPOSED SERVICES FOR A TCSP



(ii) Virtual Asset Service Providers (VASPs)

In keeping with FATF Recommendation 15 (New Technologies), the FSC has developed a Policy Paper on virtual assets service providers (VASPs). FATF Recommendation 15 requires countries to regulate VASPs for AML/CFT purposes, in order to mitigate the risks emerging from virtual assets (VAs). This process requires the licensing or registration of VASPs, ensuring that they are subject to effective systems for monitoring and that they are compliant with the relevant measures outlined in the FATF Recommendations.

In this regard, the FSC's Policy Paper recommends a regulatory framework for VASPs by the promulgation of the requisite amendments to The Securities Act, The Financial Services Commission Act, POCA, TPA and the UNSCRIA. This Policy Paper addresses the issues for the normalization of VAs and the need for policymakers to implement an effective regulatory framework to protect prospective investors and to mitigate against money laundering and terrorism financing risks.

A VA is defined by FATF as a digital representation of value that can be digitally traded or transferred and can be used for payment or investment purposes. It does not include the digital representations of fiat currencies, securities and other covered financial assets.

FATF has defined a VASP as any natural or legal person which as a business conducts any of the following activities (See Chart 70) for or on behalf of another person.

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

CHART 70: PROPOSED SERVICES OF A VASP



EDUCATING & EMPOWERING THE POPULACE TO MAKE WISE DECISIONS & TO ENHANCE THEIR PROTECTION & FINANCIAL WELL BEING

The FSC's work in financial literacy is spearheaded by the Office of Communication & International Relations (OCIR) staff, in collaboration with technical staff, and other partners and stakeholders in the industry. The 2019-20 investor education programme was designed to continue addressing known gaps in the levels of financial knowledge among Jamaicans and to empower consumers of financial services to address the types of financial decisions, opportunities, and challenges that arise throughout one's life.

Each year, the aim is to help people to equip themselves to make informed financial choices in order to reach their own life goals and to help them recognize the impact of their decisions on their own financial well-being. For the FY2019-2020, we did this by focusing on:

- Sharing practical information and techniques for accessing financial services, primarily insurance, securities and private pensions.
- Investing in skills-building opportunities to support average, vulnerable and underserved Jamaicans as they navigate their finances through important life events, build individual wealth, and prepare for on-going and later life financial security.
- Preparing the next generation for financial success by guiding the development of money management habits and skills for youth.

To achieve these priorities, two (2) main strategies were employed. First, direct-to-consumer information was provided through sponsored events, presentations, advertising, multimedia productions and social media. The key messages focused on building FSC brand awareness as a regulator and sharing key insights to help consumers understand

the financial markets. Second, the strengthening of key relationships with influencers and key stakeholders, that help people navigate financial choices, was achieved. In this way, financial education and skill-building opportunities were brought to the public through places and people that are familiar to people as they are part of their local communities. These community channels include influencers such as teachers, police, nurses, churches and schools. Here are some of the events we undertook during the course of the financial year.

Face-to-Face Meetings

- Outside Broadcast and Town Hall Meeting in Mandeville on May 20 and May 21 at the Manchester Parish Library and Cecil Charlton Hall respectively.
- Presentation during the Bank of Jamaica (BOJ) Financial Inclusion Fair in Papine, St. Andrew on Oct 31 and in the Half-Way Tree Transport Centre on December 9.
- The FSC participated as a speaker at the Ministry of Finance and Public Service's Financial Literacy Forum for staff on Nov 28.

Financial Literacy for Women and other vulnerable groups

We apply these strategies to serve both the general adult population and the needs of specific populations. These specific populations include women and in particular young/teen mothers, students and other young adults, those with disabilities, persons who are economically vulnerable. Both women and men need to be sufficiently financially literate to effectively participate in economic activities and to take appropriate financial decisions for themselves and their families, but globally women often have less

EDUCATING & EMPOWERING THE POPULACE TO MAKE WISE DECISIONS & TO ENHANCE THEIR PROTECTION & FINANCIAL WELL BEING

financial knowledge and are less likely to access formal financial products than men.

To address this, the FSC has established a partnership with entities such as the Bureau of Gender Affairs which led to the following interventions:

- Financial Literacy Workshop in St Catherine on June 25;
- Financial Literacy Workshop in St Mary on Oct 29; and
- The Women's Centre Financial Literacy Seminar on November 21.

The FSC has had a longstanding partnership with the Jamaica Stock Exchange and took the opportunity to continue this mutual collaboration into the FY2019-2020 financial year.

These collaborations led to:

- National Investor Education Week held October 5-11, 2019 under the theme "Improving Your Financial Knowledge" and was aimed at empowering both existing and new investors by boosting their confidence in the stock market.
- Saturday, October 5: Thanksgiving Church Service held at North Street SDA, Kingston
- Tuesday, October 8: Open House Investor Expo held at the JSE Offices, 40 Harbour Street
- Wednesday, October 9 - Youth Forum held at the Jamaica Conference Centre
- The FSC also presented on the topic "Regulating for Protection, Transparency & Efficiency" and the overall event reached at least 1,000 Jamaicans who visited the different

venues and an extended reach to several hundred thousand who listened in to live interviews on major TV and radio stations.

- The FSC also sponsored the 2nd staging of "Market meets Market by the Sea" hosted by the JSE at the Waterfront, downtown Kingston, on February 20, 2020. This event attracted hundreds of patrons in person and reached thousands more by radio broadcast.

In its community-based approach, the FSC brings financial literacy principles into consumers' lives through people who are termed "influencers." Influencers are those who others look up to and turn to in the various local communities. The primary initiative for bolstering financial knowledge levels among Influencer groups such as the Jamaica Constabulary Force, the Jamaica Teachers Association (JTA), The Jamaica Employers Association (JEF) and the Jamaica's Nurses Association is establishing the FSC's presence through exhibitions and presentations at national conferences targeting these groups. For the financial year, we had a presence at:

- JTA Education Conference (April 16-18)
- JEF Annual Convention (May 11-14)
- Nurses Association Conference (October 10-12)

Advertising, Print and Electronic Media Initiatives:

- Financial Fair - St Thomas partnering with LOVE 101 (July 26)
- Suicide Prevention workshop (Port Antonio High) partnering with RJR
- RJR Cross Country Road Show
- Kool 94FM Cross Country Tour

EDUCATING & EMPOWERING THE POPULACE TO MAKE WISE DECISIONS & TO ENHANCE THEIR PROTECTION & FINANCIAL WELL BEING

- FSC Infomercials
 - FSC Minute programme – 10 episodes produced and aired.
 - Magazine and newspaper features in the Jamaica Gleaner, Jamaica Observer, JSE publications, monthly advertising and targeted features in the Jamaica Business Magazine and quarterly advertising in ‘Nex Generation’ magazine.
 - Invested e-Magazine – 6 issues published and distributed to subscribers in Jamaica and across the globe.
16. Muschette High School
 17. Nain Technical High School
 18. St. Jago High School
 19. Sydney Pagon STEM Academy
 20. Titchfield High School
 21. Tivoli High School
 22. William Knibb Memorial High
 23. York Castle High

Schools Financial Education Programme (SFEP)

The SFEP is a youth-focused, activity-based programme developed in partnership with Junior Achievement Jamaica. SFEP was implemented between November 2019 and March 2020 and was designed to teach children and young adults how to take charge of their own financial future and make smart plans based on wise financial choices. This year, 21 schools participated and over 630 students benefited from the Programme. The participating schools were:

1. Ascot High School
2. Black River High School
3. Calabar High School
4. Convent of Mercy Academy ‘Alpha’
5. Cornwall College
6. DeCarteret College
7. Denbigh High School
8. Dunoon Technical High School
9. Glenmuir High school
10. Horace Clarke High School
11. Knockalva Technical High School
12. Lennon High School
13. Mannings High School
14. Maud McLeod High School
15. Merlene Ottey High School

Approximately six thousand students have been direct beneficiaries over the past ten years. The SFEP curriculum delivered by the teachers at the participating schools helped to develop students’ Money Management Skills, introduce concepts in Personal Finance, and promote responsible Credit Management.

Students participating in the programme usually benefit from one-day comprehensive educational tours of three important financial institutions: The Bank of Jamaica’s Money Museum; the Jamaica Stock Exchange, and the office of the FSC. Regrettably, the visits had to be cancelled in light of concerns arising from risks associated with the COVID-19 pandemic. The Awards Luncheon was also cancelled. However, students were able to participate in the customary essay and video competitions and also a new Jingle Competition. Plans are being put in place for the competition winners to be awarded in conjunction with announcements in a virtual closing ceremony.

Social Media and Thought Leadership

Social media presents a tremendous opportunity to reach a whole new generation in ways that make the most sense to them. The FSC recognizes the power of social media to reach Millennials and Generation Z segments in our society alongside our other target audience, by providing financial education that will benefit them throughout their lives. Millennials and Generation Z are increasingly

EDUCATING & EMPOWERING THE POPULACE TO MAKE WISE DECISIONS & TO ENHANCE THEIR PROTECTION & FINANCIAL WELL BEING

able to use a multitude of social media platforms which expose them to increasingly sophisticated financial products. Now more than ever, there is a need for impartial guidance for consumers and the FSC continues to build our relationship with online communities of persons who want to learn about personal finance and take full advantage of resources designed to improve their financial understanding and well-being. The FSC has been actively pursuing a growth strategy to build out

its online presence as an authority on matters concerning financial education and the non-deposit taking financial services sector. This strategy will become more aggressive particularly in the post-COVID19 era. As a result of these trends, the future of financial literacy in Jamaica is looking decidedly brighter. The FSC is on Instagram, Facebook, Youtube and LinkedIn and will be launching its Twitter account in 2020.



Executive Director, Mr. Everton McFarlane shares a light moment while speaking with the children and teachers in attendance at the 2019 SFEP Awards Ceremony at the Pegasus Hotel.

INTERNATIONAL PARTNERSHIPS

CAIR Conference 2019

The Caribbean Association of Insurance Regulators (CAIR) 2019 Annual Conference and Workshop took place June 19-21, in Georgetown, Guyana. CAIR's annual conference and workshop is considered the premier event for insurance regulators within the Caribbean region and is a much anticipated event, owing to the level of discussions and information to be garnered from the Conference and Workshop. CAIR was established in early 1994 and since 2008, the annual event has been consistently held in various territories in the region.

The Conference and Workshop was organised by CAIR in collaboration with the Caribbean Regional Technical Assistance Centre (CARTAC), Barbados and the Central Bank of Guyana. The event brought together approximately 70 participants from 21 Caribbean countries under the theme *“The Impact of IFRS, Technology, and Climate Risk on the Insurance Sector – Responding to Regulatory, Supervisory and Financial Stability Challenges”* and featured three sessions:

1. IFRS 17 – Overview and Implementation Issues (Regulatory Considerations);
2. Inclusive Insurance – Bridging the Protection Gap against Climate Risk in the Caribbean, and
3. Catastrophic Risk Exposure in the Caribbean and Financial Technology.

CAPS Conference 2019

The Caribbean Association of Pension Supervisors (CAPS) hosted its annual conference and Annual General Meeting in Georgetown, Guyana June 17-18, 2019. The Theme of the conference – *“Regulating and Supervising Risks in an emerging pensions Industry”*, – was very relevant to the region was well presented by regional and external experts who shared insightful and thought provoking information with the approximately 35 persons who attended the conference. Presentations were appreciated by the vibrant attendees who engaged the presenters in discussions throughout the conference.

IFIE Caribbean Pledge for IOSCO World Investor Week 2019

The FSC Jamaica joined other securities regulators across 6 continents to participate in World Investor Week (WIW), which is an initiative of the International Organization of Securities Commissions (IOSCO). WIW is a global campaign to raise awareness about the importance of investor education and protection, and to highlight the investor education and protection initiatives of securities regulators. For WIW 2019, the Caribbean Working Group of the International Forum on Financial Education (IFIE) – of which FSC Jamaica is a member – commemorated the occasion by launching the Caribbean Fintech Pledge from October 2-8, 2019. The pledge was part of an initiative by the working group to raise awareness of the features and risks of crypto-assets with a view to have consumers take personal responsibility to understand the risks before investing.

INTERNATIONAL PARTNERSHIPS

Toronto Centre



Representatives from the Toronto Centre share a photograph with members of the FSC's Pensions Division after a very informative training session in which they discussed Risk Based Supervision.

Risk-based supervision (RBS) involves the use of a forward looking view to assess the key risks faced by licensees and registrants, and the extent to which these entities understand and have put mechanisms in place to manage their risks. The risks will vary based on the business model and strategies chosen by the entity.

RBS will enable the FSC to be more efficient, in focusing its supervisory resources on entities whose risks may have the greatest impact on the financial sector, and the stakeholders that the FSC seeks to protect. The shift to RBS is also in keeping with the principles of the international standard setting bodies for financial supervisors of which the FSC maintains membership.

The first year of the project was completed as at June 2019. The main achievement was the initial development of the RBS framework, including

supervisory tools and templates. The focus for the second year of the project (during the FY2019 - 2020 financial year) was the practical application of the RBS methodology, by executing on-site pilot examinations using the RBS approach. Six entities across the three sectors (insurance, private pensions, securities) were selected for this first round of pilots. The focus for year 3 will be:

- executing the second round of pilot RBS on-site examinations
- organizational changes required to support RBS
- finalization of the RBS framework

Everton McFarlane
Executive Director

The background of the page is an aerial photograph of a city, likely New York City, showing a dense grid of streets and buildings. A semi-transparent blue overlay is applied to the top half of the image, with a darker blue diagonal band crossing from the top left towards the center. The word "APPENDICES" is centered in the lower half of the image.

APPENDICES

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS

INSURANCE:

Life Insurance Companies

There were seven (7) life insurance companies registered as at March 31, 2020:

1. Canopy Insurance Ltd.
2. CUNA Caribbean Insurance Jamaica Limited
3. JN Life Insurance Company Limited
4. Guardian Life Limited
5. Sagicor Life Jamaica Limited
6. NCB Insurance Company Limited
7. Scotia Jamaica Life Insurance Company Limited

General Insurance Companies

There were twelve (12) general insurance companies registered as at March 31, 2020:

1. Advantage General Insurance Company Limited
2. American Home Assurance Company
3. AIG Jamaica Insurance Company Limited
4. British Caribbean Insurance Company Limited
5. General Accident Insurance Jamaica Company Limited
6. GK General Insurance Company Limited
7. Guardian General Insurance Jamaica Limited
8. IronRock Insurance Company Limited
9. Key Insurance Company Limited
10. JN General Insurance Company Limited
11. Massy United Insurance Ltd.
12. The Insurance Company of West Indies Limited

Associations of Underwriters

There was one Association of Underwriters registered as at March 31, 2020:

- Lloyds

Insurance Brokers

There were twenty-four (24) insurance brokers registered as at March 31, 2020:

1. Allied Insurance Brokers Limited
2. Assurance Brokers of Jamaica Limited
3. Billy Craig Insurance Brokers Limited
4. Caribbean Assurance Brokers Limited
5. Covenant Insurance Brokers Limited
6. Desmond Mair Insurance Brokers Limited
7. Excel Insurance Brokers Limited
8. Exodus Insurance Brokers Limited

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS

9. Firm Insurance Brokers Limited
10. Fraser Fontaine & Kong Limited Insurance Brokers
11. Gallagher Insurance Brokers Jamaica Limited (formerly CGM Gallagher Insurance Brokers Jamaica Limited)
12. Genesis Insurance Brokers Limited
13. Jamaica Citadel Insurance Brokers Limited
14. JMMB Insurance Brokers Limited
15. Lawe Insurance Brokers Limited
16. Marathon Insurance Brokers Limited
17. MGI Insurance Brokers Limited (formerly Maritime General Insurance Brokers Limited)
18. National Property & General Insurance Brokers Limited
19. Orion Insurance Brokers Limited
20. Pinnacle Insurance Brokers Jamaica Limited
21. Sagicor Insurance Brokers Limited
22. Solid Life and General Insurance Brokers Limited
23. Spectrum Insurance Brokers Limited
24. Thwaites Finson Sharp Insurance Brokers Limited

Facultative Placement Brokers

There were eighteen (18) facultative placement brokers registered as at March 31, 2020:

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

Overseas Reinsurance Brokers

There was one (1) overseas reinsurance broker registered as at March 31, 2020:

1. Aeon UK Limited (formerly Aeon Limited)

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS

Local Reinsurance Brokers

There were two (2) local reinsurance brokers registered as at March 31, 2020:

1. Gallagher Insurance Brokers Jamaica Limited (formerly CGM Gallagher Insurance Brokers Jamaica Limited)
2. MGI (Insurance Brokers) Limited (formerly Maritime General Insurance Brokers Limited)

Insurance Agents

There were forty-two (42) insurance agents registered as at March 31, 2020:

1. Alice Elizabeth Cohen T/A Alice Cohen Assurance
2. Andrea Davene Walker T/A Andrea Walker Insurance Agent
3. Audrey Hyacinth Legister T/A Audrey Legister Insurance Agent
4. Axia Jamaica Insurance Agency Limited
5. Beverley Ann-Marie Campbell-Small T/A Beverley Campbell-Small Insurance Agent
6. Blossom Vivienne Anderson T/A Bliss Insurance Agent
7. Carol Elizabeth Grant T/A Carol Grant Insurance Agent
8. Chancellor Insurance Agency Limited
9. Crichton Insurance Agency Limited
10. Cynthia Delores Benjamin T/A Sapphire Insurance Agent
11. Destiny Insurance Agency Limited
12. Doran Ferguson T/A Apex Insurance Agents
13. Elaine Patricia Reid T/A Vern Insurance Agent
14. Eugena Gardener & Frederick George Gardener T/A Eugena Gardener Insurance Agency
15. Gensure Insurance Agents Limited
16. Gareth Siedu Hamm T/A Bulwark Insurance Agent
17. Georgia Marie Robotham T/A Sappleton Complete Assurance Agent
18. Gersham McLaughlin T/A Global Risk Management Insurance Agents
19. Gezel Nezlea Morgan T/A GNM Insurance Agent
20. Glenda Patricia Miller T/A Glenda Miller Insurance Agent
21. Gleneta Joan Kenyon T/A Kenyon Insurance Agency
22. Herman Gary Norton T/A Impact Insurance Agents
23. Jamaica Co-operatives Insurance Agency Ltd.
24. Josette Jorna Doure T/A Streamline Insurance Agent
25. Karen Dovorrie Edwards T/A Karen D. Edwards Insurance Agent
26. Laffaine Farquharson Reynolds T/A Laddaine Reynolds Insurance Agent
27. Linace Minerva Gordon-Coleman T/A Cover and Protect Insurance Agent
28. Michael McGowan T/A M. McGowan Sales Agent
29. Mutual Enterprises (Insurance) Agents Limited
30. Nationwide Insurance Agents and Consultants Limited
31. Norma Joan Walcott T/A Norma Walcott Insurance Agent
32. Paul Anthony Simpson, General Insurance Agent
33. Richard Harrison Wilson T/A Agency for Insurance Solutions
34. Riviera Insurance Agency Limited
35. Rosemarie Yvonne Wallace T/A Rose Wallace Insurance Agent

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS

36. Sagicor International Administrators Limited
37. Sheila Kerline Powell T/A Powell Insurance Agency
38. Stephen Anthony Dennis T/A Dennis Insurance Agent
39. Tashana Marie Binns T/A Tashana Binns Insurance Agent
40. Trudyann Deandra Burt T/A MIA & MYA Insurance Agent
41. William Alexander Nash T/A William Nash Insurance Agent
42. Yonique Shinelle Spaulding T/A Treyon's Insurance Agent

Insurance Managing General Agents

There were no insurance managing general agents registered as at March 31, 2020

Insurance Loss Adjusters

There were thirty-three (33) insurance loss adjusters registered as at March 31, 2020:

1. Advanced Insurance Adjusters Limited
2. Alert Motor Loss Adjusters & Valuators Limited
3. Anthony O'Neil Uter T/A Delta Loss Adjusters
4. Auto Assessors and Associates Limited
5. Auto Electrical Specialist Limited
6. AYS Valuators Limited
7. Casualty & Property Insurance Services Limited
8. Claim Centers of Jamaica Limited
9. Crawford Jamaica Limited
10. Courteville Loss Adjusters Limited (formerly Priority Loss Adjusters Limited)
11. Evan Evans T/A Evans Insurance Consultants Limited
12. General Motor Adjusters Limited
13. Innovative Consulting Services Limited
14. Jamaica Loss Adjusters Limited
15. Joan Elizabeth Williams T/A Virtual Insurance Services
16. Lloyd Williams T/A Lloyd's Motor Insurance Adjusters
17. Mathew John O'Donoghue T/A JMO Adjusters
18. McLarens Young International (Jamaica) Limited
19. Mendez Livingstone Incorporated Limited
20. Meridian Loss Adjusters Limited (formerly Caribbean Loss Adjusters Limited)
21. MSC McKay (Jamaica) Limited
22. National Loss Adjusters and Trailway Cruiser Limited
23. Orion Loss Adjusters Limited
24. Pan Caribbean Consultants Limited
25. Precision Adjusters Limited
26. Reliable Loss Adjusters Limited
27. Sedgwick (Jamaica) Limited (formerly Axis [Jamaica] Limited)
28. Sheena Joy Lucinda Johnson T/A Shenjo Insurance Adjusters
29. Smiles Loss Adjusters Limited
30. Stellar Caribbean (Jamaica) Limited
31. Vancliff Lloyd Simpson T/A KVG Loss Adjusters

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS

32. Vincent Lloyd McLaughlin T/A Larmax Loss Adjusters
33. Virsag Limited

Insurance Consultants

There were four (4) insurance consultants registered as at March 31, 2020:

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

Claims Negotiators

There were four (4) claims negotiators registered as at March 31, 2020:

1. Egerton Orlando Stewart T/A Stewart Recovery Action and Solution
2. Fidelity Insurance Claims Consultants Limited
3. Natalie Kerr T/A Direct Claims Services
4. Sophia Lorrains Smith T/A Emerald Consulting & Recovery Services

Insurance Investigators

There were twenty-two (22) insurance investigators registered as at March 31, 2020:

1. AB Investigation Services Limited T/A AB Investigation
2. BINOC Visions Investigations Limited
3. Brenda Maureen McKenzie-Singleton T/A Perceprive Investigation Services
4. Delona Dacosta Davis T/A Eyes Investigative Solution
5. Delroy Anthony Lawson T/A DL Express Investigation & Process Service
6. Detect Investigations Company Limited
7. Charles Oliver Rodriguez T/A Charles Rodriguez Investigations
8. Clive Ashton Jones T/A Searchlight Investigators
9. Errol Orlando Rattray T/A Quality Adjusters
10. Espion Investigations Company Limited
11. Focus Investigations Limited
12. Harcon Business and Investigations Services Limited
13. Ian Blackwood T/A ACTAR Investigations
14. Impact Investigations Services Limited
15. Joseph Clement Messam T/A PROCUR (Professional Procurers)
16. Kevin Aundrae Virgo T/A Quality Investigations
17. Latoure DeAvergne Duhaney T/A Genesis Protective Services
18. Priority Investigations Limited
19. Roger Richard Robinson T/A Premier Loss Adjusting and Investigations
20. Vinel Central Investigation & Security Consultancy Limited
21. Wayne Michael Wallace T/A Trivalent Consulting Services
22. Yvonne Joy Thompson-Cox T/A Progressive Insurance Services

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS

SECURITIES SECTOR:

Dealers (Companies)

There were forty (40) licensed securities dealers (Companies) as at March 31, 2020:

1. Alliance Investment Management Limited
2. Barita Investments Limited
3. BPM Financial Limited
4. Barita Unit Trusts Management Company Limited
5. Capital Solutions Limited
6. COK Sodality Co-operative Credit Union Limited
7. Credit Union Fund Management Company Limited
8. Community & Workers of Jamaica Co-operative Credit Union Limited (formerly C&WJ Employees Co-operative Credit Union Limited)
9. FHC Investments Limited (formerly CCU Investments Limited)
10. FirstCaribbean International Securities Limited
11. GK Capital Management Limited
12. Guardian Life Limited
13. Heritage Education Funds International (Jamaica) Limited
14. Ideal Finance Corporation Limited
15. Ideal Portfolio Services Company Limited
16. Ideal Securities Brokers Limited
17. International Financial Planning Jamaica Limited (formerly Proven Fund Managers Limited)
18. Jamaica Money Market Brokers Limited
19. Jamaica National Building Society
20. JMMB Fund Managers Limited
21. JMMB Securities Limited
22. JN Fund Managers Limited
23. MF&G Asset Management Limited
24. M/VL Stockbrokers Limited
25. Mayberry Investments Limited
26. MoneyMasters Limited
27. NCB Capital Markets Limited
28. NCB Insurance Company Limited
29. Proven Management Limited
30. Proven Wealth Limited
31. Sagicor Investments Jamaica Limited
32. Sagicor Securities Jamaica Limited
33. Sagicor Life Jamaica Limited
34. Scotia Investments Jamaica Limited
35. Sterling Asset Management Limited
36. Stocks and Securities Limited
37. Sygnus Capital Limited
38. Victoria Mutual Pensions Management Limited (formerly Prime Asset Management Limited)
39. Victoria Mutual Wealth Management Limited

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS

40. West Indies Trust Company Limited

Dealers (Individuals) ^[2]

There were three (3) individuals licensed as securities dealers as at March 31, 2020:

1. Berry, Christopher *
2. Berry, Konrod *
3. Issa, Christopher

Investment Advisers

There were four (4) licensed investment advisers as at March 31, 2020:

1. Hyacinth Lightbourne
2. Wayne Wray
3. Williams & Associates Investments Limited
4. Thelwell Investments Limited

Collective Investment Schemes

(a) Mutual Funds

There were eleven (11) registered mutual funds as at March 31, 2020:

1. CI Corporate Class - Balanced Funds
2. CI Corporate Class - Diversified Equity Funds
3. CI Corporate Class - Fixed Income Funds
4. CI Corporate Class - Focused Equity Funds
5. JNFM Mutual Funds Limited
6. Scotia US Growth Mutual fund
7. Scotiabank Canadian Growth Fund
8. Scotia Caribbean Income Fund Inc.
9. Scotiabank Global Growth Fund
10. Scotiabank Money Market Fund
11. Scotiabank US Dollar Bond Fund

Unit Trusts

(b) Unit Trust Schemes

There were nineteen (19) registered unit trust schemes as at March 31, 2020:

1. Barita Multiple Portfolio Funds
2. Barita Unit Trusts Money Market Fund
3. Barita Unit Trusts Capital Growth Fund
4. CUFMC CUMax Fund

^[2] The asterisks indicate individual dealers who are associated with a company that is also licensed as dealer

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS

5. JMMB Life Goal Fund
6. Jamaica Investment Income & Growth Fund
7. Jamaica Investment Giltedge Fund
8. Jamaica Investment Optimum Capital Fund
9. MoneyMasters Multiple Portfolio Fund
10. NCB Capital Markets Limited Unit Trust Scheme
11. NCB Capital Markets Limited (Non-diversified) UTS
12. Proven Non-Diversified Fund
13. Proven Select Fund
14. Scotia Premium Fixed Income Fund
15. Scotia Premium Growth Fund
16. Sagicor Sigma Global Funds
17. Stocks & Securities Limited Unit Trust Scheme
18. The Scotia Investment Fund
19. Victoria Mutual Wealth Management Unit Trust

There were eleven (11) registered unit trust fund managers as at March 31, 2020:

1. Barita Unit Trusts Management Limited
2. Credit Union Fund Management Company Limited
3. JMMB Fund Managers Limited
4. MoneyMasters Limited
5. NCB Capital Markets Limited
6. International Financial Planning Jamaica Limited (formerly Proven Fund Managers Limited)
7. Proven Wealth Limited
8. Sagicor Investments Jamaica Limited
9. Scotia Investments Jamaica Limited
10. Stocks & Securities Limited
11. Victoria Mutual Wealth Management Limited

PRIVATE PENSION SECTOR:

Investment Managers

1. Sagicor Life Jamaica Limited
2. Scotia Investments Jamaica Limited
3. NCB Insurance Company Limited
4. VM Pensions Management Limited
5. PROVEN Fund Managers Limited
6. Guardian Life Limited
7. ATL Group Pension Fund Trustees Nominee Limited
8. Bank of Jamaica
9. First Caribbean International Bank
10. JMMB Fund Managers Limited
11. JN Fund Managers Limited

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUAL DEALERS

12. Credit Union Fund Management Company Limited
13. Veritat Nominee Limited
14. Development Bank of Jamaica Limited
15. BPM Financial Limited
16. Mayberry Investments Limited
17. MF & G Asset Management Limited
18. FHC Investment Limited
19. Barita Investments Limited
20. COK Co-operative Credit Union
21. Woolco Limited
22. Investment Nominee Limited
23. JN Bank
24. MoneyMasters Limited
25. Sagicor Securities Limited
26. Sterling Asset Management Limited

Administrators

1. Appliance Traders Limited
2. Bank of Jamaica
3. BNS Jamaica Limited
4. Barita Investments Limited
5. BPM Financial Limited
6. Credit Union Fund Management Company Limited
7. Development Bank of Jamaica Limited
8. Employee Benefits Administrator Limited
9. FHC Investment Limited
10. First Caribbean International Bank
11. Guardian Life Limited
12. IBM World Trade Corporation
13. Investment Nominees Limited
14. JMMB Fund Managers Limited
15. JN Fund Managers Limited
16. Mayberry Investments Limited
17. MF & G Asset Management Limited
18. NCB Insurance Company Limited
19. Nestle Jamaica Limited
20. PROVEN Fund Managers Limited
21. Saxons Pension Services Limited
22. Scotia Investments Jamaica Limited
23. Scotia Jamaica Life Insurance Company Limited
24. Veritat Nominee Limited
25. VM Pensions Management Limited
26. Woolco Limited

APPENDIX B: BULLETINS, GUIDELINES & 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, advisories and discussion papers. The following bulletins, guidelines, advisories and discussion papers were released during the FY2019-2020:

INSURANCE

IR-CONSUL-19/10-0019 - Draft Proposed Amendments to Capital and Bonding Requirements for Brokers and Corporate Agents - The aim of this paper is solicit feedback from the insurance industry on the proposed amendments to remove the seeming arbitrary allocation of capital and insurance cover that are currently prescribed in the Insurance Regulations and recommend a structure that aligns the capital requirements and the Errors and Omission insurance and the Fidelity Guarantee insurance coverage with their varying risk exposures and the nature and complexities of the insurance business of the intermediaries.

AR-ADVI-19/08-0009 - Updated Procedure for the Approval of New Insurance Policies and Insurance Policy Amendments under Section 90 of the Insurance Act 2001 - The purpose of this Bulletin is to outline the updated expedited procedure, the requirement for notice when fees or charges attendant to a policy are changed and set out the FSC's expectations regarding the information that must be contained in policy brochures.

IR-CONSUL-19/5-0019 - Proposed Changes to the Insurance Regulations, 2001, Part VII - Investments - The purpose of this consultation paper is solicit feedback on the proposed amendments to the Investment Regulations is to align the legislation with Insurance Core Principles ("ICPs") and best practice which require a mainly principles-based and risk-based management of investment portfolios in the insurance industry.

AR-ADVI-19/12-0010 - Requirements for the December 31, 2019 Valuation of Actuarial Reserves and other Policy Liabilities of Life Insurers - The purpose of this bulletin is to set out the FSC's expectations with respect to the valuation and the preparation of the Appointed Actuary's Report (AAR) produced as at December 31, 2019 or later. It sets out requirements regarding the analysis to be performed, the information to be presented, and the nature of the discussions to be included in the AAR.

SECURITIES

SR-CONSUL-19/07-0032 : Amendments to the Guideline for Issuers of Securities - The FSC invites comments on this consultation paper detailing proposed revision the Guidelines for Issuers of Securities (SR-GUID-08/05-0017) which provided a framework for transparency and disclosure for the public offering of securities.

SR-GUID-19/08-0001 Amendments to the Guideline for Exempt Distributions - The FSC invites comments on the proposal presented in this paper to enhance the current framework for persons who intend to issue securities in Jamaica by way of an exempt distribution.

SR-CONSUL-19/08-0033 - Market Conduct Guidelines for Securities Dealers - The paper solicits feedback on the proposals to strengthen the market conduct standards for the securities industry.

APPENDIX B: BULLETINS, GUIDELINES & DISCUSSION PAPERS

SR-CONSUL-19/10-0034 - Amendment to the Securities (Licensing and Registration) Regulations, 1996 (Jamaica Stock Exchange Fees) – Stakeholders were invited to provide comments on the proposals presented in this paper is to introduce a new set of fees for transactions on the Jamaica Stock Exchange. The objective of the proposed fee structure is to allow the highlighted transactions to be executed at lower transactions costs on the exchange and encourage trading in GOJ debt securities in keeping with the goal of financial deepening and transparency.

SR-ADVI-19/12-0010 - Advisory on the Requirements for the Digital Asset Framework – This advisory provides general guidance on the regulatory framework for the provision of a trading platform for digital assets and digital currencies. It outlines the regulatory requirements for issuers, securities dealers and market makers.

SR-ADVI-20/03-0011 - Amendment to the Pool of Allowable Assets for Retail Repurchase Agreements – the FSC advises of the amendment to Part 2.02 (b)(iii) of the Securities Industry Advisory: Amendment to the Pool of Allowable Assets for Retail Repurchase Agreements (SR-ADVI-17/12-0009-1), released in December 2017, to clarify the criteria for immobilized corporate bonds as it relates to the FSC’s definition of regulated financial institutions.

SR-CONSUL-2020/05-0034 - Amendment to the Pool of Allowable Assets for Retail Repurchase Agreements – The FSC invites comments on its proposal to revise section 2.07 of the Securities Industry Advisory for the New Retail Repurchase Agreement Regulatory and Operational Framework (SR-ADVI-15/07-0009).

SR-GUID-20/01-0026 - Market Conduct Guidelines for Securities Dealers – The aim of these Guidelines is to strengthen the FSC’s standards for market conduct and establish minimum standards expected from its licensees.

PENSIONS

PR-ADVI-19/5-0004 - Bulletin: 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-GUID-19/11-0044 - Risk Management for Pension Plans – These guidelines are intended to provide best practice suggestions to trustees of funds and schemes regarding the:

- a) Risk assessment cycle;
- b) Minimum requirements of an effective risk management framework.

PR-CONSUL-2020/5-0005 - Proposals For Fast-Tracking Aspects Of Phase II Of Pension Reform By Way Of Amendments To The Pensions Act And Concomitant Regulations – This consultation paper solicits feedback from stakeholders on the proposals for the fast-tracking of select enhancement of the legislative framework for superannuation funds (“funds”) and retirement schemes (“schemes”) which currently forms a part of the Phase II reform agenda. The proposals to accelerate some provisions are informed by the emerging COVID-19 crisis, which was declared a pandemic by the World Health Organization on March 11, 2020. The proposals, seek to accelerate provisions specifically regarding the following:

APPENDIX B: BULLETINS, GUIDELINES & DISCUSSION PAPERS

- contribution holidays;
- financial hardship - unlocking of accrued benefits;
- transition of a fund to a scheme;
- portability;
- inactive pension plans; and
- reporting requirements.

AML/CFT

IER-GUID-19/08-0001 - Guidelines on the Prevention of Money Laundering and Countering The Financing of Terrorism and Proliferation - these Guidelines provide direction to financial institutions that are regulated by the FSC with new 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 (COD) requirements. These guidelines also incorporate the provisions of the United Nations Security Council Resolutions Implementation Act which treats with counter financing of proliferation of weapons of mass destruction and targeted financial sanctions.

These revised guidelines replaces the Guidelines for Anti-Money Laundering and Counter-Financing of Terrorism issued on February 11, 2015.

GEN-ADVI-19/02-0001 - Advisory on Revised Guidelines on CDD/KYC Identification and Address Verification Requirements - This advisory serves to notify regulated entities 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.

IER-GUID-20/01-0002 - Advisory on Amendment to Definition of Financial Institution Under TPA - this paper advises that there has been an amendment to the Terrorism Prevention Act (“TPA”) effective November 15, 2019. Specifically, an amendment of Section 2 of this legislation has refined the definition of “financial institution”. This amendment provides a new requirement for insurance intermediaries who are engaged in life insurance business to conform to all counter-financing of terrorism measures as prescribed in the Terrorism Prevention Act and its attendant Regulations.

IER-GUID-20/01-0003 - Advisory on Amendments to Definition of Financial Institution Under POCA, TPA and UNSCRIA - The FSC advises that there have been amendments effective November 15, 2019 to the following legislation:

- Proceeds of Crime Act (POCA);
- Terrorism Prevention Act (TPA); and
- United Nations Security Council Resolutions Implementation Act (UNSCRIA).

Specifically, section 2 of these legislation have been amended to exclude the following as obliged entities under the legislation:

- general insurance companies and
- insurance intermediaries that carry out general insurance business.

APPENDIX C: FSC STATUTES & REGULATIONS

The statutory duties and responsibilities of the FSC and the regulatory provisions governing financial services in the areas of insurance, pensions and securities are stipulated in a number of laws. The statutes administered by the FSC are as follows:

- The Financial Services Commission Act (2001) amended 2004; 2013, 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);
- The International Corporate and Trust Services Providers Act³⁰
- The Tourism Workers' Pensions Act, 2019

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
- The United Nations Security Council Resolutions Implementation Act, 2013
- The United Nations Security Council Resolutions Implementation (Reporting Entities) Regulations, 2019

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 Services Commission
FINANCIAL STATEMENTS

MARCH 31, 2020



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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 98 to 136, which comprise the statement of financial position as at March 31, 2020, 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, 2020, 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 International Code of Ethics for Professional Accountants including International Independence Standards (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.



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 23, 2020

FINANCIAL SERVICES COMMISSIONStatement of Financial Position
March 31, 2020

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS			
Cash and cash equivalents	5	78,722,067	903,383
Securities purchased under resale agreements	6	664,460,823	476,156,120
Accounts receivable	7	145,364,999	142,724,566
Taxation recoverable	8	<u>1,417,925</u>	<u>1,417,873</u>
		<u>889,965,814</u>	<u>621,201,942</u>
CURRENT LIABILITIES			
Bank overdraft, unsecured	5	-	4,944,146
Accounts payable	9	202,177,191	170,022,263
Deferred fees	4(j)	439,703,092	405,231,628
Current portion of lease liabilities	13(b)	<u>5,410,949</u>	<u>-</u>
		<u>647,291,232</u>	<u>580,198,037</u>
NET CURRENT ASSETS		<u>242,674,582</u>	<u>41,003,905</u>
NON-CURRENT ASSETS			
Investments	10	1,350,593,067	1,311,780,641
Intangible assets	11	7,400,888	11,766,389
Property, plant and equipment	12	51,665,206	59,918,072
Right of use assets	13(a)	<u>99,525,106</u>	<u>-</u>
		<u>1,509,184,267</u>	<u>1,383,465,102</u>
		<u>\$1,751,858,849</u>	<u>1,424,469,007</u>
RESERVES			
	14	<u>1,650,128,907</u>	<u>1,424,469,007</u>
NON-CURRENT LIABILITY			
Lease liabilities	13(b)	<u>101,729,942</u>	<u>-</u>
		<u>\$1,751,858,849</u>	<u>1,424,469,007</u>

The financial statements on pages 98 to 136 were approved by the Board of Commissioners on July 23, 2020 and signed on its behalf by:

dmica Board Chairman
Jacqueline Stewart Lechler


Chairman of Audit Committee
Myrtle Haisal

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

FINANCIAL SERVICES COMMISSIONStatement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2020

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
INCOME			
Fees	4(j)	1,273,525,860	1,150,659,901
Interest income		27,507,304	22,698,417
Loss on disposal of property, plant and equipment		-	(307,904)
Foreign exchange gain		13,715,395	-
Other	15	<u>126,346</u>	<u>1,129,571</u>
		<u>1,314,874,905</u>	<u>1,174,179,985</u>
EXPENSES			
Advertising		700,098	1,490,692
Appeal tribunal		4,059,182	4,030,042
Audit		2,023,950	2,310,650
Bank charges		1,145,771	1,294,341
Building maintenance		12,015,904	14,697,088
Commissioners' fees		1,635,850	1,820,713
Data security		9,680,219	8,404,001
Depreciation and amortisation	11,12	23,245,988	23,026,570
Depreciation on right of use assets	13(a)	5,909,800	-
Foreign exchange loss		-	1,852,126
Irrecoverable General Consumption Tax		23,077,338	31,615,022
Impairment losses on investments	20(b)	513,261	662,505
Impairment losses on trade receivables, net of recoveries	7(a)	(3,150,747)	(1,995,129)
Interest on lease liabilities	13(c)	8,451,162	-
Motor vehicle and parking expenses		12,760,225	13,132,303
Office expenses		26,553,544	26,423,986
Printing and stationery		2,675,412	2,363,030
Professional fees		39,662,761	45,268,510
Public education		33,343,858	49,266,204
Rent		-	1,994,977
Staff costs	16	861,915,395	656,355,270
Subscriptions		26,115,248	29,628,291
Training and conferences		23,276,326	33,016,643
Utilities		<u>30,625,811</u>	<u>29,061,632</u>
		<u>1,146,236,356</u>	<u>975,719,467</u>
Appreciation in value of investments classified as fair value through profit or loss		<u>69,351,351</u>	<u>48,040,856</u>
Surplus for the year, being total comprehensive income for the year		<u>\$ 237,989,900</u>	<u>246,501,374</u>

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

FINANCIAL SERVICES COMMISSIONStatement of Changes in Reserves
Year ended March 31, 2020

	<u>General Fund</u> (Note 14)	<u>Capital</u> <u>Reserve</u> (Note 14)	<u>Total</u>
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
Surplus for the year, being total comprehensive income for the year	237,989,900	-	237,989,900
Financial distribution (note 24)	(12,330,000)	-	(12,330,000)
Balances at March 31, 2020	<u>\$1,649,050,343</u>	<u>1,078,564</u>	<u>1,650,128,907</u>

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

FINANCIAL SERVICES COMMISSIONStatement of Cash Flows
Year ended March 31, 2020

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		237,989,900	246,501,374
Adjustments for:			
Depreciation and amortisation	11,12	23,245,988	23,026,570
Depreciation on right of use assets	13(a)	5,909,800	-
Loss on disposal of property, plant and equipment		-	307,904
Appreciation in fair value of investments		(69,351,351)	(48,040,856)
Interest on lease liabilities	13(c)	8,451,162	-
Interest income		<u>(27,507,304)</u>	<u>(22,698,417)</u>
		178,738,195	199,096,575
(Increase)/decrease in current assets:			
Securities purchased under resale agreements		(188,304,703)	74,051,597
Accounts receivable		(558,114)	21,948,525
Taxation recoverable		(52)	(759,448)
Increase/(decrease) in current liabilities:			
Accounts payable		32,154,928	27,634,939
Deferred fees		<u>34,471,464</u>	<u>56,037,128</u>
Net cash provided by operating activities		<u>56,501,718</u>	<u>378,009,316</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets	11	-	(11,335,971)
Additions to property, plant and equipment	12	(10,627,621)	(42,943,686)
Investments, net		30,538,925	(413,423,998)
Interest received		<u>25,424,985</u>	<u>26,057,537</u>
Net cash provided/(used) by investing activities		<u>45,336,289</u>	<u>(441,646,118)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease, net	13(d)	(6,745,177)	-
Financial distribution	24	<u>(12,330,000)</u>	<u>(3,810,000)</u>
Net cash used by financing activities		<u>(19,075,177)</u>	<u>(3,810,000)</u>
Net increase/(decrease) in cash and cash equivalents		82,762,830	(67,446,802)
Cash and cash equivalents at beginning of the year		(4,040,763)	<u>63,406,039</u>
Cash and cash equivalents at end of the year		<u>\$ 78,722,067</u>	<u>(4,040,763)</u>
Comprised of:			
Cash and cash equivalents		78,722,067	903,383
Bank overdraft, unsecured		<u>-</u>	<u>(4,944,146)</u>
		<u>\$ 78,722,067</u>	<u>(4,040,763)</u>

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
March 31, 2020

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.

The Government of Jamaica (GOJ) through its agencies, the Superintendent of Insurance and the Financial Sector Adjustment Company in previous years donated certain property, plant and equipment to the Commission. These assets were brought in at valuation which was subsequently deemed to be cost (see note 12).

At March 31, 2020, the Commission had in its employment 149 (2019: 129) employees, out of a Board-approved establishment of 132 (2019: 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
 March 31, 2020

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 16, *Leases* have been applied from April 1, 2019. Changes to significant accounting policies are described in note 3.

New and amended standards issued that are not yet effective:

At the date of authorization of the financial statements, certain new and amended standards 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 and amendments with respect to its operations and has determined that the following may be relevant:

- 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 new standards and amendments may have on its future financial statements when they become effective.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

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, 2020 (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) 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:

(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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

2. Basis of preparation (continued)

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

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

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.

(iii) 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 initially applied IFRS 16 *Leases* from 1 April 2019.

A number of other new standards are also effective from 1 April 2019 but they did not have a material effect on the Commission's financial statements.

The Commission applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in significant accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) IFRS 16, *Leases*

Definition of a lease

Previously, the Commission determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Commission now assesses whether a contract is or contains a lease based on the definition of a lease under IFRS 16.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

3. Changes in significant accounting policies (continued)

(a) IFRS 16, *Leases* (continued)

On transition to IFRS 16, the Commission elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Commission applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

(b) As a lessee

As a lessee, the Commission leases some assets of property and equipment. The Commission previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Commission. Under IFRS 16, the Commission recognises right-of-use assets and lease liabilities for all of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Commission allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property and equipment the Commission has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Commission classified property and equipment leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Commission's incremental borrowing rate as at April 1, 2019.

Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Commission's incremental borrowing rate at the date of initial application the Commission applied this approach.

The Commission has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Commission used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Commission:

- applied a single discount rate to a portfolio of lease with reasonably similar characteristic,
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

3. Changes in significant accounting policies (continued)

(b) As a lessee (continued)

Leases classified as operating leases under IAS 17 (continued)

The Commission used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Commission (continued):

- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Impact on transition

On transition to IFRS 16, the Commission recognised right-of-use assets and lease liabilities. The Commission has elected to measure the right-of-use asset at an amount equal to the lease liability. Consequently, there was no impact on the retained earnings at the date of transition. In measuring lease liabilities, the Commission discounted lease payments using an approximate incremental borrowing rate at April 1, 2019. The weighted- average rate applied is 8.14%. The impact on transition is summarised below.

	April 2019
Right-of-use assets – property, plant and equipment	105,434,906
Prepaid lease	(1,666,667)
Lease liabilities	<u>(103,768,239)</u>
Retained earnings	<u> -</u>

4. Significant accounting policies

(a) 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(b) 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%
Depreciation on right of use assets	25%

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

(c) 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.

(d) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and are measured at amortised 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.

(e) 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(f) Investments:

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.

(g) Accounts receivable:

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)].

(h) Accounts payable:

Accounts payable are measured at amortised cost.

(i) 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.

(j) Fees:

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
 March 31, 2020

4. Significant accounting policies (continued)

(j) Fees: (continued)

Performance obligations and revenue recognition policies (continued):

i. Securities (continued)

Annual license fees from dealers, dealers' representatives, responsible officers, investment advisers and mutual funds are deferred and recognised as income in the period to which they relate. Fees from traders on the stock exchange are recognised as income in the period to which they relate.

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

- (i) \$500,000; or
- (ii) The aggregate of - 5 basis points on the 1st \$5 billion of total assets; and
 - 1.5 basis points on the next \$25 billion of total assets; and
 - 75/100 basis points on total assets over \$30 billion."

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

- a) the "aggregate total of a dealer's balance sheet assets as at the 31st December of the year immediately prior to the anniversary of the grant of the licence taken without the netting of its liabilities plus the aggregate value, at that date, of securities or other investment instruments held or managed on behalf of clients whether on a discretionary or non-discretionary basis; or
- b) in the case of a unit trust and overseas mutual funds, the net value of securities sold by or through the dealer during the year ending on the 31st December immediately prior to the anniversary of the grant of its licence".

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(j) Fees: (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. The fees are deferred and recognised as income in the period to which they relate.

(k) Impairment:

Financial assets

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(k) Impairment (continued):

Financial assets (continued)

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(k) Impairment (continued):

Financial assets (continued)

The Commission assumes that the credit risk on financial assets has increased significantly if more than 120 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 360 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 subjected to enforcement activities in order to comply with the Commission's procedures for recovery of amounts due.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(k) Impairment (continued):

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.

(l) Leases:

The Commission has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from April 1, 2019

At inception of a contract, the Commission assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Commission uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, or changed, on or after April 1, 2019.

As a lessee

At commencement or modification of a contract that contains a lease component, the Commission allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(l) Leases (continued):

Policy applicable from April 1, 2019 (continued)

As a lessee (continued)

The Commission recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct initial direct costs incurred and an estimate of costs to dismantle and remove underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Commission's incremental borrowing rate.

The Commission determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Short-term leases and leases of low-value assets

For short-term leases and leases of low-value assets, the Commission has elected not to recognise right-of-use assets and lease liabilities for short term leases of assets that have a lease term of 12 months or less and lease of low-value assets. The Commission recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before April 1, 2019

As a lessee

In the comparative period, assets held under lease were classified as operating leases and were not recognised in the Commission's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(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.

(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

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

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.

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 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
 March 31, 2020

4. Significant accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial liabilities (continued)

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.

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.

(iii) 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.

(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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(o) Related parties (continued):

- 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”.

(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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

4. Significant accounting policies (continued)

(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

	<u>2020</u>	<u>2019</u>
Current and saving accounts	78,686,112	861,786
Petty cash	<u>35,955</u>	<u>41,597</u>
	<u>\$78,722,067</u>	<u>903,383</u>

Bank overdraft, unsecured of Nil (2019: \$4,944,146) represented a book overdraft arising from unpresented cheques as at the end of the reporting period.

6. Securities purchased under resale agreements

Resale agreements represents purchase 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 \$3,570,843 (2019: \$3,057,583) [see note 20(b)(i)].

The interest rates on resale agreements ranges between 2.10% - 4.00% (2019: 2.50% - 3.50%) for Jamaica dollars and 2.15% - 2.50% (2019: 1.95% to 2.15%) for US dollars as at the year-end. The market value of the underlying securities as at March 31, 2020 was approximately J\$470,798,588 (2019: J\$320,685,500) and US\$197,233,978 (2019: US\$160,373,553).

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

7. Accounts receivable

	<u>2020</u>	<u>2019</u>
Trade receivables	139,744,826	145,470,589
Less: Allowance for impairment losses (a)	<u>(16,092,934)</u>	<u>(19,243,681)</u>
	123,651,892	126,226,908
Prepayments and deposits (b)	6,846,728	9,914,905
Other receivables (c)	9,424,940	3,223,633
Interest receivable	<u>5,441,439</u>	<u>3,359,120</u>
	<u>\$145,364,999</u>	<u>142,724,566</u>

- (a) Allowances for doubtful 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.

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

	<u>2020</u>	<u>2019</u>
Balance at April 1	19,243,681	6,431,911
Transitional adjustments - IFRS 9	-	14,806,899
Impairment losses recovered	<u>(3,150,747)</u>	<u>(1,995,129)</u>
Balance at March 31	<u>\$16,092,934</u>	<u>19,243,681</u>

- (b) Prepayments and deposits comprise the following:

	<u>2020</u>	<u>2019</u>
International Membership fees	-	5,886,643
Business process consulting	1,864,725	-
IT software maintenance	2,344,675	1,904,901
Other	<u>2,637,328</u>	<u>2,123,361</u>
	<u>\$ 6,846,728</u>	<u>9,914,905</u>

- (c) Included is an amount of \$9,113,312 (2019 \$2,932,657) for staff loans from a staff loan facility approved by the Commission in the 2018/2019 financial year. During the year there was an increase in staff participation in the staff loan facility.

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

8. Taxation recoverable

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

9. Accounts payable

	<u>2020</u>	<u>2019</u>
Trade payables	99,473,992	90,850,215
Other payables	4,472,200	7,420,681
Employee benefits –accrued vacation, gratuities and salary	<u>98,230,999</u>	<u>71,751,367</u>
	<u>\$202,177,191</u>	<u>170,022,263</u>

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 \$44,694,233 (2019: \$30,106,000) which represents the 10% performance incentive relating to performance for the reporting year ended.

10. Investments

	<u>2020</u>	<u>2019</u>
Designated FVTPL:		
Unit trust	1,118,133,371	1,052,754,889
Government of Jamaica Securities:		
J\$ local bonds	52,874,100	177,861,975
US\$ denominated local bonds	<u>179,585,596</u>	<u>81,163,777</u>
	<u>\$1,350,593,067</u>	<u>1,311,780,641</u>

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

	<u>2020</u>	<u>2019</u>
No specific maturity	1,118,133,371	1,052,754,889
1 year to 5 years	52,874,100	177,861,975
Over 5 years	<u>179,585,596</u>	<u>81,163,777</u>
	<u>\$1,350,593,067</u>	<u>1,311,780,641</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

11. Intangible assets

These represent software cost capitalized as follows:

	<u>2020</u>	<u>2019</u>
Cost:		
At beginning of year	88,971,421	77,635,450
Additions	<u>-</u>	<u>11,335,971</u>
At end of year	<u>88,971,421</u>	<u>88,971,421</u>
Amortisation:		
At beginning of year	77,205,032	67,638,302
Charge for the year	<u>4,365,501</u>	<u>9,566,730</u>
At end of year	<u>81,570,533</u>	<u>77,205,032</u>
Net book value	<u>\$ 7,400,888</u>	<u>11,766,389</u>

12. Property, plant and equipment

	<u>Motor vehicles</u>	<u>Office furniture, equipment and leasehold improvements</u>	<u>Computer equipment</u>	<u>Total</u>
At cost:				
March 31, 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	<u>-</u>	<u>(6,456,258)</u>	<u>(42,761)</u>	<u>(6,499,019)</u>
March 31, 2019	13,707,961	148,164,515	104,230,626	266,103,102
Additions	<u>-</u>	<u>9,185,322</u>	<u>1,442,299</u>	<u>10,627,621</u>
March 31, 2020	<u>13,707,961</u>	<u>157,349,837</u>	<u>105,672,925</u>	<u>276,730,723</u>
Depreciation:				
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	<u>-</u>	<u>(6,148,354)</u>	<u>(42,761)</u>	<u>(6,191,115)</u>
March 31, 2019	3,706,040	129,943,404	72,535,586	206,185,030
Charge for year	<u>2,412,792</u>	<u>7,101,353</u>	<u>9,366,342</u>	<u>18,880,487</u>
March 31, 2020	<u>6,118,832</u>	<u>137,044,757</u>	<u>81,901,928</u>	<u>225,065,517</u>
Net book values:				
March 31, 2020	<u>\$ 7,589,129</u>	<u>20,305,080</u>	<u>23,770,997</u>	<u>51,665,206</u>
March 31, 2019	<u>\$10,001,921</u>	<u>18,221,111</u>	<u>31,695,040</u>	<u>59,918,072</u>

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

13. Leases

The Commission leases property and equipment. The leases include an option to renew after the lease periods have ended. It is expected that in the normal course of business leases that expire generally will be renewed or replaced by similar leases. Lease payments are renegotiated after the end of the contract period to reflect market rentals. Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the Commission as a lessee is presented below.

(a) Right-of-use assets:	<u>2020</u>
Balance at 1 April	105,434,906
Depreciation charge for the year	(5,909,800)
Balance as at 31 March	<u>\$ 99,525,106</u>
(b) Lease liabilities:	
Maturities analysis- contractual undiscounted cash flows:	<u>2020</u>
Less than one year	4,533,206
One to five years	30,000,000
Six to ten years	46,000,000
Over ten years	<u>240,000,000</u>
Total undiscounted lease liabilities at 31 March	320,533,206
Less: Discount	(213,392,315)
	<u>\$107,140,891</u>
Lease liabilities included in the statement of financial position at 31 March	
Current	5,410,949
Non-current	<u>101,729,942</u>
	<u>\$107,140,891</u>
(c) Amount recognised in profit or loss	<u>2020</u>
	\$
Interest on lease liabilities	8,451,162
Amortisation of right –of-use assets	<u>\$ 5,909,800</u>
(d) Amount recognised in the statement of cash flows	<u>2020</u>
	\$
Total cash outflow for leases	<u>(6,745,177)</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

14. Reserves

	<u>2020</u>	<u>2019</u>
General Fund (i)	1,649,050,343	1,423,390,443
Capital reserve (ii)	<u>1,078,564</u>	<u>1,078,564</u>
	<u>\$1,650,128,907</u>	<u>1,424,469,007</u>

- (i) General Fund represents net accumulated surplus.
- (ii) 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.

15. Other income

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

16. Staff costs

	<u>2020</u>	<u>2019</u>
Salaries, wages and related costs (i)	758,740,105	587,167,969
Payroll statutory costs	42,367,145	31,615,016
Gratuity	25,394,296	20,590,455
Pension (note 18)	32,366,607	14,843,505
Motor vehicle loan subsidy (ii)	<u>3,047,242</u>	<u>2,138,325</u>
	<u>\$861,915,395</u>	<u>656,355,270</u>

- (i) Included in the current year amount is 5% increase in staff cost for the 2019/2020 financial year as well as 5% approved retroactive salary increase for financial year 2018/19. Also, during the year, the increase of approximately 29% in staff cost was driven by additional benefits granted to staff under a Collective Labour Agreement.
- (ii) 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% (2019: 3%) per annum and the Commission will provide a subsidy of the difference between the 3% (2019: 3%) per annum and the interest rate charged up to a maximum of 7.95% per annum per loan. The interest subsidy is applied to loan balances ranging from \$1,500,000 to a maximum of \$2,000,000. 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 \$5.55 million (2019: \$9.08 million) which will be recognised in profit or loss as they fall due.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

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.

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 \$32,666,607 (2019: \$14,843,505).

Effective April 1, 2019, the Commission now matches voluntary contribution of the members the Pension Plan for the Employees of the Financial Services Commission up to a maximum of 5%. Arising from the Collective Labour Agreement, the voluntary contribution into the Fund was agreed to be retroactively applied from April 1, 2017. Approval was obtained on July 16, 2019 from Tax Administration Jamaica to payout in full, the retroactive contribution of \$10,060,885 into the Pension Fund.

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, 2020 were valued at approximately \$1.006 billion (2019: \$1.160 billion).

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

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.

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

20. Financial instruments (continued)

(b) Financial risk management (continued):

(i) Credit risk (continued):

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 as at March 31, 2020 and 2019.

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 as at March 31, 2020 and 2019.

Expected credit loss assessment for securities purchased under resale agreements

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:

	<u>2020</u> Stage 1	<u>2019</u> Stage 1
	<u>12-month ECL</u>	
Gross carrying amount	668,031,666	479,213,703
Less: impairment allowance	(3,570,843)	(3,057,583)
	<u>\$664,460,823</u>	<u>476,156,120</u>

The impairment allowance recognised is analysed as follows:

	<u>2020</u>	<u>2019</u>
Balance at April 1	3,057,582	-
Transitional adjustment-IFRS 9	-	2,395,077
Recognised during the period	<u>513,261</u>	<u>662,505</u>
Balance at March 31,	<u>\$3,570,843</u>	<u>3,057,582</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

20. Financial instruments (continued)

(b) Financial risk management (continued):

(ii) Liquidity risk:

Liquidity risk also referred to as funding risk, is the risk that the Commission will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The Commission manages this risk by maintaining a substantial portion of its financial assets in liquid form.

(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 or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable levels.. At the reporting date, the Commission did not have any 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. Liquid assets are held for the short-term and, accordingly, would substantially reflect prevailing interest rates in the financial markets.

The Commission invests mainly in fixed interest rate bearing instruments and does not have any borrowings.

At the reporting date, the interest rate profile of the Commission's interest-bearing financial instruments was:

	<u>2020</u>	<u>2019</u>
	\$	\$
Fixed rate instruments (J\$)	179,590,509	177,861,975
Fixed rate instruments (US\$)	<u>52,874,100</u>	<u>81,163,777</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

20. Financial instruments (continued)

(b) Financial risk management (continued):

(iii) Market risk (continued):

- Interest rate risk (continued):

Fair value sensitivity analysis for fixed rate instruments:

An increase/decrease of 100 (2019: 100) basis points in interest rates on J\$ denominated instruments would have decreased/increased surplus for the year by \$ 1,795,905 (2019: \$1,778,619).

An increase/decrease of 100 (2019: 100) basis points in interest rates on US\$ denominated instruments would have decreased/increase surplus for the year by \$528,741 (2019: \$811,637).

The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis as that for 2019.

- Foreign currency risk:

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

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

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

	<u>2020</u> US\$	<u>2019</u> US\$
Foreign currency assets:		
Cash and cash-equivalents	32,895	6,797
Securities purchased under resale agreements	1,488,221	1,231,984
Investments	<u>747,788</u>	<u>986,458</u>
	<u>2,268,904</u>	<u>2,225,239</u>

The exchange rate for US\$1, in terms of Jamaica dollars, at the reporting date, was \$132.53 (2019: \$126.78).

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

20. Financial instruments (continued)

(b) Financial risk management (continued):

(iii) Market risk (continued):

- Foreign currency risk (continued):

Sensitivity analysis

A 6% (2019: 4%) strengthening of the United States dollar against the Jamaica dollar would have increased surplus for the year by \$18,041,527 (2019: \$11,259,710). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 4% (2019: 2%) weakening of the United States dollar, would have decreased profit for the year by \$12,027,685 (2019: \$5,629,854).

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 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. Market price is used to determine fair value where an active market exists as it is the best evidence of fair value of an instrument.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

21. Fair value of financial instruments (continued)

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.

Determination of fair value and fair values hierarchy

<u>Financial instrument</u>	<u>Method</u>
Government of Jamaica US\$ Global bonds.	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. 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

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.

		<u>2020</u>				<u>2019</u>				
		<u>Carrying amount</u>		<u>Fair value</u>		<u>Carrying amount</u>		<u>Fair value</u>		
<u>Note</u>	Fair value through profit and loss \$	<u>Total</u> \$	<u>Level 1</u> \$	<u>Level 2</u> \$	<u>Level 3</u> \$	<u>Total</u> \$	<u>Level 1</u> \$	<u>Level 2</u> \$	<u>Level 3</u> \$	
Financial assets measured at fair value:										
10	\$ <u>1,350,593,067</u>	<u>1,350,593,067</u>	<u>1,118,135,751</u>	<u>232,457,316</u>	<u>-</u>	<u>1,350,593,067</u>				
Investments										
Financial assets measured at fair value:										
10	\$ <u>1,311,780,641</u>	<u>1,311,780,641</u>	<u>1,052,754,889</u>	<u>259,025,752</u>	<u>-</u>	<u>1,311,780,641</u>				
Investments										

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

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, 2020, there were nine (2019: seven) litigation proceedings for which legal fees of approximately \$24,700,000 (2019: \$\$42,494,704) 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:

	<u>2020</u>	<u>2019</u>
	\$	\$
Accounts payable:		
Employee benefits – other key management	<u>20,367,990</u>	<u>24,784,461</u>

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Key Management Personnel compensation:		
Commissioners' fees	1,635,850	1,820,713
Salaries	137,653,621	108,617,023
Gratuity	21,156,631	16,949,182
Pension contributions	<u>618,277</u>	<u>750,357</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2020

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 \$12,330,000.0 (2019: \$3,810,000) to the Accountant General's Department.

25. Impact of the COVID-19 Pandemic

The World Health Organization in March 2020 declared the novel coronavirus, COVID-19, as a global pandemic. As a first step the Commission instituted measures at our properties to safeguard and protect our stakeholders by not only providing information to our employees, business partners and clients but equipping all personnel with supplies to prevent contagion and establishing protocols to access our premises. In addition, the Commission has been working with its staff to ensure common areas are thoroughly cleaned and sanitized and the Commission engaged its flexi-work plan to minimize the number of employees in our premises whilst enabling a work from home strategy to continue operating its business. The Business Continuity Plan for a pandemic was put in place on March 3, 2020 and measures were discussed to curb the spread of the disease.

It was agreed that these unusual measures will have an impact on productivity, despite the Commission's best efforts, which would be reflected in slower service times for processes such as approvals, registration and some aspects of routine monitoring. There is also expected variances in some aspects of operational costs due to Covid-19-related mitigation costs and business continuity expenses not previously budgeted. The full extent of the impact will be further discussed and reviewed at the middle of the 2020/2021 financial year.



**Financial Services Commission
ANNUAL REPORT 2019 - 2020**