FINANCIAL SERVICES COMMISSION

ANNUAL REPORT

2020-2021

July 30, 2021

The Honourable Nigel Clarke, DPhil. M.P.
Minister of Finance and the Public Service
Ministry of Finance and the 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 2020/2021 and a copy of the FSC's Financial Statements for the year ended March 31, 2021, duly certified by its Auditors.

Sincerely,

Everton McFarlane
Executive Director

TABLE OF CONTENTS

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	Counter 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
IAJ	Insurance Association of Jamaica
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
JDIC	Jamaica Deposit Insurance Corporation
JSDA	Jamaica Securities Dealers Association
JSE	Jamaica Stock Exchange
LAC	Latin America and the Caribbean
MCCSR	Minimum Continuing Capital and Surplus Requirement
MCT	Minimum Capital Test
MOFPS	Ministry of Finance and Public Service
PBMAA	Public Bodies Management and Accountability Act
PIAJ	Pension Industry Association of Jamaica
RBS	Risk-Based Supervision
SFEP	Schools' Financial Education Programme
TC	Toronto Centre
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 Securities, Insurance and Pensions industries for the protection of their users thereby enchancing 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.

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 [1]

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.

[1]. Except for the Executive Director, an ex officio member of the Board of Commissioners, the tenure for all the other members of the Board of Commissioners ended in April 2021.

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.

EXECUTIVE DIRECTOR'S MESSAGE

Dear Stakeholders:
It is my pleasure to present the Annual Report of the Financial Services Commission (FSC) for the financial year 2020-2021 (FY2020-2021).

It is no secret that the onset and persistence of the Coronavirus (COVID-19) Pandemic resulted in disruptions to economic and social life across all sectors of Jamaican society, and the FSC was not immune to these changes. Under the guidance of our parent Ministry as well as under general best-practice protocols for doing business "pandemic style" (as promoted by the Ministry of Health and Wellness, and the World Health Organization, among others) the FSC adjusted its operations according to an approved Business Continuity Plan, and remote work became the norm during the year.

Notwithstanding, as an organization, we strove to maintain as bet as possible our client service standards and to continue to push through critical reforms, even while taking on the responsibilities of enhanced monitoring of our licensees in during the height of the pandemic.In this context, several important initiatives geared at strengthening the functions of the FSC were undertaken, including: the drafting of a bill that will require insurance companies to improve their risk management practices; continued development of a bill to amend the FSC Act in order to enable the FSC to more effectively conduct group-wide supervision; and the consultation papers on market conduct guidelines for the insurance and securities industries, and for the capital market.

However, our reforms were not just externally-focused; 2019/20 saw implementation begin on a comprehensive programme of reform of the FSC's organizational culture, information system and the final year of a fundamental reform of our supervisory processes towards truly Risk-Based Supervision (RBS). In this regard, several AML/CFT audits and pilot RBS on-site examinations spanning all three regulated sectors were conducted during FY2020-2021. The experience from those on-site examinations provided invaluable insight on the practical implementation of the new framework, which is expected to be fully operationalized by FY2021-2022.

Furthermore, in support of broader Government of Jamaica policy initiatives, the FSC continued to promote financial literacy by staging its annual Schools' Financial Education Programme (SFEP) and executing several public education initiatives in many cases collaborating with other local regulatory bodies such as the BOJ and the JDIC and the JSE. Such collaboration was also a key feature of the FSC's work in supporting Jamaica's agenda for the deepening of its capital market.

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 have brought the FSC closer to becoming a first-rate financial sector regulator. Equally importantly, I also take great pride in commending the staff for their continued hard work and dedication in advancing the mandate of the FSC. I look forward to an even more rewarding FY2021-2022.

Everton Mcfarlane
Executive Director

BOARD OF COMMISSIONER'S REPORT

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

(i) OPERATIONAL REVIEW

In keeping with the anti-COVID-19 measures announced by the Government of Jamaica (GOJ), the FSC activated its Business Continuity Plan which included, among other things, remote access for most employees and rosters for employees working from the office to promote social distancing. On the regulatory front, the FSC employed, for example, the following measures:

- Intense monitoring of licensees and registrants amid the COVID-19 pandemic with a view to understanding the impact of the crisis and to be able to take pre-emptive actions where possible to address risks or concerns. As a result, the regulated entities were required to file various periodic reports such as daily and weekly liquidity reports. Additionally, the entities were also asked to provide recovery plans that address their risk exposures;

- Closer collaboration with other regulatory agencies (the BOJ and the Jamaica Deposit Insurance Corporation (JDIC) as there were weekly meetings regarding liquidity and market risks facing the financial sector. The FSC and the BOJ conducted joint stress tests of the financial markets. The FSC also increased its communication with other critical stakeholders such as the industries' associations – namely the Jamaica Securities Dealers (JSDA), the Insurance Association of Jamaica (IAJ), and the Pension Industry Association of Jamaica (PIAJ); and

- Carefully refraining from taking regulatory actions if the licensees were to breach certain legislative requirements. The FSC also granted extension as requested by the entities to file their regular reports. Scheduled enhancements of existing prudential standards as well as the implementation of the new prudential metrics were halted until further notice.

Notwithstanding, the above-mentioned measures, the FSC continued its routine activities:

1. Off-site and virtual on-site examinations and routine quarterly as well as annual desk-based risk assessments were done

2. On-going efforts to safeguard the stability of Jamaica's financial market through the strengthening of the legal and regulatory framework by:

a. The ongoing development of a crisis resolution framework for Jamaica.

b. Reviewing draft of the legislative amendments to the relevant legislation that will

    i. Require insurance companies and pension plans to improve their risk management practices;

    ii. Enable the FSC to more comprehensively conduct group-wide supervision.

    iii. Revise the Minimum Capital Test (MCT) for general insurance companies

c. The continuation of a quantity impact study to review and refine the life insurance risk-based solvency tests.

3. Continuing efforts to facilitate market deepening as well as the development and innovation of financial products and services.

4. Promoting financial inclusion by staging virtually elements of the annual event Schools' Financial Education Programme (SFEP), this is usually done on a face to face basis.

5. Continuing the developing and implementation of the FSC's Risk-based Supervision Framework for the three regulated sectors. Pilot onsite exercises were done for each sector.

6. On-going 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 FY2020-2021. 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, 2021, based on International Financial Reporting Standards (IFRS). Highlights of the income and expenditure items are presented as in Chart 1.

CHART 1: HIGHLIGHTS OF THE INCOME AND EXPENDITURE ITEMS, FY2019 – 2020 & FY2020–2021

	2019 - 2020	2020 - 2021
	$' 000	**$' 000**
Total Revenue	1,314,875	1,466,476
Of Which		
Fees	1,273,526	1,362,143
Interest Income	27,507	61,827
Loss on disposal of Property Plant & Equipment	-	(286)
Recognized Gains on Investments	-	26,148
Foreign exchange gain	13,715	15,424
Other	126	1,221
Total Expenses	1,146,236	1,200,521
Appreciation in the value of investments classified as at fair value through profit or loss	69,351	(27,427)
Comprehensive income for the year	237,990	238,528

BOARD OF COMMISSIONER'S REPORT

Charts 2-4 provide details of the sources of fee income from the Securities, Insurance and Pensions Industries for FY2019-2020 & FY2020-2021.

CHART 2: REVENUE FROM THE SECURITIES INDUSTRY FY2019 – 2020 & FY2020 -2021

Source	2019-2020		2020-2021	
	Revenue ('$000)	Percentage of Total	Revenue ('$000)	Percentage of Total
Annual Registration Fees – Life and General Companies	191,485	64	194,953	73
Annual Fees – Intermediaries	92,988	31	56,186	21
Application Fees	14,762	5	14,280	5
Totals	**299,235**	**100**	**265,419**	**100**

CHART 3: REVENUE FROM THE INSURANCE INDUSTRY FY2019 – 2020 & FY2020 -2021

Source	2019-2020		2020-2021	
	Revenue ('$000)	Percentage of Total	Revenue ('$000)	Percentage of Total
Annual Licensing/Registration Fees – Securities Dealers Mutual Funds	375,950	92	403,504	91
Stock Exchange & JCSD Fees	28,442	6	32,011	7
Application Fees	6,196	2	6,054	1
Totals	**410,588**	**100**	**441,569**	**100**

CHART 4: REVENUE FROM THE PENSIONS INDUSTRY FY2019 – 2020 & FY2020 -2021

Source	2019-2020		2020-2021	
	Revenue ('$000)	Percentage of Total	Revenue ('$000)	Percentage of Total
Annual Licensing Fees – Investment Managers	563,100	99.9	654,349	99.9
Application Fees	602	0.01	806	0.01
Totals	**563,702**	**100**	**655,155**	**100**

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

There was no proposed change to the FSC's mandate during the FY2020-2021.

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

There were no changes to the corporate plan during FY2020-2021. Chart 5 provides a summary of the FSC's achievement against its strategic objectives.

CHART 5: SUMMARY OF FSC'S ACHIEVEMENTS MEASURED AGAINST ITS STRATEGIC OBJECTIVES FOR 2020 – 2021 [2]

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.	
Implement FSC's Legislative Reform Agenda	Partially Met
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	
Contribute to enhanced consumer protection and financial capability in support of the National Financial Inclusion Strategy	Met
Strategic Goal 3: Foster and enforce compliance with legislation relating to the securities, insurance and pensions industries, through a robust enforcement programme	
Conduct programme of assessment for licensees/registrants and infrastructure providers	Met
Strategic Goal 4: Enhance FSC's performance through alignment and management of human, information and financial resources	
Implement the restructuring of HR function and processes, according to the "Action Plan and Monitoring Framework for the Transformation of FSC Organization, Culture and Enterprise Information Management"	Not met
Implement Enterprise Information Management reform, according to the "Action Plan and Monitoring Framework for the Transformation of FSC Organization, Culture and Enterprise Information Management"	Not met
Prudent financial management	Met
Cost containment	Partially met

[2] These results are preliminary and will be verified by the Control and Internal Compliance Division (CICD) during the FY2021-2022

BOARD OF COMMISSIONER'S REPORT

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

Chart 6 provides a forecast of key financial and operating measures for the fiscal year 2021-2022 (FY2021-2022).

CHART 6: FSC'S FINANCIAL PROJECTIONS FOR 2021-2022 ($' 000)

		Actual	Projected
		FY2020-2021	FY2021-2022
		($' 000)	($' 000)
INCOME			
	Fees	1,362,142	1,266,934
	Interest Income	61,827	21,610
	Other	1,221	240
	Recognized gains on Investments	26,148	
	Gain/loss on foreign exchange	15,424	
	Loss on disposal of Property Plant & Equipment	(286)	
	TOTAL INCOME	1,466,476	1,288,784
EXPENSES			
	Advertising	794	1,085
	Appeals Tribunal	4,325	3,939
	Audit	2,024	2,303
	Bank Charges	651	860
	Building Maintenance	15,488	20,721
	Commissioners Fees	1,921	3,424
	Data Security	10,483	10,332
	Depreciation and amortization	26,043	46,516
	Motor Vehicle and parking expense	12,134	14,664
	Office Expenses	18,100	52,539
	Irrecoverable General Consumption Tax	25,434	51,860
	Impairment losses on investments	(1,439)	-
	Impairment losses on trade receivables, net of recoveries	(12,761)	-
	Printing and stationery	1,213	5,316
	Professional fees	68,527	22,200
	Public Education	22,180	14,100
	Interest expense	8,668	9,039
	Staff Cost	928,907	961,933
	Subscriptions	32,475	10,010
	Training and conferences	5,743	9,900
	Utilities	29,611	32,369
	TOTAL EXPENSES	1,200,521	1,273,110
Appreciation in value of investments classified as fair value through profit or loss		(27,427)	-
SURPLUS FOR THE YEAR		**238,528**	**15,674**

BOARD OF COMMISSIONER'S 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 PBMAA, it is not necessary for the FSC to provide notification of payment of dividend.

Conclusion

During the FY2020-2021, the FSC conducted several activities to facilitate the growth, development and the inclusiveness of the non–banking sector of the Jamaican financial market. Due to the steadfast professionalism and commitment from the 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.

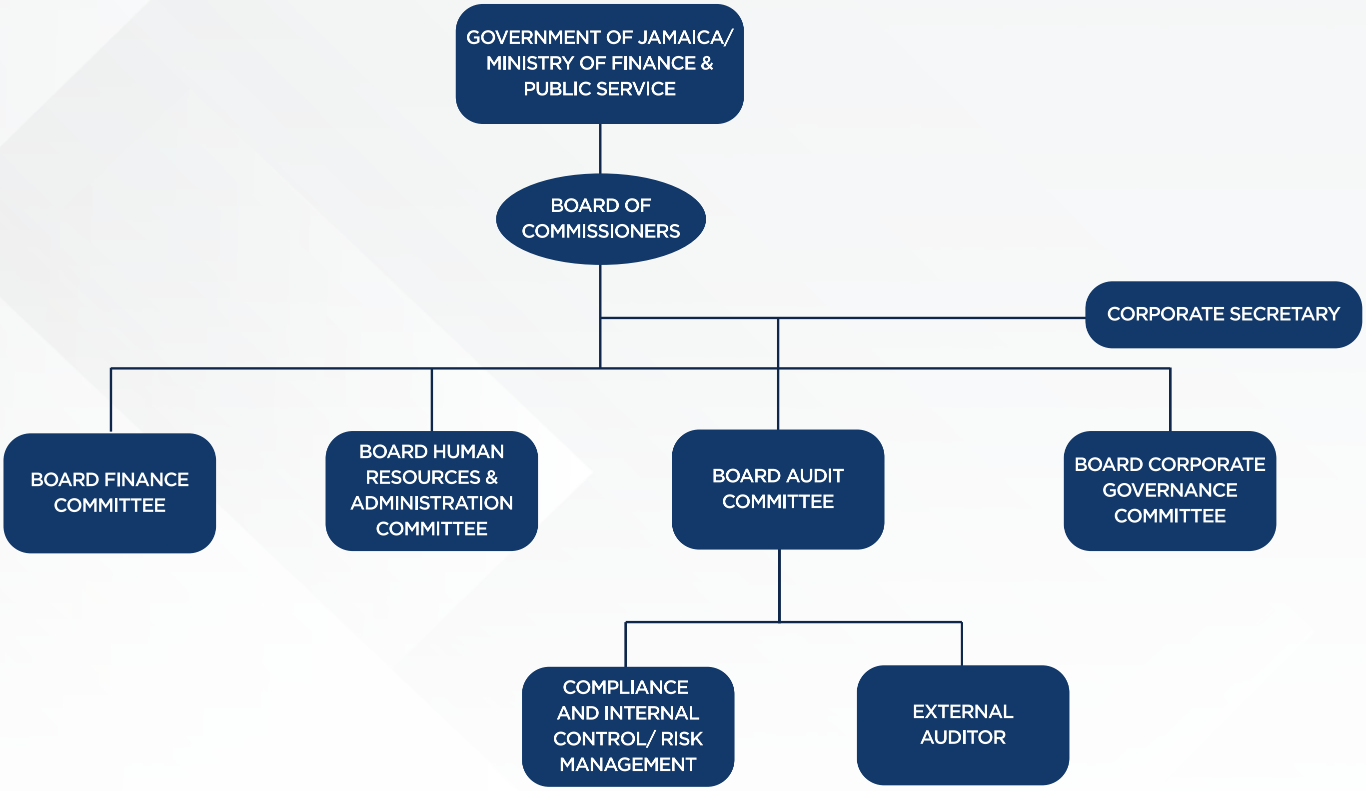
Everton McFarlane
Executive Director

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 7: FSC'S CORPORATE GOVERNANCE STRUCTURE.



CORPORATE GOVERNANCE REPORT

The Board met fifteen times for the year. The attendance of members at Board meetings is reflected in Chart 8. In addition to these meetings, a Board Retreat was held.

CHART 8: ATTENDANCE AT BOARD MEETINGS, FY2020-2021

MEMBERS	TOTAL NUMBER OF MEETINGS (APRIL 2020 - MARCH 2021)	
Mrs. Jacqueline Stewart-Lechler	Board Chairman	15/15
Mr. Erwin Burton	Board Member	14/15
Mrs. Myrtle Halsall, OD	Board Member	13/15
Mr. Andre Hutchinson,	Board Member	14/15
Ms. Simone M. Pearson	Board Member	14/15
Mrs. Hillary Robertson	Board Member	12/15
Mr. Ronald Young	Board Member	13/15
Mr. Everton McFarlane	Executive Member	15/15

BOARD COMMITTEES

While Chart 7 shows the four various Board Committees, the Board through a panel of Commissioners provides an opportunity to be heard to an aggrieved applicant, registrant or licensee, who wishes to make representations to the panel in respect of an adverse decision such as the FSC's proposed intention to refuse, cancel or suspend a license or registration. Chart 9 indicates the number of times the panel was convened and the attendance record for the Commissioners who comprised the panel.

CHART 9: OPPORTUNITY TO BE HEARD ATTENDANCE SUMMARY

MEMBERS	TOTAL NUMBER OF MEETINGS (APRIL 2020 - MARCH 2021)	
Simone Pearson	Chairperson	4/4
Jacqueline Stewart Lechler	Board Member	4/4
Myrtle Halsall	Board Member	4/4

HUMAN RESOURCE & ADMINISTRATION COMMITTEE

The Human Resource & Administration (HRA) 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.

CORPORATE GOVERNANCE REPORT

CHART 10: HRA BOARD COMMITTEE ATTENDANCE SUMMARY

MEMBERS	TOTAL NUMBER OF MEETINGS (APRIL 2020 - MARCH 2021)	
Ronald Young	Chairperson	5/5
Mr. Erwin Burton	Board Member	5/5
Jacqueline Stewart Lechler	Board Member	5/5
Everton McFarlane	Executive Director	4/5

FINANCE COMMITTEE

The attendance of members at Finance Committee 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: BOARD FINANCE COMMITTEE ATTENDANCE SUMMARY

COMMISSIONER	TOTAL NUMBER OF MEETINGS (APRIL 2020 - MARCH 2021)	
Mr. Andre Hutchinson	Chairman	7/7
Mr. Erwin Burton	Board Member	7/7
Mrs. Hillary Robertson	Board Member	7/7
Everton McFarlane	Executive Director	7/7

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was formed to serve as the board's primary source of governance information. The Committee's mandate entails comparing the organization's governance standards to ensure that applicable legislation is adhered to as well as all the required policies that government organizations should have are drafted and implemented. Chart 12 summarizes attendance of the Committee members.

CHART 12: BOARD CORPORATE GOVERNANCE COMMITTEE

COMMISSIONER	TOTAL NUMBER OF MEETINGS (APRIL 2020 - MARCH 2021)	
Mr. Andre Hutchinson	Chairman	4/4
Mr. Erwin Burton	Board Member	4/4
Mrs. Hillary Robertson	Board Member	3/4
Everton McFarlane	Executive Director	3/4

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE REPORT

The FSC's Audit Committee is comprised of two (2) members. See Chart 13. 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 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.

CHART 13: BOARD AUDIT COMMITTEE ATTENDANCE SUMMARY

COMMISSIONER	TOTAL NUMBER OF MEETINGS (APRIL 2020 - MARCH 2021)	
Myrtle Halsall	Chairman	4/4
Simone Pearson	Board Member	4/4

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).

CORPORATE GOVERNANCE REPORT

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 developing its annual audit plan and managing its audits by considering the FSC's strategies and objectives and evaluating the effectiveness of the organisation's overall risk management processes.

During the FY2020-2021, the CICD conducted its annual performance incentive audit for the FY2019-2020. The objective was to determine the level of achievement of the FSC's strategic goals. CICD also conducted three (3) operational audits and conducted two (2) verification exercises.

The results were communicated to management in written reports, consultation, and advice. Written reports outlined deficiencies identified, implications, risk ratings, and recommendations. Action plans were developed to address and monitor the deficienciesidentified and were reported to the Board Audit Committee.

RISK MANAGEMENT

The FSC is committed to providing greater assurance that its 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 and consider the risks associated with meeting these objectives. This then flows through to integrating risk management in the dayto-day business decisions at the operational level. The objective is to encourage proactive consideration of risks in executing key initiatives and ensuring that the risks are adequately identified and managed.

By focusing on promoting a strong risk management culture that 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 organisation. Risk management concepts and practices are reinforced through annual training for employees.

CHART 14: 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 established its Enterprise Risk Management (ERM) framework in 2014, and 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 quarterly through Key Risk Indicators and tracking Action Plans, which are reported to the Executive Director and the Audit Committee.

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 utilising information from the Strategic Plan Risk Assessment, Division/ Department Risk Assessments and the Management Risk Committee's input. The register highlights areas of focus for risk management for the organisation in the medium term. The FSC's Risk Register underscores operational and strategic risks as a 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 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 15 and 16 provide information on the remuneration paid to the Non-Executive Commissioners and the Executive Management Team respectively.

CHART 15: COMPENSATION OF COMMISSIONERS FY2020 - 2021

NAME AND POSITION OF DIRECTOR	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- Chairman of the Board of Commissioners	409,500	455,000			864,500
Myrtle Halsall- Chairman- Audit Committee	202,125				202,125
Erwin Burton	129,500				192,150
Andre Hutchinson- Chairman- Finance Committee	166,125				166,125
Ronald Young- Chairman Human Resource Administration Committee	166,875				166,875
Simone Pearson- Chairman- Opportunity to Be Heard Committee	192,500				192,500
Hilary Robertson	136,500				136,500
TOTAL	1,465,775	455,000			1,920,775

CHART 16: COMPENSATION OF EXECUTIVE MANAGEMENT FY2020-2021

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	2020/ 2021	16,166,158	4,981,222	120,000	0	1,486,430	0	22,753,810
Nicolette Jenez Deputy Executive Director	2020/ 2021	11,077,641	3,357,195	1,697,148	0	243,745	0	16,375,730
Angela Beckford Chief Actuary	2020/ 2021	13,866,455	4,380,798	1,697,148	0	151,254	0	20,095,655
Ingrid Pusey General Legal Council	2020/ 2021	8,674,524	2,782,335	1,697,148	0	144,806	0	13,298,813
Karene Blair Senior Director Securities	2020/ 2021	9,631,977	2,946,143	1,697,148	0	144,806	0	14,420,074
Robert Hamilton Senior Director Compliance & Internal Control	2020/ 2021	7,889,361	2,373,409	1,697,148	0	144,806	0	12,104,724

CORPORATE GOVERNANCE REPORT

CHART 16: COMPENSATION OF EXECUTIVE MANAGEMENT FY2020-2021

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	2020/ 2021	9,590,109	2,980,867	1,697,148	0	144,806	0	14,412,930
Joan Walker Stewart Senior Director, Corporate Services	2020/ 2021	9,720,907	2,937,994	1,697,148	0	194,276	0	14,550,326
Cornelia Harper Senior Director Pensions	2020/ 2021	8,847,190	2,748,934	1,697,148	0	144,806	0	13,438,078
Stacian Bennett Senior Director Investigation & Enforcement	2020/ 2021	8,501,859	2,486,770	1,697,148	0	144,806	0	12,830,583
Alicia Lynch-Senior Director-HR & Facilities Management	2020/ 2021	5,801,411	0	1,350,004	0	187,208	0	7,338,623
Donna Harrilal-Senior Director MIS & Data Management	2020/ 2021	6,046,805	0	1,441,229	0	144,806	0	7,632,840

1. All contracts are in Jamaican Currency

THE EXECUTIVE DIRECTOR'S REPORT

From March 2020, the global economy faced an unprecedented crisis in the form of the COVID-19 pandemic. Many countries across the world grappled with systemic shocks that rippled through healthcare systems, supply chains, as well as the financial markets. Additionally, the measures, recommended by the World Health Organisation and employed by many governments, to contain the spread of the coronavirus amplified these shocks. As a result, aggregate demand and consumer spending declined. Targeted fiscal & monetary policy responses were implemented in support of the affected households and businesses in several sectors. Despite these highly accommodative policies, economic activities plunged and unemployment rates increased. Consequently, income inequality widened globally. Global growth is estimated to have contracted 3.3 per cent, more specifically; Latin American and the Caribbean (LAC) shrank by 7 per cent in 2020 according to the International Monetary Fund (IMF).

Within the Jamaican context, the Gross Domestic Product (GDP) contracted by 10.2 per cent. The services industry experienced decline for all four (4) quarters in 2020 while the goods producing sector had contraction in the first three (3) quarters. The December quarter saw a growth of 0.2 per cent due to mining and quarrying as well as the construction sector. Both business and consumer confidence indices eroded. Similar to the rest of the world, Jamaica experienced a sharp increase in the unemployment rate. The unemployment rate increased to double digits to 12.6 per cent in July 2020 which was the highest level since 2017. For January 2021, the unemployment rate was 8.9 per cent. In comparing January 2021 with January 2020, the employed labour force fell by 74, 300 while another 58, 100 persons left the labour force in January 2021.

The equities market fell by over 112, 000 points as seen in Chart 17. Interest rates remained low as the BOJ's signal rate remained at 0.5 per cent while the Treasury–Bill rate dropped by 0.8 percentage points. A spill over from the United States stimulus packages likely bolstered remittance levels. Jamaica received remittances totalling US$2.91 billion in 2020, mainly from the US, which was a 20 per cent increase year over year. The increased net remittance inflows and BOJ market operations i.e. the sale of US$381.0 million to the FX market since the pandemic began in March 2020 helped absorb foreign exchange demand. With the BOJ's intervention in the foreign exchange market, the Net International Reserves (NIR) fell to US$3,126 million, as at end December 2020

Notwithstanding these developments, the non-deposit-taking sector as a whole continued to grow albeit the private pension plans suffered a reduction in total assets due to the adverse performance in the stock market. See Chart 18. With the announced aggressive vaccination plans, provided that the supply is available, economic activity is projected to rebound globally. GDP growth of approximately 6 per cent is expected for the fiscal year 2021 in developed countries 5 per cent in LAC and 3 per cent for Jamaica. The estimates are highly sensitive to the speed of the vaccine rollout and the rate of participation. As the economy recovers, there will be more investment opportunity as well higher investment returns which will underpin improved performance for the financial institutions.

CHART 17: SELECTED MACRO INDICATORS FOR JAMAICA, 2016-2020

SELECTED MACROECONOMIC INDICATORS	2016	2017	2018	2019	2020
Real GDP Growth (%)	1.4	0.5	1.9	0.9	-10.2
Net International Reserves (US$M)	2,719.4	3,208.3	3,005.41	3,162.53	3,126.13
Inflation (%)	1.7	5.2	2.4	6.2	5.2
T-Bill Yield (6months) (%)	6.56	4.63	2.07	1.58	0.86
JSE Combined Index (points)	204,960	294,987	383,557	505,294	392,436
Average Unemployment Rate (%)	12.9	11.7	9.1	7.2	10.7
Exchange Rate (end of period)	128.44	125	127.72	132.57	142.65
Percentage Rate of FX Depreciation ($J vs US$)	6.7	-2.7	2.2	3.8	7.6

CHART 18: TYPES OF FINANCIAL INSTITUTIONS AS A PERCENTAGE OF TOTAL FINANCIAL SYSTEM, 2018 - 2020

TYPES OF INSTITUTION	TOTAL ASSETS ($' MILLIONS AS AT DECEMBER 2018)	PERCENTAGE OF TOTAL FINANCIAL ASSETS	TOTAL ASSETS ($' MILLIONS AS AT DECEMBER 2019)	PERCENTAGE OF TOTAL FINANCIAL ASSETS	TOTAL ASSETS ($' MILLIONS AS AT DECEMBER 2020)	PERCENTAGE OF TOTAL FINANCIAL ASSETS
DEPOSIT-TAKING INSTITUTIONS	**1,750,589.3**	**52.8**	**1,985,819.7**	**52.7**	**2,157,854.9**	**54.0**
COMMERCIAL BANKS	1,489,072.0	44.9	1,695,159.0	45.0	1,852,201.4	46.4
MERCHANT BANK	2,571.7	0.1	5,820.0	0.2	6,130.2	0.2
BUILDING SOCIETIES	145,053.0	4.4	159,789.0	4.2	165,517.2	4.1
CREDIT UNIONS [3]	113,892.7	3.4	125,051.7	3.3	134,006.1	3.4
NON-DEPOSIT-TAKING INSTITUTIONS	**1,564,949.0**	**47.2**	**1,781,821.0**	**47.3**	**1,836,641.3**	**46.0**
Life Insurance companies	323,117.0	**9.7**	**344,181.0**	**9.1**	**367,323.1**	**9.2**
General Insurance Companies	81,363.0	**2.5**	**86,317.0**	**2.3**	**93,432.2**	**2.3**
Securities Companies	558,635.0	**16.8**	**650,593.0**	**17.3**	**736,601.0**	**18.4**
Pension Plans	601,834.0	**18.2**	**700,730.0**	**18.6**	**639,285.0**	**16.0**
TOTAL FINANCIAL ASSETS	**3,315,538.3**	**100.0**	**3,767,640.7**	**100.0**	**3,994,496.2**	**100.0**

[3] The GOJ is developing legislation which will enable the creation of a framework to bring the operations of credit unions fully under the supervisory and regulatory regime of the Bank of Jamaica (BOJ).

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, quarterly and annual reviews, monitors the solvency requirements of insurance companies and ensures that the required prudential standards are maintained.

CHART 19: A SNAPSHOT OF THE DIVISION'S ACHIEVEMENTS FOR FY2020-2021

ROUTINE MONITORING AND SUPERVISION & POLICY APPROVALS	• Completed 17 Annual Risk Assessements • Completed 65 Quarterly Risk Assessments • Completed 103 Intermediary semi-annual monitoring Reports • Completed the review of 10 Reinsurance Treaty Programmes (four [4] of which were detailed reviews) • Processed/approved 354 registration applications • Reviewed and approved 11 new/amended insurance policies • Oversight of other insurance intermediaries
RISK-BASED SUPERVISION (RBS)	• Continued the development of the RBS Framework • Developed several templates to facilitate RBS • Executed two pilot on-site examinations using the full RBS Framework & one on-site examination applying the RBS methodology on a smaller scale

ON-SITE EXAMINATIONS	• Completed four (4) on-site examinations as follows:
	  • Three (3) were insurance companies using the RBS methodology; and
	  • One (1) was insurance company using the compliance base approach

REVISED GUIDELINES/ BULLETINS & LEGISLATIVE PROJECTS	• Clarifications and comments were provided on legislative amendments concerning Stress Testing, Asset Liability Management, Group Insurance,Microinsurance, Investments and Capital Requirements • Submitted finalized proposal for the development of Market Conduct Regulations • Draft proposals for the development of regulations in relation to Change of Ownership/Control

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

OVERVIEW OF THE INSURANCE INDUSTRY – REGISTRANTS

CHART 20: NUMBER OF REGISTRANTS IN THE INSURANCE INDUSTRY AS AT MARCH 31, 2021

TYPE OF REGISTRANTS	REGISTERED AS AT 31/03/2020	ADDITIONS	LESS TERMINATIONS/ CANCELLATIONS	REGISTERED AS AT 31/03/2021
Life Insurance Companies	7	0	1	6
General Insurance Companies	12	0	0	12
Association of Underwriters	1	0	0	1
Insurance Brokers	24	0	0	24
Facultative Placement Brokers	18	0	0	18
Overseas Reinsurance Brokers	1	0	0	1
Local Reinsurance Brokers	2	0	0	2
Insurance Agents	42	7	5	44
Insurance Sales Reps	3,693 [R]	346	117	3,922
Loss Adjusters	33	0	0	33
Loss Adjusters - Employed Practitioners	9	1	2	8
Investigators	22	0	0	22
Claim Negotiators	4	0	0	4
Insurance Consultants	4	0	0	4
TOTAL	**3,872**	**354**	**125**	**4,101**

R: This figure was restated.

OVERVIEW OF THE GENERAL INSURANCE INDUSTRY

As at March 31, 2021, there were twelve registered general insurance companies in Jamaica, of which ten were fully operational. For the remaining two insurance companies, one ceased underwriting new business whilst the other operates on a much smaller scale. There was no addition or termination/cancellation during the period under review.

For the year ended December 31, 2020, the general insurance companies employed approximately 1,230 persons (2019: 1,232) and wrote 514,101 policies (2019: 553,793). Chart 21 shows the number of policies and other key indicators by class of business for the year ended December 31, 2020.

CHART 21: AGGREGATE INFORMATION AND FINANCIAL POSITION OF THE GENERAL INSURANCE INDUSTRY

JAMAICAN GENERAL INSURANCE INDUSTRY DATA FOR 2020 (P)

	LIABILITY	PROPERTY	MOTOR VEHICLE	PECUNIARY LOSS	MARINE AVIATION & TRANSPORT	ACCIDENT	AGGREGATE
NUMBER OF POLICIES	8,203	45,922	429,586	4,050	490	25,850	514,101
GROSS DIRECT PREMIUMS WRITTEN (J$'M)	3,035.5	28,675.7	25,663.3	1,382.0	599.9	254.0	59,610.4
REINUSRANCE ASSUMED (J$'M)	5.6	200.9	56.2	0.4	0.0	2.2	265.3
Gross Premiums Written (J$'M)	3,041.1	28,876.6	25,719.5	1,382.4	599.9	256.2	59,875.7
REINSURANCE CEDED (J$'M)	1,529.7	28,357.5	6,633.7	1,203.8	496.2	73.2	38,294.1
NET PREMIUMS WRITTEN (J$'M)	1,511.3	519.2	19,085.7	178.6	103.7	183.0	21,581.5
% OF GROSS PREMIUMS CEDED	50.4%	98.9%	25.8%	87.1%	82.7%	28.8%	64.2%
NET PREMIUMS EARNED (J$'M)	1,512.0	578.0	18,531.9	203.2	96.8	175.2	21,097.1
GROSS DIRECT CLAIMS INCURRED (J$'M)	898.1	1,811.6	15,711.4	56.4	58.1	64.4	18,600.0
CLAIMS ON REINSURANCE ASSUMED (J$'M)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CLAIMS ON REINSURANCE CEDED (J$'M)	352.4	1,578.9	3,858.4	41.6	40.4	23.5	5,895.2
NET INCURRED CLAIMS (J$'M)	545.7	232.8	11,853.0	14.9	17.8	41.0	12,705.2
CLAIMS RATIO (%)	36.1%	40.3%	64.0%	7.3%	18.4%	23.4%	60.2%

P - Preliminary

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

Chart 22 provides a summary of the financial highlights for the general insurance industry such as total assets, total liabilities and net income.

CHART 22: AGGREGATE INFORMATION AND FINANCIAL POSITION OF THE GENERAL INSURANCE INDUSTRY [4]

AS AT	DEC-16[A]	DEC-17[A]	DEC-18[A]	DEC-19[A]	DEC-20[P]
	$'B	$'B	$'B	$'B	$'B
BALANCE SHEET					
Total Investment Assets	47.8	50.1	51.7	45.7	46.1
Total Assets	71.2	78.0	81.1	88.6	91.2
Insurance Liabilities	38.8	43.1	44.1	48.7	51.8
Other Liabilities	6.0	8.1	9.7	13.4	11.8
Total Liabilities	44.8	51.2	53.8	62.1	63.6
Capital & Surplus (incl. reserves)	26.3	27.3	27.3	26.5	27.3
Total Revenue (YTD)	21.2	22.4	23.4	24.6	23.9
Of Which					
Net Premium Earned	16.9	18.2	20.0	20.6	21.1
Net Investment Income	3.3	4.0	2.7	3.1	1.9
Other Income	1.0	0.2	0.7	0.9	0.9
Underwriting Expenses	16.6	19.0	19.2	20.6	20.3
Income before Tax	4.6	3.4	4.2	4.0	3.6
Taxes	0.9	1.0	1.4	0.8	1.1
Income (Loss) after Tax	3.7	2.4	2.8	3.2	2.5

A-Audited P-Preliminary YTD – Year to Date

As at December 31, 2020, all except two general insurance companies [5] 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 355.3 per cent [6] (December 2019: 283.8 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, 2020, all but one general insurance company met the FSC's minimum solvency ratio of 25.0 per cent

[4] 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.
[5] One of the two general insurance companies which did not meet the minimum MCT ratio is 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.
[6] The weighted average MCT ratio was calculated using the un-audited quarterly statutory filings as at December 31, 2020. Annual (audited) MCT ratios are calculated by the companies' Appointed Actuaries and are verified by the FSC. However, the quarterly 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

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

Additionally, as at December 31, 2020 the aggregate total assets of the general insurance industry was $91.2 billion compared to $88.6 billion for the comparative period in 2019, which represented an increase of 2.9 per cent. Similarly, the total liabilities for the industry increased year on year by approximately 3.1 per cent to (December 2020: $64.0 billion; December 2019: $62.1 billion).

As at December 31, 2020, the general insurance companies reported total revenue of $23.9 billion (2019: $24.6 billion). Of this amount, total underwriting revenue or net premium earned (NPE) totalled $21.1 billion for the year-ended 2020 which represented a 2.4 per cent comparative increase over the $20.6 billion which was reported in 2019. Underwriting expenses decreased to $20.3 billion in December 2020 from $20.6 billion in December 2019, which represented a decline of 1.5 per cent. Further, the industry reported aggregate underwriting profit of $0.9 billion in December 2020 compared to 0.7 billion reported in December 2019. This represented 28.6 per cent increase in underwriting profits year on year. In combining underwriting profit with other income and net investment income less taxes, net profit for the general insurance industry was $2.6 million

The aggregate net claims as at December 31, 2020 was $12.7 billion compared to $12.5 billion for the comparative period. This represented an increase of 1.6 per cent or $0.2 billion. Further, as shown in Chart 23, claims associated with the motor class of insurance business represented the highest category.

CHART 23: AGGREGATE CLAIMS BY CLASS OF BUSINESS, 2016-2020

CLASS OF BUSINESS	NET INCURRED CLAIMS				
	2016^A $' M	2017^A $' M	2018^A $' M	2019^A $' M	2020^P $' M
Liability	494.0	483.9	469.9	295.7	545.7
Property	367.2	363.7	112.1	263.2	232.8
Motor Vehicle	9,053.3	10,677.7	11,210.6	11,933.3	11,853.0
Pecuniary Loss	6.9	40.1	5.8	7.9	14.9
Marine Aviation & Transport (MAT)	-0.1	10.5	8.6	10.6	17.8
Accident	36.7	45.2	19.6	23.9	41.0
Total	**9,958.00**	**11,621.10**	**11,826.60**	**12,534.6**	**12,705.2**

A - Audited P - Preliminary

Additionally, as shown in Chart 24, the motor vehicle class of insurance business consistently accounted for more than 90.0 per cent of total claims over the past five-year period. For 2020, the motor class of business accounted for 93.7 per cent of the total net incurred claims. (2019: 95.2 per cent).

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

CHART 24: PERCENTAGE COMPOSITION OF TOTAL CLAIMS BY CLASS OF BUSINESS, 2016 - 2020

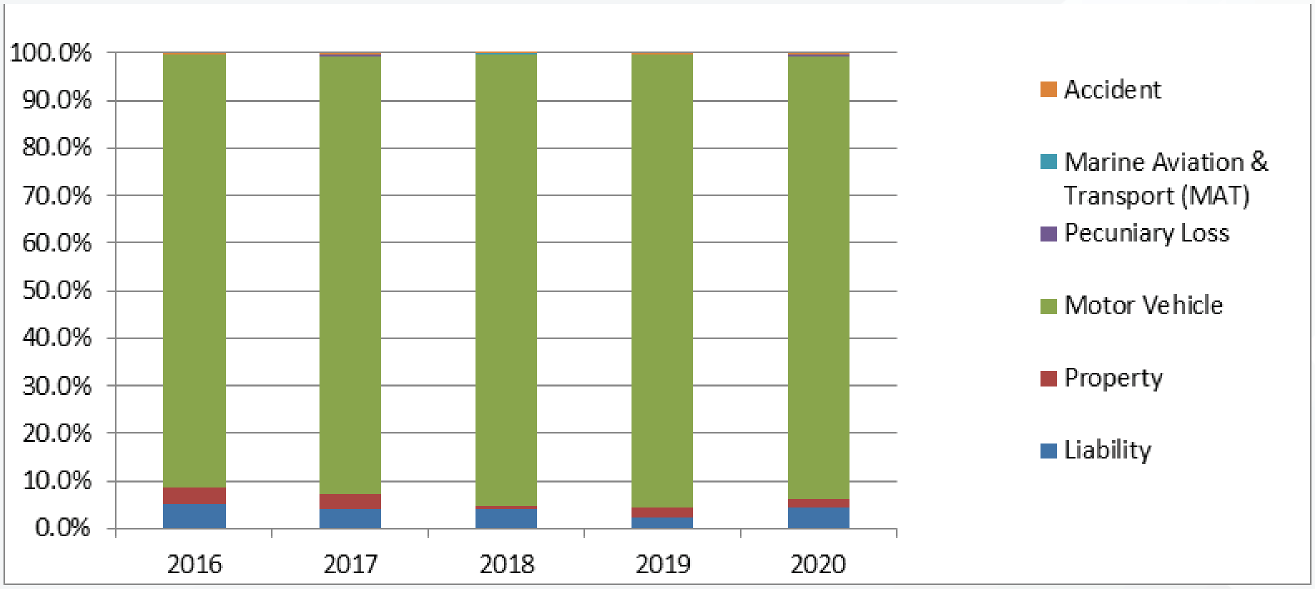
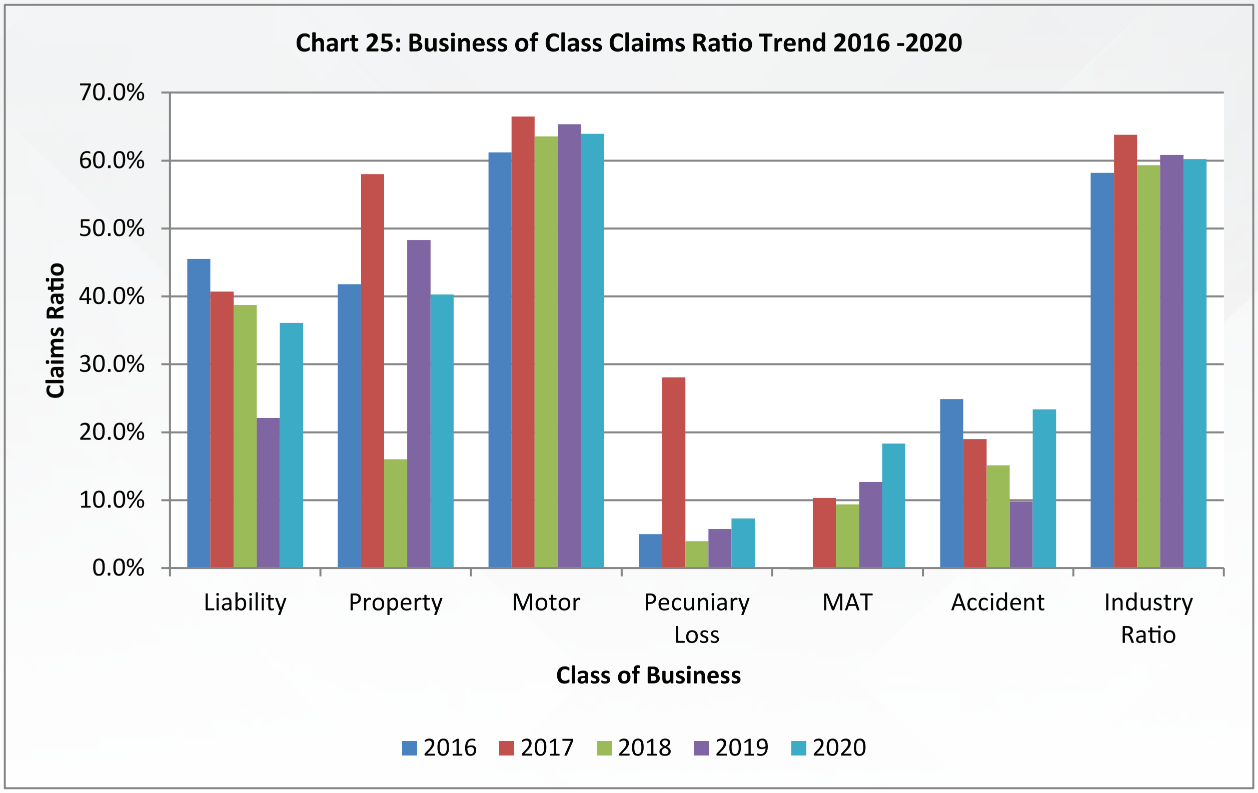


CHART 25 SHOWS THE TREND IN CLAIMS RATIO [7] BY CLASS OF BUSINESS FOR THE GENERAL INSURANCE INDUSTRY FOR THE PERIOD 2016-2020.



[7] Claims ratio is computed as net incurred claims divided by the net premium earned.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

OVERVIEW OF THE LIFE INSURANCE INDUSTRY

As at March 31, 2021, there were six registered life insurance companies in Jamaica. There was one voluntary[8] cancellation during the calendar year 2020..

For the year ended December 31, 2020, the six registered life insurance companies employed approximately 1,971 persons (2019: 2,081). Additionally, the total Gross Premium Written (GPW) as at December 31, 2020 was $68.7 billion which represented a 0.6 per cent increase over the comparative (December 2019: $68.3 billion). Chart 26 shows the percentage of GPW by class of business.

CHART 26: PERCENTAGE COMPOSITION OF GPW BY CLASS OF BUSINESS 2020

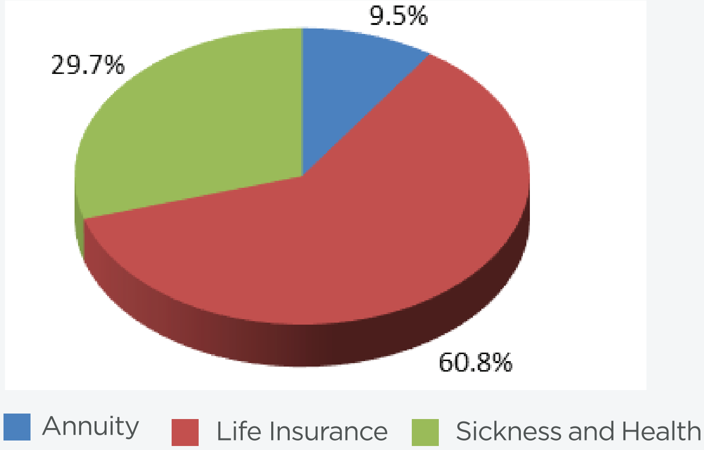


Chart 27 illustrates a statistical summary of the Life Insurance Industry for the period 2016-2020:

CHART 27: STATISTICAL INFORMATION AND FINANCIAL POSITION OF THE LIFE INSURANCE INDUSTRY

AS AT	DEC 16^A $'B	DEC 17^A $'B	DEC 18^A $'B	DEC 19^A $'B	DEC 20^A $'B
BALANCE SHEET					
Total Investment Assets	276.5	289	299.7	329.8	314.7
Total Assets	297.2	312.1	324.2	359.6	367.4
Insurance Liabilities	87.8	96.2	95.6	99.3	121.5
Other Liabilities	140	133	135.6	151.9	125.3
Total Liabilities	227.8	229.2	231.2	251.2	246.8
Capital & Surplus (incl. reserves)	69.4	82.9	93	108.4	120.6
PROFIT AND LOSS (YTD)					
Total Revenue	**77.4**	**89.3**	**92.6**	**105.4**	**81.1**
Net Premium Income	48.0	58.5	59.6	67	67.5
Net Investment Income	24.7	25	26.3	30.6	8.5
Other Income	4.7	5.8	6.7	7.8	5.1
Total Expenses	**60.5**	**70.7**	**68.5**	**81**	**55.2**
Policy Benefits	28.4	30.6	34.9	39.5	41
Operating Expenses	22.5	25.0	27.1	34.2	26.4
Other Expenses [9]	5.0	10.5	0.1	1.7	-19.1
Taxes	4.6	4.6	6.4	5.6	6.9
NET INCOME AFTER TAXES	**16.9**	**18.6**	**24.1**	**24.4**	**25.9**

A-Audited, YTD - Year To Date

[8] There was a scheme of transfer of insurance business between two life insurance companies. This transaction resulted in the voluntary cancellation of one of the two life insurance companies involved.
[9] In 2020, the change in 'other expenses' was mainly attributed to a decrease in the net actuarial liabilities provision primarily due to changes in the actuarial assumptions.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

As at December 31, 2020, the total reported assets was $367.4 billion which represented a 2.2 per cent increase over the comparative period (December 2019: $359.6 billion). The accumulated invested assets were $314.7 billion which represented 85.7 per cent of the total combined assets. Additionally, total liabilities decreased by 1.8 per cent year on year, see Chart 9.

Additionally, the life insurance industry reported total net income after tax of $25.9 billion as at December 31, 2020, representing an increase of 6.1 per cent over the comparative period (December 2019: $24.4 billion).

Chart 28 illustrates the composition of the policy benefits in the life insurance industry for the period 2016-2020.

CHART 28: AGGREGATE POLICY BENEFITS, 2016-2020

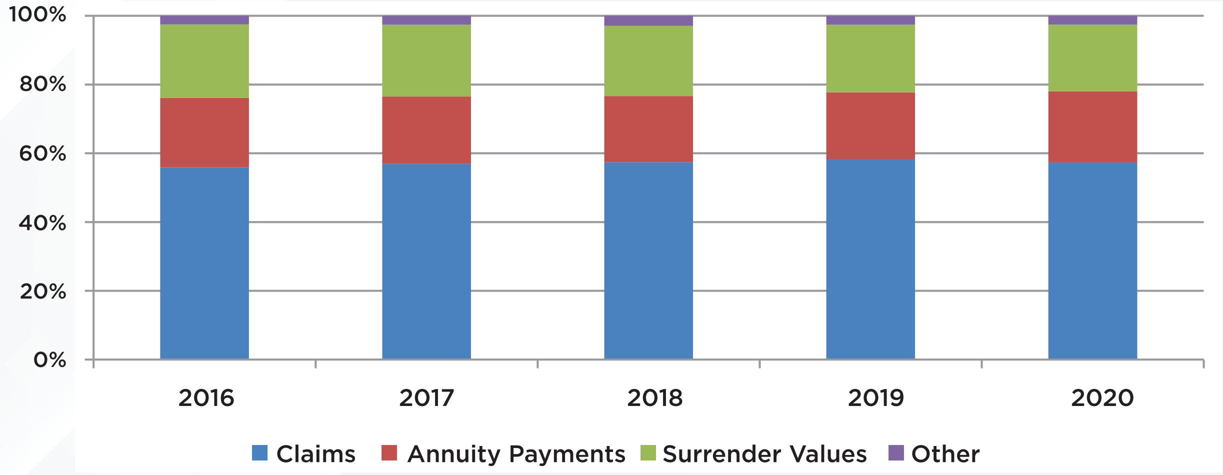
POLICY BENEFITS	2016[A]	2017[A]	2018[A]	2019[A]	2020[A]
	$'MILLIONS				
Claims	16,101.2	17,596.2	20,350.2	22,620.6	23,635.5
Of Which:					
Sickness & Health	10,933.4	11,866.5	13,305.9	14,952.3	15,108.5
Death Claims	5,013.0	5,554.2	6,888.5	7,494.5	8,336.8
Disability Claims	29.0	15.9	11.5	10.0	7.0
Matured Endowments	125.8	159.6	144.3	163.8	183.1
Annuity Payments	5,522.1	5,887.5	6,777.6	8,143.1	6,922.6
Surrender Values	5,894.6	6,257.6	6,859.7	7,678.7	8,982.4
Other	740.1	900.9	906.9	1,011.8	1,438.1
Total Policy Benefits	**28,258.0**	**30,642.2**	**34,894.4**	**39,454.2**	**40,978.5**

A - Audited

As at December 31, 2020, the total policy benefits reported was $41.0 billion compared to $39.5 billion for the comparative period. This represented an increase of 3.8 per cent. Further, for the year ended December 31, 2020, the total combined claims accounted for 57.6 per cent of the total policy benefits. Noteworthy, sickness and health for the life industry accounted for 64.0 per cent of the total claims. Chart 29 shows the percentage composition of policy benefits for the period 2016-2020.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

CHART 29: PERCENTAGE COMPOSITION OF POLICY BENEFITS, 2016-2020



As at December 31, 2020, the total reported capital, surplus and reserves for the life insurance industry was $120.6 billion which represented an increase of 11.3 per cent over the comparative period (December 2019: $108.4 billion). The weighted average Minimum Continuing Capital and Surplus Requirement (MCCSR) for the life insurance sector was 233.4 per cent (2019: 250.7 per cent) which was above the regulatory requirement of 150.0 per cent. All life insurance companies were compliant in meeting this regulatory benchmark.

SUPERVISORY RISK ASSESSMENT OUTCOME

The FSC has a supervisory framework for off-site and on-site examinations. The FSC is presently far advanced in fully transitioning from the CARAMELS framework [10] (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

Specifically, 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 protection [11] . The outcome of the aforementioned review may trigger additional review by the FSC. Further, the Insurance Division has started the process to apply the RBS methodology to all insurance companies for the purposes of conducting Annual Risk Assessment analyses. The generated Annual Risk Assessment Reports are 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 2020, of the nineteen registered insurance companies (that is, prior to the voluntary cancellation of one life insurance company), two insurance companies which formed a part of the on-site pilot examinations where subjected to the full RBS framework while one insurance company was examined on a smaller scale using the RBS methodology. The Insurance Division, and by extension the FSC, completed a number of initiatives to sensitize stakeholders on

[10] The CARAMELS 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.

the benefits and nuances of the RBS approach to supervision. Additionally, all registered companies, life and general, are subject to quarterly risk assessments.

OUTLOOK FOR THE INSURANCE DIVISION

- **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 the FY2021-2022, the Insurance Division will conduct one pilot on-site examination on a life insurance company using the RBS methodology. This will also enable the Insurance Division to collaborate with the other sector divisions (namely, Pensions and Securities) in carring out the on-site examination.CThe Insurance Division will conduct two additional on-site examinations of two general insurance companies using the RBS methodology.

- **Legislative Amendments**

  The Division continues to work with relevant stakeholders to finalise amendments to the Insurance Act (2001) and Insurance Regulations (2001) inclusive of areas concerning Stress Testing, Asset Liability Management, Group Insurance, Microinsurance, Capital Requirement, Change of Ownership, Investment Regulations, and Market Conduct Regulations, as per the government's legislative agenda.
  In view of the pending adoption of International Financial Reporting Standards (IFRS) 17, the Insurance Division and by extension the FSC will be seeking to draft proposals regarding amendments to the Insurance Legislation to facilitate changes necessitated by IFRS 17. These changes will allow the FSC to execute its mandate, specifically, to timely and effectively regulate and supervise the insurance industry which is a very dynamic sector

- **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 entities in the life and general insurance sectors respectively.

  However, stemming from Jamaica's adoption of the International Financial Reporting Standards (IFRS) in 2002, coupled with the 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 . This was in order to take account of the valuation methodology promulgated by IFRS 17 [12] .

[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.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

Accordingly, the FSC had completed Phase II of the Quantitative Impact Study (QIS 2), for both the life and general insurance industry. For the general insurance industry, the consultant recommended changes be made to the MCT which resulted in the FSC submitting concept papers on revisions to the MCT to the Ministry of Finance & Public Service so that amendments to the Insurance Regulations, 2001, could be drafted. In respect of the life insurance industry, the consultant recommended another quantitative impact study to revise the capital standard (MCCSR) to take into account the IFRS; Insurance Contracts (IFRS 17).

- **Coronavirus (COVID-19) Pandemic & the Insurance Sector**

On March 10, 2020, the first imported case of COVID-19 was confirmed in Kingston, Jamaica. This news sent shockwaves across the island which created much uncertainty not only for the insurance sector but for all sectors. As the number of confirmed COVID-19 cases increased, the FSC activated its Business Continuity Plan and made adjustments to its operations as work from home and social distancing protocols were implemented in keeping with the Ministry of Health and Wellness directives. Staff members worked remotely at home to ensure the continued monitoring and supervision of the insurance sector as well as support our registrants and stakeholders during this difficult period.

Similarly, the onset of COVID-19 negatively impacted registrants within the insurance industry making changes in their business operations Some players in the industry were able to adapt more easily than others as a result of economies of scale coupled with either prior or an immediate investment in technological infrastructure in order to pivot and respond to the changing demand of the market. Generally, workforce members of registrants began working from home, holding meetings online as well as leveraging technology to allow for electronic payment options which could be utilized by policyholders.

Apart from this, the Insurance Division and by extension the FSC had given special considerations to the timing of the submission of some statutory filings, and had to modify the way in which it conducted on-site examination especially, within the RBS methodology. On-site examinations are currently being conducted remotely with a heavy reliance on various technological platforms which facilitate both information sharing and virtual interviews. Although there have been anticipated challenges as we navigate in this new environment, so far, all on-site examinations conducted in this manner have been a success.

FACILITATING THE DEVELOPMENT AND GROWTH OF THE INSURANCE INDUSTRY

Moreover, in partnership with the Actuarial Division, a Bottom-Up Stress testing of both life and general insurance companies was commissioned in order to project the December 2020 performance. The sample comprised four life insurance companies (99.0% of industry assets) and seven general insurance companies (93.0% of industry assets). The scenarios tested were severe. While the results indicated that generally the life insurance companies were more resilient, the general insurance companies were particularly susceptible to the severely adverse scenarios. Notwithstanding, the FSC has intensified its supervision during these uncertain times and had issued instructions that registrants notify the FSC at least ten working days prior to any determination by their Board, to declare dividends pay-out. This was to ensure that registrants continue to maintain adequate flows of liquidity to meet their obligations.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

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. As the COVID 19 pandemic continued to impact economic growth and individual well-being, the FSC continued to prioritize investor protection and a well-regulated securities industry through enhanced monitoring while acknowledging that a certain level of forbearance in these unprecedented times is necessary. Accordingly, it remains important that the Securities Division continues to ensure that a robust framework is in place to:

a. Promote adequate disclosure, fairness and transparency
b. Advance financial stability,
c. Deepen financial markets,
d. Safeguard investors' assets,
e. Promote a culture of market integrity, and
f. Preserve public trust in our financial markets

Consequently, during FY2020-2021, the Securities Division continued the implementation of key reforms to strengthen the financial sector. The main enhancements in the supervisory framework pursued during the year related to the following:

i. The continued development of a risk based supervision framework of our licensees;
ii. Continued implementation of a Large exposure framework;
iii. Monitoring of benchmarks intended to control the risks inherent in the retail repurchase agreements market;
iv. Enhancement of the Exempt Distribution Framework and Issuers of Securities; and
v. Continued introduction and implantation of reforms in keeping with the market deepening agenda

CHART 30: A SNAPSHOT OF THE DIVISION'S MAJOR ACHIEVEMENTS

PRUDENTIAL ENHANCEMENTS	o Continued phased implementation of the large exposure framework o Monitoing of the Retail Repo Mismatch Ratio o Update to the Guidelines for Issuers of Securities o Proposal to move the Market Conduct Guidelines into regulations o Internal Gap Analysis in preparation for consultation on implemetation of new Capital and Liqudity Framework
RISK-BASED SUPERVISION	o Advancement in the continued development of a risk-based supervisory framework o Completed pilot reviews using RBS methodology
PRUDENTIAL, MARKET CONDUCT AND AML/CFT	o Six (6) Onsite Examinations o Five (5) Risk Based Assessments o Review of bi-annual bottom up Stress Test Results o Review of exempt distribution reporting
REGISTRATION OF SECURITIES	o 127 securities registered under the exempt distribution regime o 12 prospectuses reviewed to faciliate listing of companies o 14 offering documents for sale of CIS funds renewed
ROUTINE MONITORING	o Weekly, monthly, quarterly and annual desk based reviews and on-site examinations as well as monitoring of Early Warning Ratios o Oversight of Jamaica Stock Exchange, Jamaica Central Securities Depository and listed entities

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Chart 31 illustrates the number of entities and individuals licensed and registered by the FSC by category of licenses or registration as at March 31, 2021

CHART 31 : NUMBER OF LICENSEES & REGISTRANTS BY CATEGORY

	Licensed/ Registered At 31/3/20	Additions	Less Terminations/ Cancellations	Licensed/ Registered At 31/3/21
Securities Dealers [13]	43	1	3	41
Securities Dealers' Representatives	942 [R]	143	38	1,047
Investment Advisers	4	3	1	6
Investment Advisers' Representatives	3	0	3	0
Mutual Funds	11	0	0	11
Unit Trust Schemes	19 [R]	0	0	19
Total	**1,022**	**147**	**45**	**1,124**

R - figures restated

As at March 31, 2021, there were thirty eight (38) companies and three (3) individuals licensed as securities dealers in the market. Chart 32 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 companies managing collective investment schemes. 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 managers or life insurance companies.

CHART 32: NUMBER OF LICENSED SECURITIES DEALERS, BY TYPE OF COMPANY, AS AT MARCH 31, 2021

Institution Type	March 31, 2021
Total Securities Dealers	38
Of Which:	
Core Securities Dealers[14]	31
Non-Core Securities Dealers	7
Of Which:	
Insurance Companies	2
Others	5

[13] This includes three (3) individual securities dealers
[14] Ten of the core securities dealers are also CIS management companies.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Statistical Snapshots of the Performance of the Industry

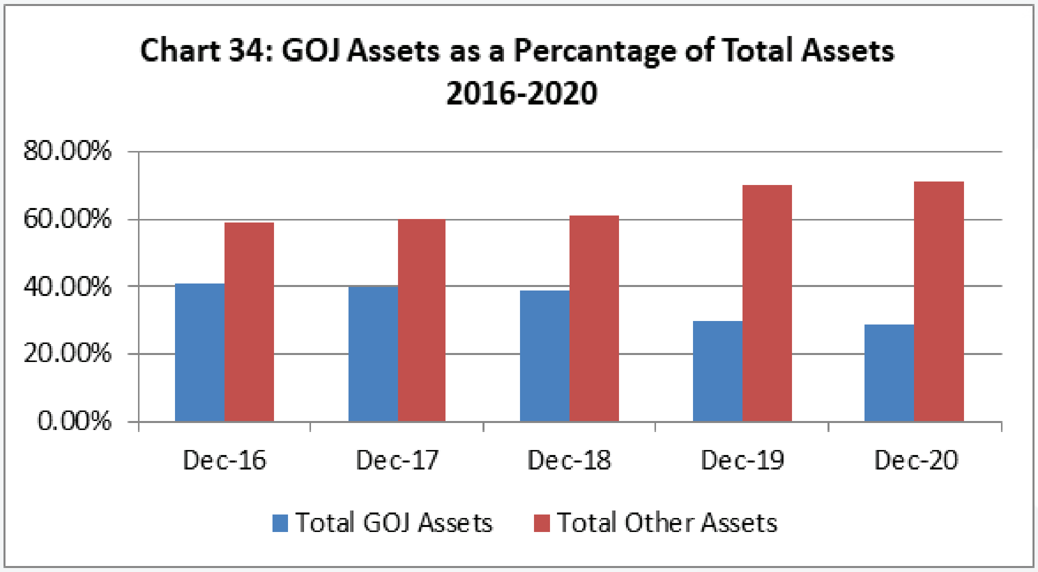
As at December 31, 2020, the total balance sheet assets of the securities industry (comprising core and non-core securities dealers) stood at approximately J$1.09 trillion, reflecting a decrease of J$56.69 billion or 4.95 per cent when compared to the corresponding period in 2019 (See Chart 33). This decrease was attributable to a J$142.98 billion or 28.95 per cent decrease in the total assets held by non-core securities dealers. This reduction was caused mainly due to the exit of a non-core dealer from the system. The overall impact was somewhat cushioned by an increase of J$ 86.29 billion or a 13.3% increase in the total asset of core dealers.

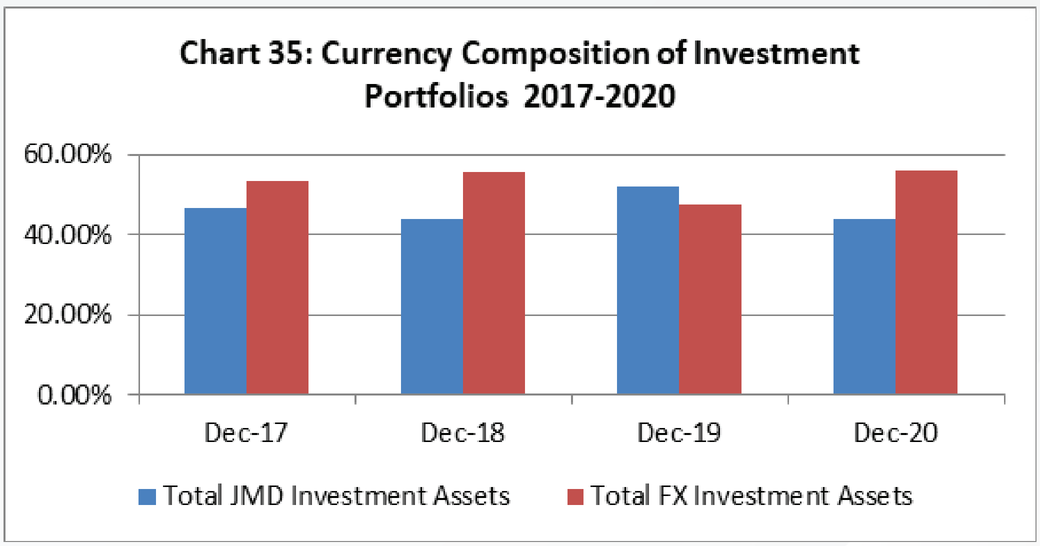
The GOJ's debt securities accounted for approximately 29.0 per cent of the balance sheet assets while foreign currency (FX) denominated investments made up the majority of the investments that were reported on the balance sheet, a trend which has been noticeably increasing over the past few years. See Chart 34. This trend suggests that securities dealers have been repositioning their investment portfolios to take on more FX exposure, as shown in Chart 35, 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 as illustrated in Chart 36.

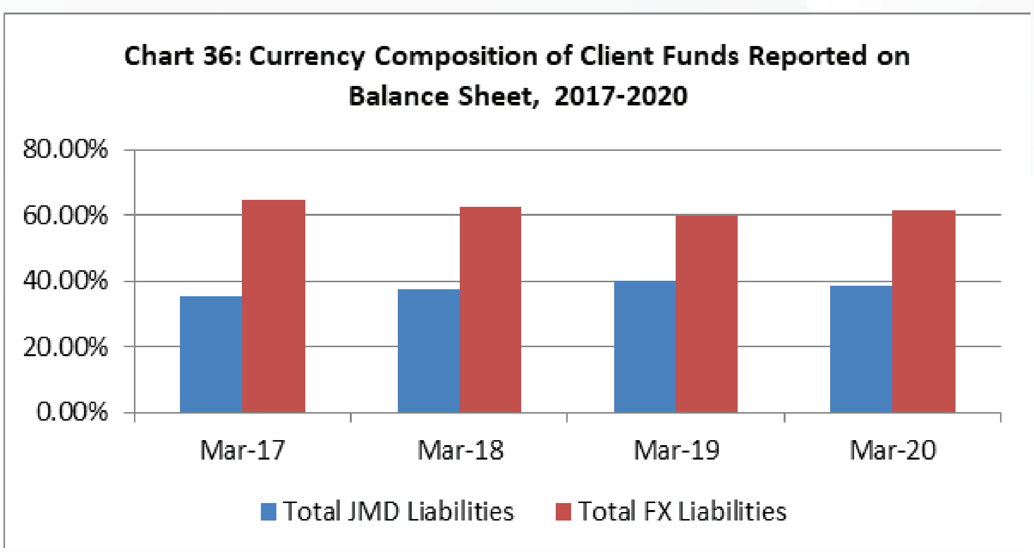
CHART 33: TOTAL BALANCE SHEET ASSETS OF SECURITIES DEALERS BY TYPE OF COMPANY, 2016-2020 DECEMBER

Category of Securities Dealers (Company)	Total Assets									
	Dec-16		Dec-17		Dec-18		Dec-19		Dec-20	
	$ Billions	% of Total	$ Billions	% of Total	$ Billions	% of Total	$ Billions	% of Total	$ Billions	% of Total
Core Securities Dealers	550.7	54.2	556.6	52.2	561.0	51.6	650.6	56.9	736.9	67.8
Non-Core Securities Dealers	466.1	45.8	508.8	47.8	526.9	48.4	493.8	43.2	350.8	32.3
of which:										
Building Society/ Commercial Bank	153.3	15.1	166.7	15.7	166.4	15.3	166.4	14.5	-	-
Insurance Companies	294.7	29.0	320.8	30.1	333.9	30.7	297.9	26.0	318.9	29.3
Others	18.1	1.8	21.2	2.0	26.6	2.4	29.5	2.6	32.0	2.9
TOTAL	**1,016.8**	**100.0**	**1,065.4**	**100.0**	**1,087.9**	**100.0**	**1,144.4**	**100.0**	**1,087.7**	**100.0**

Note: Unaudited data







Note: Unaudited data

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Chart 37 displays the total balance sheet capital of securities dealers for the period 2016 – 2020. As at December 31, 2020, the total balance sheet capital of the securities industry (comprising core and non-core securities dealers) stood at J$253.51 billion, an improvement of 9.3 per cent when compared to the similar period in 2019. The improvement in the total balance sheet capital for the securities industry was primarily attributable to a 14.4 per cent increase in the capital held by the core securities dealers.

CHART 37: TOTAL BALANCE SHEET CAPITAL OF SECURITIES DEALERS BY TYPE OF COMPANY, 2016-2020

Category of Securities Dealers (Company)	Capital									
	Dec-16		Dec-17		Dec-18		Dec-19		Dec-20	
	$ Billions	% of Total	$ Billions	% of Total	$ Billions	% of Total	$ Billions	% of Total	$ Billions	% of Total
Core Securities Dealers	77.9	47.8	83.5	46.4	79.2	42.9	113.7	49.0	130.1	51.3
Non-Core Securities Dealers	85.2	52.2	96.6	53.6	105.6	57.1	118.2	51.0	123.4	48.7
of which:										
Building Society/ Commercial Bank	20.4	12.5	19.4	10.8	18.7	10.1	18.7	8.0	0.0	0.0
Insurance Companies	62.1	38.1	73.9	41.1	82.6	44.7	94.3	40.7	117.7	46.4
Others	2.6	1.6	3.3	1.8	4.4	2.4	5.3	2.3	5.8	2.3
TOTAL	**163.1**	**100.0**	**180.2**	**100.0**	**184.8**	**100.0**	**232.0**	**100.0**	**253.5**	**100.0**

Note: Unaudited data

Chart 38 illustrates the total Funds under Management (FUM) (reported both on and off balance sheet) of securities dealers for the period 2016 – 2020. As at December 31, 2020, the total FUM of the securities industry stood at approximately J$1.81 trillion [15], representing a decrease of 1.1 per cent when compared to the same period in 2019. The core securities dealers accounted for approximately 75.6 per cent of this amount. Notably, these core dealers include Collective Investment Schemes (CIS) institutional fund managers which have seen an increase in the size of their CIS portfolios under management in recent times.

[15] This amount includes CIS funds and pension funds managed by securities dealer companies.

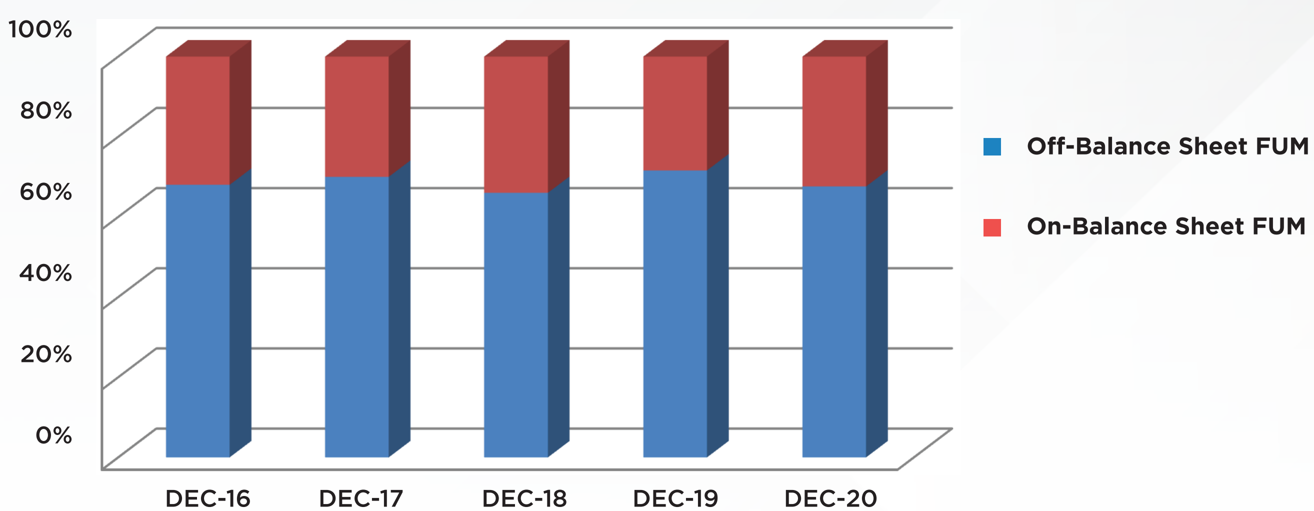
CHART 38 : TOTAL FUNDS UNDER MANAGEMENT OF SECURITIES DEALERS BY TYPE OF COMPANY, 2016-2020

Category of Securities Dealers (Company)	Funds under Management (FUM) [16]									
	Dec-16		Dec-17		Dec-18		Dec-19		Dec-20	
	$ Billions	% of Total	$ Billions	% of Total	$ Billions	% of Total	$ Billions	% of Total	$ Billions	% of Total
Core Securities Dealers	1,112.3	79.4	1,186.7	75.9	1,229.8	75.4	1,346.1	73.7	1,366.0	75.6
Non-Core Securities Dealers	289.5	20.7	376.0	24.1	401.1	24.6	481.0	26.3	441.4	24.4
of which:										
Insurance Companies	254.9	18.2	331.0	21.2	355.6	21.8	416.4	22.8	387.8	21.5
Others	34.6	2.5	45.0	2.9	45.5	2.8	64.6	3.5	53.7	3.0
Total	**1,401.8**	**100.0**	**1,562.6**	**100.0**	**1,630.9**	**100.0**	**1,827.2**	**100.0**	**1,807.4**	**100.0**

Note: Unaudited data

Over the last five years, off-balance sheet FUM has accounted for on average approximately 69.0% 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 39. Nevertheless, the general structure suggests that the securities dealers are strategically managing more of their clients' portfolios off their balance sheets.

CHART 39: OFF BALANCE SHEET FUM GROWTH



Note: Unaudited data

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

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

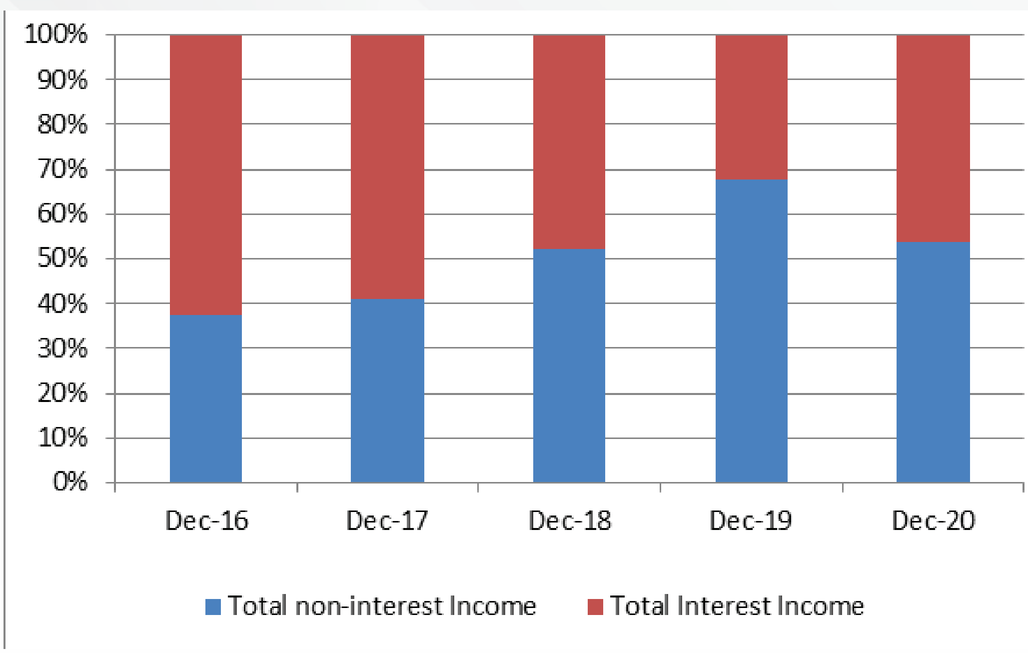
Chart 40 provides information on the earnings, expenses and profitability of the core securities dealers over the last five years. Collectively, the core securities dealers remained profitable in 2020 recording a net after-tax profit of J$12.04 billion. Of note, interest income accounted for approximately 46.2 per cent of total revenue recorded for the 2020 calendar year. This is an indication that core dealers have reduced their dependence on interest income as their main source of revenue. Chart 41 depicts the percentage composition of total revenue for the period 2016-2020. The financial year ended December 2020 saw a marked reduction in profitability levels and this was in no small measure attributable to the impact of the Covid-19 pandemic. While the industry has displayed resilience, their profitability levels have taken a significant hit.

CHART 40: EARNINGS, EXPENDITURE AND PROFITABILITY OF CORE SECURITIES DEALERS, 2016-2020

	DEC-2016 $'BILLION	DEC-2017 $'BILLION	DEC-2018 $'BILLION	DEC-2019 $'BILLION	DEC-2020 $'BILLION
TOTAL REVENUE	49.98	45.6	51.04	61.1	52.6
Total Expense	34.46	30.9	33.33	30.21	37.79
Total Interest Income	31.25	26.91	24.34	19.78	24.32
Total Interest Expense	17.88	15.91	13.8	11.7	14.77
Net Interest Income	13.37	11	11	8.07	9.38
Net Profit after tax	**8.37**	**9.48**	**11.97**	**25.06**	**12.04**

Note: Unaudited data

CHART 42: PERCENTAGE COMPSITION OF TOTAL REVENUE, 2016-2020



Note: Unaudited data

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Chart 43 summarises selected prudential indicators for the core securities dealers for the period 2016 to 2020. Despite the continued implementation of key reforms in the industry, as well as the impact of the pandemic on asset prices, the sector remained adequately capitalised and robust.

CHART 43: SELECTED PRUDENTIAL INDICATORS FOR CORE SECURITIES DEALERS, 2016 – 2020

	DEC-16 %	DEC-17 %	DEC-18 %	DEC-19 %	DEC-20 %	FSC BENCHMARK %
CAPITAL ADEQUACY						
Capital / Total Assets	14.15	15	14.12	17.48	17.5	≥ **6**
Capital Adequacy Ratio [17]	20.35	19.54	20.78	22.86	22.63	≥ **10**
PROFITABILITY						
Return on Assets [18]	1.52	1.7	2.13	2.19	1.11	
Return on Equity [19]	10.73	11.35	15.11	10.8	4.75	
Net Interest Margin [20]	42.77	40.87	45.19	40.8	38.57	
Net Profit Margin [21]	16.74	20.78	23.45	41.01	22.89	

Note: Unaudited data

OVERVIEW OF COLLECTIVE INVESTMENT SCHEMES (CIS)

Local Unit Trusts and Mutual Funds

As at December 31, 2020, there were eighteen (18) unit trusts and one (1) local mutual fund operating in Jamaica. They were managed by ten (10) 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 $343.7 billion, representing a 1.68 per cent reduction when compared to the previous year's amount of $349.6 billion (See Chart 44). The reduction in funds under management was primarily due to redemptions and depreciation in the fund values due to market movements.

[17] 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.
[18] Return on assets is computed by dividing net income after tax by total balance sheet assets.
[19] Return on equity is computed by dividing net income after tax by balance sheet capital.
[20] Net Interest Margin is computed by dividing net interest income by total interest income.
[21] Net Profit Margin is computed by dividing net profit after tax by total revenue.

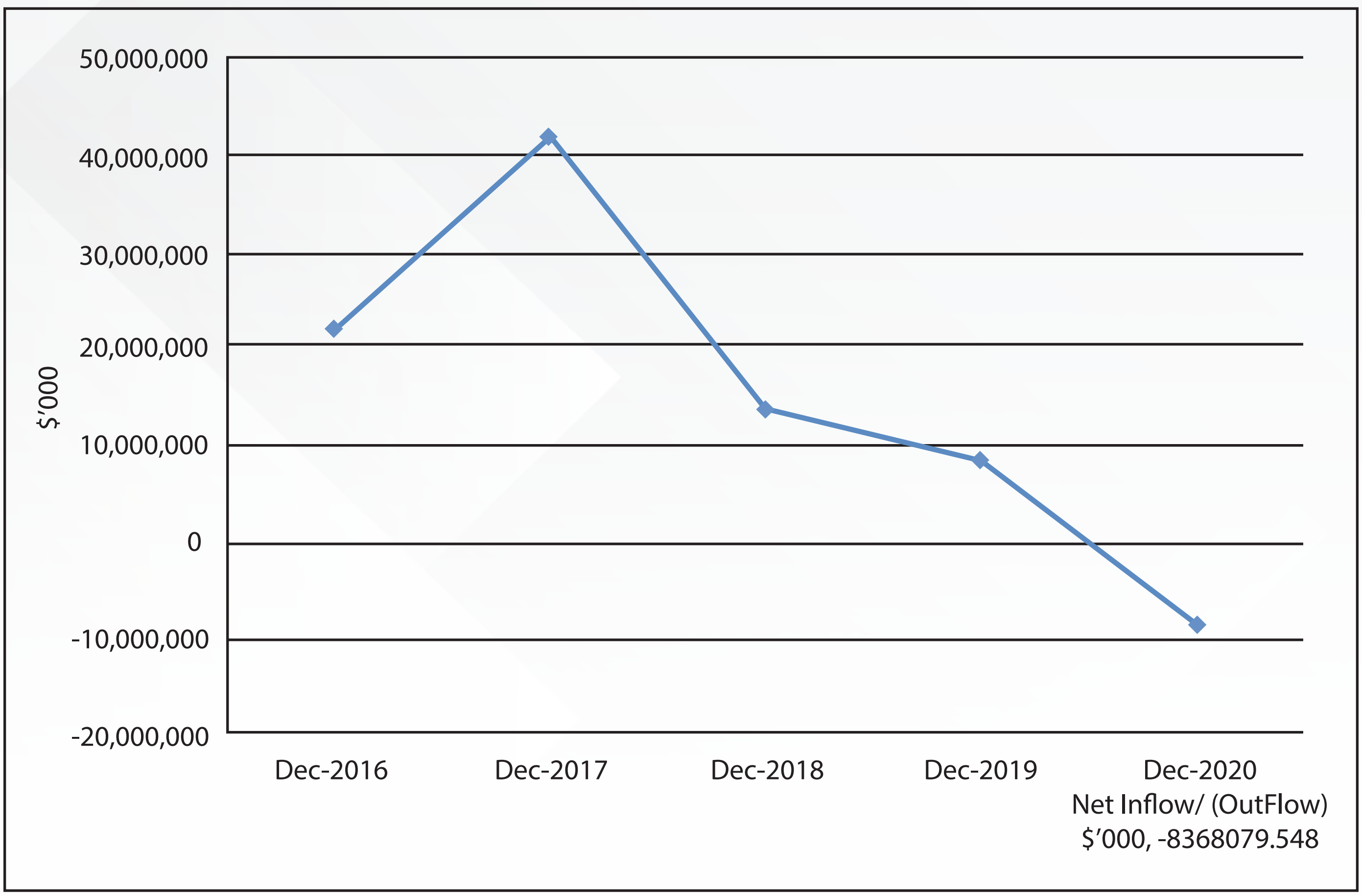
PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

CHART 44: FUM ACTIVITIES FOR THE FIVE -YEAR PERIOD ENDED DECEMBER 2020

TOTAL FUM ($ BILLIONS)	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Dec 2020
	184.3	241.2	275.8	349.6	343.7
ACTIVITY OVER THE YEARS (IN TERM OF DOLLARS) ($ BILLIONS)					
• Units Sold	50.4	119.4	91.6	117.0	88.9
• Units Redeemed	28.3	77.6	77.7	108.3	97.4
• Net Inflow	22.1	41.8	13.9	8.7	-8.4

Chart 45 illustrates the combined CIS net purchases over the years December 2016 to December 2020. All the year ends experienced net purchases, except for 2020 which shows a net redemption.

CHART 45: CUMULATIVE CIS NET PURCHASE OR (REDEMPTION) DEC 2016 - DEC 2020



PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

Chart 46 illustrates the combined CIS net inflow/outflow during the 2020 calendar year by quarters. Of the four quarters, three experienced net inflows while one experienced a net outflow.

Chart 46: 2020 QUARTERLY CIS INFLOW /OUTFLOW ($ BILLIONS)

	Mar 2020	Jun 2020	Sep 2020	Dec 2020
ACTIVITY DURING THE YEAR (IN TERM OF DOLLARS) ($ BILLIONS)				
• Units Sold	32	19.1	19.7	18.1
• Units Redeemed	32.5	25.6	21.7	17.5
• Net Inflow/(Outflow)	(0.53)	(6.5)	(2)	(0.65)

Overseas Mutual Funds

As at December 31, 2020, ten (10) overseas mutual funds were registered with the FSC for sale in Jamaica. The mutual fund investment portfolios comprised mainly equities and fixed income securities. The total amount invested in these funds by Jamaicans amounted to USD335.1 million. Chart 47 depicts the value of purchases and redemptions done by Jamaicans during the years December 2016 to December 2020.

CHART 47: SUMMARY OF OVERSEAS MUTUAL FUNDS HELD BY JAMAICANS

	2016	2017	2018	2019	2020
TOTAL FUM (USD MILLIONS)	220	263	272	303	335
ACTIVITY DURING THE YEAR					
Value of Units Sold (USD millions)	46	58	62	48	57
Value of Units Redeemed (USD millions)	37.7	34.2	34.8	34.1	33.9
NET FLOWS					
Value (USD millions)	8	24	28	14	23

EQUITIES AND PRIVATE DEBT MARKETS OVERVIEW

Public Offerings

During the year that ended December 2020, eleven (11) public offerings were registered with the FSC. Among the eleven (11) registered public offerings, five (5) were primary offerings of ordinary shares, three (3) were additional public offerings (APO) of ordinary shares, One (1) was a Rights Issue, and two were (2) Listings by Introduction.

The combined value of these equity registrations amounted to approximately $42 billion, reflecting a year-over-year decrease of approximately sixteen (16) per cent in the value of registered securities. Ordinary shares accounted for $38 billion or 90 per cent of the value of the total listings for the calendar year, while companies which registered rights issues and listings by introduction accounted for approximately 10 per cent. Chart 48 shows the number and the combined value of the securities registered by the FSC for the period 2016-2020.

CHART 48: PUBLIC OFFERINGS REGISTERED: 2016 - 2020	2016	2017	2018	2019	2020
Number of Public Offerings	13	10	19	22	11
Value ($ Billions)	11.0	15.6	16.0	50.0	42.0

Equity Listings

Equity Listings on the Jamaica Stock Exchange

As at December 31, 2020, the Main Market of the Jamaica Stock Exchange (JSE) reported that there were forty-six (46) ordinary shares and seventeen (17) preference shares listed on the exchange. On the Junior Market, there were forty-one (41) ordinary shares and three (3) preference shares (no change over the previous year), while on the US market there were ten (10) ordinary shares and seven (7) preference shares. The Bond Market had three (3) securities listed. The JSE had a total of ninety-two (92) companies listed across all three (3) markets compared to December 2019, which had eighty-seven (87) listed companies.

The Combined Market Capitalization for 2020 saw a reduction of 19.71 per cent with the Main Market reducing by 19.28 per cent while the Junior Market reduced by 20.91 per cent. The volume traded on the Main Market during 2020 amounted to approximately 6.69 billion units, representing a 23.32 per cent decrease when compared to the 8.72 billion units that traded in 2019. The Junior Market experienced a 38.38 per cent decrease in volume traded, with 2.87 billion units in 2019 compared to 1.77 billion units at the end of 2020 (see Chart 49).

In 2020, both the Main and Junior Markets experienced year-over-year increases in the total number of transactions. The Junior Market recorded a 43 per cent increase in the total number of transactions, while the Main Market recorded a 39 per cent increase over 2019. The value of the trades on the Junior Market decreased by 50.15 per cent over the previous year to $4.68 billion, down from $9.39 billion, while the value traded on the Main Market moved downwards from $91.76 billion in 2019 to $49.92 billion in 2020, a 45.60 per cent decrease. Chart 49 illustrates the year over year comparison for all three (3) markets on the JSE.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

CHART 49: YTD DECEMBER 2020 VERSUS YTD DECEMBER 2019

Main Market (non-block)	YTD December 2019	YTD December 2020	Change	Change%
Value	$91.76 Billion	$49.92 Billion	$-41.84 Billion	-45.60%
Volume	8.72 Billion	6.69 Billion	-2.03 Billion	-23.32%
Number of trades	123,562	172,046	48,484	39.24%
Market Cap	$1.92 Trillion	$1.55 Trillion	$370.00 Billion	-19.28%
Junior Market	**YTD December 2019**	**YTD December 2020**	**Change**	**Change%**
Value	$9.39 Billion	$4.68 Billion	$-4.71 Billion	-50.15%
Volume	2.87 Billion	1.77 Billion	1.10 Billion	-38.38%
Number of trades	47,755	68,128	20,373	42.66%
Market Cap	$151.35 Billion	$119.70 Billion	$-31.65 Billion	-20.91%
Combined Market	**YTD December 2018**	**YTD December 2019**	**Change**	**Change%**
Value	$101.15 Billion	$54.60 Billion	$-46.55 Billion	46.02%
Volume	11.59 Billion	8.46 Billion	-3.13 Billion	-27.01%
Number of trades	171,317	240,174	68,857	40.19%
Market Cap	$2.08 Trillion	$1.67 Trillion	$-410.00 Billion	-19.71%
USD Market	**YTD December 2018**	**YTD December 2019**	**Change**	**Change%**
Value	$27.88 Million	$16.44 Million	$-11.44 Million	-41.02%
Volume	105.29 Million	204.18 Million	98.89 Million	93.92%
Number of trades	2,090	4,425	2,335	111.72%
Market Cap	$374.61 Million	$459.31 Million	$84.70 Million	22.61%

Private Offerings

One hundred and thirty-three (133) exempt distributions were registered during 2020, representing a 21 per cent reduction when compared to the one hundred and sixty-eight (168) exempt distributions that were registered in 2019. The value of the transactions were 42.5 per cent less than the amount recorded in 2019 (see Chart 50).

The exempt distribution market mainly comprised of medium and long-term notes which accounted for 89.5 per cent of the total instruments (both USD and J$) registered with the FSC in 2020. The majority of Jamaican dollar issues have medium term maturities with 79.80 per cent maturing within 1-5 years, 7.69 per cent have maturities over five (5) years and 12.50 per cent have maturities in less than a year. The USD side was quite similar with 66.67 per cent maturing within 1-5 years, 9.52 per cent with maturities over five (5) years and 23.81 per cent maturing in less than a year.

CHART 50: EXEMPT DISTRIBUTIONS REGISTERED: 2016 - 2020	2016	2017	2018	2019	2020
Number of Exempt Distributions	86	123	140	168	133
Value ($ Billions)	177.6	199.7	262.6	306.0	175.9

There were three hundred and sixteen (316) outstanding securities registered by one hundred and forty-three (143) Issuers under the exempt distribution regime. This was valued at $476.0 billion as at December 31, 2020, an increase of 12.80 per cent when compared to the $422.0 billion outstanding as at December 31, 2019. This also represents an increase of thirty-eight (38) new securities over the two hundred and seventy eight (278) recorded as at December 2019, as well as twenty-two (22) new issuers entering the market in 2020 when compared to the year ending December 2019 which had one hundred and twenty-one (121) issuers.

Supervisory Risk Assessment and Risk Based Supervision Pilot exercise Outcome

As the FSC continued to enhance the regulatory and supervisory framework for its licensees within the Securities sector, annual assessments were conducted on selected dealers using the RBS assessment tool. The assessment tool was used to analyse the significant risks inherent in dealers' operations and the effectiveness of the various lines of defence to identify and manage these risks.

Five (5) core securities dealers were assessed using the revised format which looked at significant activities for 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 of the entities were also assessed to ascertain the level of institutional protection that was in place to address any 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);
(iii) earnings, capital, liquidity and the management of these elements; and
(iv) 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 were exposed generally to the same types of risks, the level and impact of each type varied 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 were 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 a 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 practical application of the tools developed and provide guidance to the pilot institution around issues that were observed.

The Way Forward

This year's risk assessments, like previous periods focused on multiple activities for each entity however not all activities and processes were reviewed. This method allowed for a clear understanding of the methodology of the RBS framework rather than providing a complete risk profile for the entities. 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.

The FSC is advancing steadily to full implementation of the RBS framework and our activities in the coming years will focus not only on continuing our understanding of the methodology through additional pilots but also other activities aimed at ensuring a smooth transition between the outgoing compliance based approach and the imminent risk based framework.

As in previous periods, 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. Upcoming assessments will continue along this path, bolstering the collective institutional knowledge and facilitating full implementation.

OUTLOOK FOR THE DIVISION

TThe challenge of the COVID 19 pandemic to the securities industry and its regulation has seen the FSC increasing its dialogue with the Securities Industry and refining its regulatory requirements. The FSC has expanded its data requests and analysis over the period to ensure that effects are being fully monitored and that we are prepared for future challenges. 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 while improving the monitoring and oversight of the securities industry which will aid in improving the risk identification capabilities within the Division. There will be continued focus on the impact of the pandemic and continued analysis of the potential effects as well as those already experienced, on the landscape of the securities industry. The focus for this year will continue to be on facilitating a deeper more robust capital market, growth and greater transparency. The risk based supervision framework will continue to be bolstered through institutional capacity and training as we initiate various activities for its rollout and implementation.

The FY 2021 -2022 will see the implementation of the following measures:

- Advancement of the Ministry of Finance and the Public Service's financial deepening agenda;
- Continued prudential modernization through the updates of regulations and guidelines;
- Implementation of new market conditioning guidelines for the securities industry;
- Enhancement of market conduct regulations; and
- Enhanced capital and liquidity frameworks for securities dealers aimed at aligning the FSC regulations with BASEL III.

PROMOTING GROWTH WHILE STRENGTHENING THE SECURITIES INDUSTRY

As 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 continue to 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.

During the 2020/21 fiscal year, the FSC pursued four (4) multi-year strategic objectives in an effort to foster stability within the private pensions industry amidst global uncertainty:

(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 51: A SNAPSHOT OF THE DIVISION'S MAJOR ACHIEVEMENTS

Advocacy of policy and legislative changes and comprehensive risk based supervision

- Completed additional reviews of the draft bills for the amendments of the Pensions Act and the Income Tax Act.
- Initiated further improvements to the risk-based supervisory (RBS) assessment templates.
- Further updated reporting forms to facilitate RBS, and solicited industry stakeholders' comments.
- Conducted an assessment for the development of a micro-pensions framework suitable for Jamaica to expand and deepen pension coverage in Jamaica.

Deterrence, detection and prosecution of violations of the laws

- Conducted 304 desk-based risk assessments of pension plans.
- Conducted 16 desk-based risk assessments of licensees.
- Conducted pilot on-site examinations of two (2) licensees and one (1) pension plan, utilizing the RBS framework.

Promotion of financial awareness and education

- Published:
  - Quarterly Private Pensions Industry Statistics
  - Bulletins or guidelines –
    - (i) Investment Limits – Approvals
    - (ii) Amendments to The Pensions (Superannuation Funds and Retirement Schemes) (Investment) Regulations
- Conducted four (4) presentations to industry stakeholders.
- Completed Phase II of the development of a Trustees' Handbook.

Development and talent and new technology

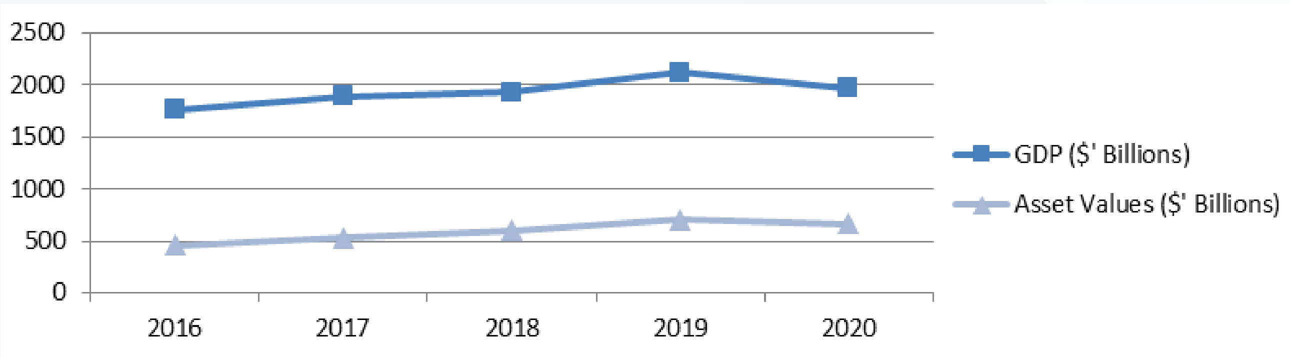
- Continued the construction of a comprehensive pension plan database.
- Facilitated the submission of electronic regulatory filings through a secure and remote online file-sharing platform.
- Established targeted work streams for enhanced supervisory oversight of the pension industry.
- Continued participation in relevant projects led by:
  - Bank of Jamaica,
  - International Organization of Pensions Supervisors (IOPS),
  - Inter-American Development Bank
  - Caribbean Association of Pension Supervisors (CAPS), and
  - Toronto Centre (TC) among other institutions

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

Overview of the Private Pensions Landscape

The Jamaican private pensions industry has experienced an average growth of 3.0 per cent per quarter and 11.0 per cent per annum for the past five years. However, this track record of consistent growth each quarter was disrupted by periods of contraction during 2020, which resulted from the COVID-19 pandemic and consequent uncertainties in the financial market. Marginal growth rates of 2.4 and 3.7 per cent were noted during the June and December quarters, respectively. However, this was offset by contractions in the other quarters, resulting in an average quarter-to-quarter decline of (-1.2) per cent during 2020. Nevertheless, the industry remained relatively healthy as pension plan membership increased during the year and strong solvency positions were reported by the majority of pension plans. The accumulated assets of pension plans combined over the past five calendar years were valued at, on average, 30 per cent of GDP. See Chart 52.

CHART 52: PENSION ASSETS VS GDP



As at December 31, 2020, the total value of assets in the pension industry amounted to $663.1 billion, and active pension plans accounted for approximately 99.0 per cent of total private pension assets. Chart 53 provides additional details.

CHART 53: ACTIVE, TERMINATING AND INACTIVE PENSION PLANS AS AT DECEMBER 31, 2019 AND 2020

	ACTIVE		TERMINATING		INACTIVE		TOTAL	
	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20
NUMBER OF PLANS								
Defined Benefit	92	88	98	103	4	4	194	195
Defined Contribution	287	289	315	320	13	13	615	622
Total	**379**	**377**	**413**	**423**	**17**	**17**	**809**	**817**
MEMBERSHIP								
Defined Benefit	20,487	19,695	232	363	1,827	1,815	22,546	21,873
Defined Contribution	104,144	113,463	602	600	55	56	104,801	114,119
Total Membership	124,631	133,158	834	963	1,882	1,871	127,347	135,992

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

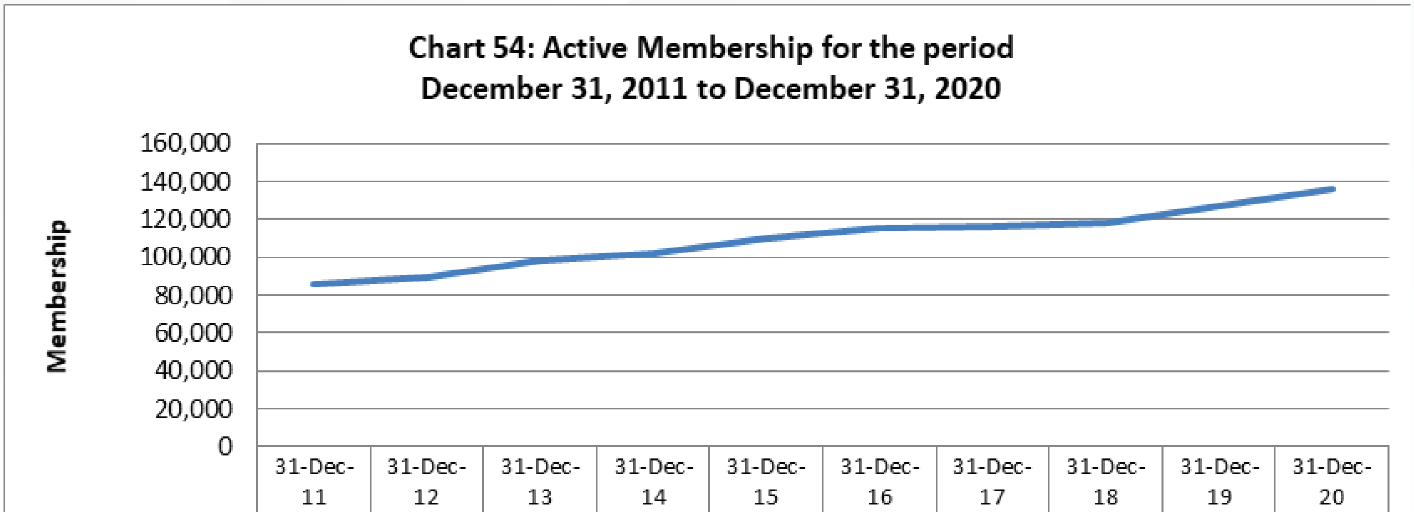
	ACTIVE		TERMINATING		INACTIVE		TOTAL	
	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20	Dec-19	Dec-20
ASSET VALUES ($'M)								
Defined Benefit	419,349	396,789	4,052	5,104	260	202	423,661	402,095
Defined Contribution	271,223	256,437	5,776	4,469	69	63	277,068	260,969
Total Asset Values	**690,572**	**653,226**	**9,828**	**9,573**	**329**	**266**	**700,729**	**663,065**

There were 377 active plans as at December 31, 2020, which represented 46 per cent of the total number of private pension plans. Notwithstanding, the reduction in the number of active pension plans during the calendar year, the industry experienced steady growth in active membership, which represented 98.0 per cent of combined membership in all private pension plans by the end of the year. Defined contribution (DC) plans continued to outweigh defined benefit (DB) plans with regard to the number of plans and membership, however, DB plans with assets valued at $396.8 billion, still accounted for the majority of total active pension assets (61 %).

The number of retirement schemes remained the same (13) during the fiscal year. Conversely, the number of active superannuation funds reduced to 364 during the period and the total value of assets in superannuation funds likewise decreased by 6.2 per cent to $600.9 billion as at December 31, 2020. Total assets in retirement schemes amounted to $52.4 billion, reflecting a 4.6 per cent increase from the previous period. Nevertheless, superannuation funds still accounted for approximately 92 per cent of assets in the Jamaican private pension industry. Over the year, membership in retirement schemes increased at a faster rate than superannuation funds, resulting in virtually equal participation of active members in superannuation funds and retirement schemes.

Chart 54 illustrates the growth trend in the membership of the active plans over the last ten (10) years, while Chart 55 details the active plans by type as at December 31, 2020.

CHART 54: ACTIVE MEMBERSHIP FOR THE PERIOD DECEMBER 31, 2011 TO DECEMBER 31, 2020



	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20
Membership	86,309	89,845	98,399	102,112	109,984	115,138	116,171	117,981	127,347	135,992

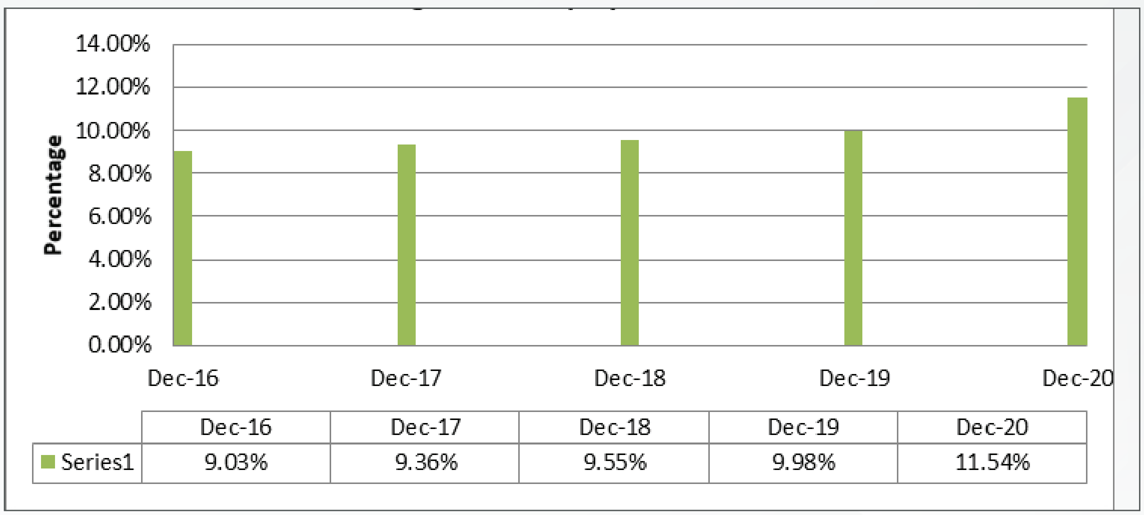
ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

CHART 55: ACTIVE PLANS BY TYPE AS AT DECEMBER 31, 2020

	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership	Asset Value as at Dec 31, 2019 ($' Millions)	Percentage of Asset Value
Retirement Schemes	13	3.45%	66,427	49.89%	52,364	8.02%
Superannuation Funds	364	96.55%	66,731	50.11%	600,862	91.98%
TOTAL	**377**	**100.00%**	**133,158**	**100.00%**	**653,226**	**100.00%**

As at December 31, 2020, private pension coverage [22] was 11.54 per cent of the employed labour force, an increase from the 9.98 per cent reported as at December 2019. This is the largest annual growth in private pension coverage that the industry has ever seen. While increased active membership contributed to the movement, it is noted that the number of employed individuals within the Jamaican labour force [23] decreased by 7.55 per cent during the period resulting from job losses partially attributed to the pandemic. See Chart 56. Pension coverage was highest in the services sector and lowest in the mining/bauxite sector.

CHART 56: MEMBERSHIP IN ACTIVE PRIVATE PENSION PLANS AS A PERCENTAGE OF THE EMPLOYED LABOUR FORCE



Investments

Pooled investment arrangements (which consist of a combination of Type I and II pooled funds and deposit administration contracts) encompassed the largest portion of private pension assets (38 per cent) by the end of 2020; however investments in GOJ securities (22.2 per cent) surpassed equity investments (21.7 per cent) to become the second largest asset class within the aggregate private pension portfolio. This change was partially attributable to declines in the value of equities due to uncertainties presented by the global pandemic. Significant increases in direct holdings of deposits (by 42.9 per cent) and mortgages (by 90.7 per cent) were also noted during the period. See Chart 57.

[22] This includes members from active, terminating and inactive pension plans.
[23] The Jamaican employed labour force as at October 31, 2020 was 1,154,100 according to the Planning Institute of Jamaica (pioj.gov.jm).

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

CHART 57: AGGREGATE INVESTMENT MIX AS AT DECEMBER 31, 2018, 2019, 2020.

TYPES OF INVESTMENT	AMOUNT INVESTED ($'M)	% OF TOTAL INVESTMENTS	AMOUNT INVESTED ($'M)	% OF TOTAL INVESTMENTS	AMOUNT INVESTED ($'M)	% OF TOTAL INVESTMENTS
	DEC-18		DEC-19		DEC-20	
Deposits	5,044.74	0.84%	6,069.75	0.86%	8,671.13	1.31%
Commercial Paper	199.44	0.03%	330	0.05%	414.57	0.06%
Securities of Governments	144,329.70	23.96%	143,915.47	20.50%	147,168.99	22.22%
Repurchase Agreements	13,588.60	2.26%	19,445.09	2.77%	24,130.93	3.64%
Bonds and Debentures	33,391.29	5.54%	38,808.98	5.53%	35,678.37	5.39%
Mortgage	96.85	0.02%	32.63	0.00%	62.21	0.01%
Other Loans	3,813.79	0.63%	4,233.75	0.60%	4,145.71	0.63%
Promissory Notes	6,154.47	1.02%	9,732.96	1.39%	10,590.77	1.60%
Leases	3,496.76	0.58%	5,182.18	0.74%	4,024.91	0.61%
Stocks and Shares	139,872.55	23.22%	180,819.45	25.75%	144,010.61	21.74%
Real Estate	24,227.69	4.02%	25,672.87	3.66%	29,820.13	4.50%
Investment Arrangements	224,099.57	37.20%	263,609.80	37.54%	250,024.81	37.75%
Derivatives	-	0.00%	0	0.00%	0	0.00%
Other Investments	4,052.43	0.67%	4,314.22	0.61%	3,577.04	0.54%
Total Investments	602,367.88	100.00%	702,167.15	100.00%	662,320.19	100.00%
Other Net Assets	-533.72		-1,436.87		744.87	
TOTAL ASSETS	**601,834.10**		**700,730.28**		**663,065.06**	

The total number of licensed investment managers as at December 31, 2020 stood at 25. During the December quarter, one (1) Life Insurance Company relinquished its registration and is now solely a securities dealer. Securities dealers continued to account for the largest number of investment managers (16) and now account for the largest amount of managed pension assets. Further, some dealers experienced marginal growth in the assets managed during the year. Consequently, total private pension assets managed by these dealers increased overall by 29.2 per cent from $281.2 billion as at December 31, 2019, to $363.3 billion as at the end of 2020.

The two (2) remaining life insurance companies managed approximately 37.0 per cent of total private pension assets or $245.1 billion as at December 31, 2020. The remaining assets were managed by one (1) credit union and six (6) other IMs. See Chart 58

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

CHART 58: TOTAL ASSETS UNDER MANAGEMENT OF INVESTMENT MANAGERS

Investment Managers	Number of Entities	Asset Values ($'M)	Number of Entities	Asset Values ($'M)	Number of Entities	Asset Values ($'M)
	2018		2019		2020	
Insurance Companies	3	315,818	3	362,851	2	246,050
Securities Dealers	15	238,874	15	281,160	16	363,326
Credit Unions	1	483	1	543	1	567
Other	7	46,659	7	56,176	6	53,122
TOTAL	26	601,834	26	700,730	25	663,065

Foreign Securities Investments

The matter of the holding of foreign securities investments has been a long-standing issue in the private pensions industry, given the number of pension plans which hold foreign assets above the specified limit. However, the FSC, in accordance with the BOJ policy position issued on August 18, 2020, has been monitoring the foreign asset holdings of pension plans and Type I Pooled Funds for compliance with sections 22B and 22C Part IV of the BOJ Act on a monthly basis. As of October 31, 2020, the foreign exchange asset limit increased from 5.0 per cent to 7.5 per cent and there will be an additional increase to 10.0 per cent on April 1, 2021. Since the commencement of monthly monitoring in August 2020, it has been noted that the number of breaches has decreased, as pension plans reduced foreign asset holdings and the limit increased.

COVID-19 and the Jamaican Private Pensions Industry

The COVID-19 pandemic and the implemented counter-measures have undoubtedly had a negative impact on the Jamaican economy and by extension the private pensions industry. In addition to fluctuations in asset values and plan terminations due to some sponsors' inability to continue contributions, more pension plans experienced negative returns on investments. However, it was noted that trustees and investment managers have been exploring available investment opportunities as well as diversifying assets to reduce concentration risk. The pandemic also highlighted the importance of developing business continuity procedures which cover a wide range of scenarios.

As a result of the pandemic, several individuals lost their jobs and or experienced hardship. While Jamaica's legislation does not currently allow for a refund of pension assets before retirement, the allowance of refunds in the event of financial hardship is being considered under Phase II of the Private Pension Reform.

To ease the burden of the pandemic, the FSC, like several other regulators, opted to defer deadlines for reporting requirements, and facilitated additional extension requests as needed. Moreover, there was an even greater level of communication with the stakeholders in the pension industry to facilitate the challenges being faced. The FSC also enabled the submission of statutory filings and other correspondences through a remote and secure online file-sharing platform, which proved to be successful.

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

SUPERVISORY RISK ASSESSMENT OUTCOME

Responding to Risk

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

During the FY2020-2021, statutory filings for three hundred and four plans (304) were reviewed and a total of three hundred and fifty-six (356) risk assessments of pension plans were completed. [24] Of the plans reviewed, thirteen (13) superannuation funds were assessed as having high levels of risk, an increase from the eight (8) reported as at the end of FY2019-2020. Issues relating to solvency and funding continued to be the main contributing factors informing the high risk profile of these plans. See Chart 59

CHART 59: RESULTS OF RISK ASSESSMENT OF PENSION PLANS

EARLY WARNING RISK ASSESSMENT	PLAN TYPE	PLAN IMPACT	RISK LEVEL		
			Low	Moderate	High
Superannuation Funds	DC	Low	68	1	2
		Moderate	49	0	1
		High	86	1	4
	Traditional DB [25]	Low	2	0	0
		Moderate	3	0	0
		High	60	0	4
	Hybrid DB [26]		0	0	0
			0	0	0
		High	8	0	0
	Mixed DB [27]		0	0	0
			0	0	0
		High	4	0	1
Retirement Schemes		Low	0	0	0
			0	0	0
			9	0	1
		Total	289	2	13

Sixteen (16) corporate entities were assessed during the fiscal year. Chart 60 displays the results from the risk assessments done on corporate services providers.

[24] For some plans, multiple periods were assessed.
[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

CHART 60: RESULTS OF RISK ASSESSMENT OF CORPORATE SERVICE PROVIDERS [28]

		RISK LEVEL		
	PLAN IMPACT	Low	Moderate	High
Administrators	Low	2	4	0
	Moderate	1	0	0
	High	4	6	0
Investment Managers	Low	0	1	0
	Moderate	1	5	0
	High	1	6	0
Corporate Trustees	Low	0	0	0
	Moderate	1	0	0
	High	0	0	0
	Total	**10**	**22**	**0**

As at December 31, 2020, 347 or 96.0 per cent of the 360 pension plans which submitted solvency data were solvent, up from the 95.0 per cent reported in the last year. Over the period, there was an increase in the number of solvent plans, due to the termination of some pension plans as well as the improved solvency position of others. The solvency of DC plans remained the same over the year; however, the solvency of DB plans increased by 2.0 per cent. See Chart 61.

CHART 61: SOLVENCY LEVELS OF ACTIVE PLANS AS AT DECEMBER 31, 2020

SOLVENCY LEVELS OF ACTIVE PLANS AS AT DECEMBER 31, 2020						
	# of plans	Solvency Level				% of plans which are solvent
		Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
DB	86	2	16	26	42	98%
DC	274	11	189	54	20	96%
TOTAL NUMBER	**360**	**13**	**205**	**80**	**62**	**96%**

(ii) On-Site Examinations

During the FY2020-2021, a total of three (3) pilot on-site examinations were executed utilizing the RBS methodology being adopted by the FSC. Two (2) of the examinations focused on the administration and asset management activities, while the remaining examination focused on all significant activities of the entity.

(iii) Winding-up of Superannuation Funds

The FSC received thirteen (13) new winding-up applications (inclusive of four (4) partial winding-ups) during the FY2020-2021, seven (7) less than the previous corresponding period. Approvals for the winding-up of fourteen (14) plans, (representing a 12.5 per cent decrease from that granted in the FY2019-2020) were granted by the FSC and, in respect of partial winding-ups, eleven (11) non-objections were issued, representing a 120.0 per cent increase from the previous period. Seventeen (17) plans submitted proposed schemes of distribution of surplus assets.

[28] Some corporate service providers act in more than one (1) capacity.

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

(iv) Amendments

For the FY2020-2021, fifteen (15) applications were received regarding changes to be made to the Constitutive Documents of superannuation funds. Chart 62 illustrates the current status of amendments before the FSC for its consideration.

CHART 62: STATUS OF AMENDMENTS TO CONSTITUTIVE DOCUMENTS

	Application as at March 31, 2020	New Applications	Approved in Current Year	Rejected/ Withdrawn in Current Year	Applications as at March 31, 2021
	B/F				C/F
Superannuation Funds	19	15	15	4	15
Retirement Schemes	0	0	0	0	0
Total	19	15	15	4	15

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

During the FY2020-2021, trustees of two hundred and ninety-one (291) approved pension plans submitted SIPPs which were revised to achieve compliance with the amended Investment Regulations. One-hundred and sixteen (116) of those submissions were processed during the fiscal period.

Lessons Learnt from Risk-Based Supervision

The FSC adopted a phased approach to the implementation of risk-based supervision (RBS) of the private pension industry through a three-year project. Lessons learnt from the pilot examinations conducted inform the required adjustments necessary to facilitate full implementation at the end of the project. The greatest challenge has been shifting focus from a compliance based approach to a risk based approach which involves determining the impact of other risks faced by the industry and requires more judgement, subjectivity and looking beyond “black or white” assessments. However, the approach has been refined over time.

The following lessons have also been learnt from the implementation of RBS:

1. The importance of training staff in the identification of key risks and the impact of those risks on the industry – Staff must be aware of the various risks that may be faced by the industry, and the impact on the pension plan’s/corporate entity’s operations as well as determining effective recommendations to mitigate those risks.
2. The importance of allocating resources effectively, i.e., steering supervisory efforts towards plans/entities that are high risk and limiting assessments of plans/entities that are low risk.
3. The importance of requesting relevant data and employing effective data storage and collation methods – The organization must determine what data is essential for its assessment of risk. Further, the FSC is in the process of revamping its data collection and analysis tools in line with RBS.
4. Full implementation of RBS requires patience – Using a risk-based approach instead of a compliance-based approach requires cultural and operational changes.

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

5. The organization must be flexible in its assessments – While a framework has been developed for guidance, the organization must be ready to adjust its methods based on any external factors that may arise. For example, virtual examinations of corporate entities were conducted due to the COVID-19 pandemic, which resulted in extended examination periods, increased communication with the entities, several virtual internal meetings and changes to data storage methods, among other things.

Performance and Risk Outlook

The Planning Institute of Jamaica (PIOJ) reported that there was a 10.2 per cent decline of the Jamaican economy for the calendar 2020 when compared to 2019. The COVID-19 pandemic took a toll on numerous industries in Jamaica during the year, and it is expected that the effects of the pandemic will continue into 2021 calendar year. In particular, the Tourism industry suffered the largest decline during the year (53.0 per cent), primarily due to restrictions in movement imposed to minimize the spread of the virus. While superannuation funds within the Tourism industry showed promise with increased plan numbers and membership during the period, recovery in the industry is required if sponsors are to sustain their private pension plans. This also holds for several other industries.

According to the Statistical Institute of Jamaica, Jamaica's unemployment rate deteriorated from 7.3 per cent as at January 2020 to 8.9 per cent as at January 2021. This 8.9 per cent is an improvement from the 12.6 per cent reported as at July 2020. In comparing January 2021 with January 2020, the employed labour force fell by 74, 300 while another 58, 100 persons left the labour force in January 2021. With declining disposable income levels, the challenge of increasing pension coverage may be amplified in the quarters to come.

Annual inflation accelerated to 5.2 per cent during the December 2020 quarter, due to increases in agricultural food prices and energy costs. This represented a (6.1 per cent) increase from the 4.9 per cent reported as at September 2020. The BOJ anticipates that inflation will increase during the March 2021 quarter and fluctuate for the remainder of the year, but will remain within the inflation target of 4 to 6 per cent over the medium term. Although the BOJ has employed inflation targeting, the continuing pandemic could disrupt those efforts and consequently impact pensions in payment and disposable income. Further, fluctuations in inflation could have an adverse effect on the real yields achieved by DC plans and the ensuing rate credited to members' contributions.

There was a slight uptick in equity values within the aggregate pension portfolio during the December Quarter which corresponded with the JSE Main Index growing from 375,684.76 points as at October 1, 2020, to 395,614.93 points as at December 31, 2020, notwithstanding several oscillations during the period. Given the volatility of the asset class, it is expected that trustees and agents will continue to embrace different investments and opportunities to preserve plan assets.

The majority of pension plans which initiated winding-up proceedings during 2020 cited financial difficulties or cessation of contributions by the sponsor as the rationale for winding up. Given the on-going challenges posed by the pandemic, there exists the potential for additional wind-ups as well as increased tardiness or cessation in the payment of contributions. Consequently, members of DC plans may not achieve maximum returns during this period, which could result in smaller pension benefits and lower-income replacement ratios. Also, sponsors of DB plans may not be able to fund impending liabilities if financial difficulties persist. Trustees and sponsors should therefore seek to employ proper risk management practices, in an effort to protect members' benefits.

ENCOURAGING RETIREMENT SAVINGS THROUGH PENSIONS

Planned Programme of Work

The Pensions Division of the FSC intends to focus on the following areas during the 2021/22 fiscal year.

CHART 63: KEY AREAS OF FOCUS FOR THE FY2021 -2022

POLICY AND LEGISLATIVE CHANGES - The Pensions Division will seek to implement the new and revised reporting forms to facilitate RBS as well as continue in its efforts to advocate for the amendments to the Pensions Act and attendant regulations as part of Phase II of the Private Pension Reform.

RISK-BASED SUPERVISION - Finalizing the development of the associated procedures and assessment tools for the RBS framework, by utilizing lessons learnt from pilot examinations.

TRUSTEE EDUCATION – The Pensions Division will endeavour to complete the third phase of the development of the Trustees' Handbook.

FINANCIAL INCLUSION – The Pension Division will continue to pursue the development of a legislative framework and/or guidelines for micro-pensions, in an effort to to expand and deepen pension coverage.

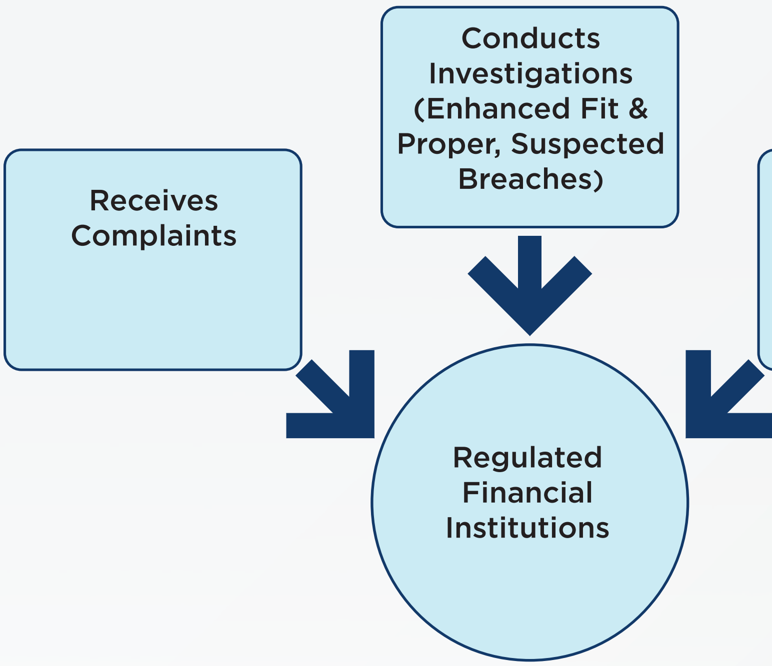
PUBLIC EDUCATION – Execution of workshops, seminars and presentations, and the publication of guidelines or bulletins for the benefit of external stakeholders, as needed.

TECHNOLOGICAL DEVELOPMENT - Facilitating the transformation of the FSC's operations to leverage technology to enhance supervision of the Private Pensions Industry.

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

The main mandate of the Investigation and Enforcement Division (I&ED) 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 counter-financing of terrorism and counter proliferation financing (AML/CFT/CPF) framework.

CHART 64 DISPLAYS THE PRIMARY ACTIVITIES FOR I&ED.



Achievements of the Division

The Fiscal Year 2020-2021 was a commendable year of performance for the team, amidst the extraordinary and unexpected challenges faced with the Covid-19 pandemic and the operational constraints occasioned thereby. Despite the effects of the global pandemic, the team displayed commitment, drive and resilience in continuing to identify and investigate breaches and take meaningful action to protect Jamaican investors from misconduct; and safeguard the regulated industry and the interests of our other stakeholders. We reallocated resources when required, implemented process improvements, remained focused and achieved significant milestones in the resolution rates for investigations and in executing our anti-money laundering and countering financing of terrorism and enforcement and proliferation (AML/CFT/CFP) mandate.

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

CHART 65: KEY INITIATIVES FOR THE I&ED

KEY INITIATIVES ACHIEVED :		
Development of a case management tracking system- to better manage and track the conduct and resolution of all categories of investigations.	Implementation of enhanced fit and proper investigation (EFPI) Reporting Standards- to achieve a more coordinated and structured approach to the reporting of EFPI.	Establishment of a Complaints Unit- to better manage and track resolution of complaints, and coordinate activities regarding investigation of unregulated financial organizations (UFOs).

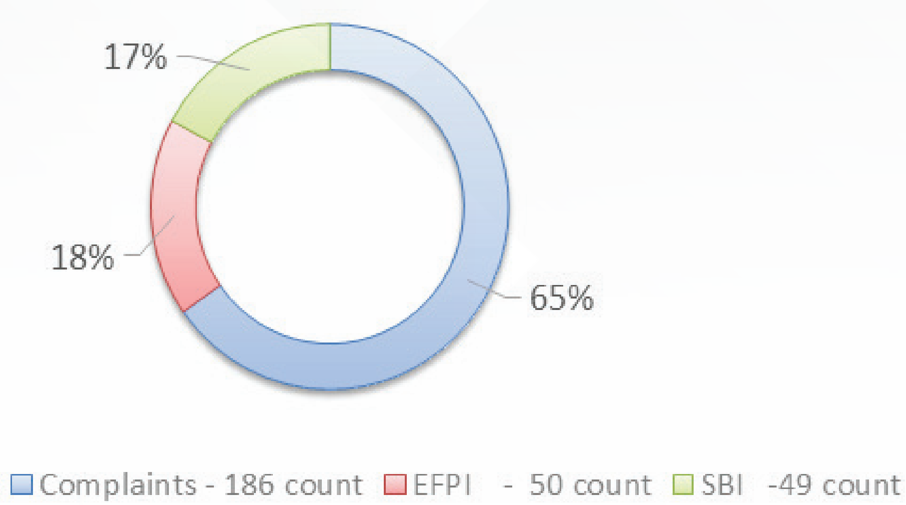
OVERALL RESULTS

In spite of a reduction in the number of members on the investigation team, there was improved efficiency in the conduct of all investigations as demonstrated by overall increases in the closure rates of all investigations falling with the three investigation categories of:

- Complaints;
- Suspected breaches (SBI); and
- Enhanced fit and proper investigation (EFPI).

The Investigation Team began the reporting period with a caseload of one hundred and seventy-one (171) investigations. During the year, the team received an additional one hundred and fourteen (114) cases. Cumulatively, the investigation caseloads amounted to two hundred and eighty-five (285) investigations, comprised across the three investigation categories as set out in Chart 66.

CHART 66: NUMBER OF INVESTIGATIONS BY CATEGORIES

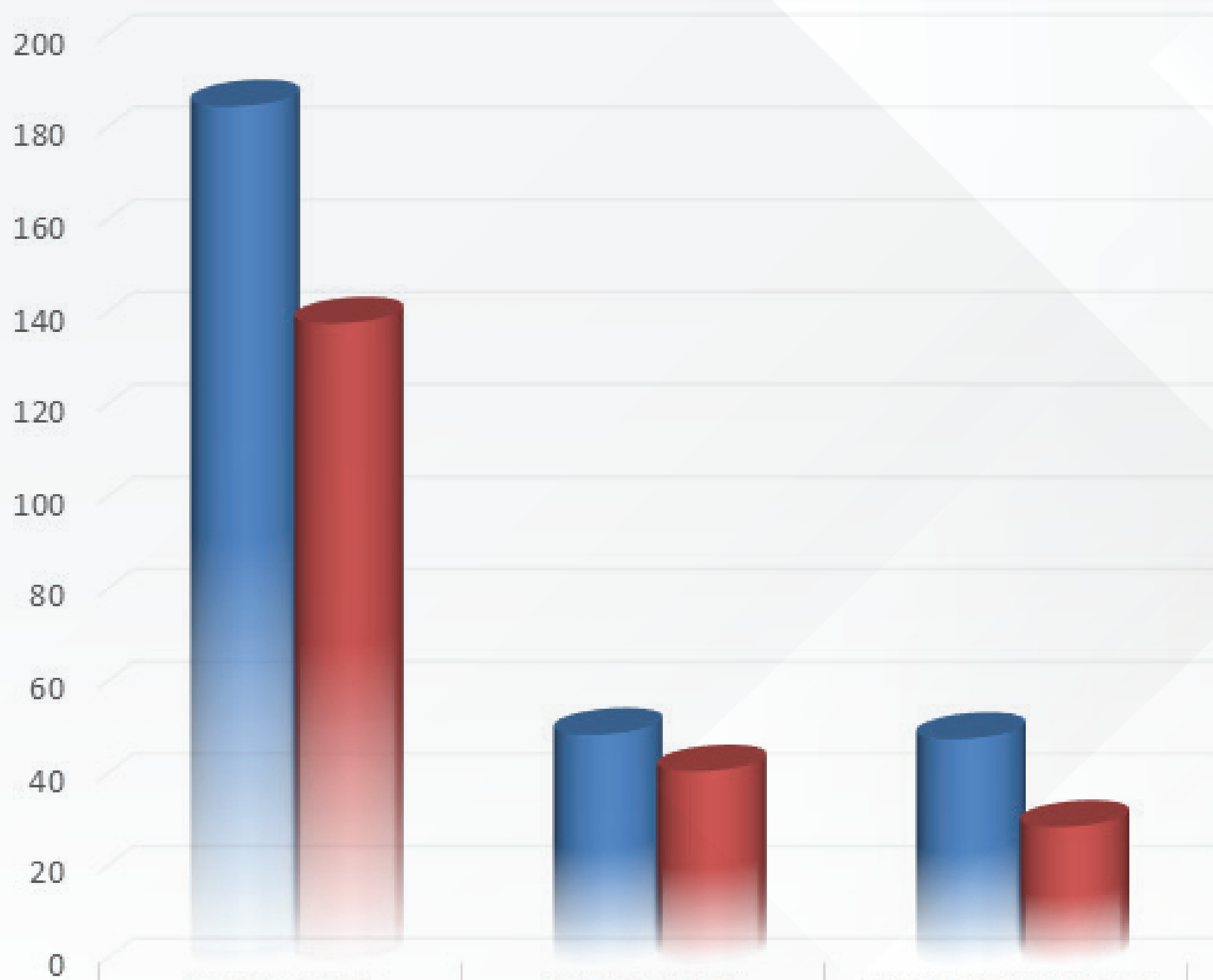


PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

As at March 31, 2021, the Investigation Team closed/resolved a total of two hundred and eleven (211) cases, achieving an increase in closure rate of approximately sixty-six per centum (66%) compared to the team's previous FY's personal-best of one hundred and twenty-seven (127) investigation closures.

There were 211 investigation closures which were comprised across the three investigation categories as follows: One Hundred and Thirty-Nine (139) complaints, Forty-Two (42) EFPIs, and Thirty (30) Suspected Breaches. Chart 67 below shows the said investigative category distributions.

CHART 67: THE NUMBER OF CLOSED INVESTIGATIONS BY CATEGORIES

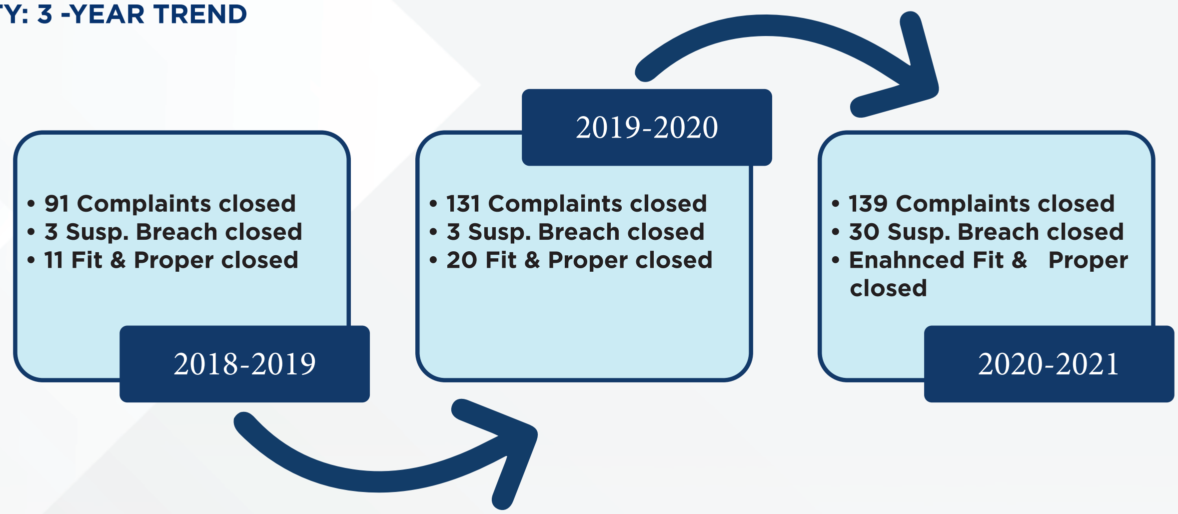


	COMPLAINTS	FIT & PROPER	SUSPECTED BREACH
ASSIGNED	186	50	49
CLOSED	139	42	30

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

The cases assigned and closed statistics in Chart 67 reflect an EFPI closure rate exceeding the targeted 80%, and also reflects an overall increase in the investigation closure rates from the previous period. Notwithstanding those achievements, a balance of Seventy-Four (74) unresolved cases is carried forward into financial year 2021 – 2022. Chart 68 shows the investigation case load, across the three investigative categories, which were closed for the past three financial years.

CHART 68: INVESTIGATION CLOSURE ACTIVITY: 3 -YEAR TREND



Throughout the years, the investigation team continued to make steady and significant improvements in its efficiency, responsiveness and output. We are nevertheless mindful that we must maintain a path of continuous improvement year to year, in order for the team to meet and sustain its desired service standards. We remain committed to that goal.

Enforcement Activity

Chart 69 illustrates that there were four (4) enforcement actions; two of which were initiated from the team's investigations, and two of which arose from supervision and monitoring activities:

CHART 69 ENFORCEMENT ACTIONS DURING THE 2020-2021

ENTITY/PERSON	TYPE OF BREACH IDENTIFIED	ENFORCEMENT ACTION INITIATED
Insurance Agency	•Failure to meet minimum capital requirement	Cancellation of Registration
Investment Adviser	• Inability to sustain investment advice business • Failure to maintain minimum capital requirement • Failure to submit statutory filings to the FSC in a timely and consistent manner	Revocation of Licence
UFO- Securities	• Carrying out securities business and investment advice business, without the requisite licences	Cease & Desist Order
Insurance Sales Representative	• Failure to meet Fit & Proper standards	Cancellation of Registration

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

CHART 70 : ENFORCEMENT ACTIVITY: 3 -YEAR TREND

Long Term/ Continuing Planning and Development

In FY2020-2021 the team successfully implemented process and change management improvements to secure more efficient conduct of matters and increased productivity in all categories of investigations. This was achieved through a combination of commitment, hard work, synergy, development of standards and restructuring of operations to achieve maximum throughput and output.

Aligned with our culture of continuous improvement, change adaptability and innovate measures, we will forge ahead to claim even more success. The objective remains to achieve seamless effective processes for consistent quality and timely output, in pace with the needs of the regulated industries.

AML/CFT Supervisory Actions

(a) Risk Profiles of Licensees/Registrants

Since 2018, the AML Unit has adopted a risk-based approach (RBA) in the conduct of its (AML/CFT) monitoring and supervisory activities. This RBA is to ensure that measures instituted to prevent or mitigate against money laundering (ML) and terrorism financing (TF) are commensurate with identified risks, thereby resulting in a more efficient allocation of scarce resources.

The risk-based (RB) framework for AML/CFT supervision includes the assessment of ML/TF risks faced by individual licensees and registrants. The AML Unit has therefore developed risk profiles of the FSC's AML/CFT regulated entities. These entities are securities dealers, life insurance companies; and insurance intermediaries which are registered to conduct Ordinary Long Term (OLT) insurance business.

Risk-based supervision (RBS) is applicable to both onsite and offsite activities. The main offsite tool is an AML/CFT self-assessment tool which is disseminated to licensees and registrants annually via the AML Surveillance Portal. The AML/CFT risk profiles of regulated entities as at March 31, 2021 are shown in Chart 71.

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

CHART 71: AML/CFT RISK PROFILES OF SELECTED REGULATED ENTITIES AS AT MARCH 31, 2021

RISK PROFILE	SECURITIES DEALERS	LIFE INSURANCE COMPANIES	INSURANCE INTERMEDIARIES (OLT BUSINESS)	TOTAL
Low	17	3	9	29
Moderate	9	1	6	16
Above Average	5	1	7	13
High	5	1	6	12
Total	**36**	**6**	**28**	**70**

As expected, insurance intermediaries present the highest level of risk due to their lower level of compliance with their AML/CFT obligations. This is mainly due to human and financial resource constraints. Notwithstanding, since life insurance companies generally have comprehensive and well-resourced AML/CFT systems to conduct secondary reviews on business received from intermediaries, this risk is substantially mitigated.

AML/CFT Onsite Audits

For the 2020-2021 financial year, the AML Unit conducted three (3) onsite examinations – two (2) securities dealers and one (1) insurance company.

The AML Unit has sought to coordinate its activities with those of the relevant sector divisions to bolster resources and to minimize duplication of supervisory activities. Consequently, the examination on the insurance company was conducted jointly with the Insurance Division, where the Insurance Division focused on the prudential aspects of the audit whilst the AML Unit concentrated on the areas that were assessed to be weak with respect to the entity's AML/CFT measures. Similarly, the Securities Division assigned a team member to the AML Unit's examination team for the conduct of the AML/CFT examination on a securities dealer.

All three onsite examinations were conducted using a RBA. This targeted approach assisted the Unit in meeting its objectives, notwithstanding the unprecedented adverse effects of the COVID-19 pandemic. Despite the disruptions occurring as a result of the effects of the virus, the Unit was still able to conduct its three planned audits for the year; but had to modify its approach, since two of the financial institutions were unable to physically accommodate the FSC's examination team. The AML Unit therefore instituted a virtual onsite audit method where institutions were requested to submit documents electronically.

In alleviating some of the issues arising from this virtual onsite audit, the following variations were made with respect to our modus operandi:

[29] Website link: https://aml2.fscjamaica.org/

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

- The selection of smaller sample sizes whilst still ensuring that a variety of categories were included. | For instance, in selecting a sample of customers, it was ensured that the following types of customers were included:

    - o natural persons;
    - o legal persons & arrangements such as, corporate bodies, trusts, charities;
    - o persons residing locally and overseas;
    - o companies incorporated overseas such as international business corporations;
    - o new customers and customers over seven years;
    - o politically exposed persons (PEPs) and other high risk persons; and
    - o customers with high net worth.

- The same sample was used to conduct multiple procedures such as customer due diligence (CDD); enhanced due diligence (EDD); transaction monitoring, detection & reporting; and recordkeeping.

- Validation measures were utilized such as confirming that the institution had submitted prescribed reports by verifying submissions on the Financial Investigations Division (FID) reporting portal, goAML.

Advisories

An Advisory on "The Appointment and Functions of the Nominated Officer" was disseminated to licensees and registrants on July 30, 2020.

Supplemental CPF Guidelines

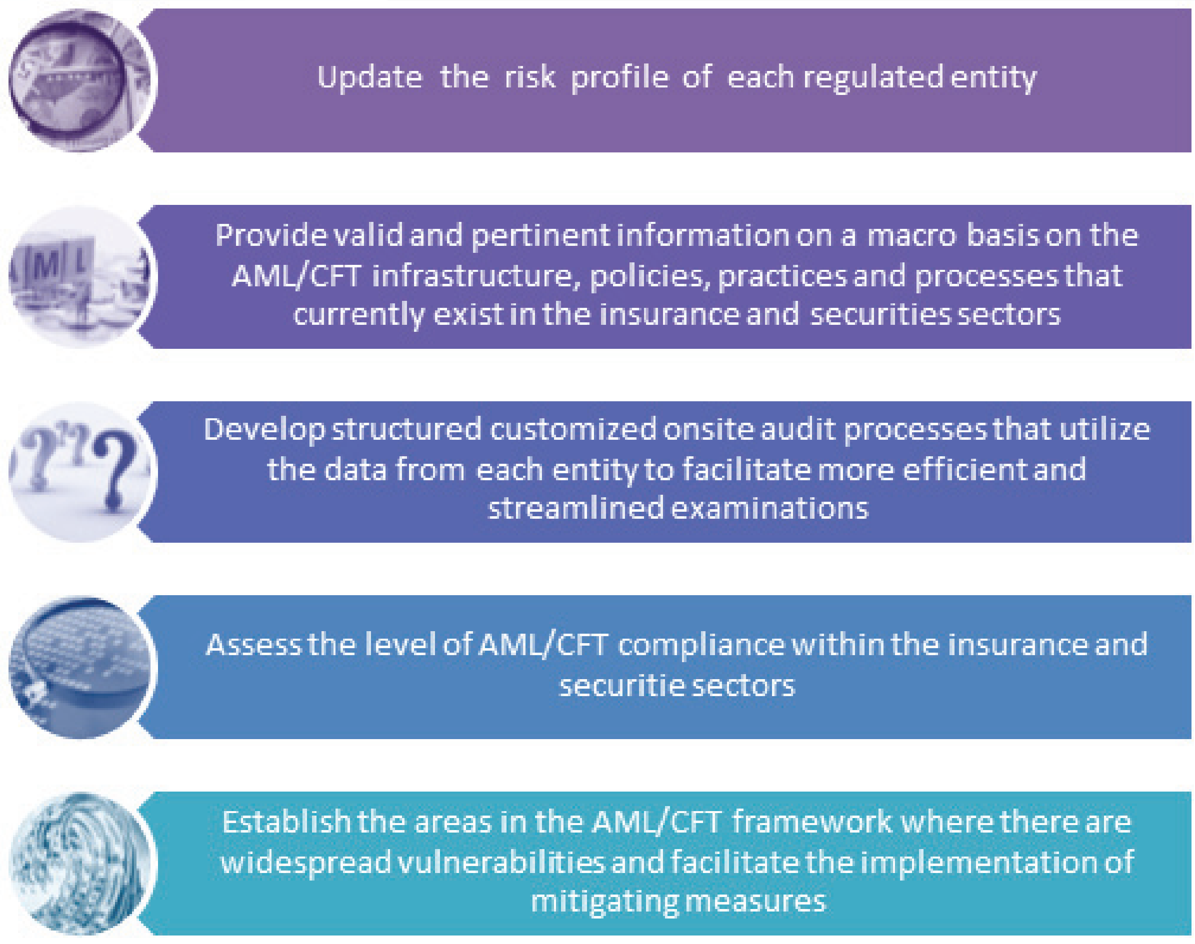
With the Minister of Foreign Affairs and Foreign Trade designating the FSC as the Competent Authority under the United Nations Security Council Resolutions Implementation Act (UNSCRIA) for relevant insurance and securities business on February 28, 2020, the FSC was provided the required authority to supervise and monitor these industries with regard to the requirements under this legislation. Updated guidelines on CPF were issued to the FSC's regulated entities in August 2020 consequent upon the passage of the United Nations Security Council Resolution Implementation (Amendment) Act on November 15, 2019; and the United Nations Security Council Resolution Implementation Reporting Entities Regulations (UNSCRI-RER) on November 21, 2019. These guidelines were signed by the Minister of Foreign Affairs and Foreign Trade pursuant to Regulation 3(1) of the UNSCRI–RER and thereafter published in the Gazette to ensure legal efficacy.

Annual AML/CFT Snapshot Questionnaire

This questionnaire constitutes an offsite tool that is used to assist the FSC in its on-going AML/CFT monitoring activities. Chart 72 displays the benefits that be gained from the information received from the responses.

PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

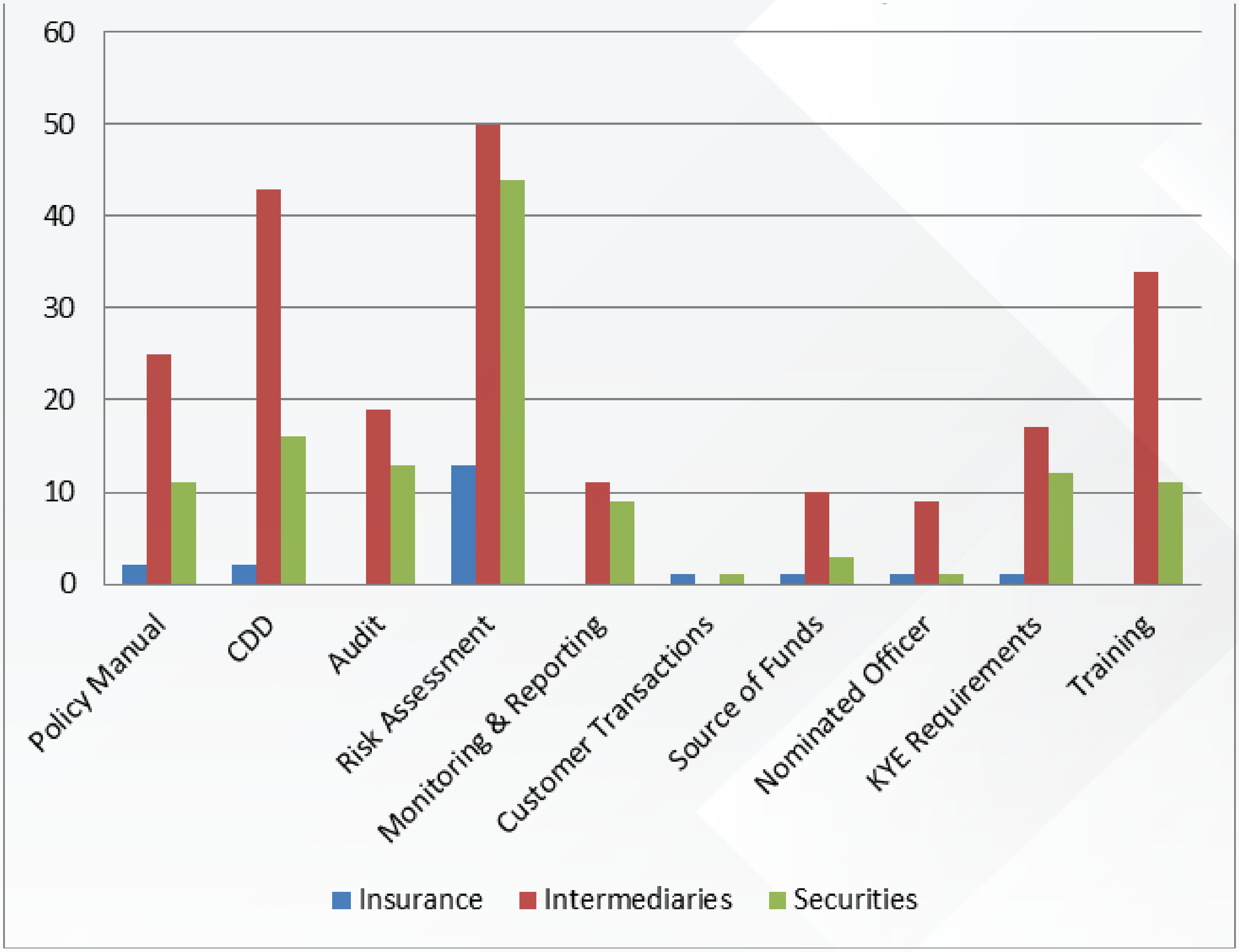
CHART 72: USES OF THE INFORMATION GATHERED FROM THE AML/CFT QUESTIONNAIRE



PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

The questionnaire can also be used by entities as a self-evaluation tool, as it provides indicators of deficiencies and non-compliance within their AML/CFT programme. From its review of the completed questionnaire, the AML Unit has identified deficiencies in the AML/CFT framework of licensees/registrants as shown in Chart 73. Deficiency letters were issued to seven (7) insurance intermediaries based on the severity of the weaknesses identified in their AML/CFT operational framework

CHART 73: DEFICIENCIES IDENTIFIED FROM REVIEW OF QUESTIONNAIRES



PRESERVING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

TRAINING & OUTREACH INITIATIVE

The Unit also conducted a series of training webinars on CPF and targeted financial sanctions (TFS) to sensitize regulated entities on their reporting and other obligations consequent to the amendment of the UNSCRIA and the passage of the UNSCRI–RER in November 2019.

AMENDMENTS TO THE INTERNATIONAL CORPORATE AND TRUST SERVICES PROVIDERS ACT

Through the MOFPS, the FSC is pursuing legislative amendments to the International Corporate and Trust Services Providers Act, 2017 ("the Act"), which was passed and assented to on August 18, 2017 but has not yet been brought into force. The Act seeks to make provision for the regulation of the providers of international corporate services and international trust services, and applies to individuals, firms or companies that engage in the business of providing international services as outlined at section 14 and section 15 of the Act.

In February 2020, Cabinet granted approval for amendments to be made to the Act and for the issuance of drafting instructions to the Chief Parliamentary Counsel. The proposed amendments are aimed at making changes to the Act in order to regulate providers of domestic corporate and trust services (for whom no licensing regime currently exists), as well as to address gaps in relation to Jamaica's AML/CFT framework relating to legal arrangements.

Under the Financial Action Task Force (FATF) requirements, all trusts and corporate services providers (whether servicing international or domestic clients) should be required to implement preventative measures to protect themselves against the risk of money laundering (ML) and terrorism financing (TF). Accordingly, they should be subject to the AML/CFT supervisory/monitoring regime.

Pursuant to section 4 of the Act, the FSC is responsible for the administration of the Act and has recommended that there should be no distinction in the treatment of domestic and international service providers; and thus, domestic corporate and trust services providers should be subject to all the obligations as currently set out in the Act and those that are to be added by these proposed amendments. The Act is to be brought into effect by an Appointed Day Notice and awaits the development and promulgation of Regulations to be operationalized.

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

The FSC, through the office of Stakeholder Engagement, Communication and International Relations (SECIR) continued to lead efforts to promote internal and external communication, collaboration with local and global partners as well as being a beacon for promoting financial literacy among our stakeholders.

The 2020/2021 Financial Year presented the FSC with significant challenges brought on by the COVID-19 pandemic. Our communication efforts, engagement initiatives and internal operations had to adapt to fit the needs of the new norm. The threat of the virus led to the FSC exploring remote working arrangements that led to a majority of our work force being away from office. However, this presented SECIR with the opportunity to reinvent its communication strategy.

In collaboration with various divisions and departments, SECIR sought to sensitize staff through various means of communication to promote proper sanitization, social distancing and preventative measures against contraction of the virus. Signs and posters have been posted throughout the building, along with regular email updates being shared on relevant COVID-19 related news to staff. Internal communication became more important during this time, as a Weekly Update initiative was used to ensure that staff was kept up to date with relevant information on any recent happenings within the FSC. Using this initiative, staff was sensitized to the various new processes the FSC was undergoing, such as a new Risk Based Supervision (RBS) methodology and our internal Enterprise Information Management (EIM) exercise. On the other hand, there was an equal push to ensure that critical developments such as curfew hours and restrictions as well as stories relevant to our sectors were being accessed which led to the roll out of a series '**Just in Case You Missed it**' being dispatched to the FSC team.

The FSC was tasked with rethinking and revitalizing our communication strategies to adhere to the needs of our new norm in fulfilling our obligation to our external stakeholders. Keeping all preventative measures in mind, the FSC has embraced the technological evolution of stakeholder engagement through various initiatives such as virtual town hall meetings, outreach activities, sponsorship and virtual speaking engagements.

Empowering consumers of financial services to take responsibility for their financial lives is an essential part of the FSC's role and mandate as the regulator of the non-deposit-taking industry. A large portion of the FSC's work entails a focus on consumer-based capacity building in the area of financial literacy, however due to the COVID-19 pandemic, many of these initiatives had to be reassessed. Over the last financial year, our traditional face-to-face engagements have had to assume new, safer formats by making our content available in a digital format.

Social Media

Over the last financial year, the importance of a digital presence has been amplified by the implications of the COVID-19 pandemic. The FSC has successfully incorporated the use of digital communication in its communication strategy as a means to not only promote financial literacy, but to also engage with our audiences on personal finance related topics such as planning for retirement, saving for business, budgeting, investing and insurance. All content related to these topics that were shared on our digital platforms explored financial concepts both in theory as well as in the context of Jamaica's financial industry.

Our engagement with our digital community was characterized by various miniature events such as polls, stories and prize giveaways that tested their understanding of the topics we discussed. The use of campaign implementation and management was also explored. These initiatives along with regular posting and community management have allowed our digital accounts to experience substantial growth during the financial year. Plans have been prepared to incorporate more campaign-based content on our

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

digital platforms in the FY 2021-2022.

IOSCO World Investor Week 2020

In October 2020, the FSC and the Jamaica Stock Exchange celebrated World Investor Week (WIW) 2020 as well as National Investor Education Week through numerous collaborations. During this period, the FSC also worked closely with the International Forum on Investor Education (IFIE) as we collectively worked on themed campaigns for promoting financial resilience.

Financial resilience is the ability of a person, community or state to withstand life events that can potentially impact one's income and/or assets. In our work with IFIE, the FSC made invaluable contributions to the development of the selected theme by sharing our research in the importance of community-based financial resilience. We also incorporated the topic of financial resilience in all other public education initiatives stemming from our involvement in WIW 2020, as it is especially important to discuss during these times of relative uncertainty.

Financial Empowerment through Public Education

The FSC recognizes that investor education is inextricably linked to greater investor confidence. This investor confidence is derived from our stakeholders' understanding of the operations of financial markets. The FSC believes that its role to safeguard against market manipulation is of paramount importance, and as such we see it as our duty to equip stakeholders with critical information that will instil confidence in a financial industry characterized by transparency, integrity and a dedication to their well-being.

In embracing the growing need for a digital presence, our external newsletter, the Invested saw great success as six (6) editions of the newsletter were dispatched via email to over 7,000 recipients across the world. The newsletter shared critical FSC related information such as industry statistics, special features to understand each of the industries under our regulatory powers as well as relevant news stories of interest.

Chart 74: Cover of the October 2020 edition of the Invested Newsletter

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

In addition to our newsletter, the FSC strengthened its push to promote financial literacy through its infomercial series the 'FSC Minute'. Ten (10) FSC Minutes were produced and aired on cable television station Cable News and Sports during the financial year 2020-2021 and were also posted to our social media platforms.

Town Hall Meetings

Town hall meetings were broadcast on cable television station Cable News and Sports and rebroadcast regularly throughout the space of the third quarter of the financial year. The meetings were organized in collaboration with key institutions such as the BOJ, the JSE, The Bureau of Gender Affairs and the Insurance Association of Jamaica (IAJ). Those town hall meetings were held across the island:

1. Trelawny
2. St. Elizabeth
3. Portmore, St. Catherine

This was done to make the sessions as inclusive as possible, appealing to those who would not have been able to access the content digitally or on the television. These sessions provided a comprehensive look at personal financial management skills and concepts related to financial well-being:

1. Savings and Investments
2. Purchasing Insurance
3. Planning for Retirement
4. The Importance of Financial Inclusion

Public Education Initiatives targeting Vulnerable/ Marginalized Groups

Along with our town hall series, we have worked extensively the MOFPS, the Bureau of Gender Affairs and the School for the Blind to make interactive online presentations to the women of August Town, Trelawny, St Elizabeth and Portmore as well as the visually impaired.

The customary presentation of gifts to the School for the Blind was still a component of the engagement.

Chart 75: FSC team member David Answer presents tokens to Edgar Morgan of the Jamaica School for the Blind.

Youth-based Public Education

Since its inception in 2011, the FSC has sponsored the participation of approximately 5,000 high school students in an annual programme aimed at building key financial skills that would inform sound financial decision making in the future. The ability to manage money effectively, build assets safely and plan for the future are core components of a comprehensive curriculum aimed at providing youth with an extensive understanding of key financial concepts and the major financial organizations such as the FSC, Jamaica Deposit Insurance Corporation (JDIC), JSE and the BOJ.

Due to the implications of the COVID-19 pandemic, the programme had to adapt to the new norm as we continued to facilitate greater financial inclusion and financial capabilities among our youth. Normal face-to-face visits to the aforementioned financial institutions had to be substituted with an entirely digital online experience. The full curriculum was recorded and sent to 15 schools across Kingston, St. Andrew and St. Catherine along with rules to our annual essay competition. The presentation video was also uploaded to YouTube and made available via our redesigned website.

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

Chart 76: Students from the York Castle High School pose with the SFEP photo frame on our visit to the York Castle High School.

Sponsored Initiatives

In support of our overarching goal of promoting financial literacy and financial inclusion, the FSC pursued a multi-pronged approach to stakeholder engagement and investor educatiaon, as we partnered with the JSE on numerous initiatives during the financial year 2020-2021. The FSC was represented by our Executive Director Everton McFarlane, Senior Director of Compliance and Internal Control Robert Hamilton and Director of Stakeholder Engagement, Communication and International Relations David Geddes at Open House webinars and National Investor Education Week activities. Additionally, the FSC and JSE collaborated on their annual publications, the JSE Yearbook and Pocketbook.

The FSC was also involved in the sponsorship of initiatives such as All 4 Jamaica Foundation's first successful Business Development Summit and the IAJ's annual Yearbook publication.

The FSC has also been represented at various virtual speaking engagements, such as the Victoria Mutual Pensions Management Retirement Seminar, which featured Senior Director of Pensions at the FSC, Cornelia Harper-Peck.

The FSC hosted a virtual forum on building and maintaining market conduct best practices during changing and uncertain times. Senior Insurance Analyst Elizabeth Smith and Special Advisor Leon Anderson provided a comprehensive guide to proper standards of conduct pursuant to Section 6 of the FSC Act.

Additionally, in promoting the FSC brand to boost awareness and understanding of its operations, we have sponsored ads and features in publications such as the Observer, the Gleaner, Jamaica Business Magazine and Nex Generation Magazine. These publications were appropriately themed to promote planning for retirement, safe investment practices, the importance of insurance and to beware of scams, which was supported by the promotion of our newly formed Complaints Unit.

To complement these print advertisements, we have been featured on various radio stations such as EAST FM, IRIE FM, RJR, MELLO FM and KOOL FM, airing advertisements and giving interviews on programmes such as IRIE's Financial Corner and TVJ's morning time television show, 'Smile Jamaica, It's Morning Time!'. In addition to these features, the FSC was also featured on the BOJ's video series 'Centrally Speaking', where David Geddes explained the role of the FSC.

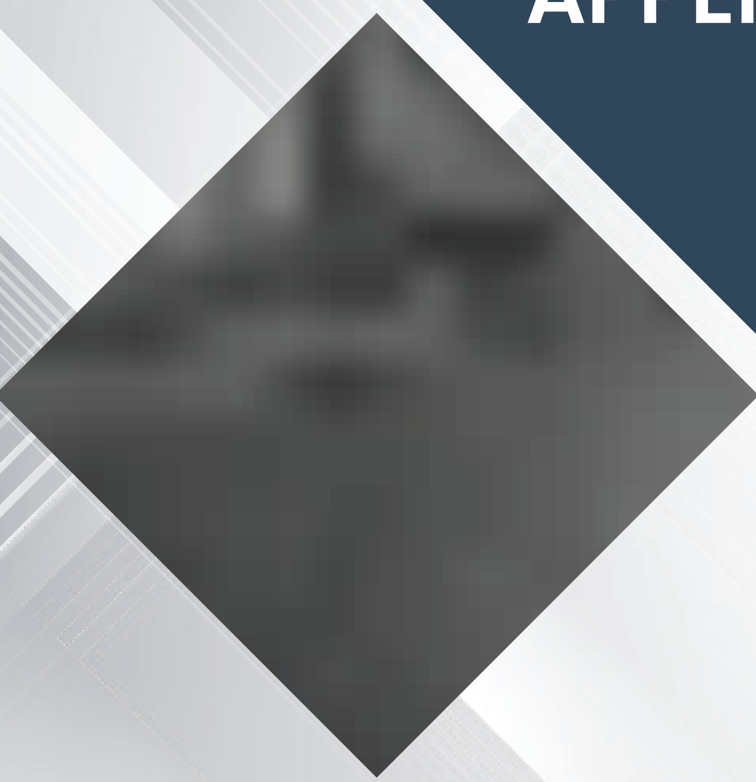
Despite the challenges, the FSC remained resilient and dedicated to its mandate of promoting integrity in Jamaica's financial sector.

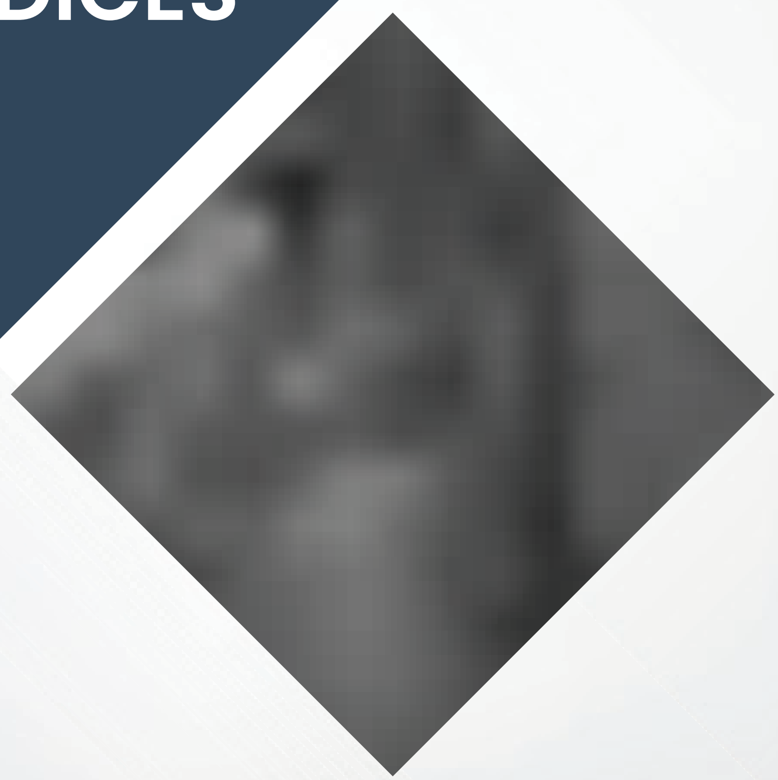
Chart 77: Members of the FSC team Toni-Ann Bryson (far left) and Patricia McDowell (far right) pose with teachers and students from the Horace Clarke High School

Note: Photos displayed above are from pre-covid initiatives.

FINANCIAL SERVICES COMMISSION

APPENDICES





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

INSURANCE:

Life Insurance Companies
There were seven (6) life insurance companies registered as at March 31, 2021:

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. Scotia Jamaica Life Insurance Company Limited

General Insurance Companies
There were twelve (12) general insurance companies registered as at March 31, 2021:

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, 2021:

- Lloyds

Insurance Brokers
There were twenty-four (24) insurance brokers registered as at March 31, 2021:

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
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, 2021:

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, 2021:

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, 2021:

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-four (44) insurance agents registered as at March 31, 2021:

1. Alice Elizabeth Cohen T/A Alice Cohen Assurance
2. Andrea Davene Walker T/A Andrea Walker Insurance Agent
3. Angela Lorraine McIntosh T/A ALM Insurance Agent
4. Audrey Hyacinth Legister T/A Audrey Legister Insurance Agent
5. Axia Jamaica Insurance Agency Limited
6. Beverley Ann-Marie Campbell-Small T/A Beverley Campbell-Small Insurance Agent
7. Blossom Viviene Anderson T/A Bliss Insurance Agent
8. Bulwark Insurance Agency Limited
9. Carol Elizabeth Grant T/A Carol Grant Insurance Agent
10. Chancellor Insurance Agency Limited
11. Crichton Insurance Agency Limited
12. Cynthia Delores Benjamin T/A Saphire Insurance Agent
13. Destiny Insurance Agency Limited
14. Denise Patrice Harris T/A Untapped General Insurance Agent
15. Doran Ferguson T/A Apex Insurance Agents
16. Eugena Gardener & Frederick George Gardener T/A Eugena Gardener Insurance Agency
17. Gensure Insurance Agents Limited
18. Georgia Marie Robotham T/A Sappleton Complete Assurance Agent
19. Gersham McLaughlin T/A Global Risk Management Insurance Agents
20. Gezel Nezlea Morgan T/A GNM Insurance Agent
21. Glenda Patricia Miller T/A Glenda Miller Insurance Agent
22. Gleneta Joan Kenyon T/A Kenyon Insurance Agency
23. Herman Gary Norton T/A Impact Insurance Agents
24. Jamaica Co-operatives Insurance Agency Ltd.
25. Josette Jorna Doure T/A Streamline Insurance Agent
26. Karen Dovorie Edwards T/A Karen D. Edwards Insurance Agent
27. Laffaine Farquharson Reynolds T/A Laddaine Reynolds Insurance Agent
28. Mahia Yolanda Reid-Abrahams T/A MRA Insurance Agent
29. Maxine Andrea Shaw T/A Maxine Shaw Insurance Agent
30. Michael McGowan T/A M. McGowan Sales Agent
31. Mutual Enterprises (Insurance) Agents Limited
32. Nationwide Insurance Agents and Consultants Limited
33. NCB Insurance Agency & Fund Managers Limited
34. Norma Joan Walcott T/A Norma Walcott Insurance Agent
35. Paul Anthony Simpson, General Insurance Agent

36. Richard Harrison Wilson T/A Agency for Insurance Solutions
37. Riviera Insurance Agency Limited
38. Sagicor International Administrators Limited
39 Sheila Kerline Powell T/A Powell Insurance Agency
40. Stephen Anthony Dennis T/A Dennis Insurance Agent
41. Tashana Marie Binns T/A Tashana Binns Insurance Agent
42. T'John Linford Ritchie T/A Ritchie Insurance Agent
43. William Alexander Nash T/A William Nash Insurance Agent
44. Yonique Shinelle Spaulting T/A Treyon's Insurance Agent

Insurance Managing General Agents
There were no insurance managing general agents registered as at March 31, 2021

Insurance Loss Adjusters
There were thirty-three (33) insurance loss adjusters registered as at March 31, 2021:

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

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

30. Stellar Caribbean (Jamaica) Limited
31. Vancliffe Lloyd Simpson T/A KVG Loss Adjusters
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, 2021:

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, 2021:

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, 2021:

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 Rodriquez T/A Charles Rodriquez 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

Loss Adjusters – Employed Practioners

There were eight (8) loss adjusters – employed practitioners registered as at March 31, 2021:

1. Kerriann Nadine Levy
2. Errol Graham
3. Winston Clarence Cornelius
4. Stafford Waite
5. Clayton Norman Smiles
6. Evadne Loleta Bent-Faulkner
7. Shenneil Jannel Edwards
8. Elvis Dale Wilson

SECURITIES

Dealers (Companies)

There were thirty-eight (38) licensed securities dealers (Companies) as at March 31, 2021:

1. Alliance Investment Management Limited
2. Barita Investments Limited
3. Barita Unit Trusts Management Company Limited
4. BPM Financial 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. GK Capital Management Limited
11. Guardian Life Limited
12. Heritage Education Funds International (Jamaica) Limited
13. Ideal Finance Corporation Limited
14. Ideal Portfolio Services Company Limited
15. Ideal Securities Brokers Limited
16. International Financial Planning Jamaica Limited (formerly Proven Fund Managers Limited)
17. Jamaica Money Market Brokers Limited
18. JMMB Fund Managers Limited
19. JMMB Securities Limited
20. JN Fund Managers Limited
21. MF&G Asset Management Limited
22. M/VL Stockbrokers Limited
23. Mayberry Investments Limited
24. MoneyMasters Limited

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

25. NCB Capital Markets Limited
26. NCB Insurance Agency & Fund Managers Limited
27. Proven Management Limited
28. Proven Wealth Limited
29. Sagicor Investments Jamaica Limited
30. Sagicor Securities Jamaica Limited
31. Sagicor Life Jamaica Limited
32. Scotia Investments Jamaica Limited
33. Sterling Asset Management Limited
34. Stocks and Securities Limited
35. Sygnus Capital Limited
36. Victoria Mutual Pensions Management Limited (formerly Prime Asset Management Limited)
37. Victoria Mutual Wealth Management Limited
38. West Indies Trust Company Limited

Dealers (Individuals) [2]

There were three (3) individuals licensed as securities dealers as at March 31, 2021:

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

Investment Advisers

There were six (6) licensed investment advisers as at March 31, 2021:

1. Cameron Burnet
2. Danhai Duvaughn hall
3. Hyacinth Lightbourne
4. John Phillip Mahfood
5. Wayne Windfield Anthony Wray
6. Williams & Associates Investments Limited

Collective Investment Schemes:

(a) Mutual Funds

There were eleven (11) registered mutual funds as at March 31, 2021:

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. Scotia Canadian Growth Fund
8. Scotia Caribbean Income Fund
9. Scotia Global Growth Fund
10. Scotia Money Market Fund
11. Scotia US Dollar Bond 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

(b) Unit Trust Fund Managers

There were eleven (11) registered unit trust fund managers as at March 31, 2021:

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

(c) Unit Trust Fund Schemes

There were nineteen (19) registered unit trust schemes as at March 31, 2021:

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

PENSION

There were twenty-four (24) investment managers as at March 31, 2021

1. Sagicor Life Jamaica Limited
2. Scotia Investment Jamaica Limited
3. NCB Insurance Agency & Fund Managers Limited
4. Proven Wealth Limited
5. Victoria Mutual Pensions Management Limited
6. Guardian Life Limited

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

7. ATL Group Pension Fund Trustees Nominee Limited
8. Bank of Jamaica
9. JMMB Fund Managers Limited
10. JN Fund Managers Limited
11. First Caribbean International Bank Limited
12. Credit Union Fund Management Company Limited
13. Veritat Nominees Limited
14. Development Bank of Jamaica Limited
15. BPM Financial Limited
16. Mayberry Investment Limited
17. FHC Investment Limited
18. Barita Investments Limited
19. MF & G Asset Management Limited
20. COK Sodality Co-operative Credit Union
21. Investment Nominees Limited
22. Community & Workers of Jamaica Co-operative Credit Union Limited
23. MoneyMasters Limited
24. Sterling Asset Management

There were twenty-five (25) Administrators as at March 31, 2021

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

APPENDIX B: BULLETINS, GUIDELINES & DISCUSSION PAPERS

INSURANCE

AR-ADVI-20/12-0012 Requirements for the December 31, 2020 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, 2020 or later. The Bulletin 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. It speaks to issues that arose during the review of AARs (e.g. experience studies, assumptions and MCCR schedules). It is an update of the December 2019 Bulletin (AD-ADVI-19/12-0010), and therefore, supersedes the 2019 version.

IR-CONSUL-2020/07-0020 - Concept Paper for Proposed Legislative Amendments to Strengthen Market Conduct Requirements for Insurance Companies & Intermediaries to Safeguard against Unfair Trade Practices - With this paper, the Commission is proposing amendment to the Insurance Regulations 2001 to legislate the standards for acceptable business practices for the protection of policyholders. The purpose of these proposed amendments to the regulations is to give the force of law to market conduct best practices outlined in the "Revised Guidelines on Market Conduct of Business for Insurance Companies and Intermediaries"

IR-CONSUL-20/08-0021 - Proposed Regulations for Approval of Changes In Ownership and Control of an Insurance Company - These proposed regulations take into account the Insurance Core Principles ("ICPs") issued by the International Association of Insurance Supervisors [30] and in particular ICP 6. These recommended amendments seek to address the change of significant ownership, changes in control, and the threshold for significant ownership.

SECURITIES

SR-GUID-20/12-0027- Guidelines for Exempt Distributions - It conveys the requirements that are to be complied with for a distribution of securities to be exempt from registration of its prospectus or offering document with the Financial Services Commission

SR-CONSUL-21/02-0001 - PROPOSED AMENDMENTS TO THE GUIDELINES FOR ISSUERS OF SECURITIES - The FSC solicits feedback from the industry on its proposal to amend its Guidelines for Issuers of Securities.

SR-CONSUL-20/12-0035 - PROPOSED AMENDMENTS TO SECURITIES (CONDUCT OF BUSINESS) REGULATIONS, 1999 – the FSC solicits feedback from the industry on its FSC's intention to further enhance its existing regulatory framework on market conduct by amending the Securities (Conduct of Business) Regulations 1999 (COB) to incorporate the stipulations in the Guidelines which are not currently included the COB.

[30] The International Association of Insurance Supervisors (IAIS) represents insurance regulators and supervisors of 200 jurisdictions and sets the standards for insurance regulation and supervision; the FSC is a member. The IAIS works closely with other "financial sector standard setting bodies and international organisations to promote financial stability."

APPENDIX B: BULLETINS, GUIDELINES & DISCUSSION PAPERS

SR-CONSUL-2020/05-0034 Securities Industry Advisory – Amendment to the Pool of Allowable Assets for Retail Repurchase Agreements - The FSC solicits the industry's feedback 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

PENSION

PR-ADVI-2020/07-0005 - DRAFT BULLETIN FOR: INVESTMENT LIMITS – Approvals – this draft Bulleting outlines the conditions and the process for obtaining FSC approval of an application by the trustees of a pension plan for a higher limit to be applied than the prescribed investment limits

PR-ADVI-20/09-0006 DRAFT BULLETIN - Amendments to the Pensions (Superannuation Funds and Retirement Schemes) (Investment) Regulations The purpose of this Bulletin is to provide a description of the major amendments and to explain some of the new and revised requirements of the Investment Regulations

AR-ADVI-2020/07-0011 - THE PENSION VALUATION ASSUMPTIONS PROJECT - The objective of this report is to provide the results of a survey of valuation methodologies and assumptions used in the valuations of DB plans during the period December 31, 2016 to December 31, 2017, inclusive. The aim of the survey is to increase awareness among members of plans, trustees, administrators, investment managers and other professionals in the pension industry of the range of actuarial practice in Jamaica.

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:

- 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-ADVI-2020/07-0004 - ADVISORY ON THE APPOINTMENT & FUNCTIONS OF THE NOMINATED OFFICER, PURSUANT TO THE PROCEEDS OF CRIME ACT & THE TERRORISM PREVENTION ACT – This advisory serves to provide guidance regarding the appointment and functions of the nominated office pursuant to the AML/CFT/CFP.

APPENDIX B: BULLETINS, GUIDELINES & DISCUSSION PAPERS

IER-GUID-2020/07-0002 - THE FINANCIAL SERVICES COMMISSION SUPPLEMENTAL GUIDELINES ON COUNTER PROLIFERATION FINANCING These supplemental guidelines are issued to treat with amendments to the United Nations Security Council Resolutions Implementation Act (November 15, 2019) and the passage of the United Nations Security Council Resolutions Implementation (Reporting Entities) Regulations (November 21, 2019).

APPENDIX C: FSC STATUTES & REGULATIONS [31]

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) amended 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 (ReportingEntities) Regulations, 2019

[31] The International Association of Insurance Supervisors (IAIS) represents insurance regulators and supervisors of 200 jurisdictions and sets the standards for insurance regulation and supervision; the FSC is a member. The IAIS works closely with other "financial sector standard setting bodies and international organisations to promote financial stability."

FINANCIAL SERVICES COMMISSION

FINANCIAL STATEMENTS

MARCH 31, 2021

KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922 6640
firmmail@kpmg.com.jm

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 101 to 137 which comprise the statement of financial position as at March 31, 2021, 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, 2021, 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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
FINANCIAL SERVICES COMMISSION

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
FINANCIAL SERVICES COMMISSION

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Commission to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Chartered Accountants
Kingston, Jamaica

July 30, 2021

FINANCIAL SERVICES COMMISSION

Statement of Financial Position
March 31, 2021

	Notes	2021	2020
CURRENT ASSETS			
Cash and cash equivalents	4	98,196,647	78,722,067
Short-term investments	5	577,040,085	664,460,823
Accounts receivable	6	171,076,195	145,364,999
Taxation recoverable	7	36	1,417,925
		846,312,963	889,965,814
CURRENT LIABILITIES			
Bank overdraft, unsecured			
Accounts payable	8	257,212,753	202,177,191
Deferred fees	3(j)	489,240,048	439,703,092
Current portion of lease liabilities	12(b)	3,039,490	5,410,949
		749,492,291	647,291,232
NET CURRENT ASSETS		96,820,672	242,674,582
NON-CURRENT ASSETS			
Investments	9	1,744,928,813	1,350,593,067
Intangible assets	10	5,204,595	7,400,888
Property, plant and equipment	11	42,699,748	51,665,206
Right of use assets	12(a)	95,114,246	99,525,106
		1,887,947,402	1,509,184,267
		$1,984,768,074	1,751,858,849
RESERVES	13	1,876,757,315	1,650,128,907
NON-CURRENT LIABILITY			
Lease liabilities	12(b)	108,010,759	101,729,942
		$1,984,768,074	1,751,858,849

The financial statements on pages 101 to 137 were approved by the Board of Commissioners on July 30, 2021 and signed on its behalf by:

~~Executive~~ Director
Everton McFarlane

Deputy Executive Director
Nicolette Jenez

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

FINANCIAL SERVICES COMMISSION

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2021

	Notes	2021	2020
INCOME			
Fees	3(j)	1,362,142,657	1,273,525,860
Interest income		61,827,201	27,507,304
Loss on disposal of property, plant and equipment		(286,485)	-
Foreign exchange gain		15,423,508	13,715,395
Recognized gains on investments		26,148,265	-
Other	14	1,221,235	126,346
		1,466,476,381	1,314,874,905
EXPENSES			
Advertising		794,080	700,098
Appeal tribunal		4,325,225	4,059,182
Audit		2,023,950	2,023,950
Bank charges		651,404	1,145,771
Building maintenance		15,487,698	12,015,904
Commissioners' fees		1,920,775	1,635,850
Data security		10,482,734	9,680,219
Depreciation and amortisation	10,11	21,632,137	23,245,988
Depreciation on right of use assets	12(a)	4,410,860	5,909,800
Irrecoverable general consumption tax		25,433,917	23,077,338
Impairment losses on investments	19(b)	(1,439,422)	513,261
Impairment losses on trade receivables, net of recoveries	6(a)	(12,760,979)	(3,150,747)
Interest on lease liabilities	12(c)	8,668,426	8,451,162
Motor vehicle and parking expenses		12,133,686	12,760,225
Office expenses		18,099,710	26,553,544
Printing and stationery		1,213,257	2,675,412
Professional fees		68,527,405	39,662,761
Public education		22,180,244	33,343,858
Rent		-	-
Staff costs	15	928,906,540	861,915,395
Subscriptions		32,475,018	26,115,248
Training and conferences		5,742,810	23,276,326
Utilities		29,611,262	30,625,811
		1,200,520,737	1,146,236,356
(Depreciation)/appreciation in value of investments classified as fair value through profit or loss		(27,427,236)	69,351,351
Surplus for the year, being total comprehensive income for the year		$ 238,528,408	237,989,900

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

FINANCIAL SERVICES COMMISSION

Statement of Changes in Reserves
Year ended March 31, 2021

	General fund (note 13)	Capital reserve (note 13)	Total
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 23)	(12,330,000)	-	(12,330,000)
Balances at March 31, 2020	1,649,050,343	1,078,564	1,650,128,907
Surplus for the year, being total comprehensive income for the year	238,528,408	-	238,528,408
Financial distribution (note 23)	(11,900,000)	-	(11,900,000)
Balances at March 31, 2021	$1,875,678,751	1,078,564	1,876,757,315

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

FINANCIAL SERVICES COMMISSION

Statement of Cash Flows
Year ended March 31, 2021

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		238,528,408	237,989,900
Adjustments for:			
Depreciation and amortisation	10,11	21,632,137	23,245,988
Depreciation on right of use assets	12(a)	4,410,860	5,909,800
Loss on disposal of property, plant and equipment		286,485	-
(Depreciation)/appreciation in fair value of investments		27,427,236	(69,351,351)
Interest on lease liabilities	12(c)	8,668,426	8,451,162
Interest income		(61,827,201)	(27,507,304)
		239,126,351	178,738,195
(Increase)/decrease in current assets:			
Short-term investments		(47,179,722)	(188,304,703)
Accounts receivable		(122,757)	(558,114)
Taxation recoverable		1,417,890	(52)
Increase/(decrease) in current liabilities:			
Accounts payable		55,035,562	32,154,928
Deferred fees		49,536,956	34,471,464
Net cash provided by operating activities		297,814,279	56,501,718
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to intangible assets	10	765,271	-
Additions to property, plant and equipment	11	(9,991,600)	(10,627,621)
Investments, net		(276,671,170)	30,538,925
Interest received		36,238,762	25,424,985
Net cash provided/(used) by investing activities		(261,680,631)	45,336,289
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease, net	12(d)	(4,759,068)	(6,745,177)
Financial distribution	23	(11,900,000)	(12,330,000)
Net cash used by financing activities		(16,659,068)	(19,075,177)
Net increase in cash and cash equivalents		19,474,580	82,762,830
Cash and cash equivalents at beginning of the year		78,722,067	(4,040,763)
Cash and cash equivalents at end of the year		$ 98,196,647	78,722,067

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

Notes to the Financial Statements
March 31, 2021

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, 2021, the Commission had in its employment 156 (2020: 149) employees, out of a Board-approved establishment of 139 (2020: 132) employees.

2. Basis of preparation

(a) Statement of compliance:

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

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards that became effective during the year

Certain new and amended standards came into effect during the current financial year. The Commission has assessed them and has adopted those which are relevant to its financial statements; none of which resulted in any change to the amounts recognised or disclosed in the financial statements.

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 IAS 37 *Provision*, C*ontingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments,* IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual periods beginning on or after January 1, 2022.

  (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  (ii) IFRS 16 Leases amendments removes the illustration of payments from the lessor relating to leasehold improvements.

  (iii) The amendments to IAS 41 *Agriculture* remove the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement*.

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

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

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

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.

(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.

2. Basis of preparation (continued)

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

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.

(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. 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 3(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.

(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.

3. Significant accounting policies (continued)

(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.

(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.

3. Significant accounting policies (continued)

(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.
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.

3. Significant accounting policies (continued)

(j) Fees: (continued)

Performance obligations and revenue recognition policies (continued):

ii. Insurance (continued)

Renewal Fees – Insurance Companies

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.

(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.

3. Significant accounting policies (continued)

(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.

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.

3. 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.

3. 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:

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.

3. Significant accounting policies (continued)

(l) Leases (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.

3. 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.

3. 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.

3. 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.

3. 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 20.

3. 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.

4. Cash and cash equivalents

	2021	2020
Current and saving accounts	98,160,692	78,686,112
Petty cash	35,955	35,955
	$98,196,647	78,722,067

5. Short-term investments

	2021	2020
Securities purchased under resale agreement (i)	397,602,543	664,460,823
Certificate of deposit (ii)	179,437,542	-
	$577,040,085	664,460,823

(i) Securities purchased under resale agreements are shown net of expected credit losses of $2,131,421 (2020: $3,570,843) [see note 19(b)(i)].

The interest rates on resale agreements ranges between 2.10% - 4% (2020: 2.10% - 4.00%) for Jamaica dollars and Nil (2020: 2.15% - 2.50%) for US dollars as at the year-end. The market value of the underlying securities as at March 31, 2021 was approximately J$399,733,964 (2020: J$470,798,588) and US $Nil (2020: US$197,233,978).

(ii) Certificate of deposits are denominated in Jamaica dollar and earn interest of 0.857% to 1.02% per annum.

The Commission's exposure to credit and currency risks relating to short-term investments are disclosed in note 19.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2021

6. Accounts receivable

	2021	2020
Trade receivables	118,091,212	139,744,826
Less: Allowance for impairment (a)	(3,331,955)	(16,092,934)
	114,759,257	123,651,892
Prepayments and deposits (b)	21,741,118	6,846,728
Other receivables (c)	14,428,820	9,424,940
Interest receivable	20,147,000	5,441,439
	$171,076,195	145,364,999

(a) Under the ECL model, the Commission use its accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. A weighted average ECL rate is used as at the reporting date to apply against the accounts receivable balance [note 19 b(i)]

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

	2021	2020
Balance at April 1	16,092,934	19,243,681
Impairment losses recovered	(12,760,979)	(3,150,747)
Balance at March 31	$ 3,331,955	16,092,934

(b) Prepayments and deposits comprise the following:

	2021	2020
International membership fees	7,438,861	-
Business process consulting	6,024,945	1,864,725
IT software maintenance	7,184,281	2,344,675
Other	1,093,031	2,637,328
	$21,741,118	6,846,728

(c) Included is an amount of $11,041,330 (2020: $9,113,312) 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 19.

7. Taxation recoverable

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

8. Accounts payable

	2021	2020
Trade payables	83,919,142	99,473,992
Other payables	10,089,234	4,472,200
Employee benefits –accrued vacation, gratuities and salary	163,204,377	98,230,999
	$257,212,753	202,177,191

The Commission's exposure to liquidity and currency risks relating to trade and other payables are disclosed in note 19.

Included in employee benefits is a provision of $65,500,023 (2020: $44,694,233) which represents the 10% performance incentive relating to performance for the reporting year ended.

9. Investments

	2021	2020
Designated FVTPL:		
Unit trust	-	1,118,133,371
Government of Jamaica Securities:		
J$ local bonds	1,055,858,579	52,874,100
US$ denominated local bonds	16,784,348	179,585,596
	1,072,642,927	1,350,593,067
Certificate of deposit	134,600,460	-
Fixed Rate Notes	537,685,426	-
	$1,744,928,813	1,350,593,067

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

	2021	2020
No specific maturity	-	1,118,133,371
1 year to 5 years	340,413,706	52,874,100
Over 5 years	1,404,515,107	179,585,596
	$1,744,928,813	1,350,593,067

10. Intangible assets

These represent software cost capitalized as follows:

	2021	2020
Cost:		
At beginning of year	88,971,421	88,971,421
Additions	765,271	-
At end of year	89,736,692	88,971,421
Amortisation:		
At beginning of year	81,570,533	77,205,032
Charge for the year	2,961,564	4,365,501
At end of year	84,532,097	81,570,533
Net book value	$ 5,204,595	7,400,888

11. Property, plant and equipment

	Motor vehicles	Office furniture, equipment and leasehold improvements	Computer equipment	Total
At cost:				
March 31, 2019	13,707,961	148,164,515	104,230,626	266,103,102
Additions	-	9,185,322	1,442,299	10,627,621
March 31, 2020	13,707,961	157,349,837	105,672,925	276,730,723
Additions	-	7,139,010	2,852,590	9,991,600
Disposal	-	(2,748,716)	(20,926,633)	(23,675,349)
March 31, 2021	13,707,961	161,740,131	87,598,882	263,046,974
Depreciation:				
March 31, 2019	3,706,040	129,943,404	72,535,586	206,185,030
Charge for year	2,412,792	7,101,353	9,366,342	18,880,487
March 31, 2020	6,118,832	137,044,757	81,901,928	225,065,517
Charge for year	2,412,792	6,677,289	9,580,492	18,670,573
Eliminate on disposal	-	(2,529,617)	(20,859,247)	(23,388,864)
March 31, 2021	8,531,624	141,192,429	70,623,173	220,347,226
Net book values:				
March 31, 2021	$ 5,176,337	20,547,702	16,975,709	42,699,748
March 31, 2020	$ 7,589,129	20,305,080	23,770,997	51,665,206

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.

12. 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.

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

(a) Right-of-use assets:

	2021	2020
Balance at 1 April	99,525,106	105,434,906
Depreciation charge for the year	(4,410,860)	(5,909,800)
Balance as at 31 March	$95,114,246	99,525,106

(b) Lease liabilities:

Maturities analysis- contractual undiscounted cash flows:

	2021	2020
Less than one year	4,000,000	4,533,206
One to five years	34,000,000	30,000,000
Six to ten years	50,000,000	46,000,000
Over ten years	228,000,000	240,000,000
Total undiscounted lease liabilities at 31 March	316,000,000	320,533,206
Less: Discount	(204,949,751)	(213,392,315)
	$111,050,249	107,140,891

Lease liabilities included in the statement of financial position at 31 March

Current	3,039,490	5,410,949
Non-current	108,010,759	101,729,942
	$111,050,249	107,140,891

(c) Amount recognised in profit or loss

	2021	2020
Interest on lease liabilities	8,668,426	8,451,162
Amortisation of right –of-use assets	$4,410,860	5,909,800

(d) Amount recognised in the statement of cashflows

	2021	2020
Total cash outflow for leases	$(4,759,068)	(6,745,177)

13. Reserves

	2021	2020
General Fund (i)	1,875,678,751	1,649,050,343
Capital reserve (ii)	1,078,564	1,078,564
	$1,876,757,315	1,650,128,907

(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.

14. Other income

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

15. Staff costs

	2021	2020
Salaries, wages and related costs (i)	814,561,701	758,740,105
Payroll statutory costs	46,543,445	42,367,145
Gratuity	35,581,110	25,394,296
Pension (note 18)	30,343,185	32,366,607
Motor vehicle loan subsidy (ii)	1,877,099	3,047,242
	$928,906,540	861,915,395

(i) Included in the current year amount is 5% increase in staff cost for the 2020/2021 financial year

(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% (2020: 3%) per annum and the Commission will provide a subsidy of the difference between the 3% (2020: 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 $3.16 million (2020: $5.55 million) which will be recognised in profit or loss as they fall due.

16. Taxation

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

17. 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, 2020, disclosed total assets of $594.44 million, past service liabilities of $576.73 million and a surplus of $18.71 million.

Contributions by the Commission for the year amounted to $30,343,185 (2020: $32,666,607).

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.

18. 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, 2021 were valued at approximately $1.064 billion (2020: $1.006 billion).

19. 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.

19. Financial instruments (continued)

(b) Financial risk management (continued):

(i) Credit risk (continued):

Trade receivables (continued)

The following table provides information about the ECL's for trade receivables as at the reporting date:

	2021			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	1.4%	113,859,209	2,313,886	No
31-60 past	4.8%	701,412	47,632	No
61-90 days	8.5%	2,907,736	347,707	No
91-120 days	13.2%	299,380	55,625	No
121-150 days	20.6%	175,150	50,772	No
151-180 days	28.2%	148,000	58,771	No
181-210 days	34.6%	90,400	44,050	No
211-240 days	43.4%	17,373	10,621	No
241-270 days	49.8%	41,001	28,807	No
271-300 days	66.6%	64,600	60,631	No
301-330 days	79.8%	3,100	3,100	No
331-360 days	100%	47,400	47,400	No
Over 360 days	100%	262,951	262,951	Yes
		118,091,212	3,331,955	

	2020			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	3.3%	114,173,116	3,724,996	no
31-60 past	10.4%	6,763,818	705,511	no
61-90 days	17.1%	1,006,911	172,605	no
91-120 days	23.5%	7,208,116	1,693,752	no
121-150 days	35.1%	230,569	80,879	no
151-180 days	48.9%	158,646	77,649	no
181-210 days	58.7%	475,864	279,570	no
211-240 days	70.4%	752,000	529,570	no
241-270 days	80.1%	740,497	593,113	no
271-300 days	100%	98,600	98,600	no
301-330 days	100%	568,400	568,400	no
331-360 days	100%	122,808	122,808	no
Over 360 days	100%	7,445,481	7,445,481	yes
		139,744,826	16,092,934	

19. Financial instruments (continued)

(b) Financial risk management (continued):

(i) Credit risk (continued):

Trade receivables (continued)

With the adoption of IFRS 9 in the prior year, all receivables over 120 days were determined to be credit impaired. During the year, the Commission reassessed the circumstances as it relates to the recoverability of amounts based on historical data, and has determined that default occurs at 360 days and over.

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, 2021 and 2020.

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, 2021 and 2020.

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:

	2021 Stage 1	2020 Stage 1
	12-month ECL	
Gross carrying amount	399,733,964	668,031,666
Less: impairment allowance	(2,131,421)	(3,570,843)
	$397,602,543	664,460,823

19. Financial instruments (continued)

(b) Financial risk management (continued):

(i) Credit risk (continued):

The impairment allowance recognised is analysed as follows:

	2021	2020
Balance at April 1	3,570,843	3,057,582
(Recovered)/recognised during the period	(1,439,422)	513,261
Balance at March 31,	$2,131,421	3,570,843

(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.

19. Financial instruments (continued)

(b) Financial risk management (continued):

(iii) Market risk (continued):

- Interest rate risk (continued):

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

	2021	2020
	$	$
Fixed rate instruments (J$)	350,000,000	179,590,509
Fixed rate instruments (US$)	570,532,450	52,874,100

Fair value sensitivity analysis for fixed rate instruments:

An increase/decrease of 100 (2020: 100) basis points in interest rates on J$ denominated instruments would have decreased/increased surplus for the year by $3,500,000 (2020: $1,795,905).

An increase/decrease of 100 (2020: 100) basis points in interest rates on US$ denominated instruments would have decreased/increase surplus for the year by $57,053,245 (2020: $528,741).

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 2020.

- 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:

	2021	2020
	US$	US$
Foreign currency assets:		
Cash and cash-equivalents	373,943	32,895
Securities purchased under resale agreements	-	1,488,221
Investments	4,691,000	747,788
	5,064,943	2,268,904

The exchange rate for US$1, in terms of Jamaica dollars, at the reporting date, was $143.17 (2020: $132.53).

19. Financial instruments (continued)

(b) Financial risk management (continued):

(iii) Market risk (continued):

- Foreign currency risk (continued):

Sensitivity analysis

A 6% (2020: 6%) strengthening of the United States dollar against the Jamaica dollar would have increased surplus for the year by $43,508,873 (2020: $18,041,527). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 2% (2020: 4%) weakening of the United States dollar, would have decreased profit for the year by $14,502,958 (2020: $12,027,685).

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.

20. 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.

20. 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

Financial instrument	Method
Government of Jamaica Securities, Certificate of deposits and Fixed Rate Notes.	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 and other short-term investments 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.

20. 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.

		2021					
		Carrying amount		Fair value			
	Note	Fair value through profit and loss $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value:							
Investments	9	1,744,928,813	1,744,928,813	-	1,744,928,813	-	1,744,928,813

		2020					
		Carrying amount		Fair value			
	Note	Fair value through profit and loss $	Total $	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets measured at fair value:							
Investments	9	1,350,593,067	1,350,593,067	1,118,135,751	232,457,316	-	1,350,593,067

21. 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, 2021, there were eight (2020: nine) litigation proceedings for which legal fees of approximately $31,900,000 (2020: $24,700,000) were provided for.

22. 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:

	2021 $	2020 $
Accounts payable:		
Employee benefits – other key management	28,136,733	20,367,990

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

	2021 $	2020 $
Key Management Personnel compensation:		
Commissioners' fees	1,920,775	1,635,850
Salaries	193,076,354	137,653,621
Gratuity	27,823,214	21,156,631
Pension contributions	652,498	618,277

23. 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.

23. Allocation to the Government of Jamaica Consolidated Fund (continued)

As at the reporting date, the Commission upon request from the Ministry of Finance and Planning remitted $11,990,000 (2020: $12,330,000) to the Accountant General's Department.

24. Impact of the COVID-19 Pandemic

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica (GOJ) declared the island a disaster area on March 13, 2020.

The pandemic and the measures to control its human impact have resulted in significant disruptions to the Commission's principal activities and business operations.

In light of the heightened concerns and in accordance with the directives of the GOJ, to minimize the potential exposure to the Commission's staff and partners, whilst ensuring that any disruption to the Commission activities are kept at a minimum, management pursued appropriate mitigation strategies. During the year, staff were equipped with hand sanitizers, masks and gloves (where necessary), and were required to comply with mandated social/physical distancing rules. The Commission ensures that it remains compliant with government/public health restrictions and attendant mitigating measures.

The Commission continues to monitor the effect of developments arising from the pandemic on the risks it faced. In the review of the pandemic's effect on the Commission's business since the reporting date, management has not identified any material adverse impact on the Commission's operations.

NOTES

NOTES

NOTES