



FINANCIAL
SERVICES
COMMISSION

2022-2023

ANNUAL REPORT

July 31, 2023

Dr. The Honourable Nigel Clarke, CD 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 2022/2023 and a copy of the FSC's Financial Statements for the year ended March 31, 2023, duly certified by its Auditors.

Yours Sincerely,


Major Keron Burrell
Executive Director

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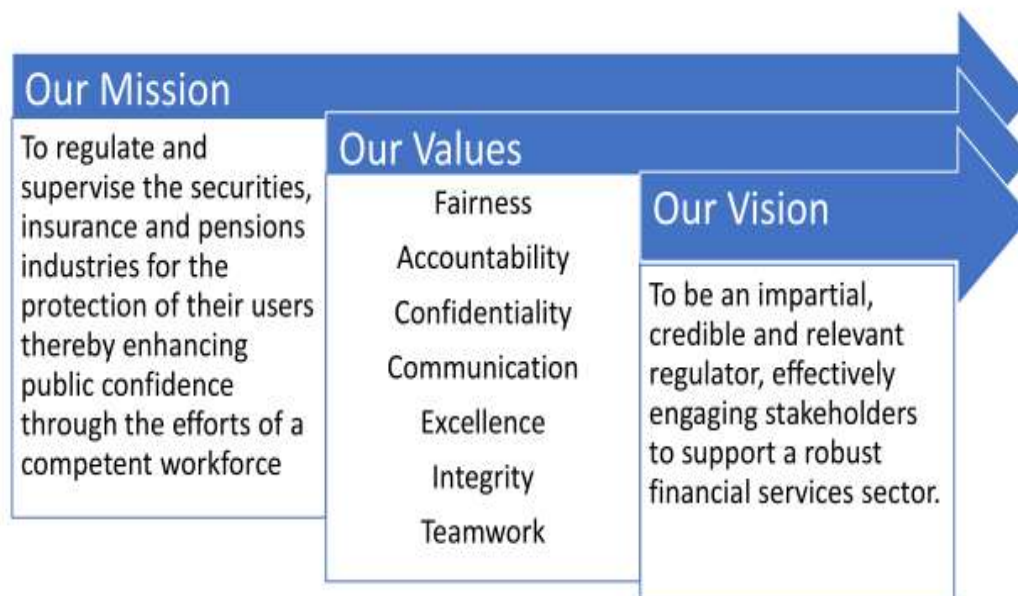
ORGANIZATIONAL OVERVIEW

OUR MANDATE

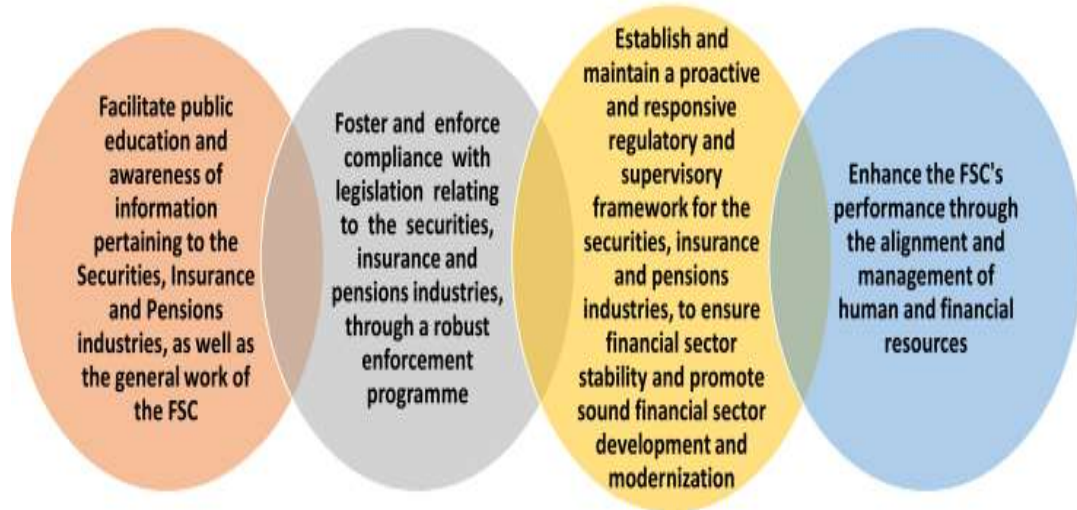
As prescribed in Section 6 of the Financial Services Commission Act, the FSC’s responsibilities include:

- Supervision and regulation of financial institutions that provide services to the public in the insurance, securities and pensions sectors (“prescribed financial institutions”);
- Promotion of the adoption of procedures designed to control and manage risk for use by the management, board of directors and trustees of such institutions;
- Promotion of stability and public confidence in the operations of such institutions;
- Promotion of public understanding of the operations of prescribed financial institutions; and
- Promotion of the modernisation of financial services with a view to the adoption and maintenance of international standards of competence, efficiency and competitiveness.

OUR VISION, MISSION AND VALUES



OUR STRATEGIC PRIORITIES



BOARD OF COMMISSIONERS¹



Richard Byles, Chairman

Richard Owen Byles was born in Kingston, Jamaica on 25 February 1951. He has served the private and public sectors in several senior management positions spanning three decades, and is one of the most accomplished corporate leaders of his generation.

Mr. Byles was appointed Governor of Bank of Jamaica (BOJ) effective 19 August 2019. Before assuming the role of BOJ Governor, he served as Chairman of Sagicor Group Jamaica Limited following 13 successful years at the helm of Sagicor Group Jamaica as President and Chief Executive Officer (CEO). Prior to his tenure at Sagicor, Mr. Byles served as

President and CEO at PanJam Investment Limited for 13 years.

Mr. Byles was recently appointed as the Chairman of the Board of Commissioners of the Financial Services Commission effective 23 January 2023.

In addition to serving as Chairman for several Sagicor Group-related boards, he was also Chairman of several other boards, including Desnoes and Geddes Limited (Red Stripe Jamaica), and a Director on others, including PanJam Investment Limited.

His public sector service includes serving as the first private sector Co-Chairman of Jamaica's landmark Economic Programme Oversight Committee (EPOC).

Mr. Byles holds a BSc in Economics from The University of the West Indies, Mona, and a MSc in National Development from the University of Bradford, England. He was awarded the Doctor of Humane Letters from Northern Caribbean University, and the Doctor of Business from the University College of the Caribbean.

He is also an inductee to the Private Sector Organization of Jamaica (PSOJ) Hall of Fame, and an awardee from both the Observer and Gleaner publications for his work as a private sector business leader.

¹ On January 23, 2023, the Honourable Minister of Finance and the Public Service appointed Mr Richard Byles, Governor of the Bank of Jamaica (BOJ), Dr Wayne Robinson, Dr Jide Lewis, and Mr George Roper to the Board of Commissioners. Messrs John Robinson, Langston R.M. Sibbles, KC, JP, Christopher Reckord, JP and Ms Monica Brown, JP, resigned.

Mr. Byles is married to Jacinth and has two sons, Pavel and Yannick.



Major Keron Burrell

Major Keron Burrell is the Executive Director of the Financial Services Commission, having been seconded from the BOJ.

Major Keron Burrell currently holds the position of Chief Prudential Officer (CPO), Financial Institutions Supervisory Division at the Bank of Jamaica.

He began his career at Bank of Jamaica in 2008 as a Senior Analytical and Policy Officer in the Policy and Methodology Department, where he held several positions before being promoted to Head of the Department. In his current role as CPO, Mr Burrell leads two (2) sub-divisions which include Examinations and Regulation and Policies. He has responsibility for fostering financial system stability by overseeing the evaluation, development and implementation of the prudential supervisory and regulatory frameworks, fostering stakeholder engagement and compliance to ensure the safety and soundness of the financial system and

ensuring the effective management of the Division's resources to satisfy the Bank's mandate for prudential supervision.

Major Burrell holds a M.Sc. in Accounting and a B.Sc. in Economics and Accounting from the University of the West Indies. He is also a Fellow of the Institute of Chartered Accountants of Jamaica and holds several certifications in the fields of Anti-Money laundering, Accounting and Fraud Investigation. He is a Justice of the Peace and a member of many professional associations including the Institute of Chartered Accountants of Jamaica (ICAJ), Association of Certified Anti-Money Laundering Specialists (ACAMS), Florida International Bankers Association (FIBA), Association of Certified Financial Crime Specialist (ACFCS), the Association of Certified Fraud Examiners (ACFE) and the Canadian Anti-Money Laundering Institute (CAML).

Major Burrell has represented the Bank in several international fora, most notably being Jamaica's Representative to the United Nations Commission on International Trade Law (UNCITRAL) Working Group VI – Secured Transactions. Mr Burrell is a lifelong academic and has written several Papers in the field of Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), Proliferation of Weapons of Mass Destruction including Politically Exposed Persons in Jamaica and Auditing the NPO AML/CFT Framework of Jamaica.

He is an avid reader and enjoys watching soccer and running in his spare time.



Dr. Wayne Robinson

Dr. Wayne Robinson is a career central banker. A Commonwealth scholar, he was educated at the School of Economic Studies, University of Manchester where he received a Ph.D. in Economics in 2002 and at the University of the West Indies Mona, where he received Bachelors (Honours) and Masters degrees in Economics in 1994 and 1996, respectively. Dr. Robinson started his career at Bank of Jamaica in the Information Systems Department but fell in love with economics and transitioned to the Research Division, where he has focused on economic policy and central banking.

His areas of expertise are econometric modelling and forecasting, monetary and financial economics. He has published on monetary and financial issues in a number of international journals, including IMF Staff Papers, Macroeconomic Dynamics and Journal of International Money and Finance.

He has played a leading role in the design of Jamaica's economic programme and in the design and implementation of monetary policy and financial market reforms. This is in addition to contributing to the strategic management of Bank of Jamaica.

Dr. Robinson is married with two daughters.



Ms Kenisha Davis

Ms Kenisha K. Davis is an Attorney-at-Law who practices mainly in the areas of Civil and Commercial Litigation - Personal Injury, Insurance Litigation, Conveyancing, Recovery of Possession, Probate and Family Law.

Following her tenure at the Norman Manley Law School, she was called to practice at the Jamaican Bar in December 2018. She is a graduate of the University of the West Indies, Mona and holds a Bachelor of Laws Degree.

Ms Davis has held several leadership positions throughout her academic life and has sat on the board of the Norman Manley Law School Students' Association during her tenure there. She is a member of the Jamaican Bar Association, where she sits on the Publications Committee and is a proud past student of St. Andrew High School for Girls.

She was appointed to the Board of Commissioners of the Financial Services Commission effective 23 January 2023.



Dr Jide Lewis, CFA, FRM.

Dr Jide Lewis currently holds the position of Deputy Governor of the BOJ and leads the Financial Institutions Supervisory Division. He is also the Deputy Supervisor of Banks, Financial Holding Companies and Other Specified Financial Institutions ("Deputy Supervisor").

In these capacities, he has responsibility for ensuring the relevance and adequacy of the legislative and regulatory framework and operational infrastructure to satisfy the statutory and supervisory responsibilities necessary to support the BOJ's financial system stability mandate and ensure the effective supervision and regulation of deposit-taking institutions, financial holding companies for banking groups and specified institutions including those doing micro-credit business.

Dr Lewis holds a Ph.D. in Economic Development Policy from the University of the West Indies and a M.Sc. in Economics and Finance from the University of York. He is also a Chartered Financial Analyst and holds the professional designation of Financial Risk Manager.

Dr Lewis is married and enjoys playing table tennis.



Dr Dianna Davis-Smith

Dr Dianna Davis-Smith is an experienced financial executive who currently serves as President of the Catholic College of Mandeville. With over 20 years of experience in financial management and compliance, she has a proven track record of success in financial sector monitoring, rehabilitation, and regulation.

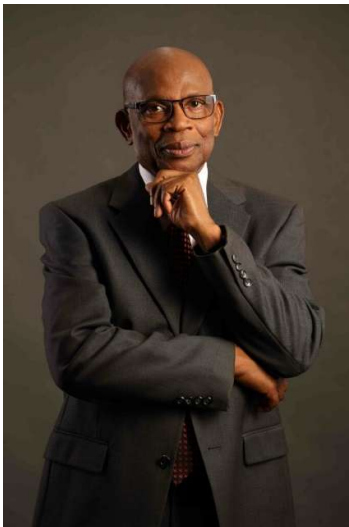
Dr Davis-Smith has been involved in long-term financial planning and strategic decision-making within the local sector; her work includes the design and rollout of support organizations for building societies and commercial bank delinquency/compliance policies and procedures reframing. Dr Davis-Smith, a key player in the financial sector rehabilitation, has demonstrated exceptional leadership skills and has lent her capabilities to other industries, including the tourism sector.

An avid volunteer since her early years at Clarendon College, Dr Davis-Smith is a member of the Council of Voluntary Social Services (CVSS), currently serving as Chair of their Nomination and Membership committee.

Dr Davis-Smith recently completed tenure as Country Lead for our local Monitoring and Evaluation (M&E) practitioners and has lent her skills as

editor of a series of newsletters published by an international M&E body.

Dr Davis-Smith earned her Doctorate in 2010 following a Master's Degree in Business Administration from Nova Southeastern University. She is the proud mother of two children, David and Danalee. Dr Dianna confesses to being ready in any scenario to talk about emotional intelligence and its relevance to all aspects of one's personal and professional life.



Mr Dennis Brown, FCCA, FCA, MBA

Dennis is a retired partner of PricewaterhouseCoopers (PwC), Jamaica. He was an assurance partner and served inter alia, as the Risk Management Partner (RMP) with specific responsibility for the risk management of the firm and had responsibility also for ensuring compliance with the International Firms' network requirements.

He was appointed Chairman of the Accounting Standards Committee (ASC) of the Institute of Chartered Accountants of Jamaica (ICAJ) that has responsibility for issuing accounting standards for financial reporting in Jamaica. As Chairman, he had

the primary responsibility for driving the adoption and application of International Financial Reporting Standards (IFRS) as Jamaica's national accounting standards. His strategy document was adopted as a toolbox model by the International Federation of Accountants (IFAC).

He was invited to make presentations at and participated in Sessions at the Intergovernmental Group on International Standards of Accounting and Reporting (ISAR) at the United Nations Conference on Trade and Developments (UNCTAD) in Geneva.

He subsequently was selected to join a Consultative Group appointed by UNCTAD to develop a capacity building framework for accounting and reporting. The final output document was presented for discussion to the Intergovernmental Group of Experts on International Standards on Accounting and Reporting at the 28th Session of their meeting.

He was also invited by UNCTAD to participate in a study of corporate governance in the Caribbean region for comparison with other developing nations. The three-member group study, involving a representative of Trinidad and Tobago, UNCTAD and himself, presented the findings to a plenary session of the Intergovernmental Group of Experts at UNCTAD, Geneva.

He is a former director of Caribbean Corporate Governance Institute (CCGI), a company incorporated in Trinidad and Tobago that promotes corporate governance throughout the Caribbean.

He was as a director and Audit Committee Chair of Key Insurance Company Limited and Chairman of Lions Club of Kingston Sight Foundation. Currently, he is a director and member of the governance committee of Northern Caribbean University, director

and Chair of the Audit and Finance Committee of Andrews Memorial Company Limited, and member of the Implementation Oversight Committee for Corporate Governance of the Ministry of Finance and the Public Service.



Mrs. Hillary Ann Robertson

Hillary Ann Robertson is a Senior Director at the Bank of Jamaica with over 35 years' experience in the economic research, monetary policy and governance arms of the Bank. Before joining the Bank of Jamaica in 1987, Mrs Robertson had short job stints as a statistician at the Statistical Institute of Jamaica (STATIN) and an economist at Jamaica National Investment Promotions (now JAMPRO). She is currently on secondment from the Bank 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 a Bachelor's and Master's Degree in Economics. Over her career at the Bank, Mrs. Robertson has attended many

specialized training courses in economic programming, monetary policy, management, and corporate governance. Mrs Robertson has represented the Bank in regional and international conferences and has been involved in the design and monitoring of some of Jamaica's economic programmes with the International Monetary Fund.



Mr George Roper FCA, FCCA, CISA (non-prac.), B Sc. (Hons.)

Mr George Roper is employed with the Bank of Jamaica as Deputy Governor with responsibility for Finance, Technology and Administration, having served as the Bank's Supervision Evaluation Expert between August 2017 and February 2019. Prior to that, Mr Roper was the Vice President Compliance – Scotiabank Group Jamaica (2010 – 2017). In that position he had responsibility for the leadership and oversight of the AML/CFT and financial regulatory compliance programmes of Scotiabank and its affiliates in Jamaica.

Mr Roper was previously the Deputy Executive Director of the Financial

Services Commission (FSC), taking up that position on April 1, 2007. The Commission is the public sector body responsible for regulating the investments, insurance and pension sectors in Jamaica. Mr Roper acted as Executive Director of the FSC in 2008, at a time during which the FSC fearlessly took decisive action against unregulated financial organizations. During that period, the FSC also made significant progress in the registration of pension funds. Mr Roper had previously served as Senior Director of Securities at the FSC and prior to that was its Senior Director of Examinations and Investigations.

Mr Roper is a former President and CEO of Mayo Holdings Limited (1998-1999) a management consultancy practice specializing in outsourced internal audit services for clients operating in the investment, merchant banking, fast food, real estate property management and hospitality industries. Mr Roper was also previously the Head of Information Systems Audit at ICWI Group (1992-1995) and Chief Internal Auditor at Jamaica Mutual Life Assurance Society (1995-1997). Over his career he has led and conducted audit assignments which uncovered fraud and irregularities in financial institutions based in North America, Jamaica, and other parts of the Caribbean.

Mr Roper is a Fellow of the Institute of Chartered Accountants of Jamaica (“ICAJ”); a Fellow of the UK’s Association of Chartered Certified Accountants and holds a B Sc. degree in Management Studies. He is also a Certified Information Systems Auditor (“CISA”) having extensive experience in financial statement and information systems auditing which was gained while he was at PricewaterhouseCoopers (formerly, Price Waterhouse) between 1984 and 1992

Since July 12, 2021, Mr Roper was appointed as a Director of the Board of Directors of the Bank of Jamaica.

Mr. Roper is a member of the ICAJ’s Audit Practices Committee (1999 – present). He is a former member of the Public Accountancy Board (2014 to 2016), the body which registers public accountants (RPAs) and during his tenure contributed to the finalization of the PAB’s AML/CFT Guidelines for RPAs. Since 2011, he has been a member of the Board of Governors of the JSE’s e-Campus. Between 1997 and 1998, Mr. Roper was President of the Jamaica Chapter of the IIA and now serves as a member of the chapter’s Board of Governors (2013 to present). He is a member of the Kiwanis Club of North St Andrew and a proud past student of 100 plus year old Calabar High School, which has a rich tradition of achievement in academics, sports and the arts, making a significant contribution to the building of Jamaica as a nation state.



Erwin Burton, BSc., M.Sc., JP

Mr. Erwin Burton, BSc., Msc., J.P. is currently the Chairman of Hardware and Lumber Limited and was appointed to the FSC's Board of Commissioners in April 2016. Mr. Burton has had a long and distinguished career at Grace Kennedy Group of Companies. He has held various senior managerial positions there, including Chief Executive Officer (CEO) of GK Foods, Deputy CEO of GraceKennedy Limited and Senior

Adviser to the CEO of Grace Kennedy. Mr. Burton also served on the Boards of several Grace Kennedy subsidiaries including Grace Kennedy (Belize) Limited, Grace Foods USA, Inc., Grace Kennedy Canada Ltd and Grace Foods UK Limited. He is a member of the Board of the Mico University College. In the past, he was the Chairman of the Sugar Company of Jamaica Holdings Limited.

CHAIRMAN'S MESSAGE



As Chairman of the Financial Services Commission (FSC), I am pleased to present our Annual Report for the financial year 2022-2023. It was a demanding year due to the many issues the FSC grappled with. These matters include but are not limited to:

- (i) The impact of the elevated volatility in the global and local financial markets on the non-deposit-taking institutions (NDTIs), such as insurance companies, securities dealers and private pension plans,
- (ii) the adoption of the International Financial Reporting Standards (IFRS) 17,
- (iii) the alleged massive fraud at Stocks Securities Limited (SSL), and
- (iv) the development of a Twin Peaks Regulatory Framework

The heightened volatility, evident by changes in the interest rate, inflation, and the stock market indexes, impacted financial institutions as the effects were transmitted through the balance sheet as manifested by the

devaluations of assets held by financial institutions. The NDTIs' performance was bidirectional when comparing the various performance indicators at end-December 2022 and end-December 2021. For example, total combined assets for general and life insurance companies increased by 10.3 per cent and 1.7 per cent, respectively. While accumulated pension plan assets fell by 1.4 per cent, core securities dealers had a 5 per cent uptick in aggregate assets. Combined net income for general insurers took a hit and decreased by 30.6 per cent, while life insurers experienced a 9.6 per cent uptick. Core securities dealers aggregately also had a 47.6 per cent reduction in net profit after tax as they faced higher interest expenses and lower interest spreads.

Total capital for general and life insurance companies grew by 6.2 and 17.9 per cent, respectively, compared to the previous year, while securities dealers saw a 7.2 per cent decline. Nevertheless, the Securities sector remained adequately capitalised during the review period. The general insurance industry had a weighted average Minimum Capital Test (MCT) ratio of 252.0 per cent, above the 175 per cent requirement. The weighted average Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio for the life insurance sector was 331.3 per cent, above the regulatory requirement of 150.0 per cent.

Fraudulent Activities

During the FY2022-2023, there was an increase in the incidence of reported fraud in Jamaica, affecting the non-financial sector and both the DTIS and NDTIs. Significantly, one of these incidences included the allegations of fraud at SSL. Immediately after being notified of these allegations, the FSC intensified its regulatory actions in relation to SSL, which included prohibiting any further movement of funds or

assets and appointing a temporary manager. The FSC also, placed SSL under enhanced supervision and conducted onsite examinations. This heightened supervision included several routine and special audits of both on and off-balance sheet book of business by external auditors.

The Minister of Finance and the Public Service, the Hon. Nigel Clarke, DPhil. MP announced that the Financial Investigations Division (FID), the Fraud Squad and international forensic experts would continue to investigate this matter. The findings of this investigation would not only aid in identifying culpable persons but also reveal other critical information which would assist the FSC in better executing its regulatory mandate.

Following these occurrences, the FSC has since directed all securities dealers to have their: (i) external auditors audit off-balance sheet client assets and Liabilities and (ii) internal auditors review all internal controls surrounding the operations of all product lines for both on and off-balance sheet clients.

Regulatory Reforms

The International Accounting Standards Board published a new International Financial Reporting Standard (IFRS) for Insurance Contracts, IFRS 17, effective for annual reporting periods beginning on or after January 1, 2023.

IFRS 17 requires that insurance contracts are measured using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating insurance contracts. Companies will now be required to recognise profits as it delivers insurance services and to provide information about insurance contract profits, they expect to recognize in the future. The standard, among other things, changed the method for valuing insurance liabilities and will impact the financial statements of general and life insurance companies. It was also required that

(i) the quarterly and the annual filings be revised to meet the IFRS 17 requirements and (ii) the FSC update its regulatory capital adequacy framework.

The new capital regime includes general insurance Minimum Capital Test (MCT) and Life Insurance Minimum Continuing Capital and Solvency Requirement (MCCSR). The Insurance Regulations were amended in December 2022 to include risk management regulations to support the new capital regime. These new regulations, among other things, mandate each insurer to develop an enterprise risk management programme, including a capital management policy, asset liability management and introduces the requirement to perform annual stress testing.

The amended regulations also strengthened the market conduct requirements as it created more explicit requirements for improvements in the fair treatment of clients and responsible trade practices in the insurance business throughout the industry.

Twin Peaks Financial Regulatory Model

Jamaica has begun the process to replace its sectoral approach to financial regulation with the 'Twin Peaks Model'. The Twin Peaks Model will see a separate regulator for each of the two principal supervisory objectives: prudential supervision and market conduct and consumer protection supervision. Under this model, the BOJ will assume responsibility for prudential supervision, while the FSC's new mandate will become the market conduct and consumer protection regulator. Prudential supervision focuses on the soundness and health of financial institutions and financial system stability. For market conduct supervision, the primary aim is to protect the rights and interests of financial consumers by ensuring that financial institutions treat their prospective and existing consumers fairly. The Twin Peaks Model is deemed by many to be more comprehensive than a fragmented

approach, as it offers enhanced financial protection. See Chart 1.

Chart 1: Twin Peaks Financial Regulatory Model



Since this announcement, a Twin Peaks Steering Committee, comprising staff from both the BOJ and the FSC, was established to manage and oversee the implementation of this model. The Committee aims to have an effective and efficient Twin Peaks framework which does not impose unnecessary regulatory burden on the licensees and registrants. Meanwhile, the BOJ and the FSC are preparing their operational systems and staff members to transition to the "twin peaks" regulatory framework. Nevertheless, both regulators continue their routine supervisory functions to

protect consumers and maintain the health and soundness of the regulated entities and the market.

I wish to express my appreciation to the Board of Commissioners, management and staff of the FSC for their tremendous efforts and dedication during a challenging year. I am grateful to the many individuals, regulated entities and industry associations for the feedback and other forms of interest in our regulatory activities.

Mr Richard Byles
Chairman

BOARD OF COMMISSIONERS' REPORT

In accordance with the stipulations of the Public Bodies Management and Accountability Act (PBMAA), the Board of Commissioners provides its report which briefly reviews the FSC's operations for the year ended March 31, 2023.

During the period, Jamaica's financial system faced significant challenges due to the spillover effects of the COVID-19 pandemic and political conflict in Eastern Europe. While worldwide recovery remained fragile and dampened by persistent inflationary pressures, the Central Bank's monetary policy stance tightened in an effort to keep domestic inflation within its targeted range. Despite the tight Jamaica Dollar liquidity conditions, the private pensions, securities and insurance industries remained stable.

The FSC received a report of allegations of fraud at Stocks & Securities Limited (SSL) on January 10, 2023. The alleged fraud representing one of the largest securities frauds in a securities dealer, did not pose a systemic risk to the financial system as SSL represents approximately 2 per cent of the total assets under management by security dealers. Within a week of the report, the FSC appointed a Special Auditor and a Temporary Manager. These appointments continue to support the FSC in its enhanced supervisory oversight of SSL

(i) OPERATIONAL REVIEW

Supervisory

- i. In addition to inhouse supervision, the FSC conducted on-site examinations to identify and monitor risks affecting the financial health and soundness of

the regulated entities. In addition, analyses of securities dealers' bi-annual bottom-up stress test results and reviews of eleven (11) Reinsurance Treaty Programmes were completed for the general insurance companies.

- ii. Seven (7) new and amended insurance policies and products were reviewed and approved.
- iii. Under the anti-money laundering, counter-financing of terrorism and counter-proliferation financing (AML/CFT/CPF) legal and regulatory framework, supervision and examinations of regulated entities were completed.
- iv. Investigations into possible violations of the laws that govern Trusts and Corporate Services Providers (TCSPs) and the Insurance, Securities and Private Pensions industries.
- v. The FSC continues to receive and respond to actioned requests for information, complaints, referrals and queries.

Regulatory

- vi. Completion of the amendments to the Insurance Regulations to include:
 - a. Revisions to the Minimum Capital Test (MCT) for general insurance companies,
 - b. Modification of the permitted and allowable

- range for investments by insurance companies,
 - c. Strengthened market, conduct standards for insurance companies and insurance intermediaries to improve policyholders' protection and the level of financial inclusion, and
 - d. Enhanced risk management requirements for both life and general insurance companies.
- vii. There was the review of successive drafts of the legislative amendments to the relevant legislation that will:
 - a. Enable the FSC to conduct group-wide supervision more comprehensively.
 - b. Strengthen the market conduct standards for securities dealers to improve protection and financial inclusion.
- viii. Implementation of new accounting standards. The International Accounting Standards Board amendments to International Financial Reporting Standards (IFRS 17) took effect on January 1, 2023. New reporting templates were created.
- ix. Critical public education initiatives such as (a) engaging the public via social media and (b) staging the annual event Schools' Financial Education Programme (SFEP).
- x. There was support for capital market development through the review and registration of securities for fundraising via exempt distributions, prospectus offerings and Collective Investments Schemes (CIS), including the registration of:
 - a. 186 securities under the exempt distribution regime,
 - b. Five (5) prospectus-based public offers for the listing of companies on the Jamaica Stock Exchange, and
 - c. Eleven (11) offering documents for the sale of CIS funds.

ii. FINANCIAL REVIEW

The audited financial statements in this report provide details and other explanatory information on the financial position, operating results and cash flows of the FSC for the financial year

ended March 31, 2023, based on International Financial Reporting Standards (IFRS). Highlights of the income and expenditure items are presented in the tables below.

Table 1: Composition of FSC's Revenues, FY2022 – 2023 & FY2021-2022

	2022-2023	2021-2022
	\$' 000	\$' 000
Total Revenue	1,637,792	1,634,086
Of Which		
Fees	1,488,410	1,450,862
Interest Income	154,626	122,428
Gains / Loss on Disposal of Property Plant & Equipment	1,649	0
Recognised Gains on Investments	0	0
Foreign exchange (loss)/ gain	(13,247)	48,149
Other	6,355	12,647
Total Expenses	1,452,579	1,330,710
(Depreciation) in the value of investments classified as fair value through profit or loss	(59,821)	(138,588)
Comprehensive income for the year	125,392	164,789

Tables 2-5 provide details of the sources of fee income from the Securities, Insurance, Pensions as well as the Corporate and Trust Services Industries, respectively, for FY2022-2023 & FY2021-2022.

Table 2: Revenues earned by the FSC from the Securities Industry, FY2022 – 2023 & FY2021 -2022

Source	2022-2023		2021-2022	
	Revenue ('000)	Percentage of Total	Revenue ('000)	Percentage of Total
Annual Licensing/Registration Fees – Securities Dealers Mutual Funds	227,475	75	210,069	69
Stock Exchange & JCSD Fees	61,054	20	78,124	25
Application Fees	16,519	5	17,951	6
Totals	305,048	100	306,144	100

Table 3: Revenues earned by the FSC from the Insurance Industry, FY2022 – 2023 & FY2021 -2022

Source	2022-2023		2021-2022	
	Revenue ('\$000)	Percentage of Total	Revenue ('\$000)	Percentage of Total
Annual Registration Fees – Life and General Companies	451,762	91	420,646	91
Annual Fees - Intermediaries	37,930	8	34,209	7
Application Fees	6,399	1	7,502	2
Totals	496,091	100	462,357	100

Table 4: Revenues earned by the FSC from the Pensions Industry, FY2022 – 2023 & FY2021 -2022

Source	2022-2023		2021-2022	
	Revenue ('\$000)	Percentage of Total	Revenue ('\$000)	Percentage of Total
Annual Licensing Fees – Investment Managers	685,667	99.9	681,894	99.9
Application Fees	470	.01	467	0.1
Totals	686,137	100	682,361	100.00

Table 5: Revenues earned by the FSC from the Corporate and Trust Services Industry, FY2022 – 2023 & FY2021 -2022

Source	2022-2023		2021-2022	
	Revenue ('\$000)	Percentage of Total	Revenue ('\$000)	Percentage of Total
Application Fees	1,135	100	0	0
Totals	1,135	100	0	0

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

On January 23, 2023, the Minister of Finance and the Public Service announced the proposed pursuit of a unified prudential supervision and regulation regime in which the prudential supervision and regulation of deposit taking financial institutions, (commercial banks, building societies, merchant banks and credit unions) and non-bank financial institutions (securities dealers, insurance companies and pension funds) would be consolidated into one institution – the Bank of Jamaica (BOJ) - and a separate regulator for market conduct and consumer protection for the full spectrum of financial services would be established separately. The new FSC would become a highly visible market conduct and consumer protection

supervisor for all financial service providers (Deposit-taking institutions, Non-bank financial institutions, Cambios and remittance companies)

Full implementation of a unified financial sector regulator and a separate market conduct/consumer protection regulator for the financial sector is expected within the next two years.

A SUMMARY OF ACHIEVEMENTS AGAINST TARGETS FOR FY2022-2023

The key elements of the corporate plan remained unchanged for FY2022-2023. Table 6 summarises the FSC's achievement against its strategic objectives.

Table 6: Summary of FSC’s Achievements Measured Against its Strategic Objectives for 2022 – 2023

#	Strategic Objectives	Results
1.1	To advocate timely policy and legislative changes in anticipation of or response to environmental dynamics	Met
1.2	Build organizational capacity to conduct effective Supervision	Met
2.1	To promote financial awareness and education among all our stakeholders in order to advance a consumer protection	Met
3.1	To deter and detect violations of applicable laws, regulations, and guidelines and impose sanctions as required.	Met

#	Strategic Objectives	Results
4.1	To enhance self-financing capabilities through cost containment	Not Met
5.1	To leverage technology to improve the performance of the organization	Met
5.2	Align the organization for compliance with Data Protection Legislation	Met
5.3	Continual improvement in information security management through a combination of tools, policies and procedures with key emphasis on user awareness	Not Met

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

Table 7 forecasts critical financial and operating results for the fiscal year 2023-2024 (FY2023-2024).

Table 7: Financial Projections for FY2023-2024 (\$' 000)

	Projected	
	FY2023-2024	FY2022-2023
	(\$' 000)	(\$' 000)
INCOME:		
Fees	1,562,086	1,488,410
Interest Income	149,372	154,626
Other	240	8,003
Gain/loss on foreign exchange		(13, 247)
TOTAL INCOME	1,711,698	1,637,792
EXPENSES:		
Advertising	2,258	948
Appeals Tribunal	5,840	4,039
Audit	11,055	5,845
Bank Charges	758	590
Building Maintenance	38,319	33,381
Commissioners Fees	3,965	1,598
Depreciation and amortisation	39,492	22,445
Motor Vehicle and parking expense	18,935	19,194
Office Expenses	26,258	19,680
GCT Expense	89,425	25,606
Impairment losses	0	15,900
Printing and stationery	2,973	2,278
Professional fees	47,160	80,155
Public Education	15,355	13,407
Interest expense	9,554	9,406
Staff Cost	1,191,096	1,119,841
Subscriptions	40,621	32,541
Training and conferences	30,695	6,894
Utilities	36,424	38,834
TOTAL EXPENSES	1,610,183	1,425,579
Appreciation in value of investments classified at fair value through profit or loss		(59,821)
SURPLUS FOR THE YEAR	101,515	125,392

(iv) DIVIDENDS

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. Therefore, pursuant to Part 1 of the Second Schedule to the PBMAA, the FSC doesn't need to provide notification of dividend payment. However, public bodies that are self-financing, such as the FSC, are required to transfer 5 -10% of their surplus to the Consolidated Fund annually.



Mr Richard Byles
Chairman

CONCLUSION

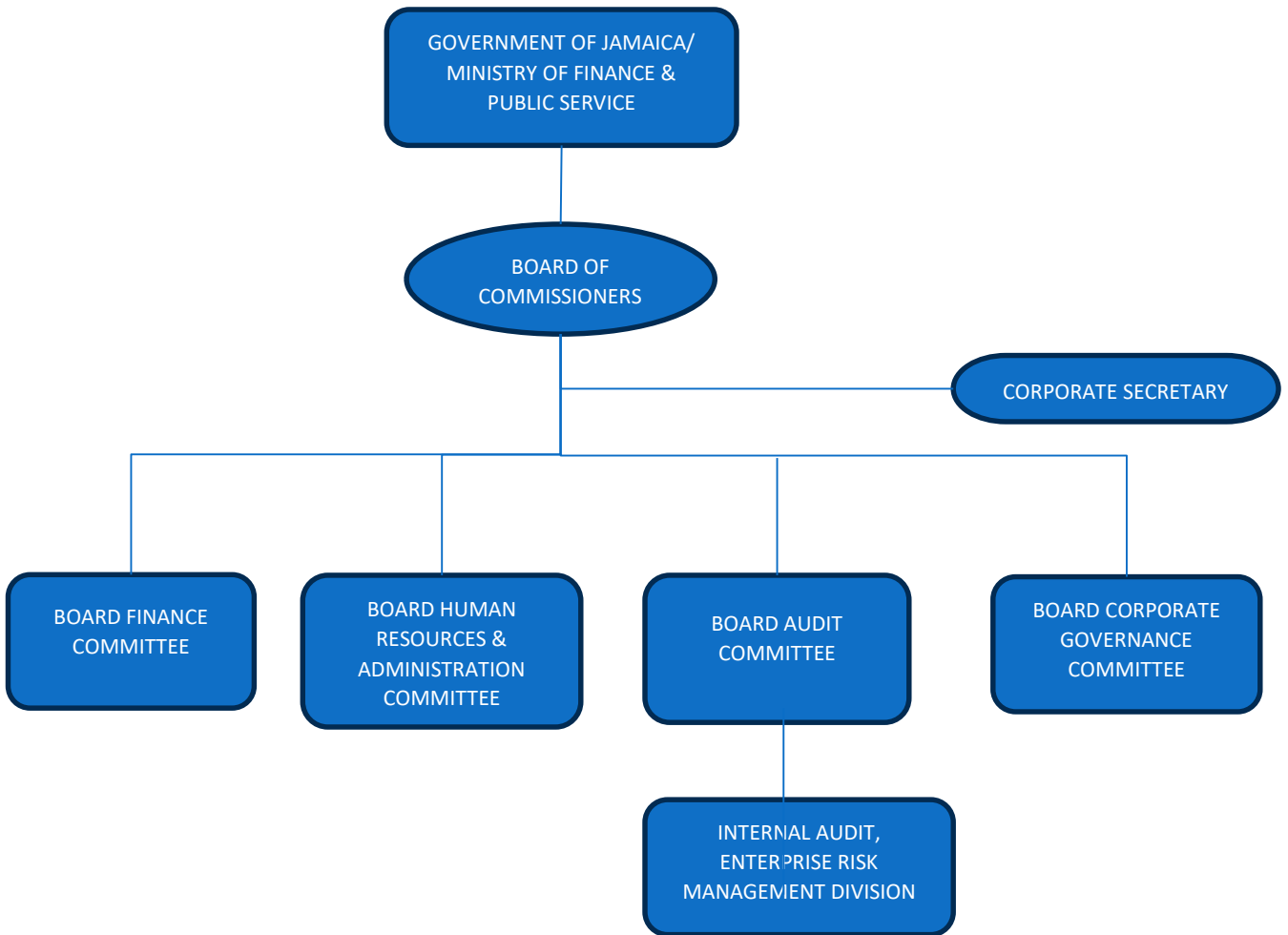
The FY2022-2023 was a challenging year for the FSC as we strived to protect the financial wellness of investors, policyholders and private pension plan members. The Board of Commissioners expresses gratitude to the FSC team and our stakeholders for their continued support, dedication and commitment to the organisation.

CORPORATE GOVERNANCE REPORT

The Board of Commissioners is responsible for the strategic and policy direction of the FSC. It aims to carry out its general administration and oversight functions 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, except for the Executive Director, is appointed by the Minister of Finance and Public Service for 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 as 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 PBMAA & Regulations, the Financial Administration & Audit Act and the revised Corporate Governance Framework for Public Bodies. Chart 2 reflects the various Board Committees as well as the reporting relationships in the FSC's corporate governance structure.

CHART 2: FSC'S CORPORATE GOVERNANCE STRUCTURE



On January 23, 2023, the Minister of Finance, the Hon. Nigel Clarke, DPhil. MP announced changes to the FSC’s Board of Commissioners. The attendance of members at Board meetings is reflected in Table 8.

Table 8: Attendance at Board Meetings, FY2022-2023

Commissioner	Attendance at Meetings (April 2022- January 2023)	Commissioner	Attendance at Meetings (Jan 2023 – March 2023)
John Robinson <i>(Chairman), CD, JP</i>	7/7	Richard Byles, <i>(Chairman)</i>	3/3
Erwin Burton	7/7	Dr Wayne Robinson	3/3
Langston Sibblies, KC <i>(Deputy Chairman)</i>	3/3	Erwin Burton	2/3
Keneisha Davis	6/7	Kenisha Davis	3/3
Monica Brown	7/7	Hillary Robertson	3/3
Hillary Robertson	7/7/	Dennis Brown	3/3
Dennis Brown	6/7	Dr Jide Lewis	3/3
Christopher Beckford	5/7	George Roper	3/3
		Dr Dianna Davis	3/3
		Major Keron Burrell <i>Executive Director/ Ex Officio)</i>	3/3

Corporate Governance Committee

The Corporate Governance Committee was formed to assist the Board in ensuring that its composition, structure, policies and management processes are in keeping with global corporate governance best practice standards and that the applicable regulations and

legislation are adhered to. Table 9 summarises the attendance of the Committee members.

Finance Committee

The attendance at meetings by members of the Finance Committee is reflected in Table 10. During the year, the Committee carried out general financial

oversight, regularly considered and reviewed financial reports, ensured accuracy and efficiency in financial management and reviewed the operating budget for the succeeding year.

Human Resource & Administration Committee

The Human Resource & Administration (HRA) Committee reviewed and advised on the human resource strategy, policies and programmes of the FSC. The attendance by members at meetings is reflected in Table 11.

Table 9: Attendance at Board Corporate Governance Meetings, FY2022-2023

Commissioner	Attendance at of Meetings (April 2022- December 2022)
Hillary Robertson <i>(Chairman)</i>	2/2
Christopher Reckord	2/2
Langston Sibblies, KC	1/1
Monica Brown JP	2/2

Table 10: Attendance at Board Finance Committee Meetings, FY2022-2023

Commissioner	Attendance at Meetings (April 2022- January 2023)	Commissioner	Attendance at Meetings (Jan 2023 – March 2023)
Christopher Reckord <i>(Chairman)</i>	2/2	Richard Byles <i>(Chairman)</i>	1/1
Erwin Burton	2/2	Erwin Burton	1/1
John Robinson	1/2	Dr Dianna Davis Smith	1/1

Table 11: Attendance at Board Human Resources & Administration Committee Meetings, FY2022-2023

Commissioner	Attendance at Meetings (April 2022- January 2023)	Commissioner	Attendance at Meetings (Jan 2023 – March 2023)
Monica Brown <i>Chairman)</i>	3/3	George Roper <i>(Chairman)</i>	1/1
Erwin Burton	3/3	Erwin Burton	1/1
Kenisha Davis	3/3	Kenisha Davis	1/1
		Dianne Davis-Smith	1/1
		Richard Byles	1/1

Table 12 displays the attendance record at the Board's Strategic Planning Retreat and the two special meetings.

Table 12: Attendance at Board Strategic Planning Retreat, FY2022-2023

Commissioner	Attendance at Board Retreat (Dec 2022)	Attendance at Special Board Meeting (June 2022 & January 2023)
John Robinson <i>(Chairman), CD, JP</i>	1/1	2/2
Erwin Burton	1/1	1/2
Langston Sibbles, KC <i>(Deputy Chairman)</i>	1/1	1/1
Keneisha Davis	1/1	2/2
Monica Brown, JP	1/1	
Hillary Robertson	1/1	2/2
Dennis Brown	1/1	2/2
Christopher Beckford	1/1	2/2

Audit Committee

Table 13: Attendance at Board Human Resources & Administration Committee Meetings, FY2022-2023

Commissioner	Attendance at Meetings (April 2022-January 2023)	Commissioner	Attendance at Meetings (Jan 2023 – March 2023)
Dennis Brown (Chairman)	6/6	Dennis Brown (Chairman)	1/1
Hillary Robertson	6/6	Hillary Robertson	1/1
Monica Brown, JP	6/6	George Roper	1/1

The Audit Committee is comprised of three (3) members. The purpose of the Audit Committee is to assist the Board with oversight of the following:

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

The duties of this Committee include:

- advising the Board on the adequacy, efficiency and effectiveness of the accounting and internal control structure and systems and on the independence of the auditors auditing the public body;
- reviewing and advising the Board on the annual financial statements to be included in the Annual Report;
- overseeing any internal audit and, in the case of a special audit of the FSC, reviewing and

advising the Board concerning 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 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

The Board-approved Risk Policy governs the Enterprise Risk Management Framework (ERM). It clearly outlines the responsibilities of the Board of Commissioners (BOC), Board Audit Committee (BAC), and Management. The BOC is ultimately accountable for determining the FSC’s risk profile and ensuring that management has appropriate policies and internal controls regarding risk management. The BOC has charged the BAC with overseeing the Internal

RISK MANAGEMENT

The FSC continues to take a proactive approach to ensure the continuity of our business, which allowed us to continue our operations with minimal disruption during the pandemic. We continue to develop risk management activities across the organization, including enhanced monitoring and evaluation of internal and external risks, focusing on key risk indicators related to our business processes.

Our governance framework supports formal reporting by management on topical risks and control issues, control self-assessments, and the results of internal and external audit reports. In collaboration with the risk management team, the FSC’s management demonstrated agility and focus, despite the ever-changing risk exposures and heightened health and business continuity risks. Our

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

BOARD AUDIT COMMITTEE

Audit, Enterprise Risk Management, and Business Continuity activities.

The BAC also oversees the internal audit function, reviewing the internal audit’s assessment of the adequacy and effectiveness of the FSC’s internal controls and compliance with legal, statutory, regulatory, and other requirements. Control issues and other deficiencies identified through the work of the internal audit unit are reviewed and discussed with the BAC, and significant issues are reported to the BOC.

management team continues to conduct annual risk assessments and develop action plans to address risks rated as high and above average and provide quarterly updates on the status of these corrective actions. Regular risk assessments and reviews of existing and new strategic initiatives support our risk governance process. Through the ERM framework, we report on current and emerging risks on an ongoing basis. Identifying and remediating risks while promoting consistent reporting and monitoring across functions enables improved decision-making, planning, and prioritization through assessments of opportunities and threats.

The FSC’s approach to management and governance of enterprise-wide risks has evolved over the years.

Through the ERM programme, the FSC actively identifies, analyses, mitigate, monitor, and report, where possible, the identifiable or foreseeable risks inherent to our strategy and operations. We also design and implement strong internal controls to reduce these inherent risks to acceptable levels, in line with our Statement of Risk Appetite and Tolerance (SORTA). Risk limit boundaries are set to align with our risk appetite, strategy, values, policies, and corporate directives. One of the

essential exercises of the FSC is the annual review of the Statement of Risk Appetite and Tolerance (SORTA) to ensure its continued alignment with our strategic objectives and risk appetite.

As we move into 2023, we anticipate increased maturity of our ERM programme, supplemented by efforts to modernize the technological mechanisms supporting risk and compliance workflows to achieve the FSC's goals for 2023 and beyond.

Board & Executive Management Remuneration

Tables 14 and 15 provide information on the remuneration paid to the Non-Executive Commissioners and the FSC Executive Management, respectively.

Table 14: Compensation of Commissioners FY2022-2023 ²

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 (\$)
Richard Byles, *			0		0
Chairman					
Dr Jide Lewis *			0		0
Dr Wayne Robinson *			0		0
George Roper *			0		0
Dr Dianna Davis Smith			0		0
Dennis Brown			171,749		171,749
Erwin Burton			139,300		139,300
Kenisha Davis			133,499		133,499
Monica Brown			154,943		154,943
John Robinson		328,296	340,454		668,750
Langston Sibbles			50,669		50,669
Gordon Reckford			119,693		119,693
Hillary Robertson-Chairman			159,600		159,600
Total		328,296	1,269,907		1,598,203

² The asterisks indicate the Commissioners who are from the BOJ and have opted to not receive any compensation. John Robinson, Gordon Reckford & Monica Brown demitted office January 2023. Langston Smith demitted office in July 2022.

Tables 15: Compensation of Executive Management FY2022-2023 ³

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 (\$)
Keron Burrel Executive Director	2022/2023	3,266,121	983,413	443,925		223,604		4,917,063
Everton McFarlane- Executive Director	2022/2023	18,987,172	11,061,461			1,453,426	100,000	31,062,059
Nicolette Jenez- Deputy Executive Director	2022/2023	13,444,469	4,122,923	1,697,148				19,263,540
Ingrid Pusey- General Counsel	2022/2023	10,811,900	3,681,849	1,506,219				15,999,968
Karene Blair- Snr. Director, Securities	2022/2023	10,628,156	3,354,462	1,697,148				15,679,766
Raymond Knight- Snr. Director Insurance	2022/2023	10,422,684	3,321,283	1,697,148				15,441,115

³ Mr Everton McFarlane demitted office on January 31, 2023. Included is his package was notice pay for 4 months and outstanding gratuity for 3 years. Major Keron Burrell is on secondment from BOJ and is the Executive Director.

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 (\$)
Cornelia Harper Peck-Snr. Director, Pensions	2022/2023	10,718,378	3,329,650	1,697,148				15,745,176
Angela Beckford-Chief Actuary	2022/2023	15,329,044	4,891,647	1,697,148				21,917,839
Joan Walker Stewart-Snr. Director, Finance, Investment & Procurement	2022/2023	10,615,206	3,283,737	1,697,148				15,596,091
Donna Harrilal-Snr. Director, MIS & Data Management	2022/2023	8,765,962	2,825,763	1,697,148				13,288,873
Alicia Lynch- Snr. Director HR & Facilities Management	2022/2023	9,007,721	2,636,285	1,697,148				13,341,154
Stacian Bennett-Snr. Director Investigation & Enforcement	2022/2023	10,641,321	3,297,007	1,697,148				15,635,476

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 (\$)
Robert Hamilton-Snr Director, Internal Audit & Risk Management	2022/2023	10,191,313	3,281,311	1,697,148				15,169,772

EXECUTIVE DIRECTOR'S REPORT

For the FY2002-2023, the global economy continued to encountered challenges arising from (i) a volatile financial market as demonstrated changes in interest and inflationary rates, and (ii) disruptive events such as the Russia-Ukraine War and natural disasters. These events negatively impacted the performance of by non-

deposit-taking institutions (NDTIs). This section of the annual report reveals the performance of the insurance, securities and the private pension industries. NDTIs and provides a description of the regulatory and supervisory activities for the reporting period

FACILITATING SAFE AND EFFECTIVE RISK TRANSFER AND ECONOMIC RESILIENCE THROUGH THE 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 among policyholders, insurance companies, and insurance intermediaries. To further preserve such confidence, the Insurance Division is mandated to ensure that all its registrants observe the principles and practices of sound market conduct to protect the interests of policyholders. Additionally, through its periodic reviews, the Insurance Division monitors the financial soundness of insurance companies and insurance intermediaries to ensure that the required standards are maintained. Chart 3 provides an overview of the activities of the Insurance Division for the financial year under review.

Table 16 highlights the scope of the Insurance Division's regulatory and

supervisory responsibilities according to the range of registrants being regulated and supervised. The FSC terminated/cancelled the registration of six registrants during the FY 2022-2023. This included the registration of one general insurance company, two insurance brokers, two facultative insurance brokers, and one local reinsurance broker. Additionally, six insurance agents and 225 insurance sales representatives were registered during the financial year under review. Based on the foregoing, the number of registrants in the insurance industry increased by 4.7 per cent as at March 31, 2023 (March 2023: 4,999; March 2022: 4,774).

CHART 3: A SNAPSHOT OF THE DIVISION'S ACHIEVEMENTS FOR THE FINANCIAL YEAR 2022-2023

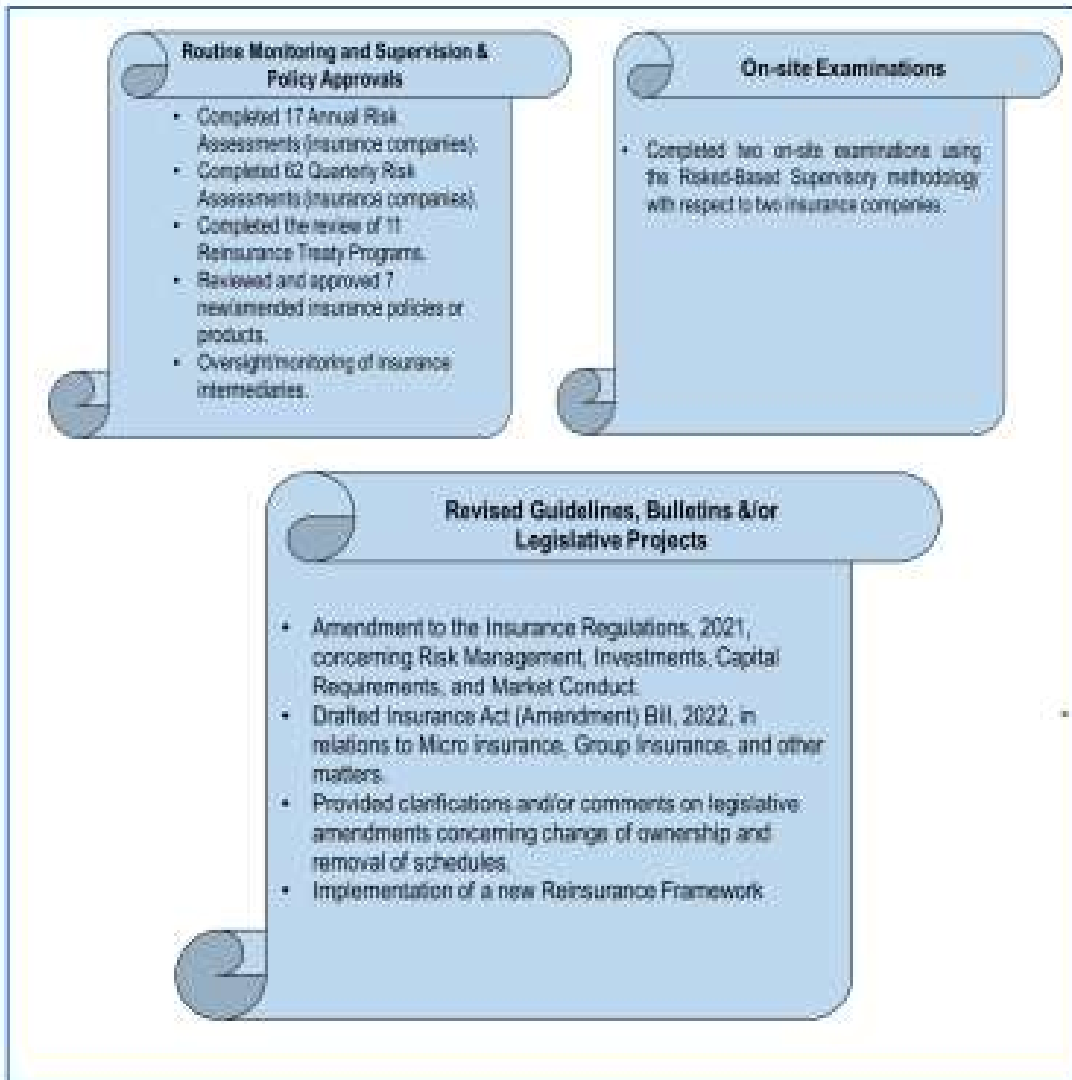


Table 16: Number of Registrants in the Insurance Industry as at March 31, 2023.

Type of Registrants	Registered as at 31-Mar-23	Additions	Less Terminations/ Cancellations	Registered as at 31-Mar-22
Life Insurance Companies	6	0	0	6
General Insurance Companies	11	0	1	12
Association of Underwriters	1	0	0	1
Insurance Brokers	24	0	2	26
Facultative Placement Brokers	18	0	2	20
Overseas Reinsurance Brokers	1	0	0	1
Local Reinsurance Brokers	1	0	1	2
Insurance Agents	62	6	0	56
Insurance Sales Representatives	4,802	225	0	4,577
Loss Adjusters	33	0	0	33
Loss Adjusters - Employed Practitioners	8	0	0	8
Investigators	24	0	0	24
Claims Negotiators	4	0	0	4
Insurance Consultants	4	0	0	4
Total	4,999	231	6	4,774

OVERVIEW OF THE PERFORMANCE OF THE LIFE INSURANCE INDUSTRY

As at March 31, 2023, there were six registered life insurance companies operating in Jamaica. These life insurance companies employed approximately 1,961 persons (December 2021: 1,977). Additionally, the total Gross Premium Written (GPW) for the year ended December 31, 2022, was \$83.0 billion, representing a 4.8 per cent increase over the comparative period (Year ended December 31, 2021: \$79.2 billion).

Chart 4 shows the percentage of GPW by class of insurance business. Table 17 summarizes the financial performance over five years (2018-2022).

Chart 4: Percentage Composition of GPW by Class of Insurance Business as at December 31, 2022

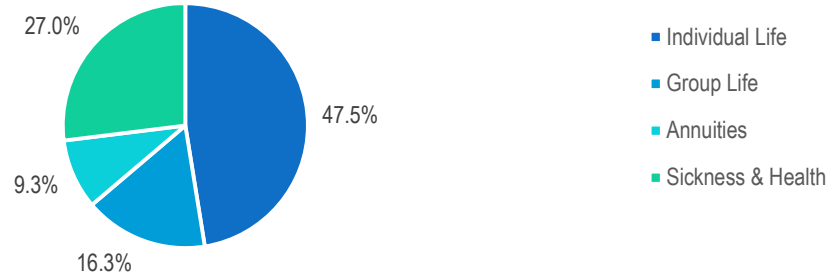


Table 17: Statistical Information and Financial Position of the Life Insurance Industry

As at	Dec 22	Dec 21	Dec 20	Dec 19 ^A	Dec 18
	^A	^A	^A	^A	^A
	\$'B	\$'B	\$'B	\$'B	\$'B
Balance Sheet					
Total Investment Assets	360.5	355.4	331.8	329.8	299.7
Total Assets	401.8	395	367.4	359.6	324.2
Insurance Liabilities	119.4	128.3	121.5	99.3	95.6
Other Liabilities	130.1	133.8	125.3	151.9	135.6
Total Liabilities	249.5	262.1	246.8	251.2	231.2
Capital & Surplus (incl. reserves)	152.2	132.9	120.6	108.4	93
Profit and loss (YTD)					
Total Revenue	105.4	110.8	81.1	105.4	92.6
Of Which					
Net Premium Income	80.1	76.5	67.5	67	59.6
Net Investment Income	18.8	26.9	8.5	30.6	26.3
Other Income	6.5	7.4	5.1	7.8	6.7
Total Expenses	80.5	88	55.2	81	68.5
Of Which					
Policy Benefits	50.8	47.8	41	39.5	34.9
Operating Expenses	35.5	33.7	26.4	34.2	27.1
Other Expenses ⁴	-11.4	1.3	-19.1	1.7	0.1
Taxes	5.6	5.2	6.9	5.6	6.4
Net Income after tax	24.9	22.8	25.9	24.4	24.1

⁴ 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.

Life Insurers' Asset Growth and Profitability

As at December 31, 2022, the total reported assets for all the life insurance companies were \$401.8 billion, which represented a 1.7 per cent increase over the comparative period (December 2021: \$395.0 billion). The accumulated invested assets were \$360.5 billion, representing a 1.4% year on year increase and 89.7 per cent of the total combined assets as at December 31, 2022. Additionally, total liabilities decreased by 4.8 per cent year on year, as shown in Table 17. Profitability declined during the review period, as

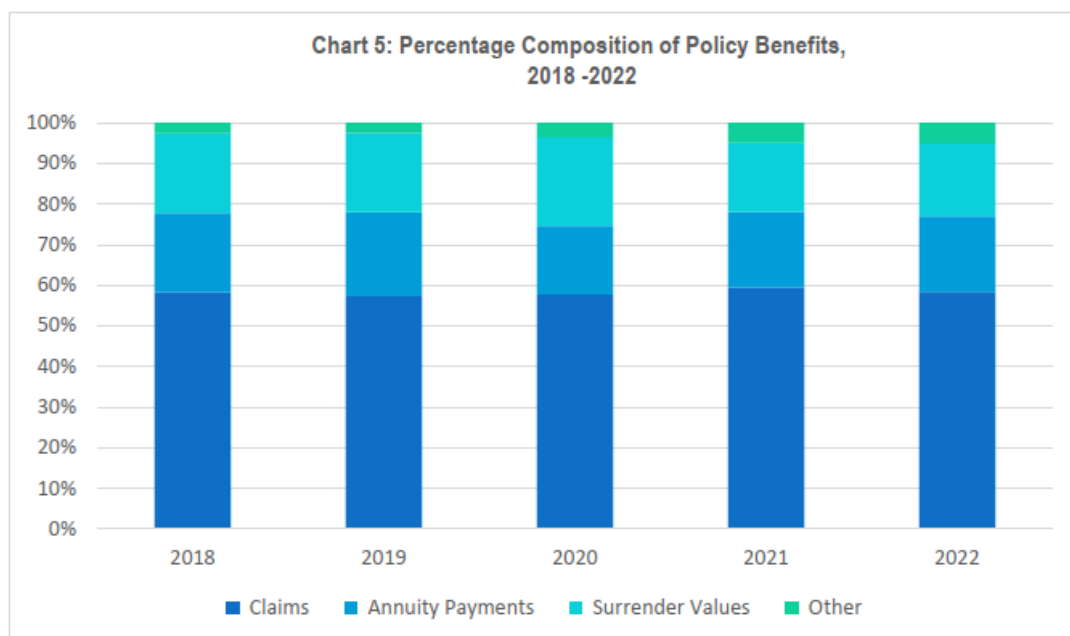
revenues were offset by rising policy benefits and operating expenses (see Table 16). Total net income after tax for the life insurance industry amounted to \$24.9 billion for the year ended December 31, 2022, representing a 9.2 per cent increase when compared to the prior period (December 2021: \$22.8 billion). Policy benefits are typically the single largest component of expenses, and Table 18 shows the composition of the life insurance industry's policy benefits for the period 2018 – 2022.

Policy Benefits	2022 ^A	2021 ^A	2020 ^A	2019 ^A	2018 ^A
	\$ 'Millions				
Claims:	29,653.10	28,404.30	23,635.50	22,620.60	20,350.20
Of Which:					
Sickness & Health	18,640.30	16,592.60	15,108.50	14,952.30	13,305.90
Death Claims	10,817.10	11,612.50	8,336.80	7,494.50	6,888.50
Disability Claims	10.9	26.7	7	10	11.5
Matured Endowments	184.8	172.4	183.1	163.8	144.3
Annuity Payments	9,475.80	8,893.50	6,922.60	8,143.10	6,777.60
Surrender Values	9,059.40	8,084.30	8,982.40	7,678.70	6,859.70
Other	2,618.20	2,390.10	1,438.10	1,011.80	906.9
Total Policy Benefits	50,806.50	47,772.10	40,978.50	39,454.20	34,894.40

A-Audited; YTD - Year to Date

As at December 31, 2022, the total policy benefits reported were \$50.8 billion compared to \$47.8 billion for the prior comparative period. This represented an increase of 6.4 per cent. Further, for the year ended December 31, 2022, the total combined claims accounted for 58.4 per cent of the combined policy benefits. Notably, sickness and health for the life industry accounted for 62.9 per cent of the total

claims. Chart 5 shows the composition of policy benefits for the period 2018 – 2022.



Life Insurers' Capital Adequacy

As at December 31, 2022, the total reported capital, surplus and reserves for the life insurance industry was \$152.0 billion which represented an increase of 14.4 per cent over the prior comparative period (December 2021: \$132.9 billion). The weighted average Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio for the life insurance sector was 331.3 per cent (2021: 223.3 per cent) which was above the regulatory requirement of 150.0 per cent. All life insurance companies were compliant in meeting this regulatory benchmark.

operating in Jamaica was reduced from 12 to 11 as a result of the cancellation of the registration of a general insurance company.

For the year ended December 31, 2022, the general insurance companies employed approximately 1,024 persons (2021: 1,198) and wrote approximately 526,821 policies (2021: 538,034). Additionally, Table 19 illustrates the number of policies and other key indicators by class of business for the year ended December 31, 2022.

OVERVIEW OF THE PERFORMANCE OF THE GENERAL INSURANCE INDUSTRY

As at March 31, 2023, the number of registered general insurance companies

Table 19: Selected Key Performance Indicators for the General Insurance Industry for 2022 ^P							
	Liability	Property	Motor Vehicle	Pecuniary Loss	Marine Aviation & Transport	Accident	Total
Number of Policies	8,820.0	47,729.0	463,621.0	4,027.0	315.0	2,309.0	526,821.0
Gross Direct Premiums Written (J\$'M)	3,801.4	37,980.1	27,501.6	1,610.9	718.0	412.1	72,024.0
Reinsurance Assumed (J\$'M)	4.8	199.6	15.1	0.3	0.0	2.3	222.1
Gross Premiums Written (J\$'M)	3,806.1	38,179.7	27,516.7	1,611.2	718.0	414.4	72,246.2
Reinsurance ceded (J\$'M)	2,336.2	37,247.8	7,118.0	1,423.8	494.7	186.8	48,807.3
Net Premiums Written (J\$'M)	1,470.0	931.9	20,398.7	187.5	223.3	227.6	23,438.9
% of Gross Premiums ceded	61.4%	97.6%	25.9%	88.4%	68.9%	45.1%	67.6%
Net Premiums Earned (J\$'M)	1,443.0	775.6	19,954.4	205.8	234.5	227.1	22,840.4
Gross Direct Claims Incurred(J\$'M)	925.3	36,313.8	18,661.4	298.2	15.8	-7.3	56,207.2
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)	459.8	35,953.0	4,171.9	258.9	21.0	18.5	40,883.1
Net incurred claims (J\$'M)	465.5	360.8	14,489.4	39.3	-5.2	-25.8	15,324.0
Claims ratio (%)	32.3%	46.5%	72.6%	19.1%	-2.2%	-11.3%	67.1%

P - Preliminary , J\$'M - million of Jamaican dollars

Table 20 summarises the financial performance and position of the general insurance industry for the period 2018-2022.

Table 20: Aggregate Financial performance and Position of the General Insurance Industry

As at 31 st December	2022 ^P	2021 ^A	2020 ^A	2019 ^A	2018 ^A
	\$'Billion	\$'Billion	\$'Billion	\$'Billion	\$'Billion
Balance Sheet					
Total Investment Assets	58.3	56.8	52.7	45.7	51.7
Total Assets	115.2	104.2	92	88.6	81.1
Insurance Liabilities	63.8	60.2	52.3	48.7	44.1
Other Liabilities	20.8	14.3	12.3	13.4	9.7
Total Liabilities	84.6	74.5	64.6	62.1	53.8
Capital & Surplus (incl. reserves)	30.6	29.7	27.4	26.5	27.3
Total Revenue (YTD)					
	22.7	25.4	24.2	24.6	23.4
Of Which					
Net Premium Earned	19.3	21.6	21.3	20.6	20
Net Investment Income	2.8	2.1	1.8	3.1	2.7
Other Income	0.6	1.7	1.1	0.9	0.7
Underwriting Expenses	20.2	21.8	21.3	20.6	19.2
Income before Tax	2.5	3.5	2.9	4	4.2
Taxes	0.5	0.9	0.9	0.8	1.4
Income (Loss) after Tax	2.0	2.6	2.0	3.2	2.8

A-Audited; P-Preliminary; YTD – Year to Date

General Insurers' Asset Growth and Profitability

Additionally, as at December 31, 2022, the aggregate total assets of the general insurance industry was \$115.2 billion compared to \$104.2 billion for the comparative period in 2021, which represented an increase of 10.6 per cent. Similarly, the total liabilities for the industry increased year on year by 13.6 per cent; that is, from \$74.5 billion as at

December 31, 2021, to \$84.6 billion as at December 31, 2022.

For the year ended December 31, 2022, the general insurance companies reported total revenue of \$22.7 billion (2021: \$25.4 billion). Of this amount, net premium earned (NPE) totalled \$19.3 billion, representing a 10.6 per cent decrease compared to \$21.6 billion reported for the year ended December 31, 2021. Underwriting expenses declined from \$21.8 billion for the year

ended December 31, 2021, to \$20.2 billion for the period ended December 31, 2022, representing a decrease of 7.3 per cent. Underwriting profit is a key performance indicator for the general insurance industry, and this is calculated from Table 20 as NPE less Underwriting Expenses. For the year ended December 31, 2022, the general insurance industry reported an aggregate underwriting loss of approximately \$0.9 billion. After combining this underwriting loss with other income and net investment income, the industry reported aggregate income before tax of \$2.5 billion

(December 31, 2021: \$3.5 billion). For the year ended December 31, 2022, net profit (after tax) for the general insurance industry was \$2.0 billion (December 31, 2021: \$2.6 billion).

Similar to the role of policy benefits for the Life Insurance industry, claims paid by general insurance companies is of particular interest to stakeholders in understanding trends in underwriting expenses. Accordingly, Table 21 and Charts 6 and 7 demonstrate selected aspects of the performance of aggregate claims paid by the general insurance industry for the period 2018 – 2022.

Table 21: Aggregate Claims by Class of Business, 2018 – 2022.

Class of Business	Net Incurred Claims				
	2022 ^P	2021 ^A	2020 ^A	2019 ^A	2018 ^A
	\$' M	\$' M	\$' M	\$' M	\$' M
Liability	465.5	542.1	545.7	295.7	469.9
Property	360.8	562.8	232.8	263.2	112.1
Motor Vehicle	14,489.40	12,887.80	11,853.00	11,933.30	11,210.60
Pecuniary Loss	39.3	33.8	14.9	7.9	5.8
Marine Aviation & Transport (MAT)	-5.2	51.5	17.8	10.6	8.6
Accident	-25.8	47	41	23.9	19.6
Total	15,324.00	14,125.10	12,705.20	12,534.60	11,826.60

A-Audited P-Preliminary; \$'M – million

As shown in Chart 6 the motor vehicle class of insurance business accounted for more than 90.0 per cent of total claims over the past five-year period. For 2022, the motor class of business

accounted for 94.6 per cent of the aggregate net incurred claims. (2021: 91.2 per cent). Chart 7 highlights the trends in the claims ratio by class of business for 2018 -2022.

Chart 6: Percentage Composition of Total Claims by Class of Insurance Business, 2018 - 2022

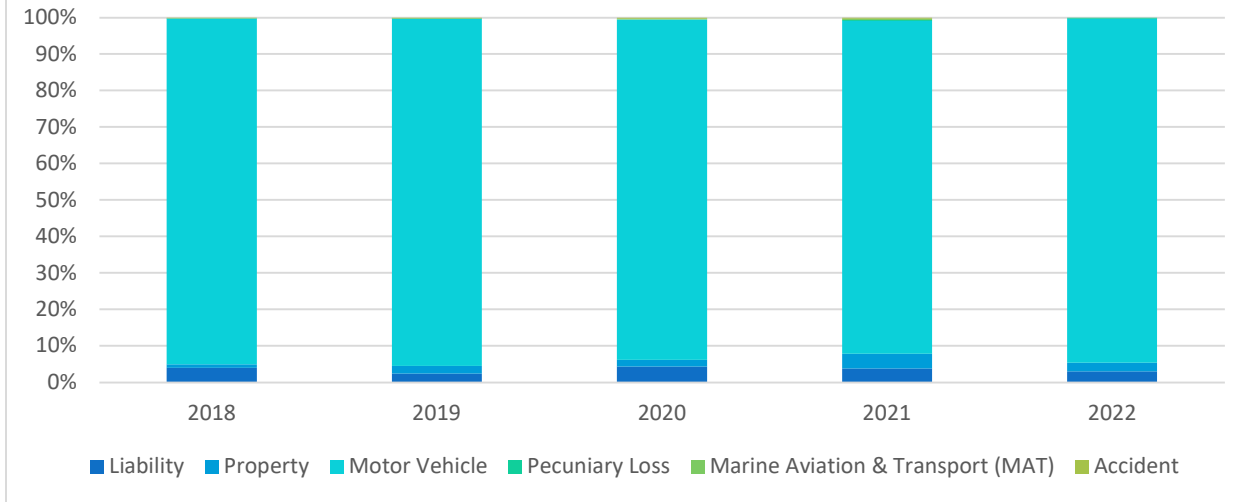
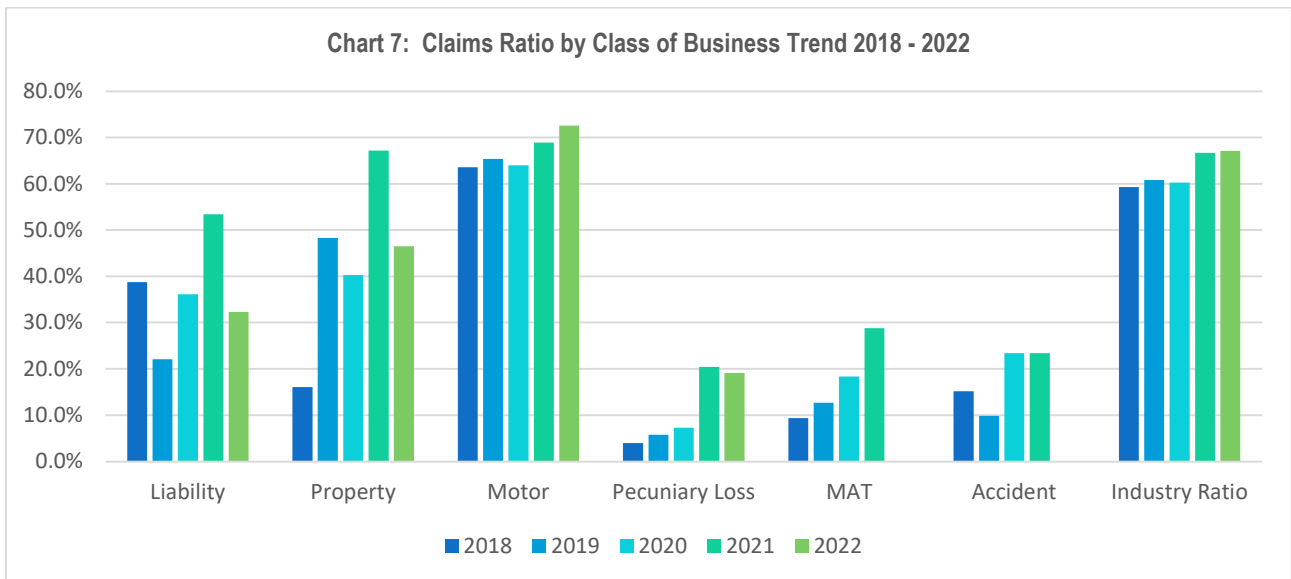


Chart 7 shows the trend in the claims ratio⁵ by class of business for the general insurance industry for 2018-2022.



⁵ The claims ratio is computed as net incurred claims divided by the net premium earned.

General Insurers' Capital Adequacy

As at December 31, 2022, the Minimum Capital Test (MCT) ratio requirement was reduced from 250.0 per cent to 175.0 per cent. All general insurance companies met the MCT ratio requirement of 175.0 per cent. Further, the general insurance industry had a weighted average MCT ratio of 252.0 per cent.⁶ (December 2021: 310.5 per cent) which exceeded the 175.0 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, surplus and capital and investment reserves relative to total liabilities. As at December 31, 2022, all but one general insurance company met the FSC's minimum solvency ratio of 25.0 per cent. The solvency ratio assesses capital adequacy by looking at the company's capital and surplus and reserve relative to total liabilities.

SUPERVISORY RISK ASSESSMENTS

The FSC has adopted a Risk-Based Supervision (RBS) framework for off-site and on-site examinations of insurance companies. Under the RBS framework, the FSC focuses 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. However, the FSC

⁶ The weighted average MCT ratio was calculated using the preliminary audited statutory filings as at December 31, 2022. Annual (audited) MCT ratios are calculated by the companies' Appointed Actuaries and are verified by the FSC. However, the

retains some aspects of the compliance-based approach in its application to insurance intermediaries.

Additionally, all registered companies, life and general, are subject to quarterly risk assessments, while insurance intermediaries are subject to quarterly and semi-annual monitoring reviews.

For the FY2022-2023, the Insurance Division conducted two on-site examinations using the RBS methodology. These on-site examinations were all successfully conducted remotely using virtual online platforms as the country continued to experience cases of the corona (COVID-19) virus.

LEGISLATIVE AMENDMENTS

There were amendments to the Insurance Regulations ("the Regulations) to strengthen the FSC's regulatory framework and reduce ambiguity for the insurance industry. These include, but are not limited to:

- **Regulation 35 of the Insurance Regulations, 2001- Capital and Bonding Requirements for Brokers and Corporate Agents**

Given the thrust towards a risk-based approach at the time, the Insurance Division sought to review and amend the provisions of this regulation as they were found to be rigid. It took no account of the size, complexities, and risks of the operations of the respective

quarterly MCT ratios are an estimate submitted by the companies' management and are verified periodically by the FSC.

intermediaries. Regulations 35(1), (2) and (3) were amended accordingly.

Regulation 35(1) had prescribed that the minimum paid-up capital and unimpaired surplus for brokers was \$10.0 million and \$5.0 million for corporate agents. The Insurance (Amendment) Regulations (2022), now considers proportionality, where the intermediary is required to hold capital in direct proportion to the premiums generated. Brokers and Corporate Agents shall maintain a minimum paid-up capital and unimpaired surplus of \$10.0 million and \$5.0 million, respectively or 2.5 per cent of annual premiums generated for the preceding year, whichever is greater.

Regulations 35(2) and (3) had prescribed that all Brokers and Corporate Agents hold Professional Indemnity and Fidelity Guarantee insurance with a level of indemnity of at least \$30 million for each policy for a single claim. The principle of proportionality was also applied to the amendments of these provisions, where, for Professional Indemnity insurance coverage (subsection 2), Brokers and Corporate Agents are required to maintain 5 per cent of the projected aggregate annual premium income for the twelve-month period of coverage in respect of any one occurrence where they are in operation for less than one year and in every other instance, 5.0 per cent of the aggregate annual premium income for the twelve months

immediately preceding the date of commencement of the insurance coverage for any one occurrence.

Meanwhile, Regulation 35(3) requires that Brokers and Corporate Agents maintain fidelity insurance of not less than \$10.0 million and \$1.0 million, respectively or 1.0 per cent of the annual premium generated, whichever is greater.

• **Amendments to the Investment Regulations**

In keeping with current best practices in regulation and supervision and as far as possible, adopting international standards, the Insurance Division sought to review and amend the provisions of the Investment Regulations. The amendments were largely aligned to a more principles-based approach and proper risk management as opposed to a rules-based approach. Industry players will be required to manage their investment portfolios based on their risk exposures and risk appetite, and tolerances. Based on the foregoing, provisions were added, repealed, or amended (which included the removal of statutory limits).

Additionally, there were new amendments in respect of developing a risk management programme, using stress testing as a risk management tool, and the development of other risk management tools.

Further, the market conduct guidelines were strengthened and enacted as a regulation giving

support to consumer rights and the protection of policyholders.

SECURITIES INDUSTRY REPORT:

PROMOTING GROWTH WHILE STRENGTHENING

THE SECURITIES INDUSTRY

The Securities Division continued its efforts to promote the development of a sound securities market in Jamaica. Economic growth hinges on the operations of an efficient and effective financial sector, which is also impacted by investor confidence in the markets. As the COVID-19 pandemic and the geopolitical conflict between Russia and Ukraine continued to influence economic growth and individual well-being, the FSC prioritised investor protection and a well-regulated securities industry. This was achieved through enhanced monitoring while acknowledging that a certain level of forbearance in these unprecedented times is necessary. Accordingly, it remains essential 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 FY2022-2023, the Securities Division continued developing and phasing critical reforms to strengthen the financial sector. The primary enhancements in the supervisory framework pursued during the year related to the following:

- i. The application of a risk-based supervision framework for our licensees;
- ii. Continued implementation of the large exposure framework;
- iii. Monitoring of benchmarks intended to control the risks inherent in the retail repurchase agreements market;
- iv. Proposals for the enhancement of the Guidelines for Issuers of Securities
- v. Proposals for the enhancement of Disclosures for Management Discussion and Analysis for Listed Companies

Chart 8: A Snapshot of the Division's Major Achievements



Table 22 shows the number of entities and individuals licensed and registered by the FSC by category of licenses or registration as at March 31, 2023.

Table 22: Number of Licensees & Registrants by Category ⁷

	Licensed/ Registered At 31/3/2023	Additions	Less Terminations/ Cancellations	Licensed/ Registered At 31/3/2022
<u>Securities Dealers ⁸</u>	40	0	0	40
Securities Dealers’ Representatives	1,310	140	0	1,170
Investment Advisers	10	4	0	6
Investment Advisers’ Representatives	3	3	0	0
Mutual Funds	13	1	0	12
Unit Trust Fund Managers	12	1	0	11
Unit Trust Schemes	20	1	0	19
Total	1,408	150	0	1,258

As at March 31, 2022, thirty-seven (37) companies and three (3) individuals were licensed as securities dealers in the market. Table 23 illustrates the composition of the licensed securities dealer sector according to the primary activities of the licensee. The term "core securities dealers" describes 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 primary activity but are required to obtain a securities dealer's licence to conduct some aspects of their businesses, for example, pension fund managers or life insurance companies.

⁷ Unit Trust Fund Managers are also Securities Dealers, which would be included in the 41 Securities Dealers listed in the first line. Mutual Funds and Unit Trusts are collectively known as Collective Investment Schemes (CIS).

⁸ This includes three (3) individual securities dealers,

**Table 23: Number of Licensed Securities Dealers,
by Type of Company, as at March 31, 2023**

Institution Tye	March 31, 2023
Total Securities Dealers	37
Of Which	
Core Securities Dealers ⁹	30
Non-Core Securities Dealers	7
Of Which	
Insurance Companies	2
Others	5

KEY PERFORMANCE INDICATORS FOR THE SECURITIES INDUSTRY

Based on the structure of the industry and the variety of activities undertaken, this report highlights industry performance by presenting selected vital performance statistics for (i) Securities dealers, (ii) Collective Investment Schemes, and (iii) Private Debt and Equity Markets.

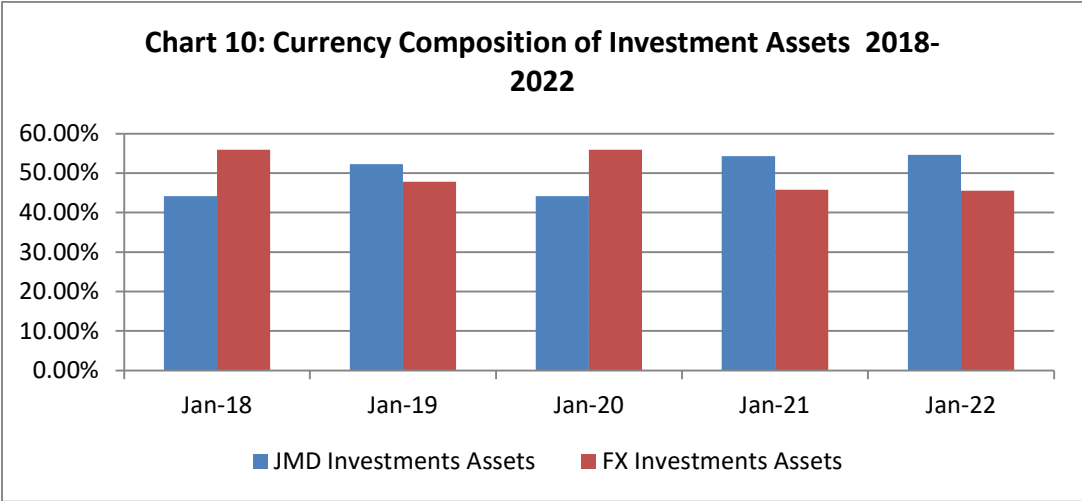
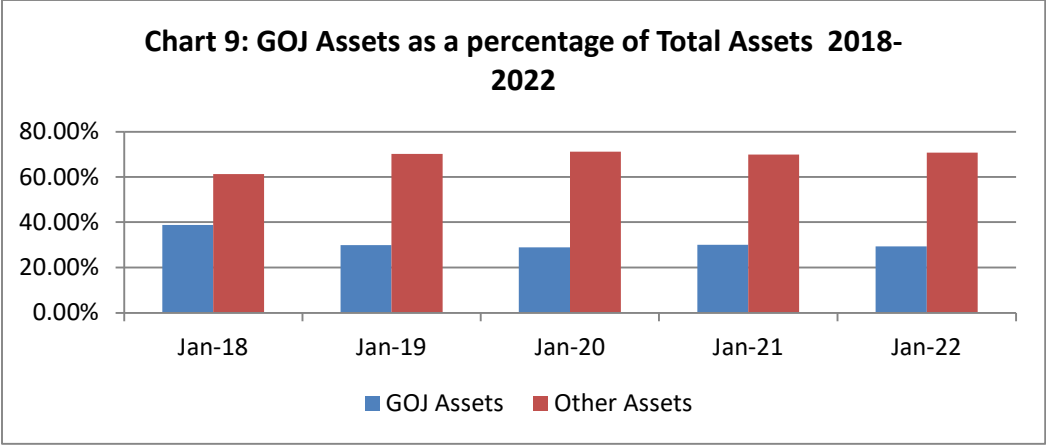
As at December 31, 2022, the total balance sheet assets of securities dealers (comprising core and non-core securities dealers) stood at approximately J\$1.26 trillion, reflecting an increase of J\$59.83 billion or 5 per cent when compared to the corresponding period in 2021 (See Table 24). This increase was primarily attributable to a J\$42.4 billion or 5.1 per cent increase in the total assets held by core securities dealers.

GOJ's debt securities accounted for approximately 29.3 per cent of the dealer's balance sheet assets (see Chart 9). Chart 10 shows that foreign currency (FX) denominated investments currently accounts for approximately 45.5 per cent of the value of investments held on the balance sheets of securities dealers. The trend in Chart 10 suggests that there has been fluctuation between FX-denominated investments and JMD Investments over the past 5 years. There has been an increased appetite from clients for their investments to be backed by hard currency. This latter view is supported by the fact that more than 50.0 per cent of the client funds reported on the balance sheet are denominated in foreign currency, as illustrated in Chart 11

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

Table 24: Total Balance Sheet Assets of Securities Dealers by Type of Company, 2018-2022

Category of Securities Dealers (Company)	Total Assets									
	22-Dec		21-Dec		20-Dec		19-Dec		18-Dec	
	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total
Core Securities Dealers	880.71	70	838.3	70	736.88	67.75	650.59	56.85	560.98	51.56
Non-Core Securities Dealers	376.02	30	358.61	30	350.83	32.25	493.81	43.15	526.9	48.44
of which:										
Building Society/Commercial bank	0	0	0	0	0	0	166.42	14.54	166.42	15.29
Insurance Companies	331.14	27.09	323.84	27.09	318.85	29.31	297.94	26.03	333.9	30.69
Others	36.72	2.91	34.77	2.91	31.98	2.94	29.45	2.57	26.58	2.44
Total	1,256.73	100	1,196.90	100	1,087.71	100	1,144.40	100	1,087.88	100



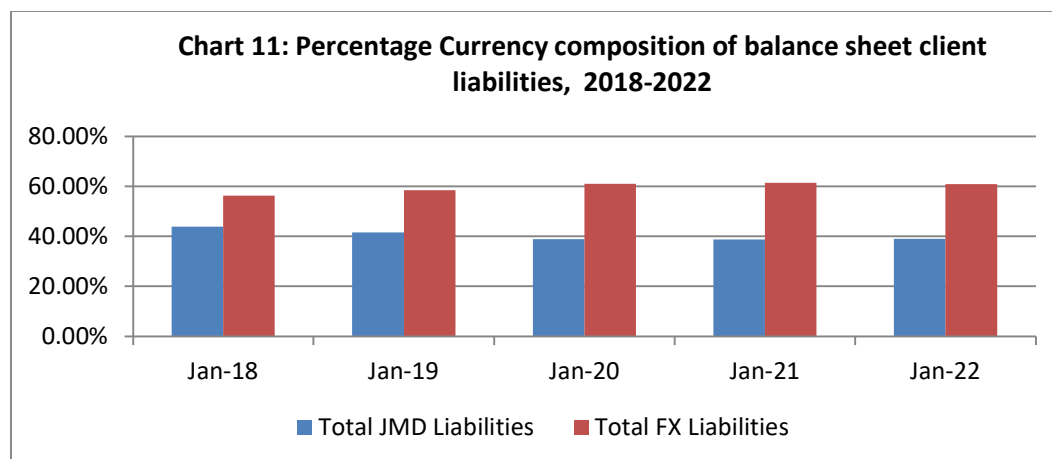


Table 25 displays securities dealers' total balance sheet capital for 2018 – 2022. As at December 31, 2022, the total balance sheet capital of the securities industry (comprising core and non-core securities dealers) stood at J\$272.4 billion, an improvement of 2.4 per cent when compared to a similar period in 2021. The improvement in the total balance sheet capital for the securities industry was primarily attributable to a 14 per cent increase in the capital held by the non-core securities dealers.

As at December 31, 2022, the total Funds Under Management (FUM) of the securities industry stood at approximately J\$2 trillion ¹⁰, representing an increase of 2.6 per cent when compared to the same period in 2021. See Table 26. The core securities dealers accounted for approximately 81.3 per cent of this amount.

Over the last five years, off-balance sheet FUM has accounted for on average approximately of 60.95 per cent 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 12. The general structure suggests that the securities dealers strategically manage more of their clients' portfolios off their balance sheets.

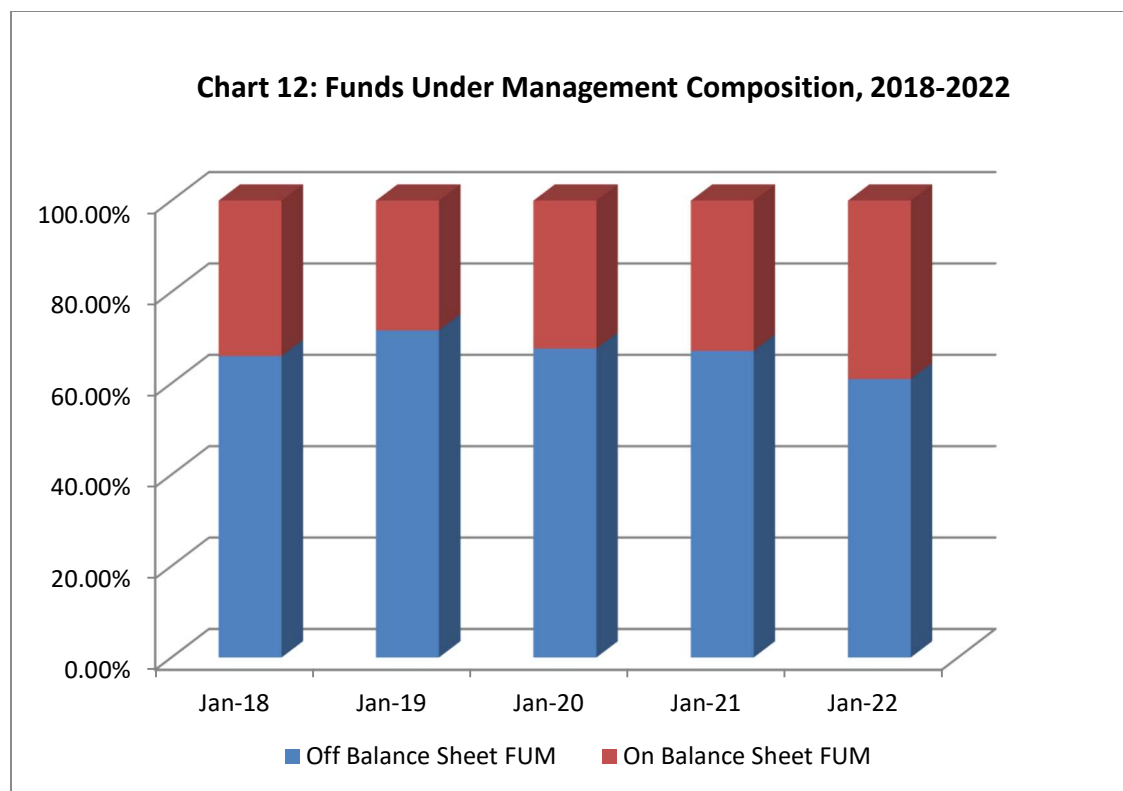
¹⁰ This amount includes CIS funds and pension funds managed by securities dealer companies.

Table 25: Total Balance Sheet Capital of Securities Dealers by Type of Company, 2018-2022

Category of Securities Dealers (Company)	Capital									
	22-Dec		21-Dec		20-Dec		19-Dec		18-Dec	
	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total	\$ Billions	% of total
Core Securities Dealers	135.7	49.8	146.2	53.7	130.1	51.3	113.7	49	79.2	42.9
Non-Core Securities Dealers	136.7	50.2	119.9	44	123.4	48.7	118.2	51	105.6	57.1
of which:										
Building Society/Commercial bank	0	0	0	0	0	0	18.7	8	18.7	10.1
Insurance Companies	130	47.7	113.4	41.7	117.7	46.4	94.3	40.7	82.6	44.7
Others	6.6	2.4	6.4	2.4	5.8	2.3	5.3	2.3	4.4	2.4
Total	272.4	100	266	100	253.5	100	232	100	184.8	100

Table 26: Total Funds under Management of Securities Dealers by Type of Company, 2018-2022

Category of Securities Dealers (Company)	Funds under Management (FUM)									
	22-Dec		21-Dec		20-Dec		19-Dec		18-Dec	
	\$ Billion	% of total	\$ Billion	% of total	\$ Billion	% of total	\$ Billion	% of total	\$ Billion	% of total
Core Securities Dealers	1,633.90	81.3	1,588.30	81.1	1,366.00	75.6	1,346.10	73.7	1,229.80	75.4
Non-Core Securities Dealers	375.2	18.7	370.7	18.9	441.4	24.4	481	26.3	401.1	24.6
<i>of which:</i>										
<i>Insurance Companies</i>	304.1	15.1	312.5	16	387.8	21.5	416.4	22.8	355.6	21.8
<i>Others</i>	71	3.5	58.2	3	53.7	3	64.6	3.5	45.5	2.8
Total	2008.9	100	1,959.00	100	1,807.40	100	1827.1	100	1,630.90	100



Note: Unaudited data

Trends in Earnings, Profitability and Capital Adequacy

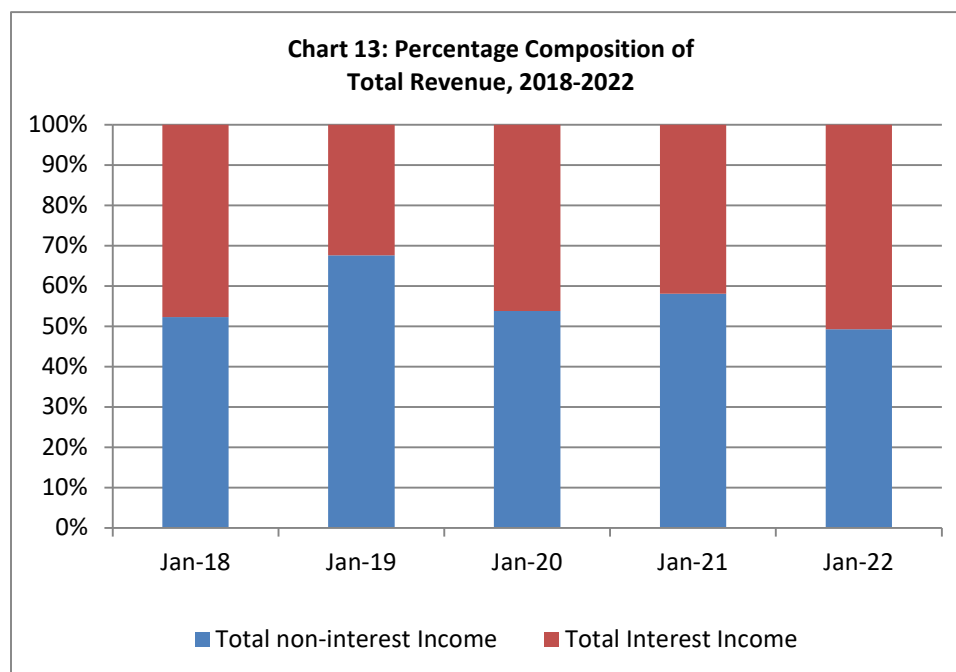
Table 27 provides information on the core securities dealers' earnings, expenses and profitability over the last five years. The core securities dealers remained profitable in 2022, recording a net after-tax profit of J\$8.7 billion. This is a significant decrease of 47 per cent compared to December 31, 2021. There has been volatility in the profit levels of dealers due to the market conditions and uncertainty stemming from the pandemic and, recently, the developments between Russia and Ukraine, which has been evident with the fall in bond prices globally and increases in interest rates.

Of note, interest income accounted for approximately 50.71 per cent of total revenue recorded for the 2022 calendar year. While interest income has seen an increase, there has been a decrease in Net Interest Income by 24.3 which is due to the rise in interest expense. The increase in interest expense is expected with the increased interest rates by the Bank of Jamaica. Chart 13 depicts the percentage composition of total revenue for 2018-2022. The calendar year ended December 2022 was challenging for the securities dealers with the increase in interest rates, which has caused asset prices to fall. However, the industry has continued to display resilience and has remained profitable.

Table 27: Earnings, Expenditure and Profitability of Core Securities Dealers, 2018.-2022

	Dec-2022 \$' Billion	Dec-2021 \$' Billion	Dec-2020 \$' Billion	Dec-2019 \$' Billion	Dec-2018 \$' Billion
Total Revenue	66.6	69.4	52.6	61.1	51
Total Expense	55.1	46.7	37.8	30.2	33.3
Total Interest Income	33.8	29.1	24.3	19.8	24.3
Total Interest Expense	26.4	18.1	14.8	11.7	13.8
Net Interest Income	8.4	11.1	9.4	8.1	11
Net Profit after tax	8.7	16.6	12.0	25.1	12.0

Chart 13: Percentage Composition of Total Revenue, 2018-2022



Note: Unaudited data

Table 28 summarises selected prudential indicators for the core securities dealers for 2018 to 2022. The

sector remained adequately capitalised during the review period.

Table 28: Selected Prudential Indicators for Core Securities Dealers, 2018 – 2022

	22-Dec	21-Dec	20-Dec	19-Dec	18-Dec	FSC Benchmark
	%	%	%	%	%	%
Capital Adequacy						
Capital / Total Assets	17.25	17.44	17.5	17.48	14.12	≥ 6
Capital Adequacy Ratio [1]	24.24	24.15	22.63	22.86	20.78	≥ 10
Profitability						
Return on Assets [2]	0.7	1.38	1.11	2.19	2.13	
Return on Equity [3]	3.2	6.23	4.75	10.8	15.11	
Net Interest Margin [4]	24.9	38.1	38.57	40.8	45.19	
Net Profit Margin [5]	13.1	23.87	22.89	41.01	23.45	

OVERVIEW OF COLLECTIVE INVESTMENT SCHEMES (CIS)**Local Unit Trusts and Mutual Funds**

As at December 31, 2022, there were nineteen (19) unit trusts (one unit trust is registered but not operational) and one (1) local mutual fund operating in Jamaica. Ten (10) fund managers

managed them. The local unit trust and mutual fund portfolios mainly comprised fixed-income securities, real estate, and equity investments. The total funds managed stood at \$346.9 billion,

representing a 4.8 per cent decrease when compared to the previous year's amount of \$364.5 billion (See Chart 14.

The decrease in funds under management was primarily due to net redemptions.

Chart 14: FUM activities for the Five-year period ended December 2022

TOTAL FUM (\$ BILLIONS)					
	Dec 2022	Dec 2021	Dec 2020	Dec 2019	Dec 2018
	346.9	364.5	343.7	349.6	275.8

ACTIVITY OVER THE YEARS (IN TERM OF DOLLARS) (\$ BILLIONS)					
• Units Sold	82.1	93.6	88.9	117.0	91.6
• Units Redeemed	98.6	89.1	108.3	89.1	77.7
• Net Inflow	(16.5)	4.6	8.7	4.6	13.9

Chart 15: Cumulative Unit Trust Purchases/Redemptions, December 2018 - December 2022 (\$'000)

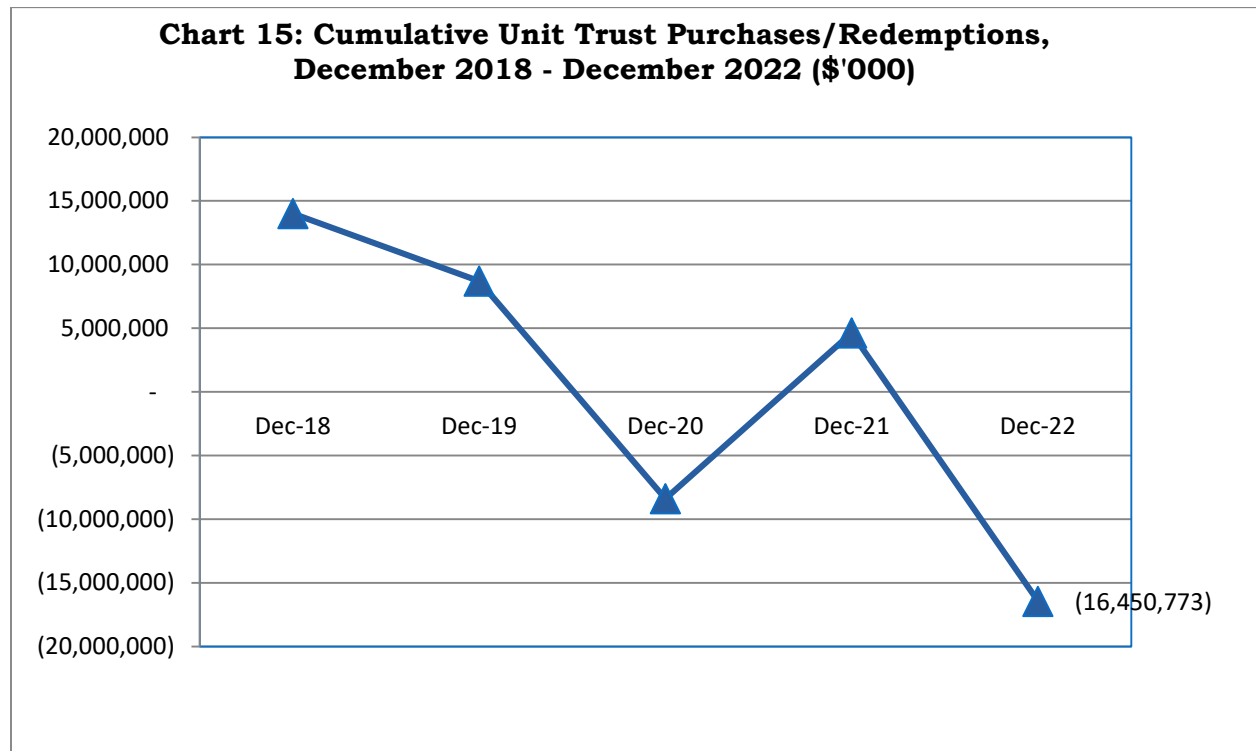


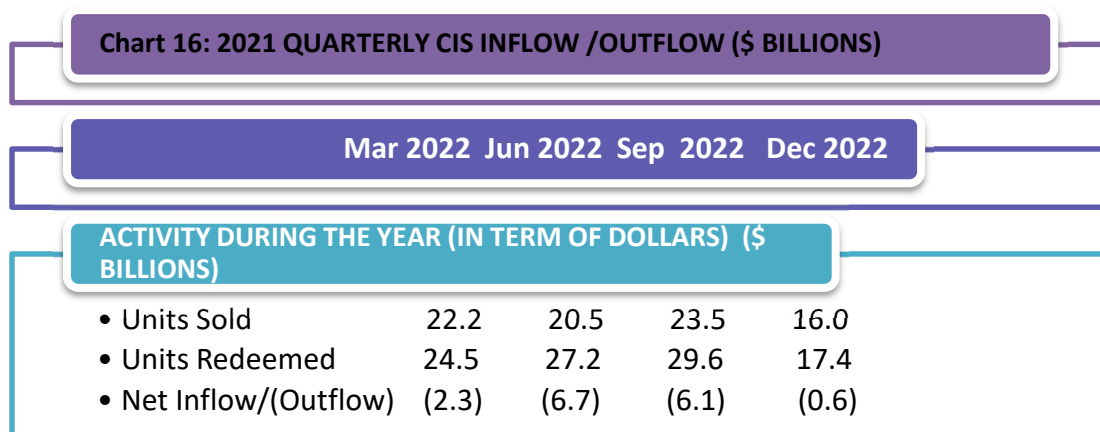
Chart 15 illustrates the combined CIS net purchases or net redemptions from December 2018 to December 2022. Two of the year ends (December 2020 and December 2022) experienced net redemptions. The redemptions in 2020 were triggered by uncertainties associated with the covid-19 pandemic causing investors to switch to safer investment products such as local corporate bonds.

Chart 15 also showed a rebound in 2021 as economies worldwide started to show signs of recovery. The net redemption of JMD 16.5 billion in 2022 is reflective of the uncertainties associated with Russia and Ukraine war which shows no signs of ending soon.

calendar year by quarter. All four quarters experienced net outflows and is also reflective of the uncertainties associated with the Ukraine and Russia

war which has caused asset prices to decline, primarily overseas debt instruments and certain equity/stocks related to certain industries. This has led to investors switching to local corporate bonds because of the increased interest rates being offered on these instruments making them more attractive when compared to CISs which behave similarly to equity/stocks in times of crisis.

Chart 16 illustrates the combined CIS net inflow/outflow during the 2022



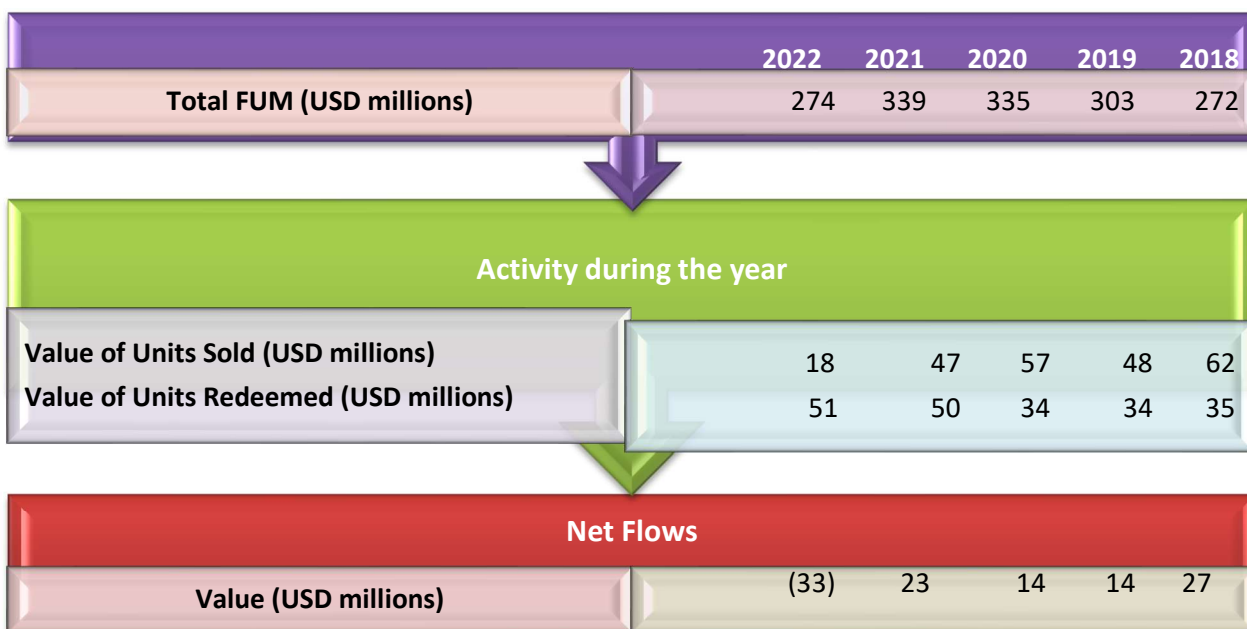
Overseas Mutual Funds

As at December 31, 2022, 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 USD 274 million compared to USD 339 in the prior year. Chart 17 depicts the value of purchases and redemptions by Jamaicans during the

period December 2018 to December 2022

Chart 17: Summary of Overseas Mutual Funds held by Jamaicans



OVERVIEW OF PRIVATE DEBT AND EQUITY MARKETS

Public Offerings

The Jamaican stock market has been evolving rapidly over the years. With the global economy entering its recovery phase since the start of the Pandemic in 2020, the Jamaican equities market continued to recover by the end of 2022, albeit slower than anticipated. Against the economic environment, the FSC registered five (5) prospectuses by

the end of December 2022, with a value of approximately \$2 Billion (December 2021: \$23B), representing a significant reduction when compared to previous years. Table 29 depicts the number and value of public offerings registered with the FSC in each of the last five years.

Table 2918: Public Offerings Registered: 2018-2022					
	2022	2021	2020	2019	2018
Public Offerings Registered					
	5	7	11	22	19
Value of Registered Public Offerings (\$ Billions)	2	23	42	50	16

There was a general decline from 2021 in the Jamaica Stock Exchange (JSE) performance despite the Government's removal of Covid 19 restrictions and improvements in various local macroeconomic variables. The JSE listed twelve (12) new securities, which included three (3) securities on the Private Market, six (6) on the Junior Market, two (2) on the Main Market, and one (1) security on the USD Equities Market. These additional listings resulted in the JSE achieving one hundred and one (101) companies and one hundred and fifty-one (151) securities listed on the Exchange. The

combined market capitalisation of the JSE was \$1.96 Trillion when compared to \$1.87 Trillion at the close of 2021.

At the end of December 2022, twelve (12) securities were listed compared to the twenty (20) listed during the previous year. Despite the lower listings on the JSE, investors continued their appetite for equities, with the number and volume of transactions on the JSE increasing yearly amidst rising interest rates and other global economic factors. Table 30 illustrates the JSE indices in December 2022 when compared to 2021.

Table 30: Performance for JSE Indices YTD December 31, 2022				
Indices	Value (December 31, 2022)	Value (December 31, 2021)	Change	Change %
JSE Combined	368,591.98	401,130.23	-32,538.25	-8.11%
JSE Index	355,896.64	396,155.61	-40,258.97	-10.16%
All Ja Comp	403,080.36	438,328.37	-35,248.01	-8.04%
JSE Select	8,896.48	9,882.92	-986.44	-9.98%
Financial Index	85.88	98.05	-12.17	-12.41%
Man & Dis Index	97.42	100.38	-2.96	-2.95%
Cross Listed Index	60.78	74.03	-13.25	-17.90%
JSE Junior	3,986.44	3,428.30	558.14	16.28%
JSE USD	233.97	195.51	38.46	19.67%
Combined Mkt Cap	\$1.96 Trillion	\$1.87 Trillion	\$86.05 Billion	4.60%

Market Surveillance

Apart from being a critical oversight tool, market surveillance continues to be one of the key functions undertaken by the FSC. To regulate the market and provide the necessary protection to investors, the goal is to ensure that the market operates fairly, efficiently, transparently, and in compliance with the prescribed legislation. Surveillance of the market entails monitoring trade operations on the JSE through analysis of trades, investigating anomalies, complaints and other activities. The FSC continues to perform this task, albeit through a manual system, with its own challenges. Over the year, the FSC has strengthened its surveillance program and prepares regular surveillance reports while enhancing the regulatory framework through guidelines.

Exempt Distribution Offerings

At the end of 2022, one hundred and eighty-six (186) exempt distributions were registered with the FSC, representing a 31 per cent increase compared to the one hundred and forty-six (146) exempt distributions registered in 2021. The value of the transactions amounted to J\$247.8 billion, which was 12.3 per cent less than the value recorded in 2021 (see Table 31). The exempt distribution market is mainly comprised of medium and long-term notes, accounting for 85.5 per cent of the total instruments (USD and J\$) registered with the FSC in 2022. Most Jamaican dollar issues had medium-term maturities, with 76.92 per cent maturing within 1-5 years, 8.33 per cent had maturities over five (5) years and 14.10 per cent had maturities within a year. The USD side was quite similar, with 81.08 per cent maturing within 1-5 years, 2.70 per cent with maturities over five (5) years and 16.22 per cent maturing in less than a year.

Table 31: Exempt Distributions registered: -2018-2022	2022	2021	2020	2019	2018
Number of Exempt Distributions	186	146	133	168	140
Value (\$ Billions)	247.8	282.4	175.9	306	262.6

As at December 31, 2022, there were four hundred and four (404) outstanding securities registered by one hundred and sixty-eight (168) Issuers under the exempt distribution regime. This was valued at \$636.0 billion, an increase of

22.07 per cent when compared to the \$521.0 billion outstanding as at December 31, 2021. This also represents an increase of fifty-five (55) new securities outstanding over the

three hundred and forty-nine (349) recorded in December 2021.

As at December 31, 2022, there were one hundred and sixty-eight (168) Issuers of outstanding securities, which includes fourteen (14) new issuers when compared to the one hundred and fifty-four (154) issuers in December 2021.

Legislative Developments

Revised Guidelines for Issuers of Securities

The Securities Division continued the amendments to the Issuers of Securities Guidelines to promote growth and enhance transparency in the capital markets. The potential benefits of these guidelines should include streamlined regulatory compliance and adequate disclosures to both the FSC and investors.

The amendment to the Guidelines further communicates the FSC's expectations for issuers seeking to raise capital and possible listing on the Jamaica Stock Exchange. These Guidelines will also enable the FSC to take appropriate measures to protect consumers of financial services and monitor market conduct in respect of market participants.

Financial Disclosure Guidelines

In November 2022, the FSC released a consultation paper on Financial Disclosure Guidelines. These guidelines are intended to enhance ongoing financial disclosure and management discussions and analysis for listed companies.

The guidelines further strengthen disclosures to shareholders on the listed

companies and their plans, trends and material changes.

SUPERVISORY RISK ASSESSMENT

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 the dealers' operations and the effectiveness of the various lines of defence to identify and manage these risks.

Two (2) core securities dealers were assessed using the revised format, which looked at significant activities for each entity and the various inherent risks associated with those activities. Additionally, the entities were assessed based on the multiple 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 entities' financial management was also assessed to ascertain the level of institutional protection in place to address any residual risks identified. The entities were then assigned a risk rating, and supervisory actions were planned and executed based on the results of the risk assessments.

PENSIONS REPORT:

FOSTERING GROWTH WITHIN THE PRIVATE PENSIONS INDUSTRY

In executing its mandate for regulating the pensions industry during the FY2022-2023, five (5) multi-year strategic objectives were pursued, namely:

- (i) Advocacy of policy and legislative changes and full implementation of the risk-based supervisory framework;
- (ii) Promotion of financial awareness and education among all our stakeholders to advance consumer protection;

- (iii) Deterrence, detection, and prosecution of violations of the laws, regulations and guidelines;
- (iv) Development and retention of talent; and
- (v) Leveraging of new technology.

A snapshot of the activities of the Pensions Division is shown in Chart 14. Table 32 displays the scope of the FSC's regulatory responsibilities according to the number and type of regulated entities.

Chart 18: A Snapshot of the Division's Major Achievements

Advocacy of policy and legislative changes and comprehensive risk based supervision

- Completed additional reviews on iterations of the draft Bills for the repeal and replacement of the Pensions Act and amendments to the Income Tax Act.
- Adjusted the risk-based supervisory (RBS) assessment templates to reflect lessons learnt from pilot examinatons.
- Utilized the quarterly risk monitoring report template for corporate entities.
- Further updated reporting forms to facilitate RBS per external stakeholders' comments and internal review.
- Implemented the enhanced risk examination tool for the early detection of risks faced by pension plans.
- Commenced the draft of a concept paper for consultation with the industry to guide policy and legislation in creating or amending the existing framework to improve pension coverage and adequacy, in particular for low income and self-employed persons.

Deterrence, detection and prosecution of violations of the laws

- Conducted 257 desk-based risk assessments of pension plans.
- Conducted 26 desk-based risk assessments of licensees.
- Conducted on-site examinations of one (1) licensee and one (1) pension plan, utilizing the RBS framework.

Promotion of financial awareness and education

- Published:
 - *Four (4) Quarterly Private Pensions Industry Statistics
 - *Three (3) Quarterly Newsletters
- Conducted a series of three (3) trustee workshops and one (1) trustee training session.

Development of talent and new technology

- Continued the construction of a comprehensive pension plan and industry database.
- Facilitated the submission of electronic regulatory filings through a secure and remote online file-sharing platform.
- Continued the utilization of targeted work streams for enhanced supervisory oversight of the pension industry.
- Conducted and participated in refresher training sessions on the RBS methodology
- Continued participation in relevant projects led by:
 - *Bank of Jamaica,
 - *International Organization of Pensions Supervisors (IOPS),
 - *Organisation for Economic Co-operation and Development (OECD),
 - *Toronto Centre (TC) among other institutions

Chart 32: NUMBER & TYPE OF REGISTRANTS & LICENSEES

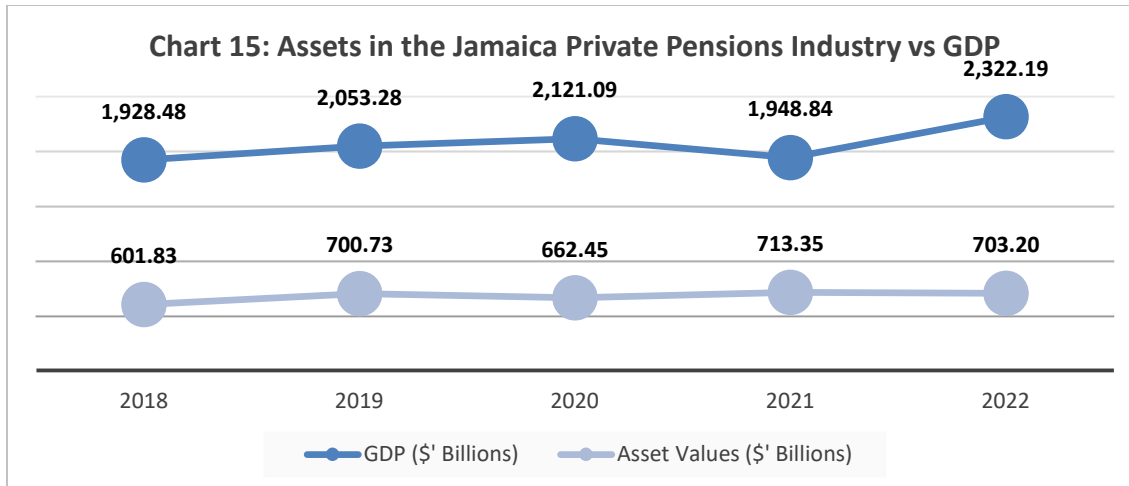
Registrants & Licensees	Approved as at March 31, 2023	New Applications	Approved	Terminations^[1]	Approved as at March 31, 2022
Superannuation Funds	355	0	0	0	355
Retirement Schemes	13	0	0	0	13
Trustees (Individuals)	2306	65	111	0	*2195
Trustees (Corporate)	2	0	0	0	2
Responsible Officers	41	1	1	0	40
Administrators	25	1	1	1	25
Investment Managers	23	0	0	0	23

*Revised

As at December 31, 2022, the total value of assets in the Jamaican private pensions industry amounted to \$703.2 billion; a decrease of 1.4 per cent from the 713.4 billion reported in December 2021. Notwithstanding this decrease, total private pension assets ended the year above pre-pandemic levels of \$700.7 billion (December 2019). This year-on-year decline in private pension

assets resulted from several pension plans commencing winding-up proceedings during the year, as well the declining assets values and pension fund yields during the year. The accumulated assets of pension plans combined over the past five calendar years were valued at, on average, 32.7 per cent of GDP¹¹. See Chart 15.

¹¹ <https://statinja.gov.jm/NationalAccounting/Quarterly/NewQuarterlyGDP.aspx>



There were 364 active plans in the Jamaican private pensions industry as at December 31, 2022. During the 2022 calendar year, eight (8) pension plans were terminated. Over the past five (5) years, the number of active plans has trended downwards, as trustees and sponsors continue to cite financial difficulties as the main reason for plan termination. However, assets held by active plans stood at \$694.7 billion and accounted for 98.9 per cent of total private pension assets. Terminating plans accounted for 53.4 per cent of pension plans in the private pensions industry with \$7.7 billion in assets or 1.1 per cent of total assets. Table 33 provides additional details.

The number of retirement schemes (“RS”) remained the same (13), while the number of superannuation funds (“SF”) decreased by 2.2 per cent to 351. Following the trend from the previous year, membership in RS increased at a faster rate than SF (4.6 per cent and 0.7 per cent, respectively), resulting in active membership in RS continuing to supersede membership in SFs. During the year SF account for approximately 91.0 per cent of private pension assets, following a 2.0 per cent decrease year-over-year to \$631.8 billion. Conversely, RS asset values increased by 5.8 per cent to \$62.8 billion. Over the past five (5) years, RS and SF have experienced average annual growth in assets of 7.1 per cent and 4.1 per cent, respectively. See Charts 16 to 18.

Table 33: Active, Terminating and Inactive Pension Plans as at December 31, 2021 and 2022

	ACTIVE		TERMINATING		INACTIVE		TOTAL	
	22-Dec	21-Dec	22-Dec	21-Dec	22-Dec	21-Dec	22-Dec	21-Dec
NUMBER OF PENSION PLANS								
Defined Benefit	111	87	105	102	3	4	219	193
Defined Contribution[1]	253	285	330	324	13	13	596	622
Total	364	372	435	426	16	17	815	815
MEMBERSHIP								
Defined Benefit	40,616	19,547	200	98	1,655	1,668	42,471	21,313
Defined Contribution	102,572	119,875	382	529	53	56	103,007	120,460
Total Membership	143,188	139,422	582	627	1,718	1,724	145,478	141,773
ASSET VALUES (\$'M)								
Defined Benefit	471,933	419,019	4,259	4,471	186	223	476,378	423,713
Defined Contribution	222,717	285,237	3,426	3,636	65	66	226,208	288,939
Total Asset Values	694,650	704,256	7,685	8,107	251	289	702,586 [2]	712,652

Chart 16: Number of Superannuation Funds vs Retirement Schemes

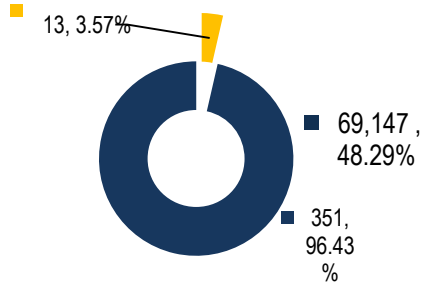


Chart 17: Number of Members in Superannuation Funds and Retirement Schemes

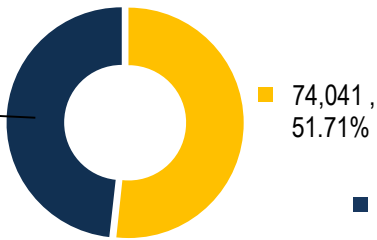
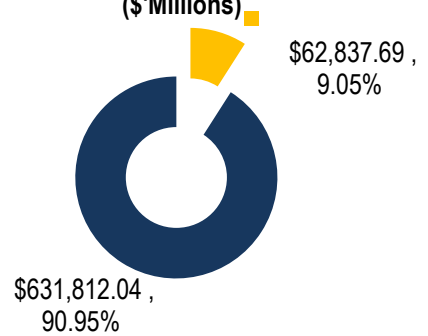


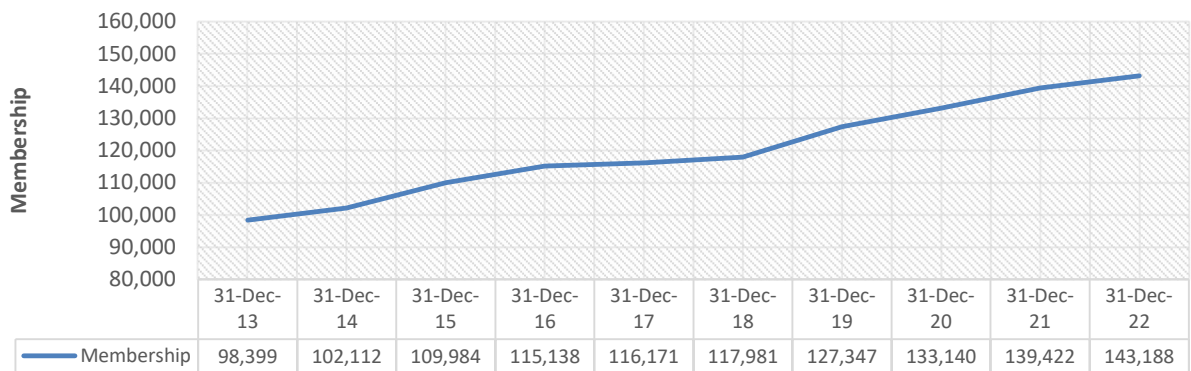
Chart 18: Assets in Superannuation Funds vs Retirement Schemes (\$'Millions)



■ Retirement Schemes ■ Superannuation Funds

Chart 19 illustrates the growth trend in the membership of the active plans over the last ten (10) years.

Chart 19: Active Membership for the period December 31, 2013 to December 31, 2022



Total private pension coverage¹² and active private pension coverage as at December 31, 2022 were both 11.3 per cent. This ratio is similar to the private pension coverage from the previous year as both membership in active pension plans and the employed labour force¹³

saw a similar increase of 2.7 per cent during the year. Private pension coverage is the highest in the services sector, and lowest in the agricultural sector. See Charts 20 to 22 for further details.

Chart 20: Percentage of Active Funds by Industry

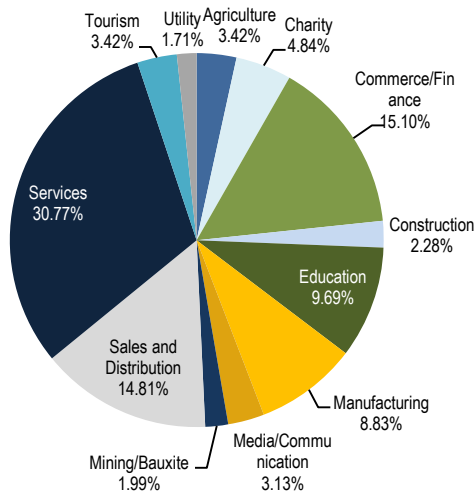


Chart 21: Active Membership in Funds by Industry

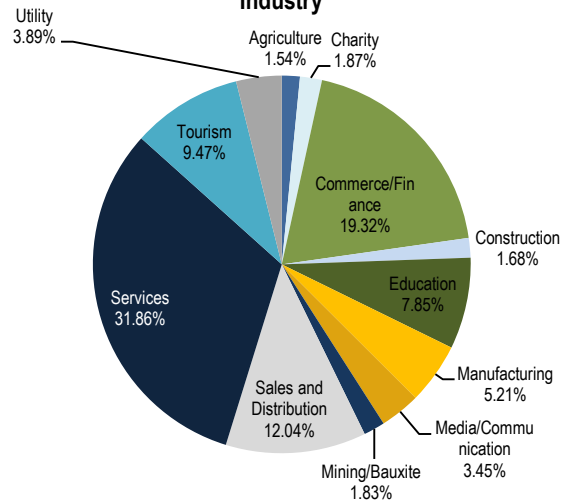
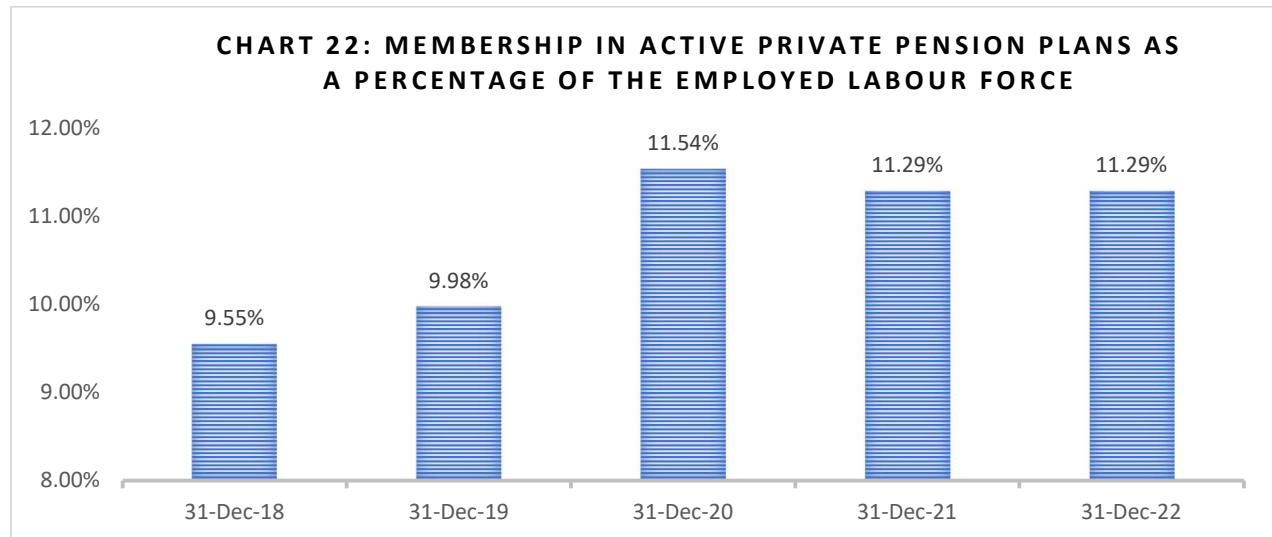


CHART 22: MEMBERSHIP IN ACTIVE PRIVATE PENSION PLANS AS A PERCENTAGE OF THE EMPLOYED LABOUR FORCE



¹² This is private pension coverage for active, inactive and terminating plans.

¹³ The Jamaican employed labour force as at July 31, 2022 was 1,268,000 according to the Planning Institute of Jamaica (pioj.gov.jm).

Investments

Table 34 illustrates the composition of the aggregate investment portfolio of private pension plans in Jamaica. Investments in pooled arrangements, equities, as well as Government of Jamaica (“GOJ”) securities remained the top three (3) asset classes during the calendar year, and together accounted for approximately 82.0 per cent of private pension assets by the end of 2022. While pooled investment arrangements (“PIAs”), which consist of Type I and Type II Pooled Funds and Deposit Administration Funds, remained the single largest asset class with \$274.4 billion (39.3 per cent of portfolio), direct investments in equities, the second largest asset class, experienced an annual contraction of 5.0 per cent to \$151.2 billion (21.7 per cent of portfolio) by

end-December 2022. Additionally, investments in GOJ securities also decreased by 3.4 per cent during the year to \$146.4 billion (21.0 per cent of portfolio). Notwithstanding the mixed results of the three largest investment classes in the private pension industry, investments in PIA, equities and GOJ securities have registered average annual growth over the past five (5) years of 8.7 per cent, 9.1 per cent and 1.9 per cent, respectively. The composition of foreign currency denominated assets, at end-December 2022 represented 5.9 per cent of total private pension assets. This represents a 1.6 percentage points reduction from December 2021, in line with the FSC in collaboration with the BOJ’s drive to ensure that all pension plans maintain an FX exposure of 10 per cent

Chart 34: Aggregate Investment Mix as at December 31, 2020 - 2022.

Types of Investment	Amount Invested (\$'B)	% Of Total Investments	Amount Invested (\$'B)	% of Total Investments	Amount Invested (\$'B)	% of Total Investments
	22-Dec		21-Dec		20-Dec	
Deposits	11.66	1.67%	10.53	1.48%	8.67	1.31%
Commercial Paper	0.26	0.04%	0.39	0.05%	0.41	0.06%
Securities of Governments	146.41	20.96%	151.56	21.21%	147.17	22.23%
Repurchase Agreements	20.29	2.91%	23.91	3.35%	24.15	3.65%
Bonds and Debentures	39.94	5.72%	43.43	6.08%	35.56	5.37%
Mortgage	0.04	0.01%	0.04	0.01%	0.06	0.01%
Other Loans	0.41	0.06%	5.42	0.76%	4.15	0.63%
Promissory Notes	11.28	1.62%	7.14	1.00%	10.59	1.60%
Leases	5.01	0.72%	4.55	0.64%	4.03	0.61%
Stocks and Shares	151.2	21.65%	159.15	22.27%	144.13	21.77%
Real Estate	33.76	4.83%	31.12	4.36%	29.84	4.51%
Investment Arrangements	274.42	39.29%	273.54	38.27%	249.74	37.72%
Other Investments	3.8	0.54%	3.87	0.54%	3.58	0.54%
Total Investments	698.48	100.00%	714.65	100.00%	662.07	100.00%
Other Net Assets	4.72		-1.29		0.38	
Total Assets	703.2		713.35		662.45	

For the 2022 calendar year, there was no change in the number of investment managers (“IM”). Securities Dealers (“SD”), despite experiencing a 0.9 per cent fall in the value of funds under management (“FUM”), continued to account for the largest portion of the industry’s assets valued at \$387.billion. FUM by Licenced Insurance Companies

(“LICs”), which accounted for the second largest portion of assets managed, fell by 2.7 per cent to \$258.5 billion. The assets managed by the other IMs reported marginal growth during the period, moving to \$56.8 billion, up from the \$56.0 billion reported as at December 31, 2021. See Table 35.

Table 35: 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)
	2022		2021		2020	
Insurance Companies	2	258,543	2	265,806	2	245,762
Securities Dealers	15	387,878	15	391,551	16	362,969
Credit Unions	2	0	2	0	1	567
Other	6	56,781	6	55,993	6	53,154
Total	25	703,202	25	713,349	25	662,451

\$'M - million

SUPERVISORY RISK ASSESSMENTS

Based on the nature of the work of the Pensions Division, the report on risk assessments is presented below according to the FSC’s activities related to (i) off-site (desk-based) examinations (ii) on-site examinations (iii) reviews of wind-up applications, and (iv) reviews of plan amendments.

(i) OFF-SITE (DESK-BASED) EXAMINATIONS

Pension Plans

During the FY2022-2023, a total of two hundred and sixty (260) risk assessments of pension plans were completed.¹⁴ Of the plans reviewed, two (2) superannuation funds were assessed as having high levels of risk, with issues relating to solvency and funding being the main factors underpinning the high-risk profile of these plans. (See Table 36.).

¹⁴ For some plans, multiple periods were assessed. Assessments were also carried out for submissions made in prior periods.

Chart 36: Results of Risk Assessment of Pension Plans

Early Warning Risk Assessment	Plan Type	Plan Impact	Risk Level			
			Low	Moderate	Above Average	High
Superannuation Funds	DC	Low	80	8		
		Moderate	66	7		
		Above Average	12	5		
		High	11	2		1
	Traditional DB / ^a	Low			2	
		Moderate		15		
		Above Average	3	24	1	
		High	3	6		1
	Hybrid DB / ^b	Low			1	
		Moderate				
		Above Average		1		
		High	2			
	Mixed DB / ^c	Low				
		Moderate		1		
		Above Average	1	1		
		High		1		
Retirement Schemes	Low					
	Moderate					
	Above Average	1				
	High	1				
		Total	180	74	1	2

Notes:

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

/b: Hybrid DB- This is 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.

/c: Mixed DB - This is a DB plan that has two separate DB and DC components but which are treated as part of the same plan

The risk assessments revealed that the majority of pension plans experienced negative real returns during the assessment period¹⁵, which led to these entities failing to achieve their investment return targets during their respective financial years. This is consistent with higher inflation and current capital market conditions and the trustees will have to rebalance plan portfolios to achieve desired returns in the medium term.

¹⁵ The assessments were conducted at the 2020 and 2021 plan year ends.

Corporate Entities

Twenty-Six (26) corporate entities were assessed during the fiscal year. Table 37 summarizes the results of the risk assessments completed for corporate services providers.

Table 37: Results of Risk Assessment of Corporate Service Providers ¹⁶

		Risk Level		
	Impact	<i>Low</i>	<i>Moderate</i>	<i>High</i>
Administrators	<i>Low</i>	3	5	0
	<i>Moderate</i>	0	1	0
	<i>High</i>	1	2	1
Investment Managers	<i>Low</i>	0	1	0
	<i>Moderate</i>	1	4	0
	<i>High</i>	0	6	0
Corporate Trustees	<i>Low</i>	0	0	0
	<i>Moderate</i>	1	0	0
	<i>High</i>	0	0	0
	Total	6	19	1

Solvency

As at December 31, 2022, the FSC received solvency data for 349 plans, consisting of 254 DC plans, nine (9) Hybrid Defined Benefit (“HDB”) plans, 82 Traditional Defined Benefit (“TDB”) plans and four (4) Mixed Defined Benefit (“MDB”) plans. Of the 349, 96.3 per cent or 336 of those plans were solvent similar to the previous year. Despite the percentage of solvent plans being the same, the FSC received solvency data for fewer plans which was largely due to some plans initiating wind-up proceedings during the period.

Of the 336 solvent plans, 211 (62.8 per cent) reported solvency levels between 100 and 120 per cent, four (4) more plans than reported as at December 31, 2021. Conversely, the number of plans with solvency levels above 120 per cent dropped from 136 to 125. Similar to previous periods, DC plans accounted for more than 70 per cent of solvent plans, followed by TDB plans that accounted for approximately 24 per cent. Notably, an additional pension plan became insolvent during the period, however, a previously insolvent plan improved its solvency position, resulting in no net change and the year ending with 13 insolvent plans. The FSC continues to be in constant dialogue with the trustees and administrators discussing strategies aimed at improving solvency levels. (See Table 38).

¹⁶ Some corporate service providers act in more than one (1) capacity.

Table 38: Solvency Levels of Active Plans as at December 31, 2019 – 2022

Plan Year End	Benefit Type	Solvency Level based on Periodic Statutory Filings					% of plans which are solvent
		Number of plans	Less than 100%	Between 100% and 120%	Between 120% and 150%	Greater than 150%	
2022	DC	3	0	3	0	0	100.00%
	HDB	0	0	0	0	0	0.00%
	TDB	0	0	0	0	0	0.00%
	MDB	0	0	0	0	0	0.00%
	Total	3	0	3	0	0	
2021	DC	40	0	32	6	2	100.00%
	HDB	2	0	2	0	0	100.00%
	TDB	14	1	4	2	7	92.86%
	MDB	0	0	0	0	0	0.00%
	Total	56	1	38	8	9	98.21%
2020	DC	79	3	55	18	3	96.20%
	HDB	3	1	2	0	0	66.67%
	TDB	24	1	7	7	9	95.83%
	MDB	2	0	1	1	0	100.00%
	Total	108	5	65	26	12	95.37%
2019 and earlier	DC	132	5	91	25	11	96.21%
	HDB	4	0	4	0	0	100.00%
	TDB	44	1	9	15	19	97.73%
	MDB	2	1	1	0	0	0.00%
	Total	182	7	105	40	30	96.15%
OVERALL		349	13	211	74	51	96.28%

(ii) ON-SITE EXAMINATIONS

During the FY2022-2023, two (2) on-site examinations were executed utilizing the RBS methodology adopted by the FSC. The examinations focused on the significant activities undertaken by the entities evaluated.

(iii) WINDING-UP OF SUPERANNUATION FUNDS

The FSC received nine (9) new wind-up applications during the FY2022-2023, five (5) more than the previous corresponding period. During the FY2022-2023, the FSC completed the review of the winding-up of one (1) plan, compared to the four (4) reviews completed during the previous financial year. Ten (10) pension plans submitted proposed schemes of distribution of surplus

assets, and twelve (12) were approved¹⁷, a 20 per cent increase from the previous year.

(iv) PLAN AMENDMENTS

For the FY2022-2023, six (6) applications were received regarding proposed changes to be made to the Constitutive Documents of superannuation funds. Table 39 illustrates the status of amendments submitted to the FSC for its consideration.

Table 39: Status of Amendments to Constitutive Documents FY2021-2022

	Application as at March 31, 2022¹⁸	New Applications	Approved	Rejected/ Withdrawn/ Revision Requested	Applicatio ns as at March 31, 2023
	B/F				C/F
Superannua tion Funds	24	6	12	1	17
Retirement Schemes	0	0	0	0	0
Total	24	6	12	1	17

¹⁷ Some applications received in the prior year were approved during FY2021-2022.

¹⁸ The number of amendments applications as at March 31, 2023 were restated

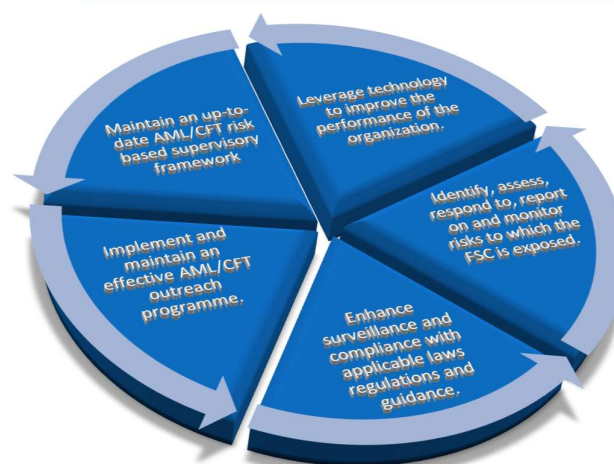
INVESTIGATIONS & ENFORCEMENT: PROMOTING PROPER MARKET CONDUCT THROUGH INVESTIGATIONS AND ENFORCEMENT

The Investigation and Enforcement Division (I&E) of the FSC serves to implement and manage the Investigation and Anti-Money Laundering and Countering Terrorism & Proliferation Financing (AML/CFT/CPF) programmes of the FSC and to consolidate enforcement activities across the operating divisions of the FSC. The I&E Team conducts:

- investigations into possible violations of the laws that govern Trusts and Corporate Services Providers (TCSPs), and the Insurance, Securities and Private Pensions industries;
- Enhanced Fitness & Propriety Assessments of regulated individuals;
- AML/CFT/CPF risk-based supervision of TCSPs, Life Insurance and Securities industries;
- enforcement actions; and
- research, drafting and development of legislative frameworks.

The I&E Team provides stakeholders with clear responses to complaints and inquiries; conducts thorough examinations, investigations and assessments; reasonable outcomes within the scope of applicable laws; and recommendations to improve the governance, compliance and consumer interactions of industry participants/licenses/registrants. I&E was tasked with five (5) Strategic Objectives for FY2022-2023 which are displayed in Chart 23.

Chart 23: I&E STRATEGIC OBJECTIVES FY 2022-2023

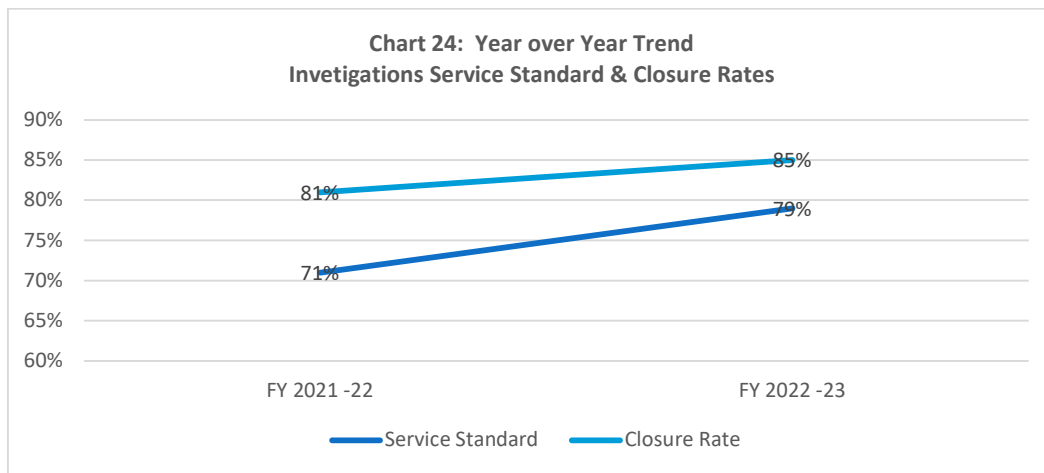


- **Investigations**

In FY 2022-2023, I&E continued to focus on conducting more impactful investigations in areas of importance to the protection of the users of financial industries regulated by the FSC. To do this more efficiently and effectively, we made a few strategic changes in how we operate our complaints process and general investigations intake. Those changes have led to continued improvement in a few key areas, most notably: our complaints handling framework and

the pace at which investigations and inquiries are processed.

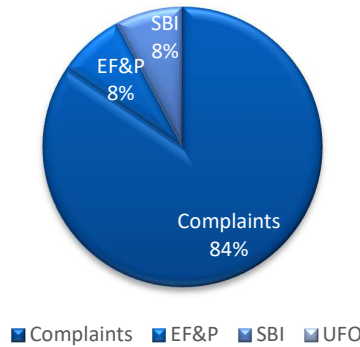
Specifically, I&E improved its: (a) percentage of investigations closed within service standard time from approximately seventy-one per cent in FY2021-2022 to seventy-nine per cent in the FY2022-2023, and (b) FY2021-2022 closure rate of approximately eighty-one per cent to approximately eighty-five per cent in the reporting period. See Chart 24.



The investigations conducted by I&E typically fall within any of the following categories:

1. Complaint Investigations & Inquiries
2. Suspected Breach Investigations & Inquiries, (SBI)
3. Enhanced Fitness and Propriety Assessments (EF&P), and
4. Unregistered Financial Organizations (UFO)

Chart 25: Investigation Intake FY2022-2023



During the FY2022-2023, I&E received seventy-seven (77) cases for investigation¹⁹, with Complaints accounting for eighty-four per cent of all investigations. conducted by I&E. Investigations in the other categories, except for UFO, were also received and conducted during the reporting period. Chart 25 illustrates the distribution of cases across the said investigation categories.

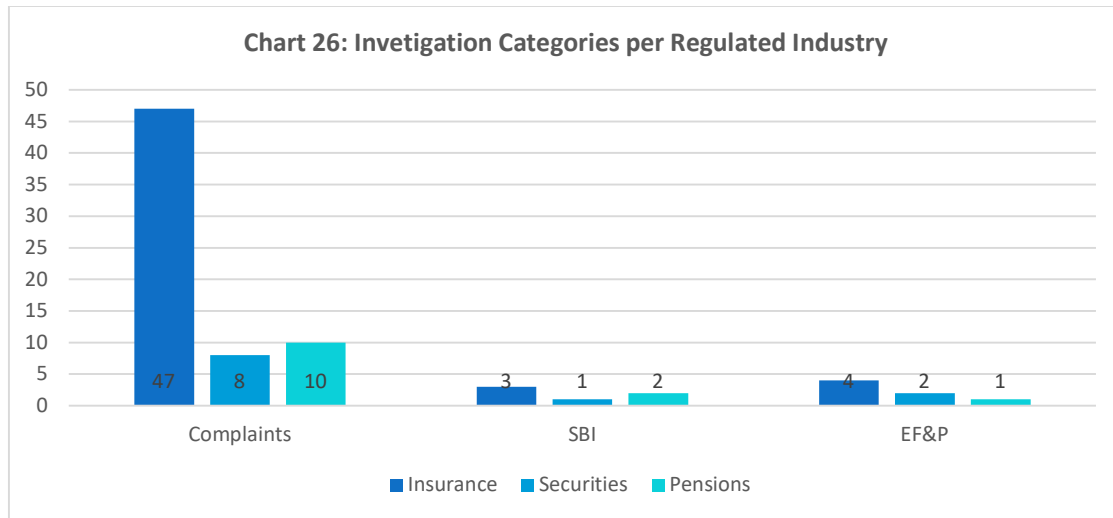
The FY2022-2023 investigation cases featured three of the FSC’s four regulated industries. Those three industries are Insurance, Pensions and Securities. Historically the lion’s share of I&E investigative actions involved the insurances industry. Consistent with that trend, the Insurance sector had the most occurrences of

investigation in the complaints category, accounting for 72 per cent of all complaints investigated. Pensions and Securities industries accounted for fifteen (15) and twelve (12) per cent of total complaints, respectively. Notably one of the securities complaints was comprised of a growing class of five (5) complainants and seventy-two (72) interested persons as at March 31, 2023.

Insurance industry-related investigations lead in the SBI and EF&P investigation categories as well, albeit by a less significant margin. Specifically, the insurance sector accounted for fifty per cent and sixty-six per cent of the SBI and EF&P investigations, respectively.

¹⁹ IE also conducted an additional 30 investigations carried forward from the previous FY 2021-2022.

Chart 26 illustrates the number of investigations conducted in relation to each featured regulated industry.



The investigative issues trending vary across the different industries and investigation categories. The trends identified this reporting period triggered medium to high-risk considerations for (i) industry users, in relation to potential financial losses (ii) industries/ industry registrants/licensees, in relation to a potential deterioration of trust on national and international levels, and (iii) the FSC, in relation to its reputation as an effective regulator.

I&E participates in the mitigation of these risks through informal industry

interactions, formal investigation processes, the application of appropriate enforcement actions where available and recommendations to the sector divisions related to matters/areas that would benefit from heightened monitoring, added guidance and/or industry practices reviews. Chart 27 lists the trends/issues identified and classified with reference to both investigation category and regulated industry. Chart 28 illustrates the I&E investigations closures.

Chart 27: Investigative Issue Trends FY 2022-23

COMPLAINTS CATEGORY.

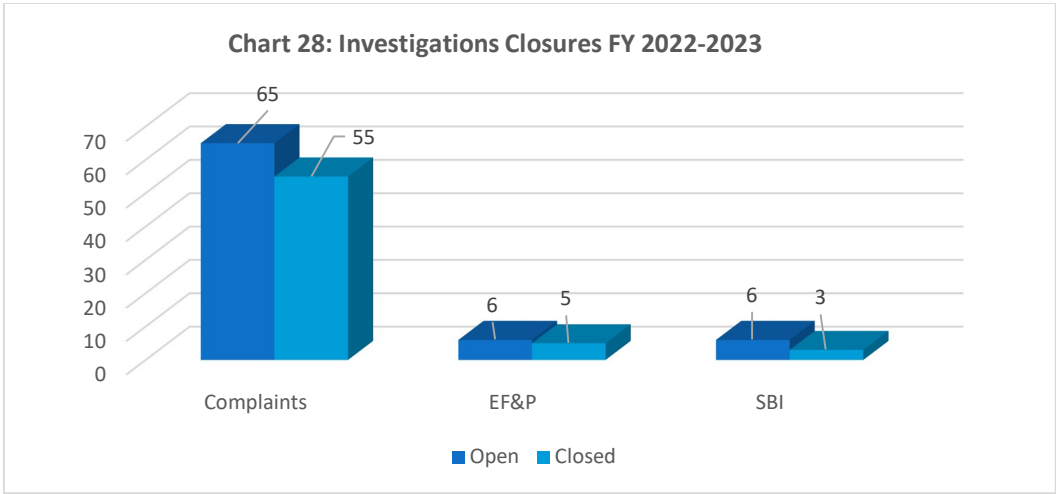
<u>Issue Particulars</u>	<i>Related Industry</i>
Undue Delay in Claim Processing	Insurance
Failure to Pay Pension Benefits	Pensions
Failure to Pay Employer/Employee Contribution	Pensions
Mismanagement of Investment/Account	Securities/Insurance
Market Misconduct (unfair practices/terms)	Securities/Insurance/Pensions
Wrongful Lapse or Cancellation of Policy	Insurance/Pensions
Benefit/Investment Statement or Payment Discrepancy.	Securities/Pensions
Unregistered Product and/or Agent/Rep.	Securities/Insurances
Wrongful Refusal to Settle Claim for Third Party report	Insurance
Wrongful Failure/Refusal to Settle Claim and/or Salvage; Betterment	Insurance

S. B. I. CATEGORY.

<u>Issue Particulars</u>	<i>Related Industry</i>
Conduct of regulated activity without regulatory approval	Insurance
Compensation of unregistered person for regulated activity	Insurance
Failure to Register Plan/ Pay Employer/Employee Contribution	Pensions
Outstanding Statutory Filings/ Contribution Payments	Pensions
Market Misconduct (unfair practices/terms)	Securities/Insurance/Pensions

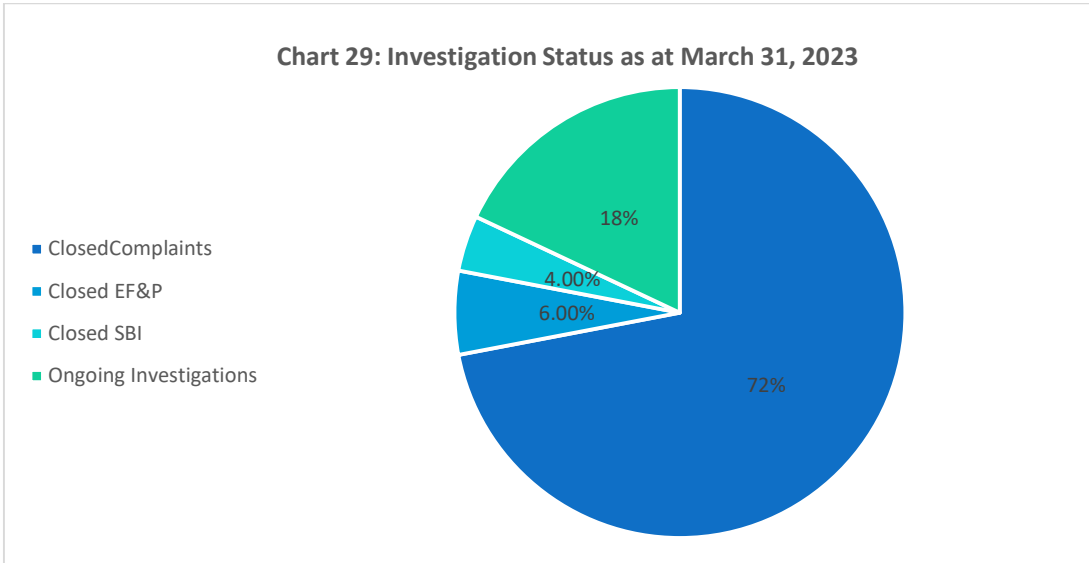
E. F. & P. CATEGORY.

<u>Issue Particulars</u>	<i>Related Industry</i>
Adverse Information on Fit & Proper (F&P) Criteria for Honesty	Insurance/ Securities
Adverse Information on F&P Criteria for Employment History	Insurance
Adverse Information on F&P Criteria for Financial History	Insurance



Cumulatively sixty-three (63) of the seventy-seven (77) investigations opened in the FY were closed ²⁰ as of March 31, 2023. This amounts to an overall investigation closure rate of approximately eighty-two percent (82%). The remaining

approximately 18% of the FY's investigation is ongoing and carried forward to FY2023-2024. The investigation closure status as at the end of FY2022-2023 is illustrated in Chart 29.



²⁰ Twenty-six (26) of the 30 investigations carried forward from the previous FY were also closed.

- **Anti-Money Laundering (AML)**

The AML Unit's primary responsibility is ensuring that licensees/registrants are compliant with their AML/CFT/CPF obligations under the applicable legislation. To achieve this mandate, the AML Unit has established a risk-based supervisory framework that includes the following:

1. Clear, detailed, and comprehensive methodologies for offsite and onsite inspections;
2. Updated and focused guidance to regulated businesses by the issuance of advisories, bulletins, and the frequent updating of the AML/CFT/CPF Guidelines;
3. Annual outreach and training initiative offered to licensees and registrants;
4. Conduct of sectoral risk assessments;
5. Conduct of thematic studies across all or part of a financial sector to identify key issues/deficiencies; and
6. Well-trained officers who have up-to-date knowledge of AML/CFT/CPF laws and issues.

Accordingly, the AML Unit has taken the requisite measures to identify and understand the ML/TF risks faced by regulated businesses and sectors. These risks include, at a minimum, the ML/TF risks associated with regulated businesses, customers, products, geographical reach, and delivery channels. In this regard, the AML Unit has taken cognizance of the national risk assessment (NRA) which was published in August 2021, and which serves to inform on the various risks associated with the regulated financial sectors. Arising from the findings of the NRA, the risk ratings assigned to the FSC's regulated sectors are as follows in the Table 40.

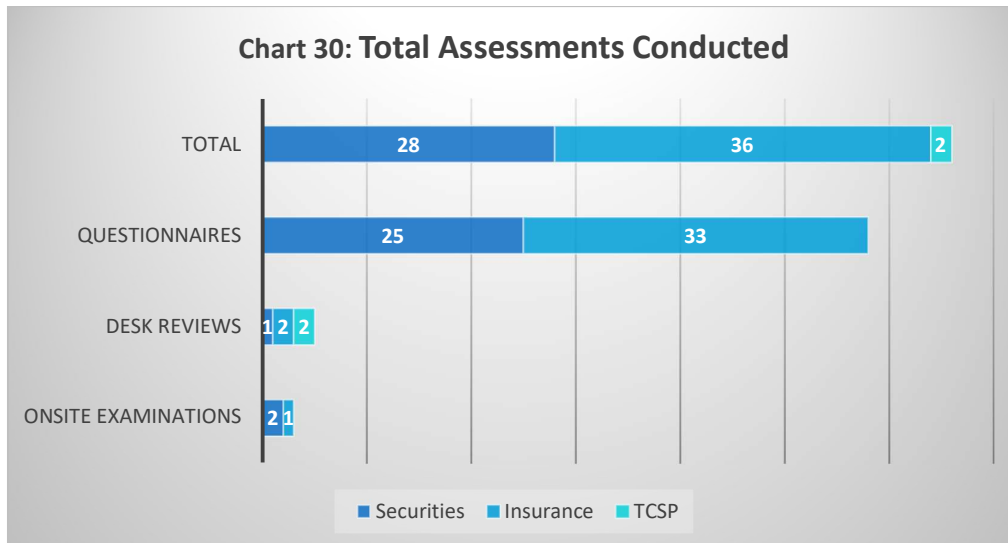
Table 40: Sectoral Risks Scores from NRA

SECTORS	SCORES
<i>Securities</i>	Medium
<i>Life Insurance</i>	Medium-Low
<i>TCSPs</i>	Medium

In accordance with these findings, the AML Unit has dedicated more resources to the Securities and TCSPs sectors and specifically to those businesses that have been ranked as higher risk. During the FY2022-2023, the AML Unit conducted a total sixty-seven (66) assessments consisting of:

- Three (3) onsite examinations;
- Five (5) desk-based reviews; and
- Fifty-eight (58) offsite assessments (self-assessment questionnaires).

Chart 30 displays AML/CFT Assessments Conducted during FY2022-2023



Arising from these 66 assessments, the AML Unit has:

1. Prepared and issued eight (8) reports detailing findings;
2. Dispatched six (6) deficiency letters;
3. Approved three (3) Action Plans representing licensees/registrants'

- commitments in taking corrective actions within defined timelines; and
4. Referred one (1) licensee for the application of fixed penalty pursuant to breaches of the Proceeds of Crime (Money Laundering) Regulations.

Corrective Actions Implemented by Licensees/Registrants

The FSC's regulated businesses, have for the most part been responsive and have implemented the requisite corrective actions to ensure that there is effective management of their AML/CFT risks and, that there is implementation of adequate preventative measures. In this regard, regulated businesses have:

1. Updated their AML/CFT manuals for improved documentation of policies and procedures that are consistent with legislative and regulatory requirements;
2. Acquired and implemented sanction screening tools and ensuring that sanction screening

- is conducted on a timely basis and at the required intervals;
3. Implemented and/or modified risk assessment tools to enhance risk assessment capabilities;
4. Enhanced transaction monitoring systems to better identify unusual and suspicious transactions;
5. Improved processes for the identification of beneficial owners of customers which are legal persons or legal arrangements; and
6. Implemented systems for the updating of customers' records at the required intervals

Enforcement Activity

FY2022-2023 also saw the conduct of ten (10) enforcement actions; eight (8) of which were initiated from the Team’s investigations, and two of which arose from supervision and monitoring

activities. Table 41 provides more information on these enforcement activities, while Chart 31 shows the three -year trend in enforcement activities.

Table 41: FY2022-2023 Enforcement actions

Entity/Person	Type of Breach identified	Enforcement Action initiated
Securities Dealer	Breaches of the Proceeds of Crime Act and Proceeds of Crime (Money laundering Prevention) Regulations	Directions and Fixed Penalties 8
Securities Dealer	Breach of large exposure limit	Directions

Chart 31: Enforcement Activity – Three-year Trend



STAKEHOLDER ENGAGEMENT, COMMUNICATION, AND INTERNATIONAL RELATIONS:

EDUCATING & EMPOWERING for PROTECTION & FINANCIAL WELL-BEING

The FY2022-2023 saw focused attention on promoting financial inclusion. This included the importance of retirement planning and insuring investor assets while making decisions that will enhance wealth, protect assets, and ensure a financially stable retirement.

Social Media Outreach

Social media continued to play a critical role in financial literacy and stakeholder engagement. SECIR planned and implemented twelve (12) social media campaigns across four (4) of its platforms, namely Facebook, Instagram, LinkedIn, and Twitter. These activities recorded a reach of **184,000** across all platforms, while gaining a total of approximately **1,656** new followers.

The social media campaigns implemented were themed around Trust and Corporate Services, Insurance, Pensions and Risk-Based Supervision. The Jamaican financial industry was also the subject of our social media campaigns. It is important that we ensure that our stakeholders are well informed about improvements in the operations at the FSC, which were implemented to best serve them.

The content shared with our online community was also supplemented by important news items, industry data and clips from events of relevance. Each year, the aim is to help people to equip themselves to make informed financial choices to reach their own life goals and to help them recognize the impact of their decisions on their own financial well-being.

Face-to-Face Meetings

Face-to-face meetings serve both the general adult population and the needs of specific subsets including women and in particular young/teen mothers, students, and other young adults, those with disabilities, as well as persons who are economically vulnerable. SECIR made presentations in communities in several parishes across Jamaica, partnering with The Jamaica Network of Rural Women Producers and the Bureau of Gender Affairs, a division within the Ministry of Culture, Gender, Entertainment and Sport.

FSC's face to face meetings included:

1. "Funding My Son's Education" at the Calabar High School
2. Financial Literacy Workshops:
 - a. Faith Temple Pentecostal Assemblies

- b. Moneague College
 - c. Wortley Girls Home
 - d. Global Anunaki
 - e. Bureau of Gender Affairs in Bodles
3. The National Investor Education Week Youth Forum
 4. The National Investor Education Week Diaspora Conference
 5. Jamaica Stock Exchange Outside Broadcast for National Investor Education Week
- c. Cable News and Sport
 - d. Mercy and Truth Ministries
2. Broadcast of programmes and advertisements on radio:
 - a. Radio Jamaica 94FM
 - b. Kool97FM
 - c. Love 101
 - d. Power 106
 - e. Mello FM
 3. Publication of bulletins and notices in Jamaica's two largest newspaper outlets; the Gleaner and Observer

Advertising, Print and Electronic Media Initiatives

The FSC maintained a strong media presence as we published several news releases, advertisements, features, and programmes geared at informing our stakeholders about the latest developments in the financial industry including the developments at Stocks and Securities Limited. In addition to these, some of the FSC's media initiatives were focused on teaching our stakeholders about the importance of retirement planning, insurance, creating wealth through investing, and how to avoid financial scams.

Information and transparency contribute to building trust and as such we believe it is important to ensure that our stakeholders are well informed about the role and function of the FSC, how the FSC executes its work and the influence we have on our stakeholders. The following are some of our media interventions:

1. Broadcast of programmes and advertisements on television:
 - a. Jamaica News Network
 - b. Television Jamaica

Website Redeployment Project

SECIR collaborated with the MIS team to coordinate and oversee the implementation of a project to redeploy a redesigned FSC website. The website went live on March 6, 2023, and among other changes, now includes an Investor information Centre. This is expected to morph into the Financial Literacy Landing Page which is a strategic target for the next financial year.

Schools Financial Education Programme (SFEP)

Schools Financial Education Programme (SFEP) provides information on concepts such as saving, budgeting, investing, planning for retirement, the importance of insurance and being a savvy consumer of financial products.

Students were also introduced to key institutions that operate in the Jamaican financial industry like the

FSC, the Jamaica Stock Exchange (JSE), the JDIC, the BOJ, and the Consumer Affairs Commission (CAC). This provides them with the knowledge to be confident in a financial sector that operates with integrity and equal opportunity for all its participants. The presentations also provided a basis for a sound financial future typified by sound decision making that will improve their financial outcomes.

This programme has been implemented with the aim of improving financial literacy and financial inclusion among our youth. This programme for youth complements the goals of the National Financial Inclusion Strategy. This strategy, in turn, is a component of Jamaica's Vision 2030 development plan that seeks to boost participation and trust in the Jamaican financial sector. It also assists the students to develop other professional skills such as public speaking, presentation making, documentation and teamwork.

The students were also challenged to apply their newly gained knowledge in the SFEP Essay Competition. The 2022/23 competition received a total of seven entrants, of which the top three submissions came from Cornwall College and Merlene Ottey High School. The rankings were as follows:

1. Rojean Clarke - Cornwall College
2. Tashika Wood - Merlene Ottey High School
3. Tyrese Harvey - Cornwall College

In the FY2022-2023, the FSC expanded the programme in two ways:

1. Primary and Preparatory schools were invited to take part in the programme.
2. Fellow institutions under the Ministry of Finance and Public Service were invited to participate.

These changes to the programme were implemented because the learning process, especially relating to a critical life skills like personal financial management, should be inclusive, comprehensive, and broad-based. As such, the FSC collaborated with the Betting, Gaming and Lotteries Commission (BGLC), and the Students' Loan Bureau (SLB) to enable the SFEP to

- i. Serve a wider range of students in a way that can not only help them to best capitalize on financial opportunities and products, and
- ii. Stay safe in the financial industry while doing so, and to be knowledgeable of the various pathways to advancing their education through student loans and grants.

This step to create a more wholesome SFEP will have a greater positive impact on our youth and by extension, Jamaica.

The FSC conducted a survey to gauge how SFEP was perceived by its participants, and the results were encouraging. All participating registered teachers expressed the view that the programme was well thought out and, well executed. The teachers also expressed that the FSC support staff was welcoming, warm and willing

to assist in relation to registering for the programme, accessing the content, and reviewing the programme.

The FSC's target for the FY2022-2023 Schools' Financial Education Programme was to have at least sixteen registered schools. Schools from across Jamaica were invited to be a part of the programme, to ensure that the information was not provided to a concentrated geographical area. While the FSC's target for the FY2022-2023 SFEP was sixteen (16), eighteen (18) schools were registered.

International Partnerships

The FSC continues to provide secretariat services to the Caribbean association of Pension Supervisors (CAPS) through SECIR and is the key facilitator of the annual conferences. FSC continued to foster strong and meaningful ties on the regional and international scene. The FSC works in collaboration with the President of the

Caribbean Association of Pensions Supervisors as the main facilitator that organizes the annual conferences and Annual General Meetings.

Regionally, the FSC has worked extensively with the International Forum on Investor Education (IFIE) Caribbean Working Group. The FSC played a key role in the implementation of the World Investor Week initiative on each of the jurisdiction's social media platforms.

The FSC collaborated with the IFIE Caribbean Working Group (CWG) to formulate a joint initiative for all jurisdictions. Collaborative social media campaigns across a total of four platforms (Facebook, Instagram, Twitter, LinkedIn) centered on nineteen key messages relating to financial sustainability and investor resilience were developed and launched. The CWG created a planning group, of which the FSC was a member and played a pivotal role in drafting key messages.

Major Keron Burrell
Executive Director

APPENDIX A: LIST OF REGISTERED & LICENSED ENTITIES AND INDIVIDUALS

Dealers (Companies)

There were thirty-seven (37) licensed securities dealers (Companies) as at March 31, 2023:

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. CUMAX Wealth Management Limited (formerly Credit Union Fund Management Company Limited)
8. Community & Workers of Jamaica Co-operative Credit Union Limited
9. FHC 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
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 Life Jamaica Limited
31. Scotia Investments Jamaica Limited
32. Sterling Asset Management Limited
33. Stocks and Securities Limited
34. Sygnus Capital Limited
35. Victoria Mutual Pensions Management Limited
36. Victoria Mutual Wealth Management Limited
37. West Indies Trust Company Limited

Dealers (Individuals) ^[2]

There were three (3) individuals licensed as securities dealers as at March 31, 2023:

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

Investment Advisers

There were ten (10) licensed investment advisers as at March 31, 2023:

1. Cameron Burnet

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

2. Danhai Duvaughn hall
3. Hyacinth Lightbourne
4. John Phillip Mahfood
5. JOH Investments Limited
6. Tania Waldron-Gooden
7. Wayne Windfield Anthony Wray
8. SEAF Caribbean Management LLC
9. Unit Trust Corporation Financial & Advisory Services Limited
10. Williams & Associates Investments Limited

Collective Investment Schemes:

(a) Mutual Funds

There were thirteen (13) registered mutual funds as at March 31, 2023:

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. Eppley Caribbean Property Fund Limited SCC - Value Fund
6. JNFM Mutual Funds Limited
7. GK Mutual Funds Limited
8. Scotia US Growth Mutual fund

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

Unit Trusts

There twelve (12) registered unit trust fund managers as at March 31, 2023:

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

(b) Unit Trust Schemes

There were twenty (20) registered unit trust schemes as at March 31, 2023:

1. Barita Multiple Portfolio Funds
2. Barita Unit Trusts Money Market Fund
3. Barita Unit Trusts Capital Growth Fund
4. BPM Unit Trust Multiple Portfolio Funds
5. CUFM CUMax Fund
6. JMMB Life Goal Fund
7. Jamaica Investment Income & Growth Fund
8. Jamaica Investment Giltedge Fund
9. Jamaica Investment Optimum Capital Fund
10. MoneyMasters Multiple Portfolio Fund
11. NCB Capital Markets Limited Unit Trust Scheme
12. NCB Capital Markets Limited (Non-diversified) UTS
13. Proven Non-Diversified Fund
14. Proven Select Fund

15. Scotia Premium Fixed Income Fund
16. Scotia Premium Growth Fund
17. Sagicor Sigma Global Funds
18. Stocks & Securities Limited Unit Trust Scheme
19. The Scotia Investment Fund
20. Victoria Mutual Wealth Management Unit Trust

Life Insurance Companies

There were six (6) life insurance companies registered as at March 31, 2023:

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 eleven (11) general insurance companies registered as at March 31, 2023:

1. Advantage General Insurance Company Limited

2. American Home Assurance Company
3. British Caribbean Insurance Company Limited
4. General Accident Insurance Jamaica Company Limited
5. GK General Insurance Company Limited
6. Guardian General Insurance Jamaica Limited
7. IronRock Insurance Company Limited
8. Key Insurance Company Limited
9. JN General Insurance Company Limited
10. CG United Insurance Ltd. (formerly Massy United Insurance Ltd.)
11. The Insurance Company of the West Indies Limited

Associations of Underwriters

There was one Association of Underwriters registered as at March 31, 2023:

- Lloyds

Insurance Brokers

There were twenty-four (24) insurance brokers registered as at March 31, 2023:

1. Allied Insurance Brokers Limited
2. Assurance Brokers of Jamaica Limited
3. BCMG 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 Ltd. Insurance Brokers
11. Gallagher Insurance Brokers Jamaica Limited
12. Genesis Insurance Brokers Limited
13. Jamaica Citadel Insurance Brokers Limited
14. John Galt Insurance Brokers Limited
15. JMMB Insurance Brokers Limited
16. Lawe Insurance Brokers Limited

17. Marathon 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, 2023:

1. Allied Insurance Brokers Limited
2. Assurance Brokers Jamaica Limited
3. BCMG 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 Ltd. Insurance Brokers
9. Gallagher Insurance Brokers Jamaica Limited
10. JMMB Insurance Brokers Limited
11. John Galt Insurance Brokers Limited
12. Lawe Insurance Brokers Limited
13. Marathon 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, 2023:

1. Aeon UK Limited (formerly Aeon Limited)

Local Reinsurance Brokers

There was one (1) local reinsurance brokers registered as at March 31, 2023:

1. Gallagher Insurance Brokers Jamaica Limited (formerly CGM Gallagher Insurance Brokers Jamaica Limited)

Insurance Agents

There were sixty-two (62) insurance agents registered as at March 31, 2023:

1. Aeisha Annmarie Robinson T/A Aeisha's Insurance Agent
2. Alice Elizabeth Cohen T/A Alice Cohen Assurance
3. Andrea Davene Walker T/A Andrea Walker Insurance Agent
4. Angela Lorraine McIntosh T/A ALM Insurance Agent
5. Audrey Hyacinth Legister T/A Audrey Legister Insurance Agent
6. Axia Jamaica Insurance Agency Limited
7. Beverley Ann-Marie Campbell-Small T/A Beverley Campbell-Small Insurance Agent
8. Blossom Vivienne Anderson T/A Bliss Insurance Agent
9. Bulwark Insurance Agency Limited
10. Carol Elizabeth Grant T/A Carol Grant Insurance Agent
11. Chancellor Insurance Agency Limited
12. Crichton Insurance Agency Limited

13. Cynthia Delores Benjamin T/A Sapphire Insurance Agent
14. Danielle Ann Robinson T/A Danielle Robinson
15. Destiny Insurance Agency Limited
16. Denise Patrice Harris T/A Untapped General Insurance Agent
17. Dian Patricia Dennis T/A DPP Dennis Insurance Agent
18. Doran Ferguson T/A Apex Insurance Agents
19. Doreen Veronica Samuels T/A First Choice Insurance Agent
20. Eugena Gardener & Frederick George Gardener T/A Eugena Gardener Insurance Agency
21. Fentru Insurance Agency Limited
22. Francine Latoya Warren-Kidd T/A Francine Warren-Kidd Insurance Agent
23. Gensure Insurance Agents Limited
24. Georgia Marie Robotham T/A Sappleton Complete Assurance Agent
25. Gersham McLaughlin T/A Global Risk Management Insurance Agents
26. Gezel Nezlea Morgan T/A GNM Insurance Agent

27. Glenda Patricia Miller T/A Glenda Miller Insurance Agent
28. Gleneta Joan Kenyon T/A Kenyon Insurance Agency
29. Herman Gary Norton T/A Impact Insurance Agents
30. Jamaica Co-operatives Insurance Agency Ltd.
31. Josette Jorna Doure T/A Streamline Insurance Agent
32. Kamar Ian Neil Graham T/A K.I.N.G Insurance Agent

33. Karen Dovorrie Edwards T/A Karen D. Edwards Insurance Agent

34. Kerine Petrice Gayle T/A KPG Insurance Agent

35. Kimara Janine Singh T/A Artemis General Insurance Agent

36. Laffaine Farquharson Reynolds T/A Laffaine Reynolds Insurance Agent

37. Latoya Vonetta Little-Yee T/A Latoya Little Yee Insurance Agent

38. Marcia Angella Barrett-Myrie T/A Marcia Barrett-Myrie Insurance Agent

39. Maxine Angela Rhoden T/A DMAX Insurance Agent

40. Michael McGowan T/A M. McGowan Sales Agent

41. Mutual Enterprises (Insurance) Agents Limited
42. Nationwide Insurance Agents and Consultants Limited
43. NCB Insurance Agency & Fund Managers Limited
44. Nicole Natalie Gooden T/A Nicole Gooden Insurance Agent
45. Norma Joan Walcott T/A Norma Walcott Insurance Agent
46. O'Neil Gordon Goulbourne T/A O'Neil Goulbourne Insurance Agent
47. Paul Anthony Simpson, General Insurance Agent
48. Petrice Kenesha Nixon T/A Champion General Insurance Agent
49. Richard Harrison Wilson T/A Agency for Insurance Solutions
50. Riviera Insurance Agency Limited
51. Sagicor International Administrators Limited
52. Sandra Rainessa Lue T/A Sandra Lue General Insurance Agent
53. Scotia General Insurance Agency Limited
54. Semone Tracy-Ann Grant-Muhammad T/A B&B Insurance Agent
55. Shalewa Makere Wallace T/A Shalewa Wallace Insurance Agent

56. Sheila Kerline Powell T/A Powell Insurance Agency
57. Stephen Anthony Dennis T/A Dennis Insurance Agent
58. Stephen Davey Williamson T/A AMG Insurance Agent
59. Tashana Marie Binns T/A Tashana Binns Insurance Agent
60. T'John Linford Ritchie T/A Ritchie Insurance Agent
61. William Alexander Nash T/A William Nash Insurance Agent
62. Yonique Shinelle Spaulding T/A Treyon's Insurance Agent

Insurance Managing General Agents

There were no insurance managing general agents registered as at March 31, 2023

Insurance Loss Adjusters

There were thirty-three (33) insurance loss adjusters registered as at March 31, 2023:

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 Valuers Limited
7. Casualty & Property Insurance Services Limited
8. Claim Centers of Jamaica Limited
9. Crawford Jamaica Limited
10. Courteville Loss Adjusters Limited (formerly Priority Loss Adjusters Limited)
11. Evan Evans T/A Evans Insurance Consultants Limited
12. General Motor Adjusters Limited
13. Innovative Consulting Services Limited
14. Jamaica Loss Adjusters Limited
15. Joan Elizabeth Williams T/A Virtual Insurance Services
16. Lloyd Williams T/A Lloyd's Motor Insurance Adjusters
17. Mathew John O'Donoghue T/A JMO Adjusters
18. McLarens Young International (Jamaica) Limited
19. Mendez Livingstone Incorporated Limited

20. Meridian Loss Adjusters Limited (formerly Caribbean Loss Adjusters Limited)
21. MSC McKay (Jamaica) Limited
22. National Loss Adjusters and Trailway Cruiser Limited
23. Orion Loss Adjusters Limited
24. Pan Caribbean Consultants Limited
25. Precision Adjusters Limited
26. Reliable Loss Adjusters Limited
27. Sedgwick (Jamaica) Limited (formerly Axis (Jamaica) Limited)
28. Sheena Joy Lucinda Johnson T/A Shenjo Insurance Adjusters
29. Smiles Loss Adjusters Limited
30. Stellar Caribbean (Jamaica) Limited
31. 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, 2023:

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

Claims Negotiators

There were Three (3) claims negotiators registered as at March 31, 2023:

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

Insurance Investigators

There were twenty-four (24) insurance investigators registered as at March 31, 2022:

1. AB Investigation Services Limited T/A AB Investigation
2. BINOC Visions Investigations Limited
3. Brenda Maureen McKenzie-Singleton T/A Perceive Investigation Services
4. Charles Oliver Rodriquez T/A Charles Rodriquez Investigations
5. Clive Ashton Jones T/A Searchlight Investigators
6. Delona Dacosta Davis T/A Eyes Investigative Solution

7. Delroy Anthony Lawson T/A DL Express Investigation & Process Service
 8. Detect Investigations Company Limited
 9. Derrick Bingham T/A Derbing Investigation Services
 10. Errol Orlando Rattray T/A Quality Adjusters
 11. Espion Investigations Company Limited
 12. Focus Investigations Limited
 13. Harcon Business and Investigations Services Limited
 14. Ian Blackwood T/A ACTAR Investigations
 15. Impact Investigations Services Limited
 16. Joseph Clement Messam T/A PROCUR (Professional Procurers)
 17. Kevin Aundrae Virgo T/A Quality Investigations
 18. Latoure DeAvergne Duhaney T/A Genesis Protective Services
 19. Priority Investigations Services Limited
 20. Roger Richard Robinson T/A Premier Loss Adjusting and Investigations
 21. Six Paths Security Consultancy Limited
 22. Vinel Central Investigation & Security Consultancy Limited
 23. Wayne Michael Wallace T/A Trivalent Consulting Services
 24. Yvonne Joy Thompson-Cox T/A Progressive Insurance Services
- Loss Adjusters - Employed Practitioners**

There were eight (8) loss adjusters – employed practitioners registered as at March 31, 2023:

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 Wilso

Trust Services Provider (Company)

There was one (1) licensed Trust Services Provider as at March 31, 2023

1. West Indies Trust Company Limited

Corporate & Trust Service Provider (Company)

There was one (1) licensed Corporate & Trust Services Provider as at March 31, 2023

1. JCSD Trustee Services Limited

Licensed Investment Managers

There were twenty-three (23) pension investment managers licensed as at March 31, 2023:

1. ATL Group Pension Fund Trustees Nominee Limited
2. Bank of Jamaica

3. Barita Investments Limited
4. BPM Financial Limited
5. COK Sodality Co-operative Credit Union
6. Community & Workers of Jamaica Co-operative Credit Union Limited
7. Credit Union Fund Management Company Limited
8. Development Bank of Jamaica Limited
9. FHC Investment Limited
10. FirstCaribbean International Bank
11. Guardian Life Limited
12. JMMB Fund Managers Limited
13. JN Fund Managers Limited
14. Mayberry Investments Limited
15. MF & G Asset Management Limited
16. MoneyMasters Limited
17. NCB Insurance Company Limited
18. Proven Wealth Limited
19. Sagicor Life Jamaica Limited
20. Scotia Investments Jamaica Limited
21. Sterling Asset Management Limited
22. Veritat Nominees Limited
23. Victoria Mutual Pensions Management Limited

Licensed Pension Administrators

There were twenty-five (25) pension administrators licensed as at March 31, 2023:

1. ATL Group Pension Fund Trustees Nominee Limited

2. Bank of Jamaica
3. Bank of Nova Scotia Jamaica Limited
3. Barita Investments Limited
4. BPM Financial Limited
5. COK Sodality Co-operative Credit Union
6. Community & Workers of Jamaica Co-operative Credit Union Limited
7. Credit Union Fund Management Company Limited
8. Development Bank of Jamaica Limited
9. Employee Benefits Administrator Limited
10. FHC Investment Limited
11. FirstCaribbean International Bank
12. Guardian Life Limited
13. IBM World Trade Corporation
14. JMMB Fund Managers Limited
15. JN Fund Managers Limited
14. Mayberry Investments Limited
15. MF & G Asset Management Limited
16. MoneyMasters Limited
17. NCB Insurance Company Limited
18. PenAct Services Limited
19. Proven Wealth Limited
20. Sagicor Life Jamaica Limited
21. Saxons Pension Services Limited
22. Scotia Investments Jamaica Limited
23. Scotia Jamaica Life Insurance Company Limited

23. Sterling Asset Management Limited
24. Veritat Nominees Limited
25. Victoria Mutual Pensions Management Limited

Registered Retirement Schemes

There were thirteen (13) retirement schemes registered as at March 31, 2023:

1. Barita Individual Retirement Scheme
2. The BPM Personal Pension
3. FHC Retirement Scheme
4. Retirement Scheme For Members Of The City Of Kingston Co-Operative Credit Union
5. Guardian Retirement Scheme
6. JMMB Retirement Solutions
7. Jamaica National Individual Retirement Scheme
8. Mayberry Investments Limited Retirement Scheme
9. Prime Asset Management Retirement Scheme
10. The Proven Rock Retirement Scheme
11. SAGICOR LIFESTYLE
12. ScotiaBRIDGE
13. SMART Retirement Plan


Major Keron Burrell
Executive Director

FINANCIAL SERVICES COMMISSION

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023



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Chartered Accountants
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Jamaica, W.I.
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INDEPENDENT AUDITORS' REPORT

To the Members of
FINANCIAL SERVICES COMMISSION

Opinion

We have audited the financial statements of Financial Services Commission (Commission), set out on pages 124 to 162, which comprise the statement of financial position as at March 31, 2023, 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, 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
FINANCIAL SERVICES COMMISSION

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
FINANCIAL SERVICES COMMISSION

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (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.

A handwritten signature of 'KPMG' in blue ink, written in a cursive style.

Chartered Accountants
Kingston, Jamaica

July 31, 2023

FINANCIAL SERVICES COMMISSIONStatement of Financial Position
March 31, 2023

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and cash equivalents	4	169,205,075	161,139,719
Short term investments	5	644,170,490	487,214,602
Accounts receivable	6	246,879,271	211,426,707
Taxation recoverable	7	<u>1,303</u>	<u>14,170,635</u>
		<u>1,060,256,139</u>	<u>873,951,663</u>
CURRENT LIABILITIES			
Accounts payable	8	359,889,685	420,173,958
Deferred fees	3(j)	517,000,585	482,287,018
Current portion of lease liability	12(b)	<u>3,554,459</u>	<u>3,286,905</u>
		<u>880,444,729</u>	<u>905,747,881</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>179,811,410</u>	<u>(31,796,218)</u>
NON-CURRENT ASSETS			
Investments	9	1,981,086,440	2,050,458,811
Intangible assets	10	334,805	2,179,286
Property, plant and equipment	11	22,519,995	30,375,242
Right of use asset	12(a)	<u>90,599,350</u>	<u>91,211,829</u>
		<u>2,094,540,590</u>	<u>2,174,225,168</u>
		<u>\$2,274,352,000</u>	<u>2,142,428,950</u>
RESERVES	13	<u>2,154,703,507</u>	<u>2,029,626,115</u>
NON-CURRENT LIABILITY			
Lease liability	12(b)	<u>119,648,493</u>	<u>112,802,835</u>
		<u>\$2,274,352,000</u>	<u>2,142,428,950</u>

The financial statements on pages 124 to 162 were approved by the Board of Commissioners on July 31, 2023, and signed on its behalf by:



Richard Byles

Chairman of the Board



George Roper

Commissioner

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

FINANCIAL SERVICES COMMISSIONStatement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2023

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
INCOME			
Fees	3(j)	1,488,410,100	1,450,862,482
Interest income		154,625,568	122,427,838
Gain on disposal of property, plant and equipment		1,648,530	-
Foreign exchange (loss)/gain		(13,246,961)	48,149,272
Other	14	<u>6,354,568</u>	<u>12,646,655</u>
		<u>1,637,791,805</u>	<u>1,634,086,247</u>
EXPENSES			
Advertising		947,527	503,044
Appeal tribunal		4,039,116	4,792,877
Audit		5,845,250	2,145,490
Bank charges		590,171	547,949
Building maintenance		19,158,363	16,851,607
Commissioners' fees		1,598,203	1,134,107
Data security		14,222,268	12,527,323
Depreciation and amortisation	10,11	17,445,467	21,321,250
Depreciation on right of use assets	12(a)	4,999,063	3,902,417
Irrecoverable general consumption tax		25,605,839	21,799,395
Impairment (gain)/losses on investments	19(b)	(3,129,977)	998,556
Impairment losses on trade receivables, net of recoveries	6(a)	11,104,520	(1,874,243)
Interest on lease liabilities	12(c)	9,405,573	9,039,491
Motor vehicle and parking expenses		19,193,659	16,097,378
Office expenses		19,679,510	17,289,694
Printing and stationery		2,277,779	1,801,271
Professional fees		80,154,581	14,942,939
Public education		13,407,048	12,046,635
Staff cost	15	1,119,841,123	1,106,210,634
Subscriptions		32,541,003	30,798,224
Training and conferences		6,894,068	4,370,070
Utilities		<u>38,833,515</u>	<u>33,463,624</u>
		<u>1,444,653,665</u>	<u>1,330,709,732</u>
Depreciation in value of investments classified as fair value through profit or loss		<u>59,820,748</u>	<u>138,587,715</u>
Surplus for the year, being total comprehensive income for the year		<u>\$ 133,317,392</u>	<u>164,788,800</u>

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

FINANCIAL SERVICES COMMISSIONStatement of Changes in Reserves
Year ended March 31, 2023

	<u>General fund</u> (note 13)	<u>Capital reserve</u> (note 13)	<u>Total</u>
Balances at March 31, 2021	1,875,678,751	1,078,564	1,876,757,315
Surplus for the year, being total comprehensive income for the year	164,788,800	-	164,788,800
Financial distribution (note 23)	(11,920,000)	-	(11,920,000)
Balances at March 31, 2022	2,028,547,551	1,078,564	2,029,626,115
Surplus for the year, being total comprehensive income for the year	133,317,392	-	133,317,392
Financial distribution (note 23)	(8,240,000)	-	(8,240,000)
Balances at March 31, 2023	<u>\$2,153,624,943</u>	<u>1,078,564</u>	<u>2,154,703,507</u>

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

FINANCIAL SERVICES COMMISSIONStatement of Cash Flows
Year ended March 31, 2023

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus for the year		133,317,392	164,788,800
Adjustments for:			
Depreciation and amortisation	10,11	17,445,467	21,321,250
Depreciation on right of use assets	12(a)	4,999,063	3,902,417
Gain on disposal of property, plant and equipment		(1,648,530)	-
Impairment gain on investments		(3,129,977)	-
Exchange loss/(gain) on foreign currency balances		13,246,961	(48,149,272)
Depreciation in fair value of investments		59,820,748	138,587,715
Interest on lease liabilities	12(c)	9,405,573	9,039,491
Interest income		<u>(154,625,568)</u>	<u>(122,427,838)</u>
		78,831,129	167,062,563
(Increase)/decrease in current assets:			
Short-term investments		(153,825,911)	89,825,483
Accounts receivable		(8,064,094)	(11,667,517)
Taxation recoverable		14,169,332	(14,170,599)
Increase/(decrease) in current liabilities:			
Accounts payable		(60,284,273)	162,961,205
Deferred fees		<u>34,713,567</u>	<u>(6,953,030)</u>
Net cash (used)/ provided by operating activities		<u>(94,460,250)</u>	<u>387,058,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	11	(7,745,739)	(5,971,435)
Proceeds from sale of property, plant and equipment		1,648,530	-
Investments		(5,337,239)	(412,941,390)
Interest received		<u>127,237,095</u>	<u>93,744,843</u>
Net cash used/(provided) by investing activities		<u>115,802,647</u>	<u>(325,167,982)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease, net	12(d)	(6,678,942)	(4,000,000)
Financial distribution	23	<u>(8,240,000)</u>	<u>(11,920,000)</u>
Net cash used by financing activities		<u>(14,918,942)</u>	<u>(15,920,000)</u>
Net increase in cash and cash equivalents		6,423,455	45,970,123
Effect of exchange rate fluctuations on cash and cash equivalents		1,641,901	16,972,949
Cash and cash equivalents at beginning of the year		<u>161,139,719</u>	<u>98,196,647</u>
Cash and cash equivalents at end of the year		<u>\$169,205,075</u>	<u>161,139,719</u>

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements
March 31, 2023

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, 2023, the Commission had in its employment 157 (2022: 156) employees, out of a Board-approved establishment of 139 (2022: 139) employees.

2. Basis of preparation

- (a) Statement of compliance:

The financial statements as at and for the year ended March 31, 2023 (the reporting date) are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, as issued by the International Accounting Standards Board.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

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 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 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 an entity 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 an entity can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

Notes to the Financial Statements (Continued)
March 31, 2023

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* are effective for annual periods beginning on or after January 1, 2023, and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

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

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (continued)

Developing an accounting estimate includes both (continued):

- choosing the inputs to be used when applying the chosen measurement technique – e.g., the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

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, 2023 (reporting date), are prepared on the historical cost basis and are presented in Jamaica dollars (J\$), which is the functional currency of the Commission.

(c) Use of estimates and judgments:

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

2. Basis of preparation (continued)

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

(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.

Notes to the Financial Statements (Continued)
March 31, 2023

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.

Notes to the Financial Statements (Continued)
March 31, 2023

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 receivables 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 3(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.

Notes to the Financial Statements (Continued)
March 31, 2023

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

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.

Notes to the Financial Statements (Continued)
March 31, 2023

3. Significant accounting policies (continued)

(j) Fees: (continued)

Performance obligations and revenue recognition policies (continued):

iv. Trust and corporate services fees

Trust and Corporate Services Providers Act, 2017 (“TCSP Act”) was brought into force on April 25, 2022.

Application fees pursuant to the First Schedule of the TCSP Act for licensing of a corporate service provider, trust service provider, and trust and corporate service provider are payable on application for a licence. These fees are taken to income on receipt.

A licencing fee from corporate service providers, trust service providers, and trust and corporate services providers is recognised as income in the period to which they relate and is payable on the first grant of a licence as follows:

- a) Trust Service Provider licence - Five hundred thousand dollars (J\$500,000).
- b) Corporate Service Provider licence - Three hundred and fifty thousand dollars (J\$350,000).
- c) Trust and Corporate Service provider licence - Seven hundred thousand dollars (J\$700,000).

A registration fee from a principal representative of an applicant licensee is recognised as income in the period to which it relates and is payable on the grant of registration in the sum of one hundred and fifty thousand dollars (J\$150,000).

Under the First Schedule of the Trust and Corporate Services Providers Act, 2017 renewal fees are recognised as income in the period to which they relate as follows:

- a) Corporate Service Providers - Three hundred thousand dollars (J\$300,000).
- b) Trust Service Providers - Four hundred thousand dollars (J\$400,000).
- c) Trust and Corporate Services Providers - Six hundred thousand dollars (J\$600,000).
- d) Principal Representative - Fifty thousand dollars (J\$50,000).

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

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.

Notes to the Financial Statements (Continued)
March 31, 2023

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.

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.

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.

Notes to the Financial Statements (Continued)
March 31, 2023

3. Significant accounting policies (continued)

(l) Leases (continued):

As a lessee (continued)

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.

(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 accounts payable and deferred fees.

Notes to the Financial Statements (Continued)
March 31, 2023

3. Significant accounting policies (continued)

(n) Financial instruments (continued):

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

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

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

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

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

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

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.

Notes to the Financial Statements (Continued)
March 31, 2023

3. Significant accounting policies (continued)

(n) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

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.

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.

Notes to the Financial Statements (Continued)
March 31, 2023

3. Significant accounting policies (continued)

(n) Financial instruments (continued):

(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.

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.

Notes to the Financial Statements (Continued)
March 31, 2023

3. Significant accounting policies (continued)

(o) Related parties (continued):

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.

(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

	<u>2023</u>	<u>2022</u>
Current and saving accounts	169,169,120	161,103,764
Petty cash	<u>35,955</u>	<u>35,955</u>
	<u>\$169,205,075</u>	<u>161,139,719</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

5. Short-term investments

	<u>2023</u>	<u>2022</u>
Securities purchased under resale agreement (i)	<u>3,419,561</u>	<u>372,214,602</u>
Designated FVTPL:		
Bonds (ii)	226,164,397	-
Certificate of deposit (iii)	<u>414,586,532</u>	<u>115,000,000</u>
	<u>640,750,929</u>	<u>115,000,000</u>
	<u>\$644,170,490</u>	<u>487,214,602</u>

- (i) Securities purchased under resale agreements are shown net of expected credit losses of Nil (2022: \$3,129,977) [see note 19(b)(i)].

The interest rates on resale agreements ranges between 3.5% -7.0% (2022: 3.5% - 4.2%) for Jamaica dollars and 3.4% - 4.0% (2022:2.5%-3.75%) for US dollars as at the year-end. The market value of the underlying securities as at March 31, 2023, was approximately J\$3,419,561 (2021: J\$312,228,659) and Nil (2022: US \$412,981).

- (ii) This represents two Bonds, a USD indexed bond and Jamaica dollar bond, which earn interest of 2.8% to 3.00% per annum (2022: Nil).
- (iii) Certificate of deposits are denominated in Jamaica dollar and earn interest of 2.80% to 7.50% per annum (2022: 2.20% to 4.65% per annum).

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

6. Accounts receivable

	<u>2023</u>	<u>2022</u>
Trade receivables	154,889,598	117,268,066
Less: Allowance for impairment (a)	<u>(12,562,232)</u>	<u>(1,457,712)</u>
	142,327,366	115,810,354
Prepayments and deposits (b)	47,401,262	53,194,609
Other receivables (c)	17,397,293	13,738,749
Interest receivable	<u>39,753,350</u>	<u>28,682,995</u>
	<u>\$246,879,271</u>	<u>211,426,707</u>

- (a) Under the ECL model, the Commission uses 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)]

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

6. Accounts receivable (continued)

(a) (Continued)

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

	<u>2023</u>	<u>2022</u>
Balance at April 1	1,457,712	3,331,955
Impairment losses expensed/(recovered)	<u>11,104,520</u>	<u>(1,874,243)</u>
Balance at March 31	<u>\$12,562,232</u>	<u>1,457,712</u>

(b) Prepayments and deposits comprise the following:

	<u>2023</u>	<u>2022</u>
International membership fees	-	7,695,108
Business process consulting	-	6,024,945
IT hardware & software maintenance	46,725,772	37,731,695
Other	<u>675,490</u>	<u>1,742,861</u>
	<u>\$47,401,262</u>	<u>53,194,609</u>

(c) Included in other receivables is an amount of \$12.74 million (2022: \$11.63 million) for staff loans from a staff loan facility approved by the Commission in the 2018/2019 financial year.

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 the bank on interest income earned on balances held in the USD savings account.

8. Accounts payable

	<u>2023</u>	<u>2022</u>
Trade payables	67,657,671	101,630,294
Other payables	5,332,907	5,695,318
Employee benefits –accrued vacation, gratuities and salary (i)	<u>286,899,107</u>	<u>312,848,346</u>
	<u>\$359,889,685</u>	<u>420,173,958</u>

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

Notes to the Financial Statements (Continued)
March 31, 2023

8. Accounts payable (continued)

(i) Included in employee benefits are the following :

(a) A provision of \$84,579,988 (2022: \$63,911,013) which represents a 10% performance incentive payable to staff for the reporting year end.

(b) A 5% salary increase for the implementation of the Job reclassification exercise (2022: 4% increase in staff cost for the 2021/2022 financial year and an additional 10% provision for salary increase) and a provision for taxes related to Motor vehicle allowance which will become taxable effective April 1, 2022, along with the Job reclassification exercise for the restructuring of compensation in the Public Sector.

These provisions amounted to \$122,353,121 (2022: 172,674,830) as at the reporting year end.

9. Investments

	<u>2023</u>	<u>2022</u>
Designated FVTPL:		
Government of Jamaica Securities:		
J\$ local bonds	203,151,961	720,675,706
US\$ denominated local bonds	<u>671,698,277</u>	<u>734,261,040</u>
	874,850,238	1,454,936,746
Certificate of deposit	648,424,514	135,283,000
Fixed Rate Notes	<u>457,811,688</u>	<u>460,239,065</u>
	<u>\$1,981,086,440</u>	<u>2,050,458,811</u>

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

	<u>2023</u>	<u>2022</u>
1 year to 5 years	743,668,078	745,937,229
Over 5 years	<u>1,237,418,362</u>	<u>1,304,521,582</u>
	<u>\$1,981,086,440</u>	<u>2,050,458,811</u>

10. Intangible assets

These represent software cost capitalized as follows:

	<u>2023</u>	<u>2022</u>
Cost:		
At beginning and end of year	<u>89,736,692</u>	<u>89,736,692</u>
Amortisation:		
At beginning of year	87,557,406	84,532,097
Charge for the year	<u>1,844,481</u>	<u>3,025,309</u>
At end of year	<u>89,401,887</u>	<u>87,557,406</u>
Net book value	<u>\$ 334,805</u>	<u>2,179,286</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

11. Property, plant and equipment

	Motor vehicles	Office furniture, equipment and leasehold improvements	Computer equipment	Total
At cost:				
March 31, 2021	13,707,961	161,740,131	87,598,882	263,046,974
Additions	<u>-</u>	<u>1,743,055</u>	<u>4,228,380</u>	<u>5,971,435</u>
March 31, 2022	13,707,961	163,483,186	91,827,262	269,018,409
Additions	566,000	7,145,149	34,590	7,745,739
Disposal	<u>(6,224,654)</u>	<u>-</u>	<u>-</u>	<u>(6,224,654)</u>
March 31, 2023	<u>8,049,307</u>	<u>170,628,335</u>	<u>91,861,852</u>	<u>270,539,494</u>
Depreciation:				
March 31, 2021	8,531,624	141,192,429	70,623,173	220,347,226
Charge for year	<u>2,412,792</u>	<u>5,535,987</u>	<u>10,347,162</u>	<u>18,295,941</u>
March 31, 2022	10,944,416	146,728,416	80,970,335	238,643,167
Charge for year	1,865,793	6,757,621	6,977,572	15,600,986
Eliminated on disposal	<u>(6,224,654)</u>	<u>-</u>	<u>-</u>	<u>(6,224,654)</u>
March 31, 2023	<u>6,858,555</u>	<u>153,486,037</u>	<u>87,947,907</u>	<u>248,019,499</u>
Net book values:				
March 31, 2023	<u>\$ 1,463,752</u>	<u>17,142,298</u>	<u>3,913,945</u>	<u>22,519,995</u>
March 31, 2022	<u>\$ 2,763,545</u>	<u>16,754,770</u>	<u>10,856,927</u>	<u>30,375,242</u>

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

12. Lease

The Commission leases property and equipment. The lease includes 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 asset:

	<u>2023</u>	<u>2022</u>
Balance at 1 April	91,211,829	95,114,246
Addition	4,386,584	-
Depreciation charge for the year	<u>(4,999,063)</u>	<u>(3,902,417)</u>
Balance as at 31 March	<u>\$90,599,350</u>	<u>91,211,829</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

12. Lease (continued)

(b) Lease liability:

Maturities analysis- contractual undiscounted cash flows:

	<u>2023</u>	<u>2022</u>
Less than one year	7,483,055	6,000,000
One to five years	42,224,583	36,000,000
Six to ten years	56,000,000	54,000,000
Over ten years	<u>204,000,000</u>	<u>216,000,000</u>
Total undiscounted lease liabilities at 31 March	309,707,638	312,000,000
Less: Discount	<u>(186,504,686)</u>	<u>(195,910,260)</u>
	<u>\$123,202,952</u>	<u>116,089,740</u>
Lease liability included in the statement of financial position at 31 March		
Current	3,554,459	3,286,905
Non-current	<u>119,648,493</u>	<u>112,802,835</u>
	<u>\$123,202,952</u>	<u>116,089,740</u>

(c) Amount recognised in profit or loss:

	<u>2023</u>	<u>2022</u>
Interest on lease liability	9,405,573	9,039,491
Amortisation of right of use asset	<u>\$4,999,063</u>	<u>3,902,417</u>

(d) Amount recognised in the statement of cashflows:

	<u>2023</u>	<u>2022</u>
Total cash outflow for lease	<u>\$(6,678,946)</u>	<u>(4,000,000)</u>

13. Reserves

	<u>2023</u>	<u>2022</u>
General Fund (i)	2,153,624,943	2,028,547,551
Capital reserve (ii)	<u>1,078,564</u>	<u>1,078,564</u>
	<u>\$2,154,703,507</u>	<u>2,029,626,115</u>

(i) General Fund represents net accumulated surplus.

(ii) Capital reserve represents property, plant and equipment, valued at \$1,078,564, taken over from the Securities Commission at the commencement of operations (note 1). These assets were donated by the United States Agency for International Development through the Ministry of Finance for use by the Commission.

Notes to the Financial Statements (Continued)
March 31, 2023

14. Other income

Other income materially represents \$4.24 million (2022: Nil) received for award granted on legal cases; \$1.87 million (2022: Nil) for refund of withholding tax of interest and Nil (2022: \$12.5million) received for IDB project funding.

15. Staff costs

	<u>2023</u>	<u>2022</u>
Salaries, wages and related costs (i)	995,447,647	938,722,898
Payroll statutory costs	68,201,736	68,208,980
Gratuity	32,804,085	49,608,038
Pension (note 17)	22,045,059	48,142,781
Motor vehicle loan subsidy (ii)	<u>1,342,596</u>	<u>1,527,937</u>
	<u>\$1,119,841,123</u>	<u>1,106,210,634</u>

(i) Included in salaries, wages and related costs are the following:

- (a) A provision of \$84,579,988 (2022: \$63,911,013) which represents the 10% performance incentive payable to staff for the reporting year end.
- (b) A 5% salary increase for the implementation of the Job reclassification exercise (2022: 4% increase in staff cost for the 2021/2022 financial year and an additional 10% provision for salary increase) and a provision for taxes related to Motor vehicle allowance which will become taxable effective April 1, 2022, along with the Job reclassification exercise for the restructuring of compensation in the Public Sector.

These provisions amounted to \$122,353,121 (2022: 172,674,830) as at the reporting year end.

- (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% (2022: 3%) per annum and the Commission will provide a subsidy of the difference between the 3% (2022: 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 \$2.57 million (2022: \$2.98 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.

Notes to the Financial Statements (Continued)
March 31, 2023

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 \$22,045,059 (2022: \$48,142,781).

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, 2023, were valued at approximately \$0.974 billion (2022: \$1.04 billion).

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

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 personnel have 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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

19. Financial instruments (continued)

(b) Financial risk management (continued):

(i) Credit risk (continued):

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.

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

	<u>2023</u>			
	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u> \$	<u>Loss allowance</u> \$	<u>Credit impaired</u>
Current (not past due)	0.4%	133,330,905	547,982	No
31-60 past	1.6%	5,984,620	107,838	No
61-90 days	2.9%	3,637,273	106,530	No
91-120 days	5.8%	11,784,632	11,685,790	No
121-150 days	10.3%	112,000	101,931	No
151-180 days	16.4%	33,491	5,484	No
181-210 days	-	-	-	No
211-240 days	-	-	-	No
241-270 days	-	-	-	No
271-300 days	-	-	-	No
301-330 days	-	-	-	No
331-360 days	-	-	-	No
Over 360 days	100%	<u>6,677</u>	<u>6,677</u>	Yes
		<u>154,889,598</u>	<u>12,562,232</u>	

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

19. Financial instruments (continued)

(b) Financial risk management (continued):

(i) Credit risk (continued):

Trade receivables (continued)

	2022			
	Weighted average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		\$	\$	
Current (not past due)	1.4%	108,463,785	870,654	No
31-60 past	4.8%	4,695,930	158,836	No
61-90 days	8.5%	3,147,092	180,969	No
91-120 days	13.2%	304,408	34,263	No
121-150 days	20.6%	218,600	39,102	No
151-180 days	28.2%	187,600	45,482	No
181-210 days	34.6%	164,200	52,406	No
211-240 days	43.4%	12,400	5,473	No
241-270 days	49.8%	1,800	984	No
271-300 days	66.6%	10,400	7,908	No
301-330 days	79.8%	2,000	1,784	No
331-360 days	100%	12,400	12,400	No
Over 360 days	100%	47,451	47,451	Yes
		<u>117,268,066</u>	<u>1,457,712</u>	

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, 2023, and 2022.

Cash and cash equivalents, securities purchased under resale agreements

Cash and cash equivalents and securities purchased under resale agreements are managed by the Commission's Finance Investment and Procurement Division 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, 2023 and 2022.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

19. Financial instruments (continued)

(b) Financial risk management (continued):

(i) Credit risk (continued):

Expected credit loss assessment for securities purchased under resale agreements

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

	<u>12-month ECL</u>	
	<u>2023</u> Stage 1	<u>2022</u> Stage 1
Gross carrying amount (note 5)	3,419,561	375,344,579
Less: impairment allowance	<u>-</u>	<u>(3,129,977)</u>
	<u>\$3,419,561</u>	<u>372,214,602</u>

The impairment allowance recognised is analysed as follows:

	<u>2023</u>	<u>2022</u>
Balance at April 1	3,129,977	2,131,421
(Recovered)/recognise during the period	<u>(3,129,977)</u>	<u>998,556</u>
Balance at March 31,	<u>\$ -</u>	<u>3,129,977</u>

(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.

Notes to the Financial Statements (Continued)
March 31, 2023

19. Financial instruments (continued)

(b) Financial risk management (continued):

(iii) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and equity prices will affect the value of the Commission's assets, the amounts of its liabilities and/or the Commission's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable levels. At the reporting date, the Commission did not have any exposure to equity price risk.

• Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Liquid assets are held for the short term and, accordingly, would substantially reflect prevailing interest rates in the financial markets.

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

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

	<u>2023</u>	<u>2022</u>
	\$	\$
Fixed rate instruments (J\$)	1,056,784,722	928,936,791
Fixed rate instruments (US\$)	<u>584,459,400</u>	<u>609,033,827</u>

Fair value sensitivity analysis for fixed rate instruments:

An increase/decrease of 50 (2022: 300) basis points in interest rates on J\$ denominated instruments would have decreased/increased surplus for the year by \$5,283,931 (2022: \$27,868,103).

An increase/decrease of 50 (2022: 50) basis points in interest rates on US\$ denominated instruments would have decreased/increase surplus for the year by \$2,922,297 (2022: \$3,045,169).

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 2022.

• Foreign currency risk:

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

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

19. Financial instruments (continued)

(b) Financial risk management (continued):

(iii) Market risk (continued):

• Foreign currency risk (continued):

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

	<u>2023</u> US\$	<u>2022</u> US\$
Foreign currency assets:		
Cash and cash-equivalents	535,314	110,121
Securities purchased under resale agreements	-	412,981
Investments	<u>4,691,000</u>	<u>4,691,000</u>
	<u>5,226,314</u>	<u>5,214,102</u>

The exchange rate for US\$1, in terms of Jamaica dollars, at the reporting date, was \$151.56 (2022: \$154.13).

Sensitivity analysis

A 4% (2022: 8%) strengthening of the United States dollar against the Jamaica dollar would have increased surplus for the year by \$31,684,006 (2022: \$64,291,963). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 1% (2022: 2%) weakening of the United States dollar, would have decreased surplus for the year by \$7,921,001 (2022: \$16,072,990).

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.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2023

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

<u>Financial instrument</u>	<u>Method</u>
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 and cash equivalents, resale agreements and accounts receivable and accounts payable.	Assumed to approximate their carrying values, due to their short-term nature.

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

- Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

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

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 202320. 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.

		2023					
		Carrying amount		Fair value			
<u>Notes</u>	Fair value through <u>profit and loss</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
	\$	\$	\$	\$	\$	\$	
Financial assets measured at fair value:							
Investments	5, 9	<u>2,621,837,369</u>	<u>2,621,837,369</u>	-	<u>2,621,837,369</u>	-	<u>2,621,837,369</u>
		2022					
		Carrying amount		Fair value			
<u>Notes</u>	Fair value through <u>profit and loss</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
	\$	\$	\$	\$	\$	\$	
Financial assets measured at fair value:							
Investments	9	<u>2,050,458,811</u>	<u>2,050,458,811</u>	-	<u>2,050,458,811</u>	-	<u>2,050,458,811</u>

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)
March 31, 2022

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, 2023, there were 7 (2022: four) litigation proceedings for which legal fees of approximately \$21,580,175 (2022: \$20,144,784) 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:

	<u>2023</u>	<u>2022</u>
	\$	\$
		*Restated
Accounts payable:		
Employee benefits – other key management	<u>7,687,706</u>	<u>11,76,738</u>

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

	<u>2023</u>	<u>2022</u>
	\$	\$
		*Restated
Key Management personnel compensation:		
Commissioners' fees	1,598,203	1,134,107
Salaries and related costs	57,691,640	53,898,558
Gratuity	16,457,757	5,129,452
Pension contributions	<u>828,757</u>	<u>675,243</u>

* The prior year amount of \$164 million has been reclassified to reflect the current year presentation of the Board of Commissioners and the Commission's most Senior Executives.

FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 202223. Allocation to the Government of Jamaica Consolidated Fund

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

As at the reporting date, the Commission upon request from the Ministry of Finance and Planning remitted \$8,240,000 (2022: \$11,920,000) to the Accountant General's Department.

