



# ANNUAL REPORT 2021- 2022



July 31, 2022

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

Dear Minister Clarke:

In accordance with section 13(1) of the Financial Services Commission Act, 2001, we hereby submit to you, the Annual Report of the Financial Services Commission (FSC) for the Financial Year 2021/2022 and a copy of the FSC's Financial Statements for the year ended March 31, 2022, duly certified by its Auditors.

Sincerely,



Everton McFarlane  
Executive Director

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# GLOSSARY

<b>AML</b>	Anti-Money Laundering
<b>BOJ</b>	Bank of Jamaica
<b>CAIR</b>	Caribbean Association of Insurance Regulators
<b>CAPS</b>	Caribbean Association of Pension Supervisors
<b>CAR</b>	Capital Adequacy Ratio
<b>CEO</b>	Chief Executive Officer
<b>CIMA</b>	Cayman Islands Monetary Authority
<b>CIS</b>	Collective Investment Scheme
<b>CFT</b>	Counter Financing of Terrorism
<b>CPF</b>	Counter-Proliferation Financing
<b>DB</b>	Defined Benefit
<b>DC</b>	Defined Contribution
<b>ERM</b>	Enterprise Risk Management
<b>FATF</b>	Financial Action Task Force
<b>FSC</b>	Financial Services Commission
<b>FUM</b>	Funds Under Management
<b>GDP</b>	Gross Domestic Product
<b>GOJ</b>	Government of Jamaica
<b>GPW</b>	Gross Premiums Written
<b>IARM</b>	Internal Audit and Risk Management Division
<b>IMF</b>	International Monetary Fund
<b>IFRS</b>	International Financial Reporting Standards
<b>IOPS</b>	International Organisation of Pension Supervisors
<b>IOSCO</b>	International Organization of Securities Commissions
<b>JCSD</b>	Jamaica Central Securities Depository
<b>JDIC</b>	Jamaica Deposit Insurance Corporation
<b>JSE</b>	Jamaica Stock Exchange
<b>MCCSR</b>	Minimum Continuing Capital and Surplus Requirement
<b>MCT</b>	Minimum Capital Test
<b>MOFPS</b>	Ministry of Finance and Public Service
<b>PBMAA</b>	Public Bodies Management and Accountability Act
<b>PIAJ</b>	Pension Industry Association of Jamaica
<b>RBS</b>	Risk-Based Supervision
<b>SFEP</b>	Schools' Financial Education Programme
<b>TC</b>	Toronto Centre
<b>USD</b>	United States Dollars
<b>WIW</b>	World Investor Week

# 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.



# ORGANIZATIONAL OVERVIEW

## OUR STRATEGIC PRIORITIES

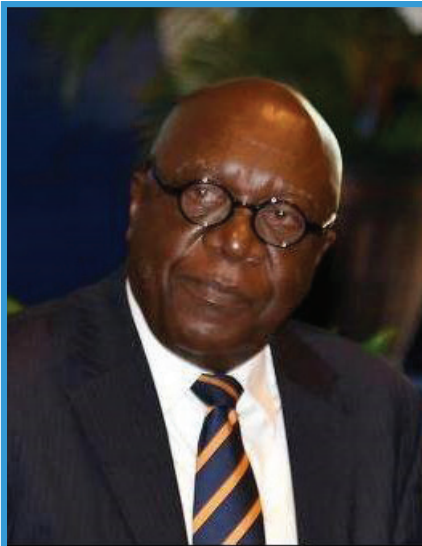
01 Establish and maintain a proactive, and responsive regulatory and supervisory frameworks for industries regulated by the FSC, to ensure stability and promote sound financial sector development and modernization.

02 Facilitate delivery of financial education to the public and provide licensees and registrants and prospective applicants with information pertaining to the regulated industries, and the general work of the FSC.

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

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

# BOARD OF COMMISSIONERS<sup>1</sup>



**MR JOHN ROBINSON,  
CD, JP, CHAIRMAN**

## **MR JOHN ROBINSON, CD, JP, CHAIRMAN**

John Robinson, CD JP, is a retired Central Bank executive with 36 years of experience in the analysis and application of monetary policy, oversight of financial markets, surveillance of financial sector stability, corporate strategy, and administration.

As Senior Deputy Governor until September 2020, he served as Deputy Chairman of the Bank of Jamaica Board of Directors and a Trustee of the Bank's Pension Fund. He was a member of all policy-making committees - Management, Supervisory, Economic Policy, Financial Stability Committees - with portfolio responsibility for Economic Research and Policy; Banking and Market Operations; Financial Stability and Strategic Planning.

Mr Robinson holds a BA in Economics & Market Research from Concordia University in Montreal, Canada and a Master of International Affairs (MIA) in Economic Policy Management from Columbia University in New York.



**MR. LANGSTON R.M. SIBBLIES,  
KC, JP, NOTARY PUBLIC,  
DEPUTY CHAIRMAN**

## **MR. LANGSTON R.M. SIBBLIES, KC, JP, NOTARY PUBLIC, DEPUTY CHAIRMAN**

Mr. Sibblies is a senior lawyer with extensive background in financial regulatory laws and expertise in international standards on anti-money laundering and combatting the financing of terrorism (AML/CFT). He also has substantial experience in administrative law and policy development. First called to the Bar in 1975 in Jamaica, Mr Sibblies has practised law and worked in several jurisdictions, regionally and in Ontario, Canada. He was also called to Bar in Grenada (1983), Ontario, Canada (1990), the British Virgin Islands (1997) and the Cayman Islands (1999) and was later appointed Queen's Counsel in the Cayman Islands in 2009. Mr Sibblies holds Cayman Islands status and is a national of Jamaica, Canada, and the United Kingdom (UK).

He joined the Cayman Islands Monetary Authority (CIMA) in 2000 as its first fulltime Legal Adviser and was subsequently appointed General Counsel - Deputy Managing Director in 2008. He retired from that position in 2019.

<sup>1</sup> Except for the Executive Director, who is an ex officio member, the Board of Commissioners are appointed by the Minister for a term not exceeding five years. The Board of Commissioners were appointed on July 26, 2021.

## BOARD OF COMMISSIONERS

Immediately prior to joining CIMA, Mr. Sibblies served as the Executive Director of the Secretariat in the Cayman Islands Ministry of Finance dealing with various international initiatives impacting the Cayman Islands. In that capacity and subsequently as CIMA's General Counsel, he represented the Cayman Islands and CIMA in various high-level meetings with the Organisation for Economic Co-operation and Development, International Monetary Fund, Financial Stability Board, International Organization of Securities Commissions, Caribbean Financial Action Task Force and Financial Action Task Force (FATF). He has delivered varying comprehensive papers relating to the regulation of the Cayman Islands financial industry at several local and international fora.

During his tenure with CIMA, Mr Sibblies was engaged in the negotiation of several memoranda of understanding with leading financial regulators in the USA, UK, France, Germany, Italy, Ireland, Japan and China, among others. He also served as a member of the Cayman Islands Tax Information Exchange Negotiation Team when he was involved in the negotiation of several Tax Information Exchange Agreements with other countries. In this capacity, he attended meetings of the Global Forum on Tax Transparency in Paris and Mexico on behalf of the Cayman Islands Government.

In addition to his work with the Ministry of Finance and CIMA, Mr Sibblies also served as a member and Chairman of the Cayman Islands Law Reform Commission (2004 - 2010) and is currently a member of the Cayman Islands Judicial and Legal Services Commission. In his recent assignment as an external consultant to CIMA, he assisted in the development of responses as it relates to the financial assessment of the Cayman Islands by the FATF's International Cooperation Review Group. This assignment ended in late February 2021. Mr Sibblies was appointed a Commissioner of the Financial Services Commission of Jamaica in late August 2021.

## BOARD OF COMMISSIONERS



**MRS HILLARY ANN  
ROBERTSON  
COMMISSIONER**

### **MRS HILLARY ANN ROBERTSON**

Mrs Hillary Ann Robertson is a Senior Director at the Bank of Jamaica with over 30 years' experience in the areas of monetary economic policy and economic programming. She is currently on secondment to the Ministry of Finance and the Public Service as Senior Technical Advisor to the Minister. Mrs Robertson is a graduate of the University of the West Indies, Mona and holds Bachelor's and Master's Degrees in Economics.



**MR DENNIS BROWN,  
FCCA., FCA., MBA.  
COMMISSIONER**

### **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), which 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 Inter-governmental 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

## BOARD OF COMMISSIONERS

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 the Caribbean Corporate Governance Institute (CCGI), a company incorporated in Trinidad and Tobago that promotes corporate governance throughout the Caribbean. He was a director and Audit Committee Chair of Key Insurance Company Limited and Chairman of the 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.



**MS MONICA BROWN, JP  
COMMISSIONER**

### **MS MONICA BROWN JP**

Ms Monica Brown is a qualified Banker who started her career at the Bank of Jamaica (BOJ) in 1973 and served in several capacities, up to the level of Director. In 2010 she was seconded to the Students' Loan Bureau (SLB) in the capacity of Executive Director and remained in that position until her retirement in August 2020.

Under Ms Brown's leadership, the SLB was successful in improving the overall funding available for lending, thus resulting in less reliance on borrowed funds to finance student loans. This enabled an annual increase in the number of students benefitting from loans to pursue tertiary level studies, which ultimately serves to improve their social and economic mobility.

## BOARD OF COMMISSIONERS

During her tenure at the BOJ, she served in several departments including Banking, Foreign Exchange Management and the Financial Institutions Supervisory Division where she was able to hone and develop her technical, regulatory and managerial skills.

As a Director and Department Head at the BOJ, Ms Brown was responsible for the monitoring and supervision of several deposit taking financial institutions, including commercial banks, merchant banks and building societies, to ensure their compliance with regulatory requirements so as to protect depositors.

She also played an integral role in the development of regulations that would serve to govern the credit union sector on the assumption of oversight responsibility by the Central Bank.

She is a graduate of the University of the West Indies where she earned a BSc degree in Economics and Management and is an Associate member of the Chartered Institute of Bankers (ACIB), London. She also holds a Master's degree in Business Administration

Throughout her career, Ms Brown participated in a number of local and overseas conferences, meetings and seminars/workshops, which along with her academic training and experience, have contributed greatly to the development of her leadership and management skills.

In her leisure time, she enjoys reading, watching sports, giving back to the community and keeping abreast of current affairs.

## BOARD OF COMMISSIONERS



**MR. ERWIN BURTON,  
BSC., MSC., J.P.  
COMMISSIONER**

### **MR. ERWIN BURTON, BSC., MSC., J.P.**

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



**MS KENISHA DAVIS,  
COMMISSIONER**

### **MS KENISHA DAVIS, COMMISSIONER**

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 the St. Andrew High School for Girls.

## BOARD OF COMMISSIONERS



**MR EVERTON MCFARLANE  
COMMISSIONER**

### **MR EVERTON MCFARLANE**

Mr Everton McFarlane was appointed Executive Director, effective August 2, 2017. Mr McFarlane leads the Executive Management Team in executing the FSC’s mandate to deliver a balanced, consistent, and effective regulatory programme that will inspire confidence in Jamaica’s financial system.

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

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

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

## BOARD OF COMMISSIONERS



**MR CHRISTOPHER RECKORD  
JP, COMMISSIONER**

**MR CHRISTOPHER RECKORD JP** Christopher Reckord the Chief Executive Officer and board member for leading information technology support organisation tTech Limited – Jamaica’s only pure play IT Outsourcing & Managed Services provider. He was a Founder and Former CEO of computer value-added reseller Innovative Corporate Solutions. His North American experience came from time spent at Adjoined Consulting in Miami, Florida where he held a number of roles the last one being Director of IT. Prior to moving to the USA, he was part owner and Director at Innovative Systems Limited, Jamaica. Chris has over thirty-three (33) years of experience in the Information Technology and is a regular speaker on Technology, Cybersecurity and Digital Transformation. Chris prides himself as being a lifelong learner.

Chris is a member of the Private Sector Organization of Jamaica (PSOJ), he sits on the council and serves as Chairman of their Innovation & Digital Transformation. Chris is a member of the Jamaica Computer Society, where he sits on the council. He was director and one of the founding members of the Jamaica Information Technology & Services Alliance (JITSA) which is a working group representing over 30 local and international information technology (IT) service providers, software developers and IT consultancy and advisory service companies. Its mission is captured in its tagline, “Making IT work”.

For public service, Chris Reckord has served as a Board Member of the eLearning Jamaica Company since 2008; he served as Chairman from 2016 to 2020. Chris serves as board member of the Betting, Gaming & Lotteries Commission (BGLC) from 2016, he is also a member of the Ministry of Tourism’s Gastronomy Network Committee.

His other passion is the world of wine and Wine Education. This led him to form his own wine club which saw members starting Jamaica’s first wine only bar - Bin 26 Wine Bar in Devon House. Chris currently writes a weekly column in the Jamaica Observer Thursday Life section on Wines. Chris is happily married to Kerri-Anne and they have two beautiful daughters.

# CHAIRMAN'S MESSAGE



As Chairman of the Financial Services Commission (FSC), I am pleased to present to you, our stakeholders, the FSC's Annual Report (including our Audited Financial Statements) for the financial year ended March 31, 2022.

This report covers an operating period characterized by continuing socioeconomic challenges arising from the COVID-19 pandemic, which were further compounded during the January - March 2022 quarter by global disruptions triggered by the war in Ukraine. The socioeconomic effects attendant in this challenging environment affected the FSC as an organization, our staff at an individual level, and our various licensees, registrants and stakeholders. For our licensees and registrants in particular, changes in inflation and asset prices would have required active management and attention.

However, I am pleased to report that our regulated financial institutions, on the whole, remained resilient and sound. This report provides some interesting details on sectoral performance, but of note:

- a. The profitability of the securities dealers increased by 38.3 per cent for the year December 31, 2021, after falling by 52.2 per cent in the previous year.
- b. Net income for general insurers rose by 30 per cent in 2021, representing a notable reversal of the 37.5 per cent decline in 2020.
- c. Capital adequacy ratios remained high above the minimum requirements for both life and general insurers.
- d. Funds under management (FUM) - essentially the wealth of our investors combined, including pensioners - grew by 8.4 per cent in 2021 compared to a decline of 1.1 per cent in 2020

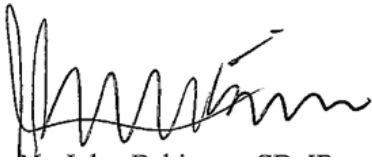
Notwithstanding, as an organization, we are not resting on our laurels. We are acutely aware that the regulatory and supervisory framework must continually evolve and adapt, whilst remaining effective in its impact and efficient in its administration. To this end, the FSC is advancing the following activities:

- i. Implementation of a Risk-Based Supervisory (RBS) methodology, to include more effective consolidated and conglomerate supervision.
- ii. Continued enhancement and refinement of prudential standards for both the General and Life Insurance Industries, and as well, for the Securities Industry.
- iii. The strengthening of minimum requirement for risk management practices.
- iv. Organizational change initiatives to improve our operational productivity and efficiency in service delivery.

## CHAIRMAN'S MESSAGE

On behalf of the Board, I extend my appreciation to the staff of FSC, all the financial service providers within the non-deposit-taking sector, fellow regulators within Jamaica and the Caribbean for the collective endeavour to build Jamaica's financial and capital markets while maintaining stability, fostering inclusiveness, safeguarding Jamaica's reputation and the users of financial services here in Jamaica, and across the wider Caribbean. We have made good progress. Long may the good work continue.

May God bless you all.

A handwritten signature in black ink, appearing to read 'John Robinson', written over a horizontal dashed line.

Mr. John Robinson CD, JP  
Chairman

# BOARD OF COMMISSIONERS' REPORT

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

## (i) OPERATIONAL REVIEW

Throughout the review year, the FSC's operations were conducted against a broader socioeconomic context which continued to be significantly influenced by the impact of the COVID-19 pandemic on the domestic economy, and on global finance and trade. The Work from Home (WFH) arrangements for most employees continued, in order to continue to comply with Government guidelines regarding social distancing and pandemic control measures. Notwithstanding, the FSC's regulatory and supervisory agenda continued to be implemented and our initial assessments are that the organization's strategic objectives were largely met. Notable achievements including in the following areas:

### Supervisory

- i. Routine, regular prudential supervision to identify and monitor risks affecting the financial health and soundness of the regulated entities through various on-site examinations in addition to daily, weekly, monthly, quarterly and annual desk-based reviews for all three regulated sectors. Furthermore, review of eleven (11) Reinsurance Treaty Programmes were completed for the general insurance companies
- ii. Supervision and examinations of regulated entities pursuant to the anti-money laundering, counterfinancing of terrorism and counter proliferation financing (AML/CFT/CPF) legal and regulatory framework

- iii. Investigations into potential violations of regulated entities and persons. In addition, the FSC received, responded to and actioned requests for information, complaints, referrals and queries
- iv. Collaboration and dialogue with other regulatory agencies (the BOJ and the Jamaica Deposit Insurance Corporation (JDIC)) on several issues such as emerging risks, stress testing, policy and legislative developments.
- v. The FSC had its routine meetings with other critical stakeholders such as the industries' associations – namely the Jamaica Securities Dealers (JSDA), the Insurance Association of Jamaica (IAJ), and the Pension Fund Association of Jamaica, (PFAJ);
- vi. The FY2021-2022 saw the culmination of the three-year project to develop and establish a risk-based supervision (RBS) framework at the FSC. This RBS methodology will allow the FSC to ensure that:

- a. the monitoring of its registrants and licensees is based on the specific risks identified,
- b. supervisory activities and requirements are commensurate with the risk profile of each regulated entity, and
- c. supervisory interventions and actions are appropriate and timely.

Several pilot examinations across the three regulated sectors were done with the assistance of the Toronto Centre. These pilots assisted us in garnering experience in focusing on key significant activities and assessing the relevant inherent risks. The FSC will fully commence the full adoption of the RBS framework effective April 1, 2022

# BOARD OF COMMISSIONERS' REPORT

## Regulatory

vii. Review of successive drafts of the legislative amendments to the relevant legislation that will:

- a. Require insurance companies and pension plans to improve their risk management practices.
- b. Enable the FSC to more comprehensively conduct group-wide supervision.
- c. Revise the Minimum Capital Test (MCT) for general insurance companies
- d. Modify the permitted and allowable range for investments by insurance companies; and
- e. Strengthen the market conduct standards for insurance companies to improve policyholders' protection and the level of financial inclusion.

viii. Implementation of new/revised accounting standards. The International Accounting Standards Board amendments to International Financial Reporting Standards (IFRS) 17 will take effect for annual periods beginning on or after January 1, 2023. Accordingly, the FSC continued to assign considerable time and resources to enable Jamaica and its insurance companies to be compliant with the new insurance contract measurement and disclosure standard. Proposals for the amendment of the insurance legislation in relation to changes in IFRS 17 were drafted.

ix. Continuation of key public education initiatives by (a) engaging the public via social media, and (b) staging the annual event Schools' Financial Education Programme (SFEP).

x. 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:

- a. Registration of 162 securities under the exempt distribution regime,
- b. Registration of 9 prospectus-based public offers for the listing of companies on the Jamaica Stock Exchange, and
- c. Registration of 11 offering documents for the sale of CIS funds.

# BOARD OF COMMISSIONERS' REPORT

## ii. FINANCIAL REVIEW

The 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, 2022, based on International Financial Reporting Standards (IFRS). Highlights of the income and expenditure items are presented in the charts below.

**CHART 1: HIGHLIGHTS OF THE INCOME AND EXPENDITURE ITEMS, FY2021 - 2022 & FY2020-2021**

	2021 - 2022	2020 - 2021
	\$' 000	\$' 000
<b>Total Revenue</b>	1,634,086	1,466,476
<b>Of Which</b>		
<b>Fees</b>	1,450,862	1,362,143
<b>Interest Income</b>	122,428	61,827
<b>Loss on disposal of Property Plant &amp; Equipment</b>	-	(286)
<b>Recognized Gains on Investments</b>	-	26,148
<b>Foreign exchange gain</b>	48,149	15,424
<b>Other</b>	12,647	1,221
<b>Total Expenses</b>	1,330,710	1,200,521
<b>Appreciation in the value of investments classified as at fair value through profit or loss</b>	(138,588)	(27,427)
<b>Comprehensive income for the year</b>	164,789	238,528

# BOARD OF COMMISSIONERS' REPORT

Charts 2-4 provide details of the sources of fee income from the Securities, Insurance and Pensions Industries for FY2020-2021 & FY2021-2022.

CHART 2: REVENUE FROM THE SECURITIES INDUSTRY FY2021- 2022 & FY2020 -2021

Source	2021-2022		2020-2021	
	Revenue ('\$000)	Percentage of Total	Revenue ('\$000)	Percentage of Total
Annual Licensing/Registration Fees - Securities Dealers Mutual Funds	210,069	69	194,953	73
Stock Exchange & JCSD Fees	78,124	25	56,186	21
Application Fees	17,951	6	14,280	5
<b>Totals</b>	<b>306,144</b>	<b>100</b>	<b>265,419</b>	<b>100</b>

CHART 3: REVENUE FROM THE INSURANCE INDUSTRY FY2021- 2022 & FY2020 -2021

Source	2021-2022		2020-2021	
	Revenue ('\$000)	Percentage of Total	Revenue ('\$000)	Percentage of Total
Annual Registration Fees - Life and General Companies	420,646	91	403,504	91
Annual Fees - Intermediaries	34,209	7	32,011	7
Application Fees	7,502	1	6,054	1
<b>Totals</b>	<b>462,357</b>	<b>100</b>	<b>441,569</b>	<b>100</b>

CHART 4: REVENUE FROM THE PENSIONS INDUSTRY FY2021- 2022 & FY2020 -2021

Source	2021-2022		2020-2021	
	Revenue ('\$000)	Percentage of Total	Revenue ('\$000)	Percentage of Total
Annual Licensing Fees - Investment Managers	681,894	99.9	654,349	99.9
Application Fees	467	0.1	806	0.1
<b>Totals</b>	<b>682,361</b>	<b>100</b>	<b>655,155</b>	<b>100</b>

# BOARD OF COMMISSIONERS' REPORT

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

Although there was no proposed change to the FSC's mandate during the FY2021-2022, the scope of the FSC's regulatory responsibility was widened with promulgation of the International Corporate and Trust Services Providers (Change of Name and Amendment) Act, which was enacted in December 2021. The Act established the FSC as the regulator of trust and corporate service providers to prevent the misuse of these business arrangements as

vehicles for illicit ends, such as money laundering and terrorism financing.

## (iii) CHANGES TO THE FSC'S CORPORATE PLAN & A SUMMARY OF ACHIEVEMENT AGAINST TARGETS

The key elements of the corporate plan remained unchanged for FY2021-2022. Chart 5 provides a summary of the FSC's achievement against its strategic objectives.

**CHART 5: SUMMARY OF FSC'S ACHIEVEMENTS MEASURED AGAINST ITS STRATEGIC OBJECTIVES FOR 2021 - 2022 <sup>2</sup>**

Strategic Objectives and Initiatives	Results
1.1 To advocate timely policy and legislative changes in anticipation of, or in response to, environmental dynamics	Met
1.2 To establish a Comprehensive Risk Based Supervision Framework	Met
2.1 To promote financial awareness and education among all our stakeholders. To advance consumer protection	Met
3.1 To deter and detect violations of applicable laws, regulations, and guidelines and impose sanctions as required.	Met
4.1 To transform organizational culture and processes to improve the performance of the organization	
4.2 To enhance self-financing capabilities	Met
5.1 To leverage technology to improve the performance of the organisation	Partially Met

<sup>2</sup> These results are preliminary and will be verified by the Internal Audit and Risk Management Division (IARM) during the FY2022-2023

# BOARD OF COMMISSIONERS' REPORT

## (iv) FORECAST AND PROJECTIONS OF KEY FINANCIAL & OPERATING MEASURES

TABLE 6 PROVIDES A FORECAST OF KEY FINANCIAL AND OPERATING MEASURES FOR THE FISCAL YEAR 2022-2023 (FY2022-2023).

**TABLE 6: FINANCIAL PROJECTIONS FOR FY2022-2023 (\$' 000)**

		<b>Projected</b>	<b>Actual</b>
		<b>FY2022-2023</b>	<b>FY2021-2022</b>
		<b>(\$' 000)</b>	<b>(\$' 000)</b>
<b>INCOME</b>			
	Fees	1,496,412	1,450,862
	Interest Income	117,482	122,428
	Other	240	12,647
	Gain/loss on foreign exchange		48,149
	<b>TOTAL INCOME</b>	<b>1,614,134</b>	<b>1,634,086</b>
<b>EXPENSES</b>			
	Advertising	2,326	503
	Appeals Tribunal	5,524	4,793
	Audit	2,538	2,145
	Bank Charges	903	548
	Building Maintenance	26,470	16,852
	Commissioners Fees	5,872	1,134
	Data Security	10,800	12,527
	Depreciation and amortization	41,882	25,224
	Motor Vehicle and parking expense	18,722	16,097
	Office Expenses	14,956	17,286
	Irrecoverable General Consumption Tax	56,140	21,799
	Impairment losses on investments	-	999
	Impairment losses on trade receivables, net of recoveries	-	(1,874)
	Printing and stationery	1,960	1,801
	Professional fees	53,936	14,943
	Public Education	11,215	12,047
	Interest expense	9,287	9,039
	Staff Cost	1,172,086	1,106,210
	Subscriptions	78,379	30,798
	Training and conferences	26,622	4,370
	Utilities	36,027	33,463
	<b>TOTAL EXPENSES</b>	<b>1,575,645</b>	<b>1,330,710</b>
	Appreciation in value of investments classified as fair value through profit or loss	-	(138,588)
<b>SURPLUS FOR THE YEAR</b>		<b>38,489</b>	<b>164,789</b>

# BOARD OF COMMISSIONERS' REPORT

## (v) DIVIDEND

The FSC is funded mainly through fees charged to regulated entities on a cost-recovery basis and is a not-for-profit organisation. As a result, the FSC does not pay dividends and therefore, for the purposes of Part 1 of the Second Schedule to the PBMAA, it is not necessary for the FSC to provide notification of payment of dividend.

However, based on criteria in self-financing public bodies such as the FSC are required to provide for the payment of a financial distribution of 5-10% of surplus, to be transferred to the Consolidation Fund on an annual basis.

## Conclusion

The FY2021-2022, was a productive year for the FSC as we strived to protect the financial wellness of investors, policyholders and private pension plan members. Our actions also contributed to the stability of Jamaica's financial market. The FSC's staff and management must be commended for the continuing hard work despite the lingering challenges due to persistent COVID-19 cases.



John Robinson CD, JP  
Chairman

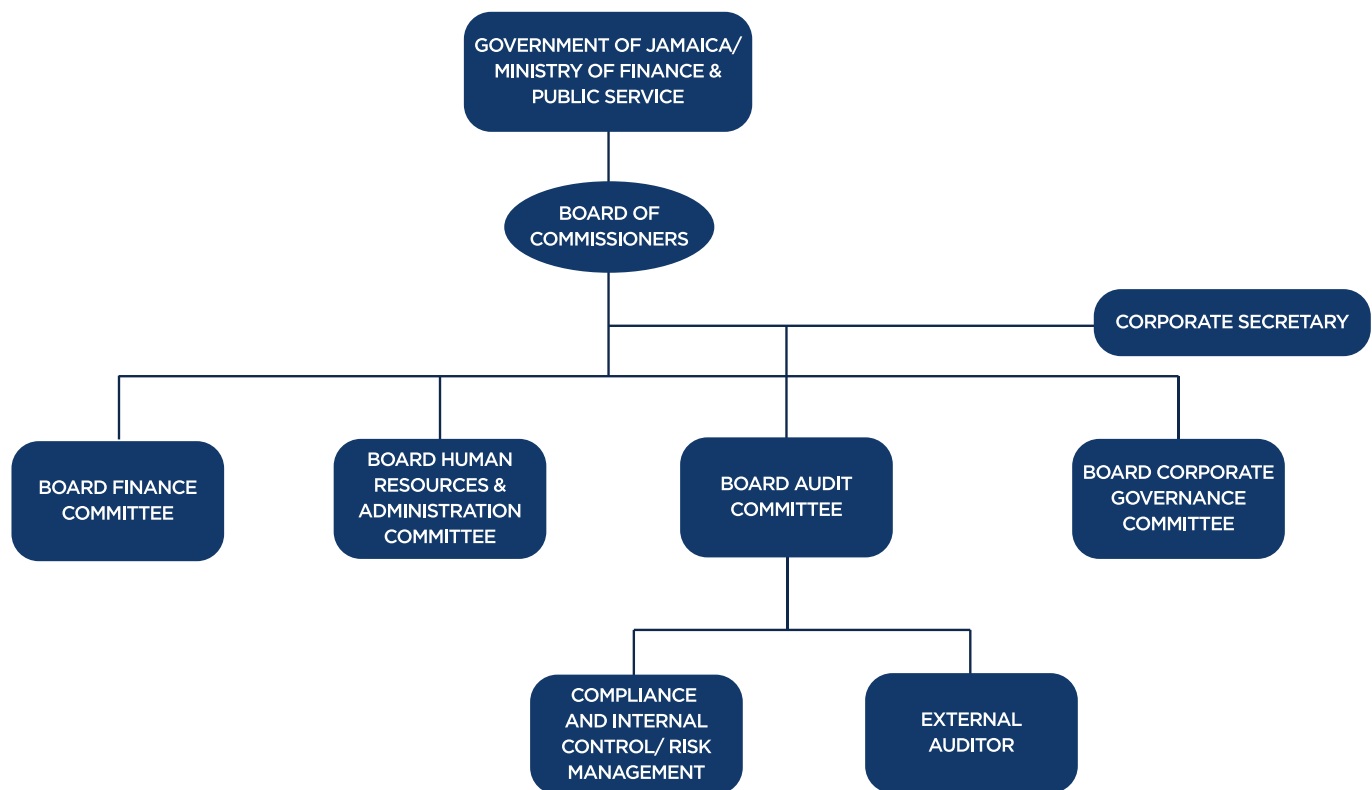
# CORPORATE GOVERNANCE REPORT

The Board of Commissioners is responsible for the strategic and policy direction of the FSC. It aims to carry out its functions of general administration and oversight in accordance with principles and values that promote transparency, accountability, integrity and probity. As the focal point for corporate governance within the FSC, the Board proactively adopts practices and policies that promote the highest standards of ethical behaviour, sound governance and risk management. Our Board consists of a Chairman, the Executive Director (ex officio) and up to eight (8) other members. Each Commissioner, with the exception of the Executive Director, is appointed by the Minister of Finance and Public Service for a

term of up to five years and may be reappointed to serve additional terms. The Board of Commissioners appoints the Executive Director.

The FSC's corporate governance structure is arranged in such a manner to comply with best practices and to facilitate effective governance over the operations of the FSC. In implementing accepted standards and best practices, the Board is guided by the FSC Act, the PBMA & Regulations, the Financial Administration & Audit Act and the revised Corporate Governance Framework for Public Bodies. Chart 7 reflects the various Board Committees as well as the reporting relationships in the FSC's corporate governance structure.

**CHART 7: FSC'S CORPORATE GOVERNANCE STRUCTURE.**



# CORPORATE GOVERNANCE REPORT

The tenure of the Board expired in April 2022, and a new Board was appointed in July 2022. The attendance of members at Board meetings is reflected in Chart 8.

**CHART 8: ATTENDANCE AT BOARD MEETINGS, FY2021-2022**

MEMBERS	TOTAL NUMBER OF MEETINGS (APRIL 2021)	COMMISSIONER	TOTAL NUMBER OF MEETINGS (JULY 2021 - MARCH 2022)
Jacqueline Stewart Lechler (Chairman)	1/1	John Robinson, CD, JP (Chairman)	7/7
Erwin Burton	0	Langston Sibblies, QC (Deputy Chairman)	6/7
Myrtle Halsall	1/1	Erwin Burton	7/7
Andre Hutchinson	1/1	Kenisha Davis	7/7
Simone Pearson	1/1	Hillary Robertson	7/7
Hillary Robertson	1/1	Dennis Brown	7/7
Ronald Young	1/1	Monica Brown	7/7
Everton McFarlane (Executive Director/Ex Officio)	1/1	Christopher Reckord	4/7
		Everton McFarlane (Executive Director/Ex Officio)	7/7

## CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee was formed to assist the Board in ensuring that its composition, structure, policies and processes of management are in keeping with global corporate governance best practice standards and to ensure that the applicable regulations and legislation are adhered to. Chart 9 summarises the attendance of the Committee members

## FINANCE COMMITTEE

The attendance of members at the Finance Committee is reflected in Chart 10. During the year, the Committee carried out general financial oversight, regularly considered and reviewed financial reports, ensured accuracy and efficiency in

financial management and 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 of members at meetings is reflected in Chart 11.

# CORPORATE GOVERNANCE REPORT

CHART 9: ATTENDANCE AT BOARD CORPORATE GOVERNANCE MEETINGS, FY2021-2022

COMMISSIONER	TOTAL NUMBER OF MEETINGS (APRIL 2021)	COMMISSIONER	TOTAL NUMBER OF MEETINGS (JULY 2021 - MARCH 2022)
Andre Hutchinson (Chairman)	1/1	Christopher Reckord (Chairman)	2/2
Erwin Burton	1/1	Erwin Burton	2/2
Hillary Robertson	1/1	John Robinson, CD, JP	1/2
Everton McFarlane (Executive Director)	1/1	Everton McFarlane (Executive Director/Ex Officio)	2/2

CHART 10: ATTENDANCE AT BOARD FINANCE COMMITTEE MEETINGS, FY2021-2022

COMMISSIONER	TOTAL NUMBER OF MEETINGS (APRIL 2021)	COMMISSIONER	TOTAL NUMBER OF MEETINGS (JULY 2021 - MARCH 2022)
Simone Pearson (Chairman)	1/1	Hillary Robertson (Chairman)	2/2
Erwin Burton	1/1	Langston Sibbles, QC	2/2
Hillary Robertson	0	Christopher Reckord	1/2
Everton McFarlane (Executive Director)	1/1	Everton McFarlane (Executive Director/Ex Officio)	2/2

CHART 11: ATTENDANCE AT BOARD HUMAN RESOURCES & ADMINISTRATION COMMITTEE MEETINGS, FY2021-2022

COMMISSIONER	TOTAL NUMBER OF MEETINGS (APRIL 2021)	COMMISSIONER	TOTAL NUMBER OF MEETINGS (JULY 2021 - MARCH 2022)
Ronald Young (Chairman)	1/1	Monica Brown (Chairman)	2/2
Erwin Burton	1/1	Erwin Burton	2/2
Jacqueline Stewart Lechler	1/1	Kenisha Davis	2/2
Everton McFarlane (Executive Director/Ex Officio)	1/1	Everton McFarlane (Executive Director/Ex Officio)	2/2

# CORPORATE GOVERNANCE REPORT

Chart 12 displays the attendance record at the Board's Strategic Planning Retreat

CHART 12: ATTENDANCE AT BOARD STRATEGIC PLANNING RETREAT, FY2021-2022

COMMISSIONER	TOTAL NUMBER OF MEETINGS (OCTOBER 2021)
John Robinson, CD, JP (Chairman)	1/1
Langston Sibblies, QC (Deputy Chairman)	1/1
Erwin Burton	1/1
Kenisha Davis	1/1
Hillary Robertson	1/1
Dennis Brown	1/1
Monica Brown	1/1
Christopher Reckord	0
Everton McFarlane (Executive Director/Ex Officio)	1/1

## AUDIT COMMITTEE REPORT

The FSC's 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 with respect to that report;
- Reviewing and advising the Board on the annual auditor's report; and
- Reviewing and monitoring the work of the internal control and risk functions to ensure that appropriate and effective systems are in place.

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

- Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
- Enterprise risk management activities;

# CORPORATE GOVERNANCE REPORT

- Compliance with MOFPS Circulars, the FSC Act, the PBMA and other relevant legislation and/or guidelines.

The Committee effectively performed its responsibilities and carried out the following activities:

- Receiving and considering internal audit reports and updates regarding compliance with the FSC’s operational policies and procedures

- and making recommendations for improvements to the Executive Management team;
- Reviewing and advising on changes to the FSC’s Enterprise Risk Management Framework, Risk Register and Statement of Risk Tolerance and Appetite;
- Providing guidance on Business Continuity implementation within the FSC;
- Considering changes to the Internal Audit Charter.

**CHART 13: ATTENDANCE AT THE BOARD AUDIT COMMITTEE MEETINGS, FY2021-2022**

COMMISSIONER	TOTAL NUMBER OF MEETINGS (APRIL 2021)	COMMISSIONER	TOTAL NUMBER OF MEETINGS (JULY 2021 – MARCH 2022)
Myrtle Halsall (Chairman)	1/1	Dennis Brown (Chairman)	3/3
Simone Pearson	1/1	Hillary Robertson	3/3
Everton McFarlane (Executive Director)	(Not Applicable)	Monica Brown	3/3
		Everton McFarlane (Executive Director/Ex Officio)	(Not Applicable)

The attendance of members at the Board Audit Committee meetings is reflected in Chart 13.

The Audit Committee received regular updates regarding compliance with the FSC’s operational policies and procedures as well as risk management activities from the Internal Audit and Risk Management Division (IARMD).

## INTERNAL AUDIT

The role of the IARMD is to provide independent and objective assurance designed to add value and mitigate the risk of loss stemming from operational challenges.

During the FY2021-2022, the IARMD conducted its annual audit of the corporate strategic and operational performance of the organization against its targets, and also conducted three (3) operational audits.

## RISK MANAGEMENT

The FSC is committed to providing greater assurance that its strategic objectives will be met and its mission fulfilled. Risk management begins at the strategic planning phase, where the Board and Management identify high level objectives and consider the risks associated with meeting these objectives. This flows through to integrating risk management in the day-to-day business decisions at the operational level.

# CORPORATE GOVERNANCE REPORT

The objective is to encourage proactive consideration of risks in executing key initiatives and ensuring that the risks are adequately identified and managed.

risk universe, and the FSC is expected to realise the following (but not limited to) benefits:

## Managing the FSC's Risks

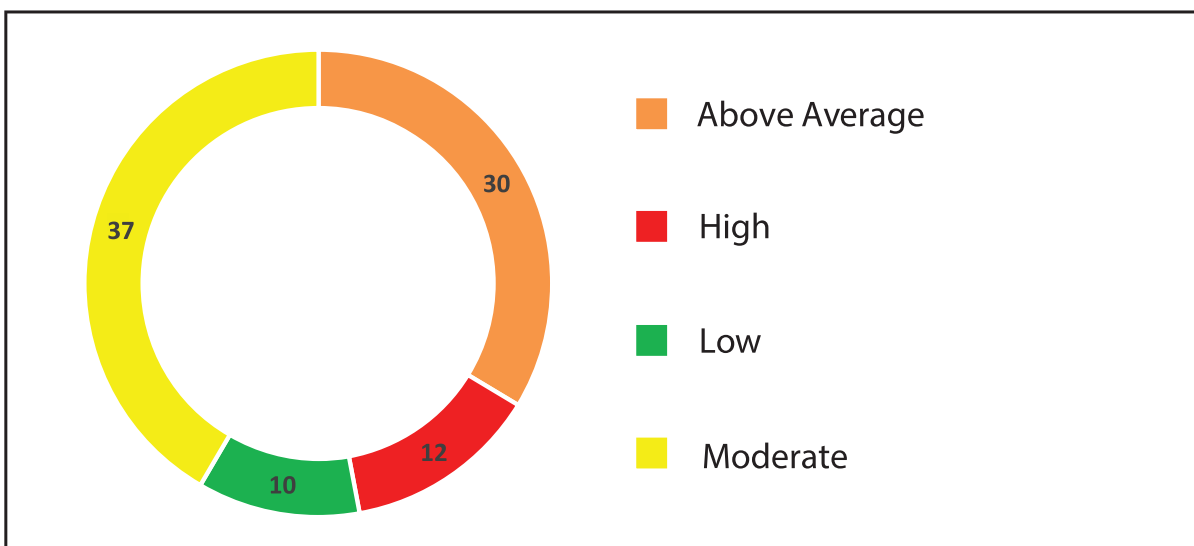
As of March 31, 2022, the FSC had eighty-nine (89) risks across all operational units. Of the 89 risks identified, twelve (12) were rated as high, thirty (30) were rated above average, while thirty-seven (37) were moderate, and ten (10) were low. These risk ratings resulted from the Management's review of the risk registers, with guidance from IARMD. See Chart 14 below for a summary of the FSC's risk count by net risk.

1. Improved risk reporting through automation
2. Real-time risk monitoring for changes to risks
3. Streamlined risk identification, assessment and evaluation
4. Secure collation and storage of the FSC's risks
5. Improved tracking of risk action plans

## Risk Software

The FSC recently acquired risk software that will automate aspects of the ERM Framework and encourage greater collaboration with Heads of Division since they will be required to manage and monitor their risks through the software. The solution will be populated with the FSC's

CHART 14: RISK COUNT BY NET RISK



# CORPORATE GOVERNANCE REPORT

Charts 15 and 16 provide information on the remuneration paid to the Non-Executive Commissioners and the FSC Executive Management, respectively.

**CHART 15: COMPENSATION OF COMMISSIONERS FY2021-2022<sup>3</sup>**

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 (\$)
<i>Jacqueline Stewart Lechler- Past Chairman of the Board</i>	31,500	35,000			66,500
<i>John Robinson - Current Chairman of the Board</i>	202,500	210,000			412,500
Langston Sibblies Chairman -Opportunity to be Heard Committee	65,232				65,232
Simone Pearson - past Commissioner	22,050				22,050
Ronald Young- past Commissioner	18,375				18,375
<i>Myrtle Halsall - past commissioner</i>	18,375				18,375
Hilary Robertson Chairman - Corporate Governance Committee	97,650				97,650
Erwin Burton Commissioner	95,550				95,550
Andre Hutchinson- past Commissioner	18,375				18,375
Dennis Brown Chairman - Audit Committee	83,250				83,250
Monica Brown Chairman - HRA Committee	90,000				90,000
Kenisha Davis Commissioner	66,750				66,750
Christopher Reckord - Chairman Finance Committee	79,500				79,500
<b>TOTAL</b>	<b>889,107</b>	<b>245,000</b>			<b>1,134,107</b>

<sup>3</sup> The tenure of the previous Board contract came to an end in April 2021. A new Board was appointed on July 26, 2021.

# CORPORATE GOVERNANCE REPORT

CHART 16: COMPENSATION OF EXECUTIVE MANAGEMENT FY2021-2022

Name and Position of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances (\$)	Non-Cash Benefits (\$)	Total (\$)
Everton McFarlane Executive Director	2021/ 2022	15,392,004	-	120,000	-	1,341,624	-	16,855,628
Nicolette Jenez Deputy Executive Director	2021/ 2022	12,834,457	2,996,902	1,697,148	-	-	-	17,528,507
Ingrid Pusey General Legal Council	2021/ 2022	8,841,934	2,201,273	1,697,148	-	-	-	12,740,355
Karene Blair Senior Director Securities	2021/ 2022	9,201,077	2,189,229	1,697,148	-	-	-	13,087,454
Raymond Knights Sr. Director Insurance	2021/ 2022	9,021,506	2,189,229	1,697,148	-	-	-	12,907,883
Cornelia Harper Peck-Snr. Director, Pensions	2021/ 2022	9,495,923	2,167,974	1,697,148	-	-	-	13,361,045

# CORPORATE GOVERNANCE REPORT

CHART 16: COMPENSATION OF EXECUTIVE MANAGEMENT FY2021-2022

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 (\$)
Angela Beckford Chief Actuary	2021/ 2022	13,309,416	3,185,015	1,697,148	-	-	-	18,191,579
Joan Walker Stewart-Snr. Director, Finance, Investment & Procurement	2021/ 2022	9,021,506	2,132,550	1,697,148	-	-	-	12,851,204
Donna Harrilal Snr. Director, MIS & Data Management	2021/ 2022	7,405,359	1,790,872	1,697,148	-	-	-	10,893,379
Alicia Lynch- Senior Director- HR & Facilities Management	2021/ 2022	7,584,931	1,838,217	1,697,148	-	-	-	11,120,296
Stacian Bennett- Snr. Director Investigation & Enforcement	2021/ 2022	9,201,077	2,146,719	1,697,148	-	-	-	13,044,944
Robert Hamilton Snr. Director, Internal Audit & Risk Management	2021/ 2022	8,482,790	2,078,723	1,697,148	-	-	-	12,258,661

# INSURANCE SECTOR REPORT:

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 monthly, quarterly, and annual reviews, the Insurance Division monitors the solvency requirements of insurance companies and ensures that the required standards are maintained. Chart 17 provides an overview of the activities of the Insurance Division.

Chart 18 shows the scope of the division's regulatory responsibilities according to the range of licensees and registrants being regulated. As Chart 20 shows, there was no termination nor cancellation of any registrant from April 1, 2021, to March 31, 2022. However, the FSC registered two (2) insurance brokers, two (2) facultative placement brokers, two (2) investigators, 13 insurance agents, and 323 insurance sales representatives during the financial year under review. Based on the preceding, registrants in the insurance industry increased by 7.7 per cent as at March 31, 2022 (March 2022: 4,774; March 2021: 4,432).

# INSURANCE SECTOR REPORT

CHART 17: A SNAPSHOT OF THE DIVISION'S ACHIEVEMENTS FOR THE FINANCIAL YEAR 2021-2022

01

## Routine Monitoring and Supervision & Policy Approvals

- Completed 17 Annual Risk Assessments
- Completed 68 Quarterly Risk Assessments
- Completed the review of 11 Reinsurance Treaty Programmes
- Reviewed and approved 5 new/amended insurance policies or products
- Oversight of other insurance intermediaries

02

## Risk-Based Supervision (RBS)

- Continued the development of the RBS Framework
- Developed several supervisory templates to facilitate RBS
- Executed two pilot on-site examinations using the RBS methodology

03

## On-Site Examinations

- Completed four (4) on-site examinations as follows:
  - Three insurance companies using the RBS methodology; and
  - One insurance intermediary using the compliance-based approach

04

## Revised Guidelines/Bulletins & Legislative Projects

- Provided clarifications and or comments on legislative amendments concerning Risk Management, Investments, Capital Requirements, Group Insurance, Market Conduct, and Microinsurance
- Submitted the finalized proposal for the development of regulations in relation to Change of Ownership/Control
- Drafted the proposal for the amendment of the insurance legislation in relation to changes in International Financial Reporting Standards (IFRS)
- Revised Guide lines on Reinsurance Practices and Procedures

# INSURANCE SECTOR REPORT

CHART 18: NUMBER OF REGISTRANTS IN THE INSURANCE INDUSTRY AS AT MARCH 31, 2022.

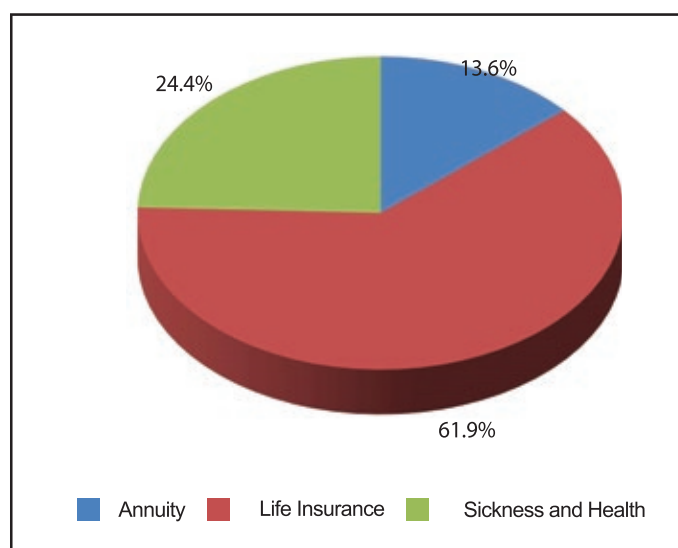
TYPE OF REGISTRANTS	REGISTERED AS AT MARCH 31, 2021	ADDITIONS	LESS TERMINATIONS/CANCELLATIONS	REGISTERED AS AT MARCH 31, 2022
Life Insurance Companies	6	0	0	6
General Insurance Companies	12	0	0	12
Association of Underwriters	1	0	0	1
Insurance Brokers	24	2	0	26
Facultative Placement Brokers	18	2	0	20
Overseas Reinsurance Brokers	1	0	0	1
Local Reinsurance Brokers	2	0	0	2
Insurance Agents	**43	13	0	56
Insurance Sales Reps	**4,254	323	0	4,577
Loss Adjusters	33	0	0	33
Loss Adjusters - Employed Practitioners	8	0	0	8
Investigators	22	2	0	24
Claim Negotiators	4	0	0	4
Insurance Consultants	4	0	0	4
<b>TOTAL</b>	<b>4,432</b>	<b>342</b>	<b>0</b>	<b>4,774</b>

\*\*Revised

## OVERVIEW OF THE PERFORMANCE OF THE LIFE INSURANCE INDUSTRY

As at March 31, 2022, there were six registered life insurance companies operating in Jamaica. For the year ended December 31, 2021, the six registered life insurance companies employed approximately 1,977 persons (December 2020: 1,971). Additionally, the total Gross Premium Written (GPW) as at December 31, 2021 was \$79.2 billion, which represented a 15.2 per cent increase over the comparative period (December 2020: \$68.7 billion). Chart 19 below shows the percentage of GPW by class of insurance business. Chart 20 summarizes the financial performance over a five-year period to December 31, 2021.

CHART 19: PERCENTAGE COMPOSITION OF GPW BY CLASS OF INSURANCE BUSINESS AS AT DECEMBER 31, 2021



# INSURANCE SECTOR REPORT

CHART 20: FINANCIAL PERFORMANCE AND POSITION OF THE LIFE INSURANCE INDUSTRY

AS AT	2017 <sup>A</sup>	2018 <sup>A</sup>	2019 <sup>A</sup>	2020 <sup>A</sup>	2021 <sup>A</sup>
	\$'B	\$'B	\$'B	\$'B	\$'B
<b>BALANCE SHEET</b>					
Total Investment Assets	289.0	299.7	329.8	331.8	355.4
<b>Total Assets</b>	<b>312.1</b>	<b>324.2</b>	<b>359.6</b>	<b>367.4</b>	<b>395.0</b>
Insurance Liabilities	96.2	95.6	99.3	121.5	128.3
Other Liabilities	133	135.6	151.9	125.3	133.8
Total Liabilities	229.2	231.2	251.2	246.8	262.1
Capital & Surplus (incl. reserves)	82.9	93	108.4	120.6	132.9
<b>Profit and loss (YTD)</b>					
<b>Total Revenue</b>	<b>89.3</b>	<b>92.6</b>	<b>105.4</b>	<b>81.1</b>	<b>110.8</b>
<b>Of Which</b>					
Net Premium Earned	58.5	59.6	67	67.5	76.5
Net Investment Income	25	26.3	30.6	8.5	26.9
Other Income	5.8	6.7	7.8	5.1	7.4
<b>Total Expenses</b>	<b>70.7</b>	<b>68.5</b>	<b>81</b>	<b>55.2</b>	<b>88.0</b>
<b>Of Which</b>					
Policy Benefits	30.6	34.9	39.5	41.0	47.8
Operating Expenses	25.0	27.1	34.2	26.4	33.7
Other Expenses <sup>4</sup>	10.5	0.1	1.7	-19.1	1.3
Taxes	4.6	6.4	5.6	6.9	5.2
<b>Net Income after tax</b>	<b>18.6</b>	<b>24.1</b>	<b>24.4</b>	<b>25.9</b>	<b>22.8</b>

A-Audited

## Life Insurers' Asset Growth and Profitability

As at December 31, 2021, the total reported assets were \$395.0 billion, which represented a 7.5 per cent increase over the comparative period (December 2020: \$367.4 billion). The accumulated invested assets were \$355.4 billion, representing 90.0 per cent of the total combined assets.

Additionally, total liabilities increased by 6.2 per cent year on year, as shown in Chart 20. Profitability declined during the review period, as higher revenues were offset by rising policy benefits and operating

expenses (see Chart 20). Total net income after tax for the life insurance industry amounted to \$22.8 billion for the year to December 31, 2021, representing a 12.0 per cent decline when compared to the prior period (December 2020: \$25.9 billion). Policy benefits are typically the single largest component of expenses, and Chart 21 shows the composition of the life insurance industry's policy benefits for 2017 - 2021.

As at December 31, 2021, the total policy benefits reported were \$47.8 billion compared to \$41.0 billion for the prior comparative period. This represented an increase of 16.6 per cent. Further, for the year

<sup>4</sup> 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.

# INSURANCE SECTOR REPORT

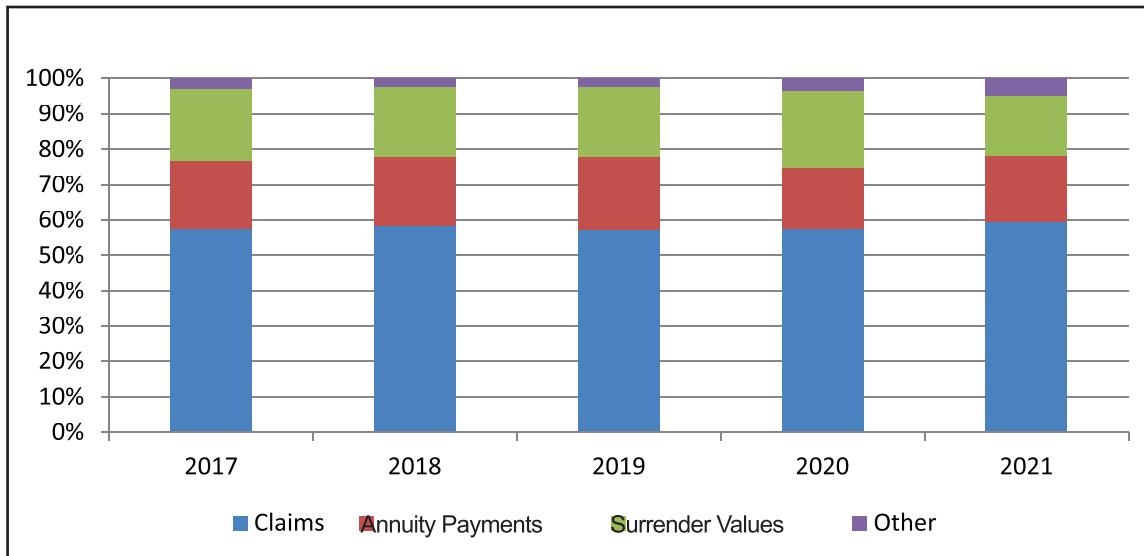
ended December 31, 2021, the total combined claims accounted for 59.5 per cent of the combined policy. Notably, sickness and health for the life industry accounted for 58.4 per cent of the total claims. Chart 22 shows the composition of policy benefits for the period 2017 - 2021.

**CHART 21: AGGREGATE POLICY BENEFITS, 2017-2021**

POLICY BENEFITS	2017 <sup>A</sup>	2018 <sup>A</sup>	2019 <sup>A</sup>	2020 <sup>A</sup>	2021 <sup>A</sup>
	\$'MILLIONS				
Claims	17,596.2	20,350.2	22,620.6	23,635.5	28,404.3
Of Which:					
Sickness & Health	11,866.5	13,305.9	14,952.3	15,108.5	16,592.6
Death Claims	5,554.2	6,888.5	7,494.5	8,336.8	11,612.5
Disability Claims	15.9	11.5	10.0	7.0	26.7
Matured Endowments	159.6	144.3	163.8	183.1	172.4
Annuity Payments	5,887.5	6,777.6	8,143.1	6,922.6	8,893.5
Surrender Values	6,257.6	6,859.7	7,678.7	8,982.4	8,084.3
Other	900.9	906.9	1,011.8	1,438.1	2,390.1
<b>Total Policy Benefits</b>	<b>30,642.2</b>	<b>34,894.4</b>	<b>39,454.2</b>	<b>40,978.5</b>	<b>47,772.1</b>

A - Audited

**CHART 22: PERCENTAGE COMPOSITION OF POLICY BENEFITS, 2017 -2021**



Claims

# INSURANCE SECTOR REPORT

## Life Insurers' Capital Adequacy

As at December 31, 2021, the total reported capital, surplus and reserves for the life insurance industry was \$132.9 billion which represented an increase of 10.2 per cent over the prior comparative period (December 2020: \$120.6 billion). The weighted average Minimum Continuing Capital and Surplus Requirement (MCCSR) ratio for the life insurance sector was 223.3 per cent (2020: 233.4 per cent) which was above the regulatory requirement of 150.0 per cent. All life insurance companies were compliant in meeting this regulatory benchmark.

## OVERVIEW OF THE PERFORMANCE OF THE GENERAL INSURANCE INDUSTRY

As at March 31, 2022, there were twelve registered general insurance companies in Jamaica, of which eleven were operational. The remaining insurance company had ceased underwriting since 2016 and had entered into run-off mode, which was not completed during the review year.

For the year ended December 31, 2021, the general insurance companies employed approximately 1,198 persons (2020: 1,230) and wrote 533,699 policies (2020: 514,101). Additionally, Chart 23 illustrates the number of policies and other key indicators by class of business for December 31, 2021.

# INSURANCE SECTOR REPORT

**CHART 23: SELECTED KEY PERFORMANCE INDICATORS FOR THE GENERAL INSURANCE INDUSTRY FOR 2021<sup>P</sup>**

	LIABILITY	PROPERTY	MOTOR VEHICLE	PECUNIARY LOSS	MARINE AVIATION & TRANSPORT	ACCIDENT	TOTAL
NUMBER OF POLICIES	8,576	47,441	466,448	4,195	376	6,663	533,699
GROSS DIRECT PREMIUMS WRITTEN (J\$'M)	3,436.2	33,016.5	25,045.2	1,553.2	742.4	298.2	64,091.6
REINURANCE ASSUMED (J\$'M)	0.0	0.2	0.1	0.0	0.0	0.0	0.3
Gross Premiums Written (J\$'M)	3,436.2	33,016.3	25,045.1	1,553.2	742.4	298.2	64,091.3
REINSURANCE CEDED (J\$'M)	1,753.1	31,971.8	6,576.0	1,394.6	512.5	111.7	42,319.7
NET PREMIUMS WRITTEN (J\$'M)	1,455.9	834.3	18,966.4	183.5	204.1	204.4	21,848.6
% OF GROSS PREMIUMS CEDED	51.0%	96.8%	26.3%	89.8%	69.0%	37.5%	66.0%
NET PREMIUMS EARNED (J\$'M)	1,408.8	739.2	18,822.0	200.0	178.6	194.7	21,543.2
GROSS DIRECT CLAIMS INCURRED (J\$'M)	1,295.3	6,282.9	17,070.4	223.6	86.2	55.9	25,014.3
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)	543.6	5,786.2	4,097.7	182.8	34.8	10.4	10,655.5
NET INCURRED CLAIMS (J\$'M)	751.8	496.6	12,972.7	40.7	51.5	45.5	14,358.8
CLAIMS RATIO (%)	53.4%	67.2%	68.9%	20.4%	28.8%	23.4%	66.7%

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

# INSURANCE SECTOR REPORT

Chart 24 summarises the financial performance and position of the general insurance industry during the five-year period to December 31, 2021.

**CHART 24: AGGREGATE FINANCIAL PERFORMANCE AND POSITION OF THE GENERAL INSURANCE INDUSTRY<sup>5</sup>.**

AS AT 31 <sup>ST</sup> DECEMBER	2017 <sup>A</sup>	2018 <sup>A</sup>	2019 <sup>A</sup>	2020 <sup>A</sup>	2021 <sup>P</sup>
	\$'B	\$'B	\$'B	\$'B	\$'B
<b>BALANCE SHEET</b>					
Total Investment Assets	50.1	51.7	45.7	52.7	56.9
<b>Total Assets</b>	<b>78.0</b>	<b>81.1</b>	<b>88.6</b>	<b>92.0</b>	<b>104.0</b>
Insurance Liabilities	43.1	44.1	48.7	52.3	60.4
Other Liabilities	8.1	9.7	13.4	12.3	13.9
Total Liabilities	51.2	53.8	62.1	64.6	74.3
Capital & Surplus (incl. reserves)	27.3	27.3	26.5	27.4	29.7
<b>Total Revenue (YTD)</b>					
	22.4	23.4	24.6	24.2	25.3
<b>Of Which</b>					
Net Premium Earned	18.2	20.0	20.6	21.3	21.5
Net Investment Income	4.0	2.7	3.1	1.8	2.1
Other Income	0.2	0.7	0.9	1.1	1.7
Underwriting Expenses	19.0	19.2	20.6	21.3	21.8
Income before Tax	3.4	4.2	4.0	2.9	3.5
Taxes	1.0	1.4	0.8	0.9	0.9
<b>Income (Loss) after Tax</b>	<b>2.4</b>	<b>2.8</b>	<b>3.2</b>	<b>2.0</b>	<b>2.6</b>

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

<sup>5</sup> The capital displayed in this table is the statutory or regulatory capital. It excludes certain forms of capital. As a result, capital plus total liabilities will not equal to total assets.

# INSURANCE SECTOR REPORT

## GENERAL INSURERS' ASSET GROWTH AND PROFITABILITY

Additionally, as at December 31, 2021, the aggregate total assets of the general insurance industry was \$104.0 billion compared to \$92.0 billion for the comparative period in 2020, which represented an increase of 13.0 per cent. Similarly, the total liabilities for the industry increased year on year by 15.0 per cent; that is, from \$64.6 billion as at December 31, 2020 to \$74.3 billion as at December 2021.

As at December 31, 2021, the general insurance companies reported total revenue of \$25.3 billion (December 2020: \$24.2 billion). Of this amount, net premium earned (NPE) totalled \$21.5 billion for the year-ended December 31, 2021, representing a 0.9 per cent increase over the \$21.3 billion reported for the year ended December 31, 2020.

Underwriting expenses increased marginally from \$21.3 billion for the year ended December 31, 2020, to \$21.8 billion for the period ended December 31, 2021, representing an increase of 2.4 per cent. Underwriting profit is a key performance indicator for the general

insurance industry, and this is calculated from Chart 24 as NPE less underwriting expenses.

For the period ended December 31, 2021 the

general insurance industry reported an aggregate underwriting loss of approximately \$0.03 billion. After combining this underwriting loss with other income and net investment income, the industry reported aggregate

income before tax of \$3.5 billion [December 31, 2020: \$2.9 billion]. For the year ended December 31, 2021 net profit (after tax) for the general insurance industry was \$2.6 billion [December 31, 2020: \$2.0 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, Charts 25 - 27 below show selected aspects of the performance of aggregate claims paid by the general insurance industry during the 2017 - 2021 period.

As shown in Chart 25, 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 2021, the motor class of business accounted for 90.4 per cent of the aggregate net incurred claims. (2020: 93.3 per cent). Chart 26 highlights the percentage composition of total claims by class of insurance business for the period 2017 - 2021.

**CHART 25: AGGREGATE CLAIMS BY CLASS OF BUSINESS, 2017 - 2021.**

CLASS OF BUSINESS	NET INCURRED CLAIMS				
	2017 <sup>A</sup> \$' M	2018 <sup>A</sup> \$' M	2019 <sup>A</sup> \$' M	2020 <sup>A</sup> \$' M	2021 <sup>P</sup> \$' M
Liability	483.9	469.9	295.7	545.7	751.8
Property	363.7	112.1	263.2	232.8	496.6
Motor Vehicle	10,677.7	11,210.6	11,933.3	11,853.0	12,972.7
Pecuniary Loss	40.1	5.8	7.9	14.9	40.7
Marine Aviation & Transport (MAT)	10.5	8.6	10.6	17.8	51.5
Accident	45.2	19.6	23.9	41.0	45.5
<b>Total</b>	<b>11,621.10</b>	<b>11,826.60</b>	<b>12,534.6</b>	<b>12,705.2</b>	<b>14,358.8</b>

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

# INSURANCE SECTOR REPORT

**CHART 26: PERCENTAGE COMPOSITION OF TOTAL CLAIMS BY CLASS OF INSURANCE BUSINESS, 2017 - 2021**

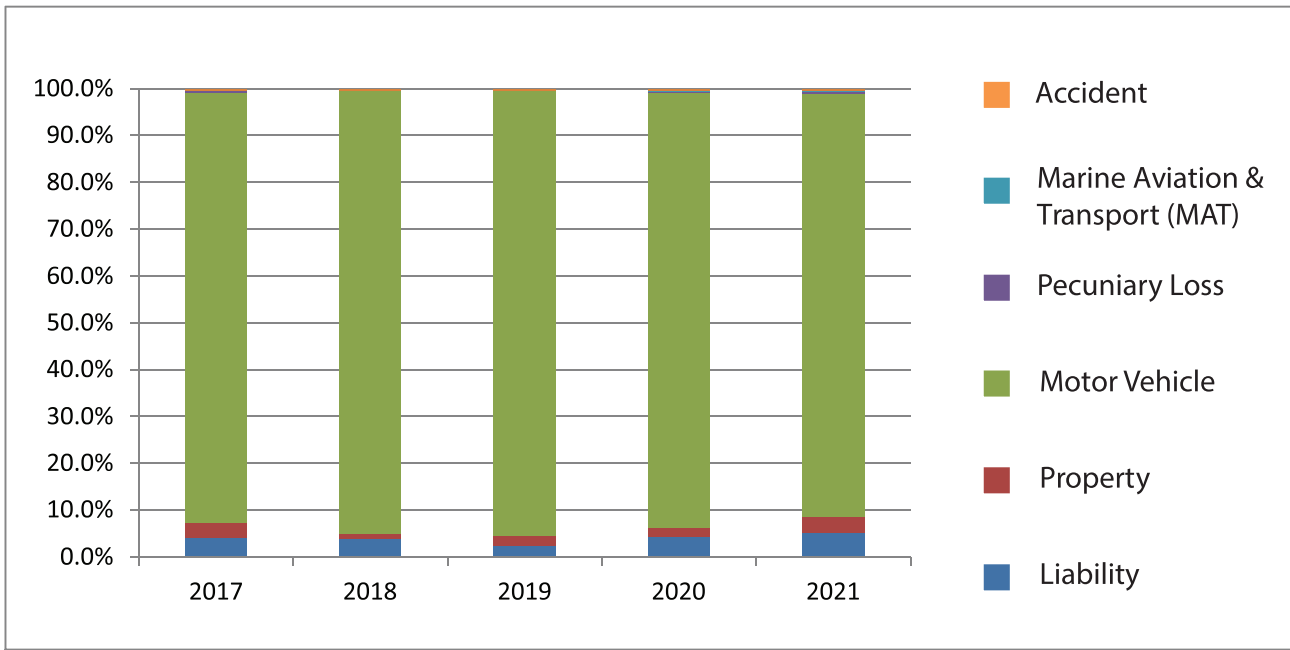
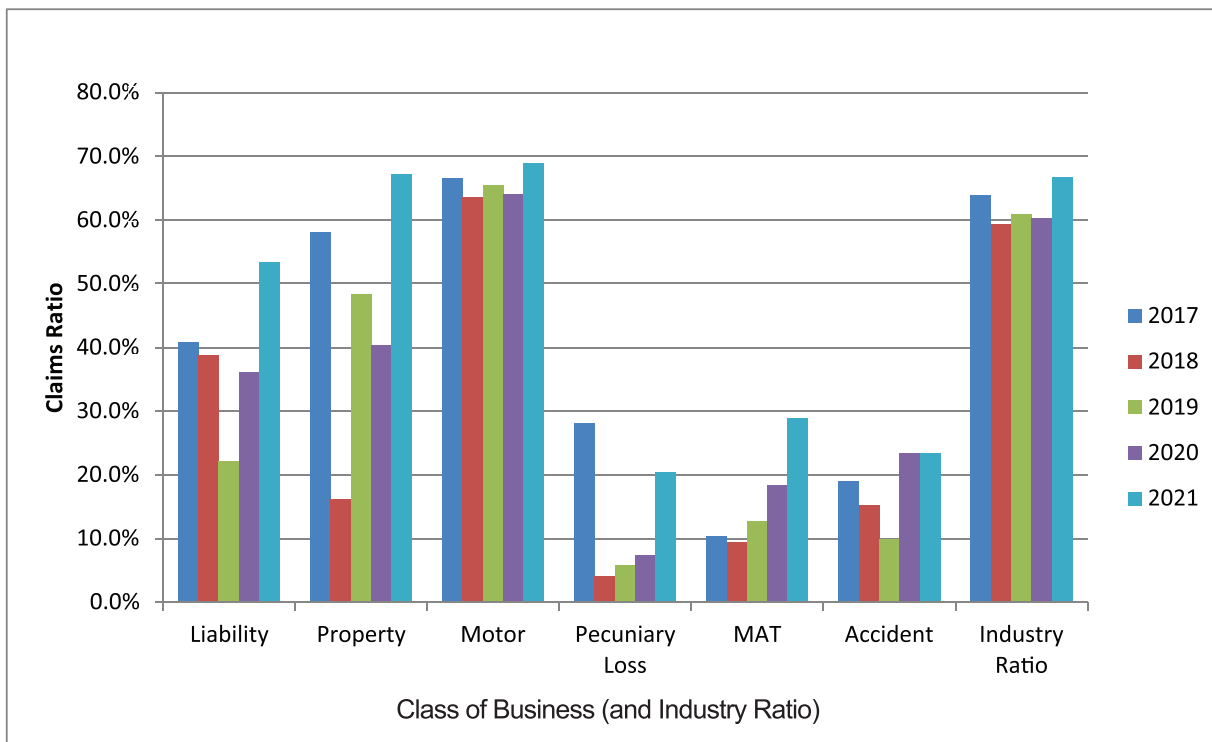


Chart 27 shows the trend in the claims ratio <sup>6</sup> by class of business for the general insurance industry for 2017-2021.

**CHART 27: CLAIMS RATIO BY CLASS OF BUSINESS TREND 2017 -2021**



<sup>6</sup> The claims ratio is computed as net incurred claims divided by the net premium earned.

# INSURANCE SECTOR REPORT

## GENERAL INSURERS' CAPITAL ADEQUACY

As at December 31, 2021, all except one general insurance company<sup>7</sup> met the Minimum Capital Test (MCT) ratio requirement of 250.0 per cent. Notwithstanding, the general insurance industry had a weighted average MCT ratio of 310.5 per cent<sup>8</sup> (December 2020: 316.3 per cent) which exceeded the 250.0 per cent regulatory benchmark. The MCT ratio for general insurance companies assesses the risk levels of a company's assets and policy liabilities in relation to its available capital.

Similar to the MCT assessment, as at December 31, 2021 all but one general insurance company met the FSC's minimum solvency ratio of 25.0 per cent.<sup>9</sup> 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. With the new supervisory framework, the FSC has transitioned from a CARAMELS<sup>10</sup> framework (compliance-based) to adopting a RBS model in its risk assessment of all insurance companies. Under the RBS framework, the FSC will focus on the key risks inherent in the activities that are significant to an insurance company achieving its business objectives and assessing the quality of the company's processes to measure, manage and mitigate these risks. On the other hand, the FSC will retain some aspects of the compliance-based approach in its application to insurance intermediaries.

Under the RBS framework, insurance companies will continue to undergo an annual off-site examination based on its audited annual financial statements

and other statutory filings for each year ending December 31. The off-site analysis involves a holistic review of the company, the impact of the external environment on its operations, business model and strategic objectives together with its Institutional Levels of Protection (ILP)<sup>11</sup>.

The outcome of the review may necessitate the need for additional reviews to be conducted by the FSC. The generated Annual Risk Assessment Reports will inform the FSC's decision makers of each company's risk profile and identify the companies and areas that should be given priority status for on-site examinations and/or closer monitoring and supervision by the FSC. 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 FY2021-2022, while one insurance company (life) formed a part of the onsite pilot examination, the RBS methodology was also applied to two other on-site examinations (general insurance companies) which were conducted during the period under review. These on-site examinations were all successfully conducted remotely using virtual online platforms because of the current pandemic, which prevented the FSC from conducting the respective reviews at the offices of the various insurance companies.

## LEGISLATIVE AMENDMENTS

The Insurance Division continues to work with relevant stakeholders to finalize certain amendments to be made to the Insurance Act (2001) and Insurance Regulations (2001) to advocate timely policy and legislative changes in anticipation of, or response to, environmental dynamics. The areas of focus include Group Insurance, Microinsurance, Capital Requirement, Change of Ownership, Investment, Risk Management, and Market Conduct.

<sup>7</sup> The general insurance company which did not meet the minimum MCT ratio currently operates under a time-bound special regime (approved as a Government of Jamaica Growth Initiative Project), where the minimum 250% MCT requirement is relaxed for a limited period to permit the company to invest in approved projects. As at December 31, 2021 the company's MCT ratio was assessed as satisfactory and in compliance with the special requirements.

<sup>8</sup> The weighted average MCT ratio was calculated using the preliminary audited statutory filings as at December 31, 2021. Annual (audited) MCT ratios are calculated by the companies' Appointed Actuaries and are verified by the FSC. However, the quarterly MCT ratios are an estimate submitted by the companies' management and are verified periodically by the FSC.

<sup>9</sup> The lone company not meeting the 25% minimum solvency requirement, and which operates under a special approved regime, was nevertheless assessed as being solvent and sound.

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

<sup>11</sup> Institutional Level of Protection (ILP) includes capital, liquidity, and earnings.

# INSURANCE SECTOR REPORT

Additionally, the Insurance Division is championing the legislative reform of how registrants file their financial statements and other statutory returns to the FSC. This is predicated on the fact that the insurance industry is a very dynamic sector. Also, the industry experiences periodic changes in the financial reporting standards and other similar reporting requirements which have an impact on how financial information is presented and reported. In response to this situation, the Insurance Division drafted a consultation paper for the removal of certain schedules (filing templates) from the insurance legislation and to instead enable the FSC to specify the schedules, as deemed necessary. The referenced paper was issued to the insurance industry and other key stakeholders on October 13, 2021, to obtain feedback. Further, the FSC made a presentation based on the proposal at the Insurance Association of Jamaica.

The Insurance Division is also engaged on a work stream to assess the impact of adjustments to International Financial Reporting Standards (“IFRS”) 17, which is due to become effective for insurance companies with annual reporting periods beginning on or after January 1, 2023. Through consultation with stakeholders and actuaries, the FSC will develop and finalize the revised filing forms to be adopted, implemented, and used by insurance companies.

# SECURITIES INDUSTRY REPORT

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 wellbeing, the FSC continued to prioritise 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 important that the Securities Division continues to ensure that a robust framework is in place to:

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

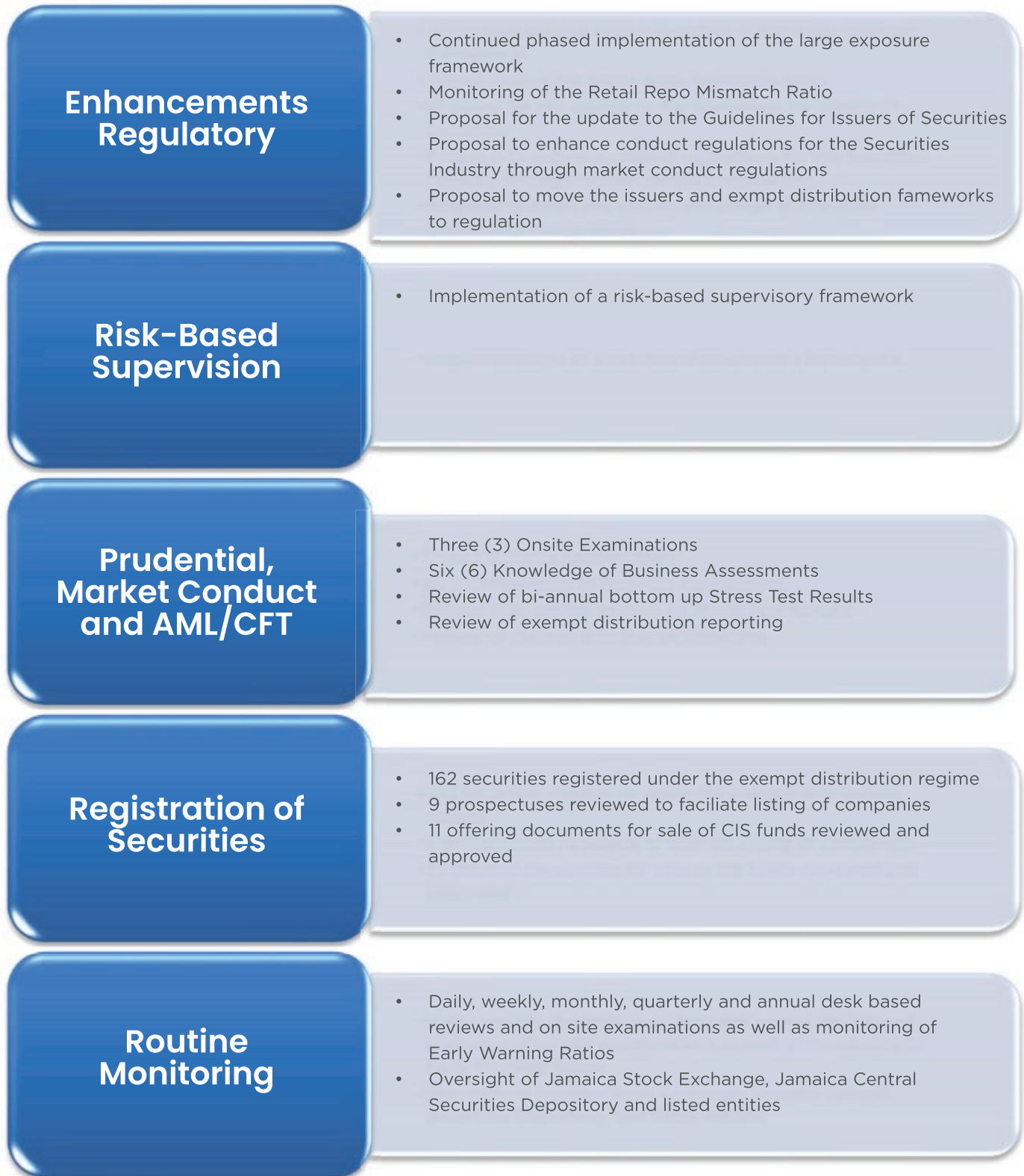
Consequently, during FY2021-2022, the Securities Division continued developing and phasing critical reforms to strengthen the financial sector. The primary enhancements in the supervisory framework pursued during the year related to the following:

- 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. Continued introduction of reforms in keeping with the market deepening agenda; and
- vi. The introduction of proposals for the enhancement of Capital and Liquidity standards for the Securities Industry

# SECURITIES INDUSTRY REPORT

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



# SECURITIES INDUSTRY REPORT

Chart 29 shows the number of entities and individuals licensed and registered by the FSC by category of licenses or registration as at March 31, 2022.

**CHART 29: NUMBER OF LICENSEES & REGISTRANTS BY CATEGORY<sup>12</sup>**

	Licensed/ Registered At 31/3/21	Additions	Less Terminations/ Cancellations	Licensed/ Registered At 31/3/22
<b>Securities Dealers</b> <sup>13</sup>	41	0	1	40
<b>Securities Dealers' Representatives</b>	1,047	123	0	1,170
<b>Investment Advisers</b>	6	0	0	6
<b>Investment Advisers' Representatives</b>	0	0	0	0
<b>Mutual Funds</b>	11	1	0	12
<b>Unit Trust Fund Managers</b>	11	0	0	11
<b>Unit Trust Schemes</b>	19	0	0	19
<b>Total</b>	<b>1,135</b>	<b>124</b>	<b>1</b>	<b>1,258</b>

[1] This includes three (3) individual securities dealer

As at March 31, 2022, thirty-seven (37) companies and three (3) individuals were licensed as securities dealers in the market. Chart 30 shows the composition of the licensed 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 include 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.

<sup>12</sup> Unit Trust Fund Managers are also Securities Dealers; therefore, they 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)

# SECURITIES INDUSTRY REPORT

## 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 key performance statistics for ((i) Securities dealers (ii) Collective Investment Schemes, and (iii) Private Debt and Equity Markets.

## CHART 30: NUMBER OF LICENSED SECURITIES DEALERS, BY TYPE OF COMPANY, AS AT MARCH 31, 2022

Institution Type	March 31, 2022
<b>Total Securities Dealers</b>	37
<b>Of Which:</b>	
<b>Core Securities Dealers<sup>13</sup></b>	30
<b>Non-Core Securities Dealers</b>	7
<b>Of Which:</b>	
<b>Insurance Companies</b>	2
<b>Others</b>	5

## (I) OVERVIEW OF SECURITIES DEALERS' PERFORMANCE

### TRENDS IN THE SIZE AND COMPOSITION OF ASSET PORTFOLIOS

As at December 31, 2021, the total balance sheet assets of securities dealers (comprising core and non-core securities dealers) stood at approximately J\$1.2 trillion, reflecting an increase of J\$109.19 billion or 10.04 per cent when compared to the corresponding period in 2020 (See Chart 31). This increase was primarily attributable to a J\$101.4 billion or 13.76 per cent increase in the total assets held by core securities dealers.

The GOJ's debt securities accounted for approximately 30.0 per cent of the balance sheet assets (see Chart 32). Chart 33 shows that foreign currency (FX) denominated investments currently accounts for approximately 55% of the value of investments held on the balance sheets of securities dealers. The trend in Chart 33 suggests that securities dealers have been repositioning their investment portfolios, and this is possibly fuelled by factors such as the perceived relative attractiveness of FX denominated investments on a total risk-adjusted return basis, as well as 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 34.

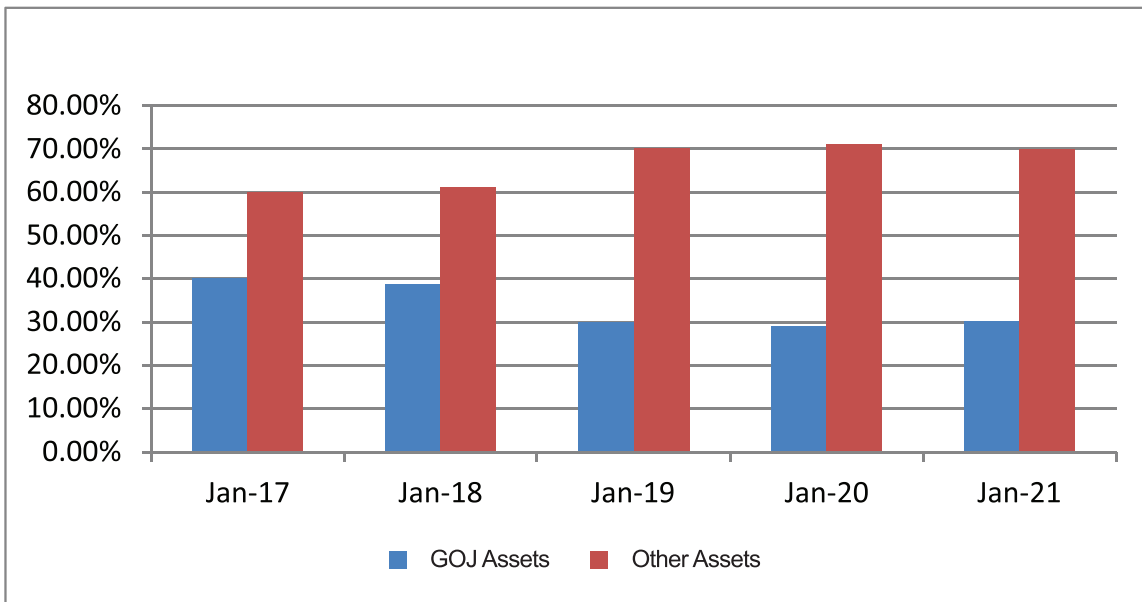
<sup>13</sup> Ten of the core securities dealers are also CIS management companies

# SECURITIES INDUSTRY REPORT

**CHART 31: TOTAL BALANCE SHEET ASSETS OF SECURITIES DEALERS BY TYPE OF COMPANY, 2017-2021 DECEMBER**

Category of Securities Dealers (Company)	Total Assets									
	Dec-17		Dec-18		Dec-19		Dec-20		Dec-21	
	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total
<b>Core Securities Dealers</b>	556.6	52.2	561.0	51.6	650.6	56.9	736.9	67.8	838.3	70.0
<b>Non-Core Securities Dealers</b>	508.8	47.8	526.9	48.4	493.8	43.2	350.8	32.3	358.6	30.0
<b>of which:</b>										
<b>Building Society/ Commercial Bank</b>	166.7	15.7	166.4	15.3	166.4	14.5	0.0	0.0	0.0	0.0
<b>Insurance Companies</b>	320.8	30.1	333.9	30.7	297.9	26.0	318.9	29.3	323.8	27.1
<b>Others</b>	21.2	2.0	26.6	2.4	29.5	2.6	32.0	2.9	34.8	2.9
<b>TOTAL</b>	<b>1,065.4</b>	<b>100</b>	<b>1,087.9</b>	<b>100.</b>	<b>1,144.4</b>	<b>100.0</b>	<b>1,087.7</b>	<b>100.0</b>	<b>1,196.9</b>	<b>100.0</b>

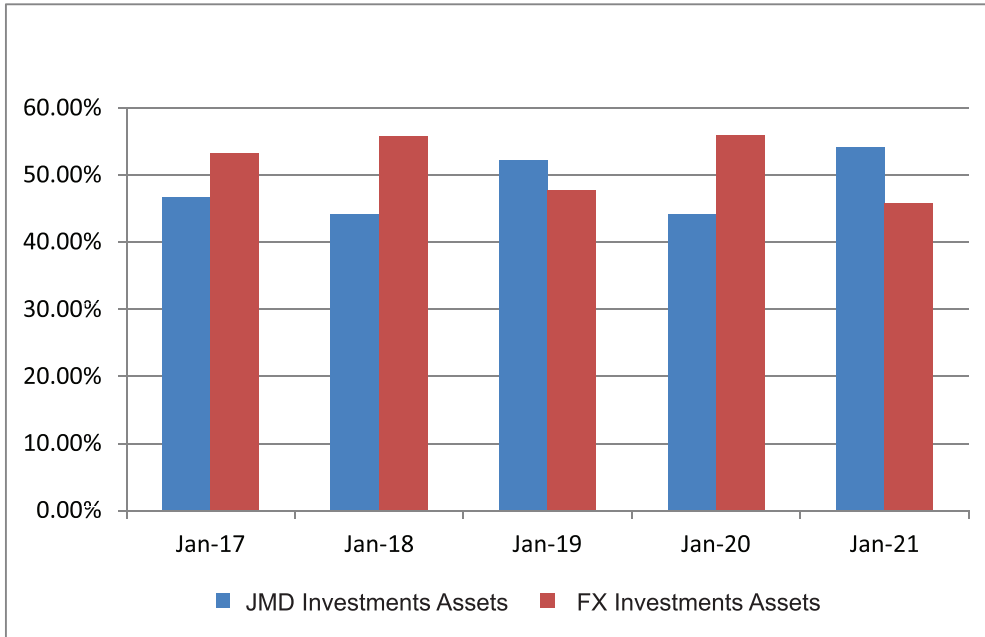
**CHART 32: GOJ ASSETS AS A PERCENTAGE OF TOTAL ASSETS 2017-2021**



Note: Unaudited Data

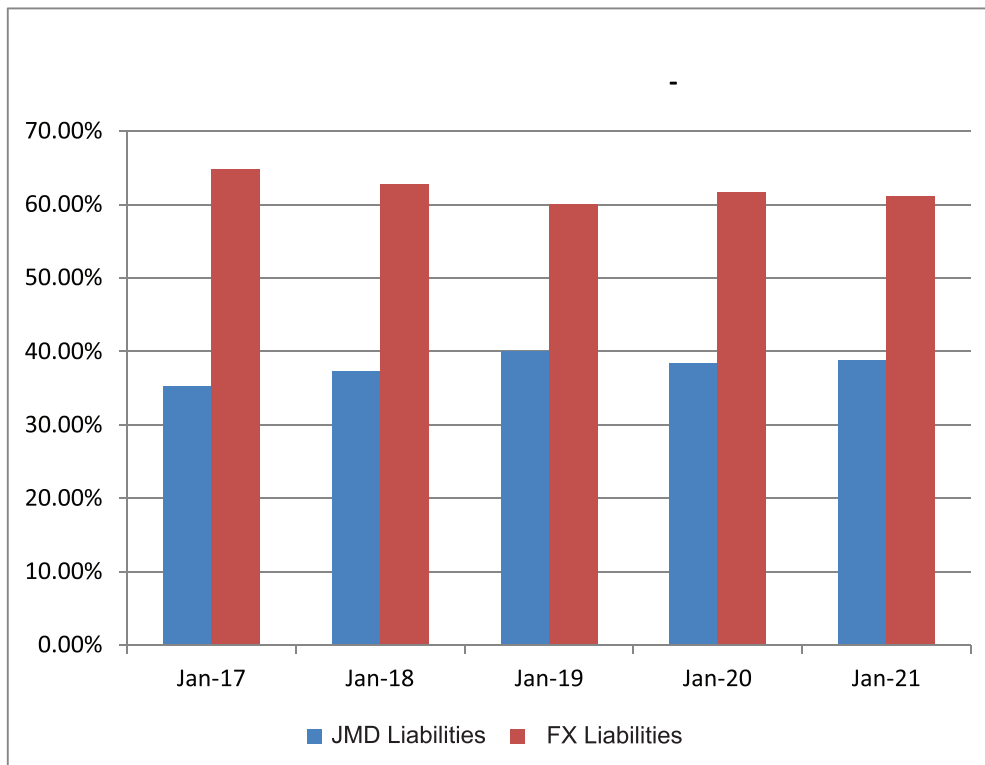
# SECURITIES INDUSTRY REPORT

**CHART 33: PERCENTAGE CURRENCY COMPOSITION OF INVESTMENT ASSETS, 2017-2021**



Note: Unaudited Data

**CHART 34: PERCENTAGE CURRENCY COMPOSITION OF CLIENT FUNDS REPORTED ON BALANCE SHEET, 2017-2021**



Note: Unaudited Data

# SECURITIES INDUSTRY REPORT

Chart 35 displays securities dealers' total balance sheet capital for 2017 - 2021. As at December 31, 2021, the total balance sheet capital of the securities industry (comprising core and non-core securities dealers) stood at J\$266 billion, an improvement of 4.9 per cent when compared to a similar period in 2020. The improvement in the total balance sheet capital for the securities industry was primarily attributable to a 12.36 per cent increase in the capital held by the core securities dealers.

As at December 31, 2021, the total Funds Under Management (FUM) of the securities industry stood at approximately J\$1.96 trillion<sup>14</sup>, representing an increase of 8.4 per cent when compared to the same period in 2020. See Chart 36. The core securities dealers accounted for approximately 81.1 per cent of this amount. Notably, the total FUM portfolio of these core dealers include the assets of Collective Investment Schemes (CIS) institutional fund managers, which have seen an increase in the size of their CIS portfolios under management in recent times. The performance of the CIS subsector is detailed separately below.

**CHART 35: TOTAL BALANCE SHEET CAPITAL OF SECURITIES DEALERS BY TYPE OF COMPANY, 2017-2021**

Category of Securities Dealers (Company)	Total Assets									
	Dec-17		Dec-18		Dec-19		Dec-20		Dec-21	
	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total
<b>Core Securities Dealers</b>	83.5	46.4	79.2	42.9	113.7	49.0	130.1	51.3	146.2	54.9
<b>Non-Core Securities Dealers</b>	96.6	53.6	105.6	57.1	118.2	51.0	123.4	48.7	119.9	45.1
<b>of which:</b>										
<b>Building Society/ Commercial Bank</b>	19.4	10.8	18.7	10.1	18.7	8.0	0.0	0.0	0.0	0.0
<b>Insurance Companies</b>	73.9	41.1	82.6	44.7	94.3	40.7	117.7	46.4	113.4	42.6
<b>Others</b>	3.3	1.8	4.4	2.4	5.3	2.3	5.8	2.3	6.4	2.4
<b>TOTAL</b>	<b>180.2</b>	<b>100.0</b>	<b>184.8</b>	<b>100.0</b>	<b>232.0</b>	<b>100.0</b>	<b>253.5</b>	<b>100.0</b>	<b>266.0</b>	<b>100.0</b>

Note: Unaudited data

Over the last five years, off-balance sheet FUM has accounted for on average approximately 67.11% 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 37. The general structure suggests that the securities dealers strategically manage more of their clients' portfolios off their balance sheets.

<sup>14</sup> This amount includes CIS funds and pension funds managed by securities dealer companies.

# SECURITIES INDUSTRY REPORT

**CHART 36: TOTAL FUNDS UNDER MANAGEMENT OF SECURITIES DEALERS  
BY TYPE OF COMPANY, 2017-2021**

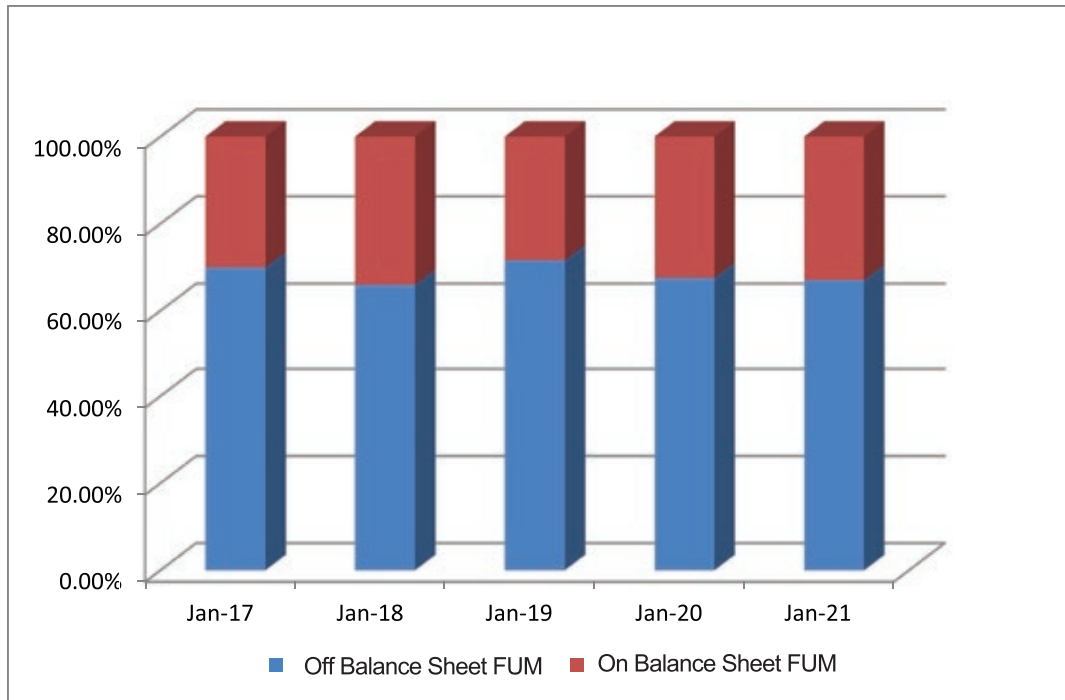
Category of Securities Dealers (Company)	Funds under Management (FUM) <sup>15</sup>									
	Dec-17		Dec-18		Dec-19		Dec-20		Dec-21	
	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total	\$ Billions	% of Total
<b>Core Securities Dealers</b>	1,186.7	75.9	1,229.8	75.4	1,346.1	73.7	1,366.0	75.6	1,588.3	81.1
<b>Non-Core Securities Dealers</b>	376.0	24.1	401.1	24.6	481.0	26.3	441.4	24.4	370.7	18.9
<b>of which:</b>										
<b>Insurance Companies</b>	331.0	21.2	355.6	21.8	416.4	22.8	387.8	21.5	312.5	16.0
<b>Others</b>	45.0	2.9	45.5	2.8	64.6	3.5	53.7	3.0	58.2	3.0
<b>TOTAL</b>	<b>1,562.7</b>	<b>100</b>	<b>1,630.9</b>	<b>100</b>	<b>1827.1</b>	<b>100</b>	<b>1,807.4</b>	<b>100</b>	<b>1,959.0</b>	<b>100</b>

Note: Unaudited data

<sup>15</sup> FUM represents clients' funds which are managed by securities dealers either on or off the balance sheet.

# SECURITIES INDUSTRY REPORT

**CHART 37: OFF BALANCE SHEET FUM GROWTH**



Note: Unaudited data

## Trends in Earnings, Profitability and Capital Adequacy

Chart 38 provides information on the earnings, expenses and profitability of the core securities dealers over the last five years. Collectively, the core securities dealers remained profitable in 2021 recording a net after-tax profit of J\$16.6 billion. Of note, interest income accounted for approximately 41.9 per cent of total revenue recorded for the 2021

calendar year. This indicates that core dealers have reduced their dependence on interest income as their main source of revenue. Chart 39 depicts the percentage composition of total revenue for 2017-2021. The calendar year ended December 2021 saw an increase in profitability levels, indicating that the industry continues to recover from the impact of the COVID19 pandemic. The industry has continued to display resilience, as evidenced by the improvement in profitability.

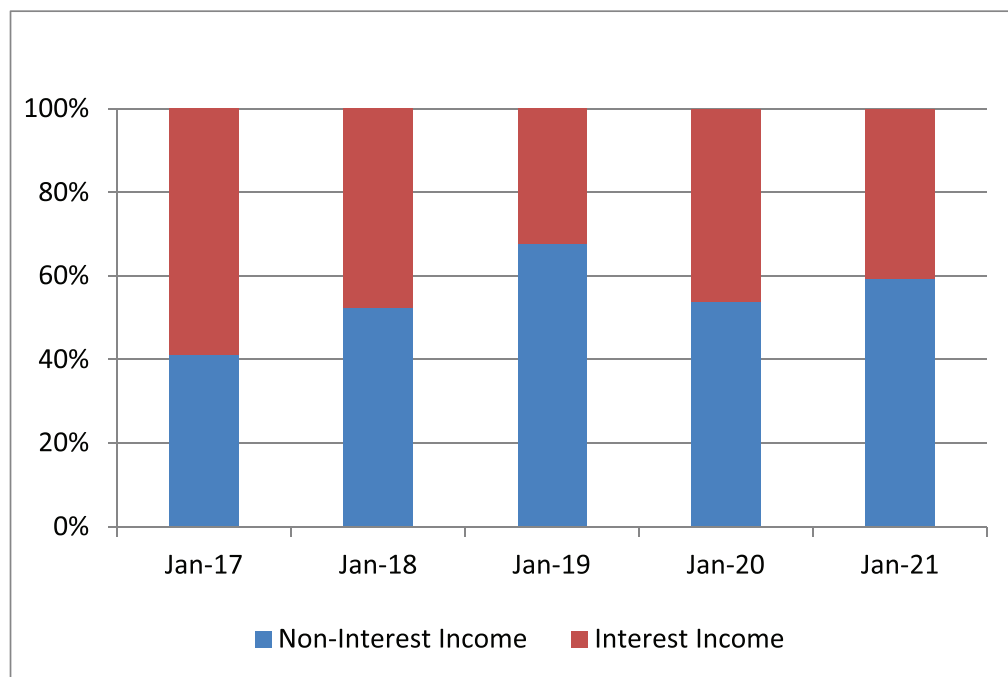
# SECURITIES INDUSTRY REPORT

**CHART 38: EARNINGS, EXPENDITURE AND PROFITABILITY OF CORE SECURITIES DEALERS, 2017-2021**

	DEC-2017 \$'BILLION	DEC-2018 \$'BILLION	DEC-2019 \$'BILLION	DEC-2020 \$'BILLION	DEC-2021 \$'BILLION
<b>TOTAL REVENUE</b>	45.6	51.0	61.1	52.6	69.4
Total Expense	30.9	33.3	30.2	37.8	46.7
Total Interest Income	26.9	24.3	19.8	24.3	29.1
Total Interest Expense	15.9	13.8	11.7	14.8	18.1
Net Interest Income	11.0	11.0	8.1	9.4	11.1
<b>Net Profit after tax</b>	<b>9.5</b>	<b>12.0</b>	<b>25.1</b>	<b>12.0</b>	<b>16.6</b>

Note: Unaudited data

**CHART 39: PERCENTAGE COMPOSITION OF REVENUE, 2017-2021**



Note: Unaudited data

# SECURITIES INDUSTRY REPORT

Chart 40 summarises selected prudential indicators for the core securities dealers for 2017 to 2021. The sector remained adequately capitalised during the review period.

**CHART 40: SELECTED PRUDENTIAL INDICATORS FOR CORE SECURITIES DEALERS, 2017 - 2021**

	DEC-17 %	DEC-18 %	DEC-19 %	DEC-20 %	DEC-21 %	FSC BENCHMARK %
<b>CAPITAL ADEQUACY</b>						
Capital / Total Assets	15	14.12	17.48	17.5	17.25	≥ 6
Capital Adequacy Ratio <sup>16</sup>	19.54	20.78	22.86	22.63	24.24	≥ 10
<b>PROFITABILITY</b>						
Return on Assets <sup>17</sup>	1.7	2.13	2.19	1.11	1.11	
Return on Equity <sup>18</sup>	11.35	15.11	10.8	4.75	4.75	
Net Interest Margin <sup>19</sup>	40.87	45.19	40.8	38.57	38.57	
Net Profit Margin <sup>20</sup>	20.78	23.45	41.01	22.89	22.89	

Note: Unaudited data

## (II) OVERVIEW OF COLLECTIVE INVESTMENT SCHEMES (CIS)

### Local Unit Trusts and Mutual Funds

As at December 31, 2021, there were nineteen (19) unit trusts (one unit trust is registered but not operational) and one (1) local mutual fund operating in Jamaica. They were managed by ten (10) fund

managers. The local unit trust and mutual fund portfolios consisted mainly of fixed income securities, real estate and equity investments. The total funds managed stood at \$364.5 billion, representing a 6.1 per cent increase when compared to the previous year's amount of \$343.7 billion (See Chart 41). The increase in funds under management was primarily due to net subscription and capital appreciation in the fund values due to market movements.

<sup>16</sup> The Capital Adequacy Ratio (CAR) is computed by dividing regulatory capital by aggregate risk-weighted assets and other risk exposures. Regulatory capital is comprised of tier 1 and tier 2 capital less prescribed deductions. An Operational Risk-Weighted Assets capital charge was added to the CAR computation in 2016, which already included capital charges for credit risk, market risk, and foreign exchange exposure.

<sup>17</sup> Return on assets is computed by dividing net income after tax by total balance sheet assets.

<sup>18</sup> Return on equity is computed by dividing net income after tax by balance sheet capital.

<sup>19</sup> Net Interest Margin is computed by dividing net interest income by total interest income.

<sup>20</sup> Net Profit Margin is computed by dividing net profit after tax by total revenue.

# SECURITIES INDUSTRY REPORT

**CHART 41: FUM ACTIVITIES FOR THE FIVE -YEAR PERIOD ENDED DECEMBER 2021**

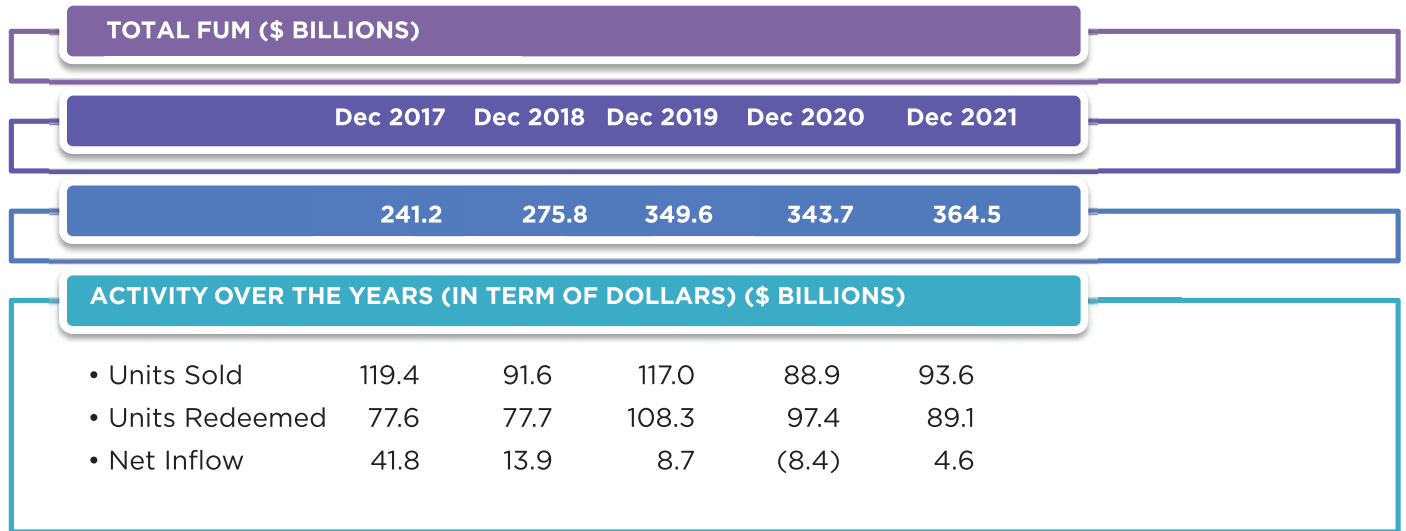
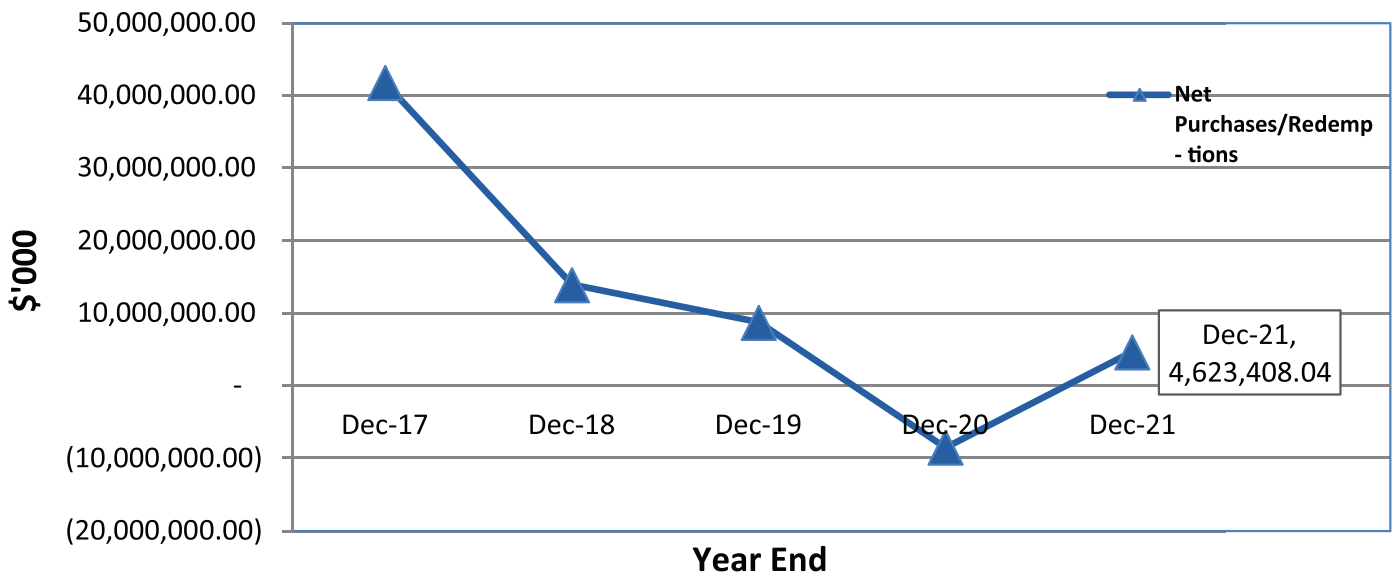


Chart 42 illustrates the combined CIS net purchases from December 2017 to December 2021. All the year ends experienced net purchases, except for 2020, which shows a net redemption.

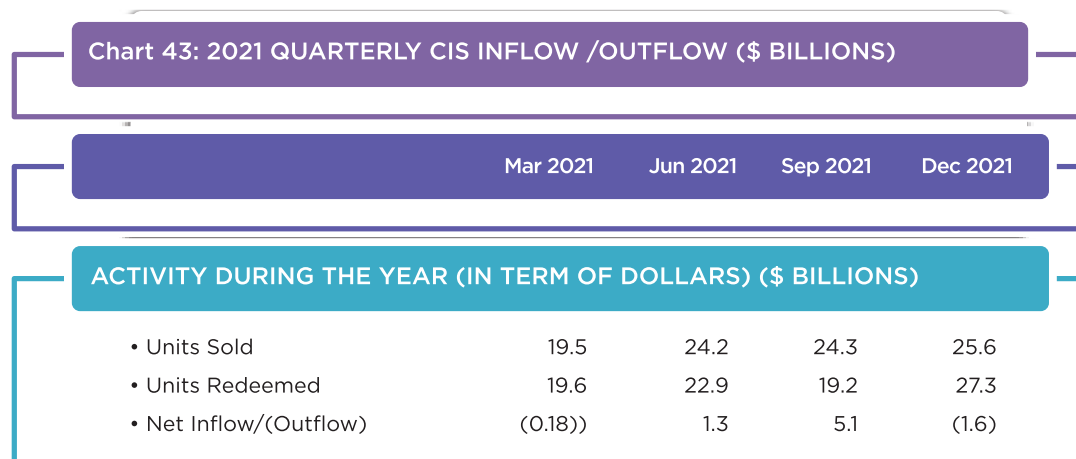
**CHART 42: CUMULATIVE UNIT TRUST PURCHASES/REDEMPTIONS FOR THE PERIOD DECEMBER 2017 - DECEMBER 2021**



# SECURITIES INDUSTRY REPORT

Chart 43 illustrates the combined CIS net inflow/outflow during the 2021 calendar year by quarter. Two of the four quarters experienced net inflows and two experienced net outflows.

**CHART 43: 2021 QUARTERLY CIS INFLOW /OUTFLOW (\$ BILLIONS)**



## Overseas Mutual Funds

As at December 31, 2021, 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 USD339.1 million. Chart 44 depicts the value of purchases and redemptions done by Jamaicans during the period December 2017 to December 2021.

**CHART 44: SUMMARY OF OVERSEAS MUTUAL FUNDS HELD BY JAMAICANS**

	2017	2018	2019	2020	2021
TOTAL FUM (USD MILLIONS)	263	272	303	335	339
<b>ACTIVITY DURING THE YEAR</b>					
Value of Units Sold (USD millions)	58	62	48	57	47
Value of Units Redeemed (USD millions)	34.2	34.8	34.1	33.9	50
<b>NET FLOWS</b>					
Value (USD millions)	24	28	14	23	(3)

# SECURITIES INDUSTRY REPORT

## (III) OVERVIEW OF PRIVATE DEBT AND EQUITY MARKETS

### Public Offerings

The Jamaican stock market has been evolving rapidly over the years since the introduction of the Junior Market. With the global economy entering its recovery phase from the pandemic in 2021, the Jamaican equities market continued to recover,

albeit at a slower pace than anticipated. Against the economic environment, the FSC received fourteen (14) prospectuses for review. Of the 14, seven (7) were registered at the end of December 2021 with a value of approximately \$23 Billion. (December 2020: \$42B in 2020.) See Chart 45. The FSC continues to provide the services of prospectus review and registration at no-cost to the Issuers of Securities. The table below outlines the status of securities registered by the FSC over the past five years.

### CHART 45: PUBLIC OFFERINGS REGISTERED: 2017-2021

	2017	2018	2019	2020	2021
Public Offerings Registered	10	19	22	11	7
Value of Registered Public Offerings (\$ Billions)	15.6	16.0	50.0	42.0	23

### The Jamaica Stock Exchange

There was a general improvement from 2020 in the JSE performance despite various economic headwinds caused by the pandemic. The JSE listed twenty (20) new securities, which included eleven (11) securities on the Private Market, one (1) on the Junior Market and one (1) security on the USD Equities Market. Furthermore, five (5) classes of preference shares and two (2) ordinary shares were also listed on the JSE Main Market during the period. These new listings resulted in the JSE having ninety-five (95) companies with one hundred and forty-one (141) securities. The market capitalisation of the JSE was \$1.87 Trillion when compared to \$1.67 Trillion at the close of 2020.

During the year, the JSE introduced the Fixed Income Market to facilitate secondary trading of securities registered by the FSC under its Exempt Distribution Guidelines. At the end of December 2021, there were eleven (11) securities listed. Despite the lower activities on the JSE when compared to previous years, except for 2020 at the height of the pandemic, investors continued their appetite for equities. Chart 46 illustrates the JSE indices in December 2021 when compared to 2020.

# SECURITIES INDUSTRY REPORT

**CHART: 46: PERFORMANCE FOR JSE INDICES YTD DECEMBER 31, 2021**

Indices	Value (December 31, 2021)	Value (December 31, 2020)	Change	Change %
<b>JSE Combine</b>	401,130.23	392,435.92	8,694.31	2.22%
<b>JSE Inde</b>	396,155.61	395,614.93	540.68	0.14%
<b>All Ja Comp</b>	438,328.37	433,521.09	4,807.28	1.11%
<b>JSE Select</b>	9,882.92	9,742.79	140.13	1.44%
<b>Financial Index</b>	98.05	102.09	-4.04	-3.96%
<b>Man &amp; Dis Index</b>	100.38	82.83	17.55	21.19%
<b>Cross Listed Index</b>	74.03	99.95	-25.92	-25.93%
<b>JSE Junior</b>	3,428.30	2,643.38	784.92	29.69%
<b>JSE USD</b>	195.51	186.30	9.21	4.94%
<b>Combined Mkt Cap</b>	\$1.87 Trillion	\$1.67 Trillion	\$204.60 Billion	12.28%

## Market Surveillance

Apart from being a critical element as an oversight tool, market surveillance continues to be one of the key functions undertaken by the FSC. In order to regulate the market and provide the necessary protection to investors, the goal is to ensure that the market is operating in a fair, efficient and transparent manner 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, which comes with its own set of challenges.

## Exempt Distribution Offerings

As at the end of 2021, one hundred and forty-six (146) exempt distributions were registered with the FSC, representing a 10 per cent increase when compared to the one hundred and thirty-three (133) exempt distributions registered in 2020. The value of the transactions amounted to J\$282.4 billion, which was 60.5 per cent more than the value recorded in 2020 (see Chart 47).

The exempt distribution market mainly comprised of medium and long-term notes which accounted for 73.9 per cent of the total instruments (both USD and J\$) registered with the FSC in 2021. Most Jamaican dollar issues had medium term maturities with 76.23 per cent maturing within 1-5 years, 12.30 per cent had maturities over five (5) years and 11.48 per cent had maturities within a year. The USD side was quite similar with 65.22 per cent maturing within 1-5 years, 13.04 per cent with maturities over five (5) years and 21.74 per cent maturing in less than a year.

As at December 31, 2021, there were three hundred and forty-nine (349) outstanding securities registered by one hundred and fifty-four (154) Issuers under the exempt distribution regime. This was valued at \$521.0 billion, an increase of 11.56 per cent when compared to the \$467.0 billion outstanding as at December 31, 2020. This also represents an increase of thirty-three (33) new securities over the three hundred and sixteen (316) recorded as at December 2020. As at December 31, 2021, there were one hundred and fifty-four (154) Issuers, which includes eleven (11) new issuers when compared to the one hundred and forty-three (143) issuers in December 2020.

# SECURITIES INDUSTRY REPORT

**CHART 47: EXEMPT DISTRIBUTIONS REGISTERED: -2017-2021**

<b>CHART 47: EXEMPT DISTRIBUTIONS REGISTERED: -2017-2021</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Number of Exempt Distributions</b>	123	140	168	133	146
<b>Value (\$ Billions)</b>	199.7	262.6	306.0	175.9	282.4

## **Legislative Developments – Revised Guidelines for Issuers of Securities**

The Securities Division commenced 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.

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

## **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.

# PENSION INDUSTRY REPORT

In executing its mandate for regulating the pensions industry during the 2021/22 fiscal year, five (5) multi-year strategic objectives were pursued, namely:

- (i) Advocacy of policy and legislative changes and full implementation of the riskbased supervisory framework
- (ii) Promotion of financial awareness and education among all our stakeholders;
- (iii) Promotion of financial awareness and education among all our stakeholders to advance consumer protection;
- (iv) Deterrence, detection, and prosecution of violations of the laws, regulations and guidelines;
- (v) Development and retention of talent; and
- (vi) Leveraging of new technology.

A snapshot of the activities of the Pensions Division is shown in Chart 48. Chart 49 shows the scope of the FSC's regulatory responsibilities according to the number and type of regulated entities.

## CHART 48: 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 examinations.
- Contributed to the development of a quarterly risk monitoring template for corporate entities.
- Further updated reporting forms to facilitate RBS per external stakeholders' comments and internal review.
- Commenced the development of an 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.

# PENSION INDUSTRY REPORT

## CHART 48: A SNAPSHOT OF THE DIVISION'S MAJOR ACHIEVEMENTS (CONTD)

02

### DETERRENCE, DETECTION AND PROSECUTION OF VIOLATIONS OF THE LAWS

- Conducted 247 desk-based risk assessments of pension plans.
- Conducted 9 desk-based risk assessments of licensees.
- Conducted on-site examinations of two (2) licensees and one (1) pension plan,utilizing the RBS framework.

03

### PROMOTION OF FINANCIAL AWARENESS AND EDUCATION

- Published:
  - \*Four (4) Quarterly Private Pensions Industry Statistics
  - \*Two (2) Quarterly Newsletters
  - \*One (1) educational article entitled “Retirement: Reaping What You Sow”
  - \*A Bulletin on Electronic Meetings
- Conducted a series of three (3) trustee workshops and one (1) trustee training session.
- Completed two (2) radio interviews
- Completed Phase III of the development of a Trustees’ Handbook.

04

### 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),
  - \*Inter-American Development Bank (IDB),
  - \*Caribbean Association of Pension Supervisors (CAPS), and
  - \*Toronto Centre (TC) among other institutions

# PENSION INDUSTRY REPORT

**CHART 49: NUMBER & TYPE OF REGISTRANTS & LICENSEES**

Registrants & Licensees	Approved as at March 31, 2021	New Applications	Approved	Terminations	Approved as at March 31, 2022
Superannuation Funds	346	0	10	1	355
Retirement Schemes	13	0	0	0	13
Trustees (Individuals)	*2,074	60	58	0	2,132
Trustees (Corporate)	2	0	0	0	2
Responsible Officer	40	0	0	0	40
Administrators	25	0	0	0	25
Investment Managers	*23	0	0	0	23

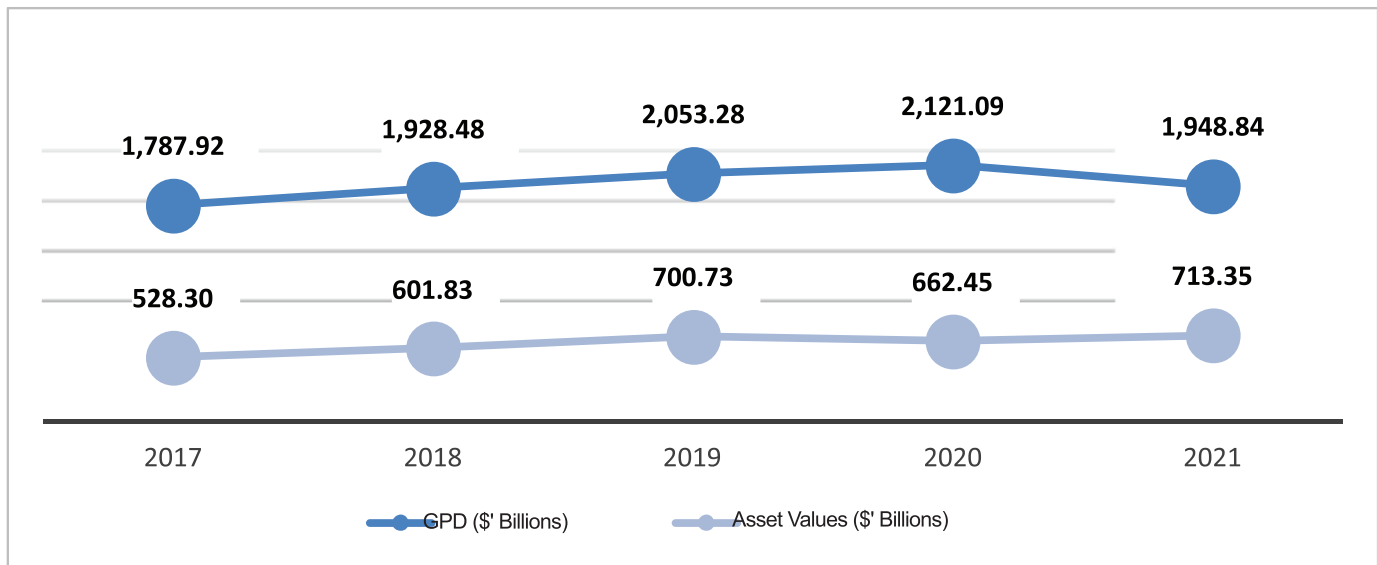
\*Revised

As at December 31, 2021, the total value of assets in the Jamaican private pensions industry amounted to \$713.4 billion; when compared to pre-pandemic levels of \$700.7 billion (December 2019), this represented a 1.8 per cent increase. This improvement in private pension assets resulted from consistent quarterly growth during the year and concomitant annual expansion growth of 7.6

per cent, contrasting the fluctuation in asset values and an overall 5.4 per cent contraction experienced during the 2020 calendar year. Moreover, the Jamaican private pensions industry has grown on average by 2.6 per cent per quarter and 6.4 per cent per annum for the past five years. The accumulated assets of pension plans combined over the past five calendar years were valued at, on average, 32.5 per cent of GDP. See Chart 50.

# PENSION INDUSTRY REPORT

**CHART 50: ASSETS IN THE JAMAICA PRIVATE PENSIONS INDUSTRY VS GDP**



There were 372 active plans in the Jamaican private pensions industry as at December 31, 2021. During the 2021 calendar year, four (4) Defined Contribution (“DC”) pension plans were terminated. Over the past five (5) years, the number of active plans has trended downwards, and financial difficulties continue to be the main reason for plan termination. However, assets held by active plans accounted for \$704.3 billion or 98.8 per cent of total private pension assets. Terminating plans accounted for 52.0 per cent of pension plans in the private pensions industry but \$8.1 billion or 1.1 per cent of total assets. Chart 51 provides additional details.

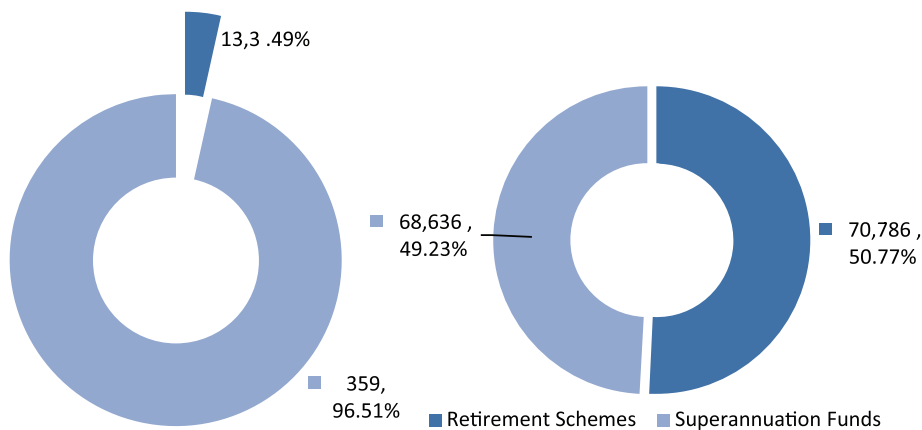
As at December 31, 2021, the number of retirement schemes (“RS”) remained the same (13), while the number of superannuation funds (“SF”) decreased by 1.1 per cent to 359. Following the trend from the previous year, membership in RS increased at a faster rate than SF (6.6 per cent and 2.8 per cent, respectively), resulting in active membership in RS superseding membership in SF for the first time. However, SF continued to account for approximately 92.0 per cent of private pension assets, following a 7.4 per cent increase year-over-year to \$644.9 billion. Similar, assets in RS increased by 13.5 per cent to \$59.4 billion. Over the past five (5) years, RS and SF have seen average annual growth in assets of 9.2 per cent and 6.4 per cent, respectively. See Charts 52 to 55.

# PENSION INDUSTRY REPORT

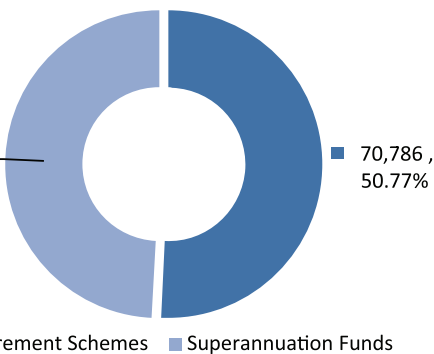
**CHART 51: ACTIVE, TERMINATING AND INACTIVE PENSION PLANS AS AT DECEMBER 31, 2020 AND 2021<sup>21</sup>**

	ACTIVE		TERMINATING		INACTIVE		TOTAL	
	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21	Dec-20	Dec-21
<b>NUMBER OF PENSION PLANS</b>								
<b>Defined Benefit</b>	87	87	102	102	4	4	193	193
<b>Defined Contribution</b>	289	285	320	324	13	13	622	622
<b>Total Asset Values</b>	<b>376</b>	<b>372</b>	<b>422</b>	<b>426</b>	<b>17</b>	<b>17</b>	<b>815</b>	<b>815</b>
<b>MEMBERSHIP</b>								
<b>Defined Benefit</b>	19,677	19,547	363	98	1,815	1,668	21,855	21,313
<b>Defined Contribution</b>	113,463	119,875	600	529	56	56	114,119	120,460
<b>Total Asset Values</b>	<b>133,140</b>	<b>139,422</b>	<b>963</b>	<b>627</b>	<b>1,871</b>	<b>1,724</b>	<b>135,974</b>	<b>141,773</b>
<b>ASSET VALUES (\$'M)</b>								
<b>Defined Benefit</b>	396,501	419,019	5,104	4,471	202	223	401,807	423,713
<b>Defined Contribution</b>	256,111	285,237	3,730	3,636	63	66	259,904	288,939
<b>Total Asset Values<sup>22</sup></b>	<b>652,612</b>	<b>704,256</b>	<b>8,834</b>	<b>8,107</b>	<b>266</b>	<b>289</b>	<b>661,712</b>	<b>712,652</b>

**CHART 52: NUMBER OF SUPERANNUATION FUNDS VS RETIREMENT SCHEMES**



**CHART 53: NUMBER OF MEMBERS IN SUPERANNUATION FUNDS AND RETIREMENT SCHEMES**



**CHART 54: ASSETS IN SUPERANNUATION FUNDS VS RETIREMENT SCHEMES (\$'MILLIONS)**

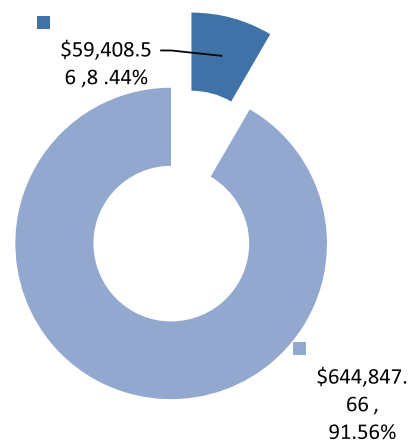


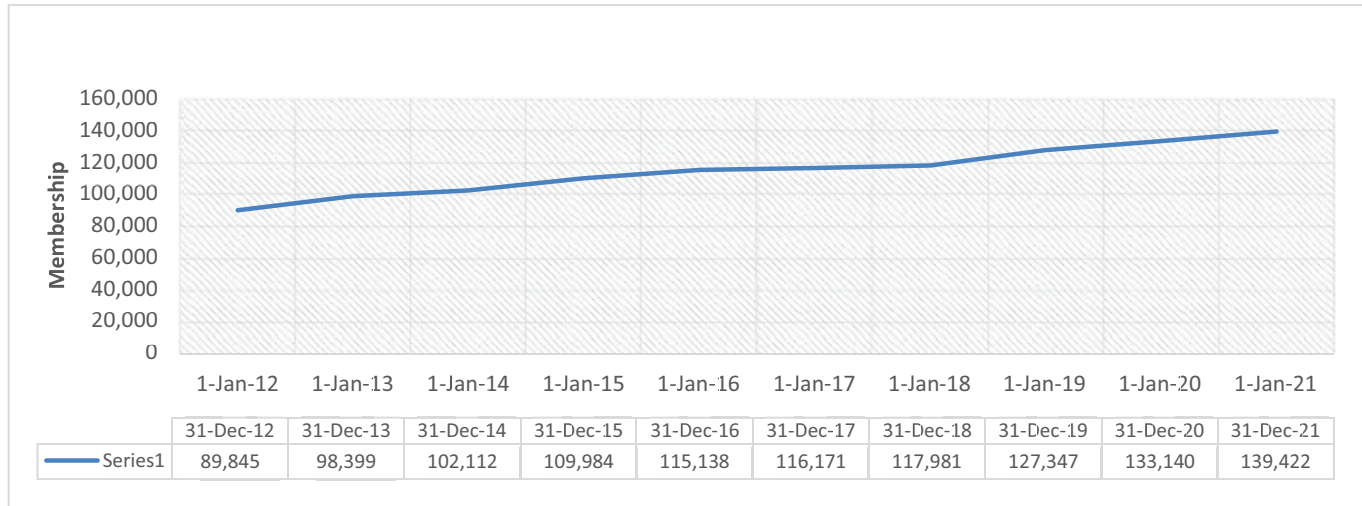
Chart 55 illustrates the growth trend in the membership of the active plans over the last ten (10) years.

<sup>21</sup> December 2020 was restated.

<sup>22</sup> For December 2021 difference between total assets in pension plans and total assets in the industry is attributed to unallocated funds held by two (2) investment managers.

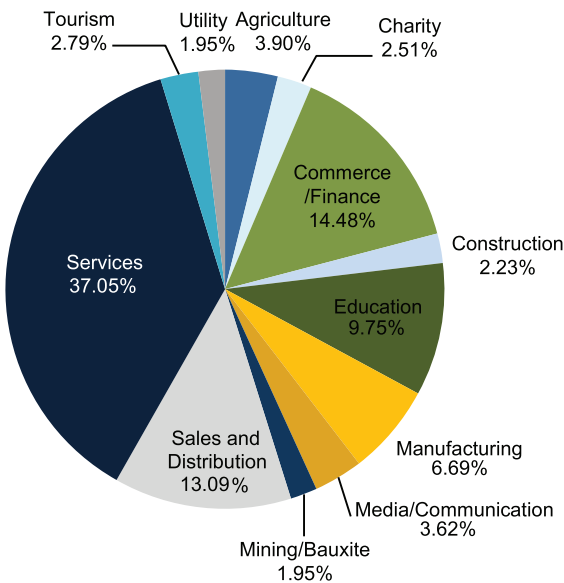
# PENSION INDUSTRY REPORT

**CHART 55: ACTIVE MEMBERS FOR THE PERIOD DECEMBER 31, 2012 TO DECEMBER 31, 2021.**

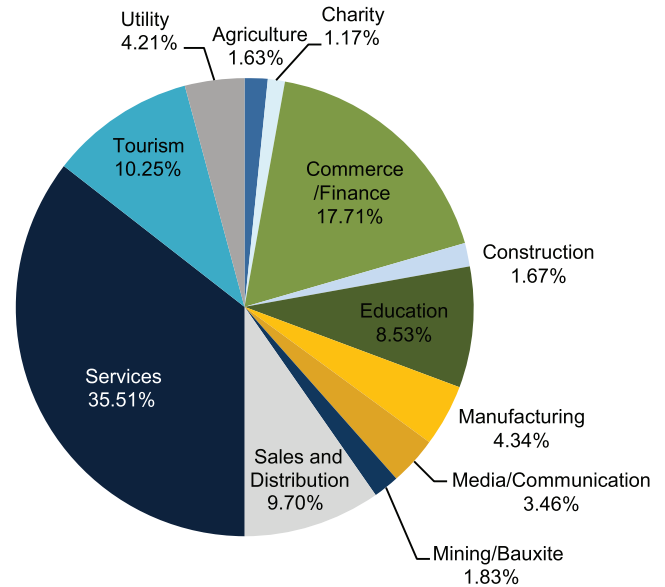


Total private pension coverage and active private pension coverage<sup>23</sup> as at December 31, 2021 was 11.5 per cent and 11.3 per cent respectively. This reduction in private pension coverage from the previous year was as a result of the employed labour force increasing<sup>24</sup> at a faster rate (6.6 per cent) than membership in private pension plans (4.3 per cent). Private pension coverage is the highest in the services sector, and lowest in charity organizations. See Charts 56 to 58 for further details.

**CHART 56: PERCENTAGE OF ACTIVE FUNDS BY INDUSTRY**



**CHART 57: ACTIVE MEMBERSHIP IN FUNDS BY INDUSTRY**

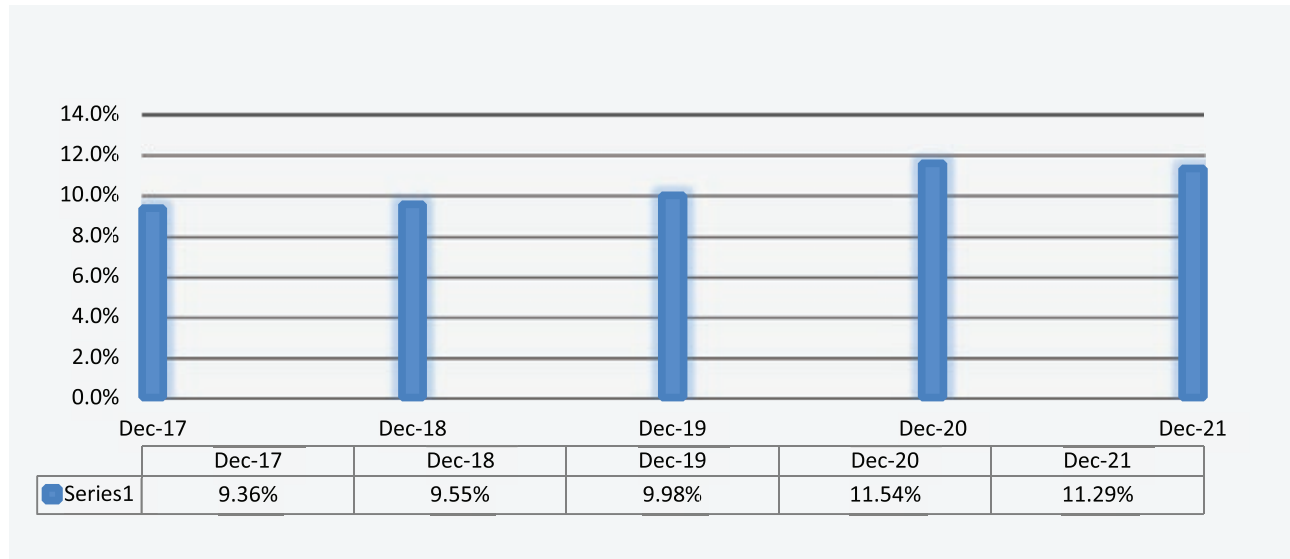


<sup>23</sup> This is private pension coverage for active, inactive and terminating plans.

<sup>24</sup> The Jamaican employed labour force as at October 31, 2021 was 1,234,800 according to the Planning Institute of Jamaica (pioj.gov.jm).

# PENSION INDUSTRY REPORT

**CHART 58: MEMBERSHIP IN ACTIVE PRIVATE PENSION PLANS AS A PERCENTAGE OF THE EMPLOYED LABOUR FORCE**



## Investments

Chart 59 shows the composition of the aggregate investment portfolio of private pension plans, by asset class. Investments in pooled arrangements, stocks and shares, 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 2021. While pooled investment arrangements (“PIAs”), which consists of Type I and Type II Pooled Funds and Deposit Administration Funds, remained the single largest asset class with \$273.5 billion (38.3 per cent of portfolio), direct investments

in stocks and shares surpassed investments in GOJ securities to regain its position as the second largest asset class, having experienced annual growth of 10.4 per cent to reach \$159.2 billion (22.3 per cent of portfolio) by end-December 2021. Investments in GOJ securities increased by 3.0 per cent during the year to \$151.6 billion (21.2 per cent of portfolio). Notably, investments in PIA, equities and GOJ securities have registered average annual growth over the past five (5) years of 10.9 per cent, 17.9 per cent and 1.9 per cent, respectively. In terms of currency composition, at end-December 2021 total foreign-currency-denominated investments represented 7.5 per cent of total private pension assets.

# PENSION INDUSTRY REPORT

**CHART 59: AGGREGATE INVESTMENT MIX AS AT DECEMBER 31, 2019, 2020, 2021.**

TYPES OF INVESTMENT	AMOUNT INVESTED (\$'M)	% OF TOTAL INVESTMENTS	AMOUNT INVESTED (\$'M)	% OF TOTAL INVESTMENTS	AMOUNT INVESTED (\$'M)	% OF TOTAL INVESTMENTS
	DEC-19		DEC-20 <sup>25</sup>		DEC-21	
<b>Deposits</b>	6,069.75	0.86%	8,671.13	1.31%	10,550.87	1.48%
<b>Commercial Paper</b>	330.00	0.05%	414.57	0.06%	388.63	0.05%
<b>Securities of Governments</b>	143,915.47	20.50%	147,168.99	22.23%	151,562.81	21.21%
<b>Repurchase Agreements</b>	19,445.09	2.77%	24,149.27	3.65%	23,911.06	3.35%
<b>Bonds and Debentures</b>	38,808.98	5.53%	35,555.20	5.37%	43,425.75	6.08%
<b>Mortgage</b>	32.63	0.00%	62.21	0.01%	41.06	0.01%
<b>Other Loans</b>	4,233.75	0.60%	4,145.70	0.63%	5,422.92	0.76%
<b>Promissory Notes</b>	9,732.96	1.39%	10,590.77	1.60%	7,140.41	1.00%
<b>Leases</b>	5,182.18	0.74%	4,027.81	0.61%	4,549.04	0.64%
<b>Stocks and Shares</b>	180,819.45	25.75%	144,133.78	21.77%	159,146.10	22.27%
<b>Real Estate</b>	25,672.87	3.66%	29,838.52	4.51%	31,124.89	4.36%
<b>Investment Arrangements</b>	263,609.80	37.54%	249,737.47	37.72%	273,536.75	38.27%
<b>Derivatives</b>	0.00	0.00%	0.00	0.00%	0.00	0.00%
<b>Other Investments</b>	4,314.22	0.61%	3,577.10	0.54%	3,872.18	0.54%
<b>Total Investments</b>	702,167.15	100.00%	662,072.52	100.00%	714,672.48	100.00%
<b>Other Net Assets</b>	-1,436.87		379.41		-1,323.01	
<b>TOTAL ASSETS</b>	<b>700,730.28</b>		<b>662,451.93</b>		<b>713,349.47</b>	

In 2021, a Securities Dealer ("SD") surrendered its license, and a credit union was licensed as an investment manager ("IM") and administrator. Consequently, there were 25 IMs by the end of the calendar year. An existing credit union also transferred the sole pension plan managed to a SD, which resulted in the two (2) licensed credit unions having no funds under management ("FUM") as at December 31, 2021. The remaining FUM in the industry were split among two (2) Life Insurance Companies ("LIC"), 15 SDs and six (6) other IMs.

With an overall annual growth of 7.9 per cent, SDs continued to manage the most significant portion of assets valued at \$391.6 billion. FUM by LICs, which accounted for the second largest portion of assets managed, grew by 8.2 per cent to \$265.8 billion. The remaining assets managed by the other IMs amounted to \$56.0 billion, up from the \$53.2 billion reported as at December 31, 2020. See Chart 60.

<sup>25</sup> December 2020 was restated.

# PENSION INDUSTRY REPORT

**CHART 60: 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)
	2019		2020		2021	
<b>Insurance Companies</b>	3	362,851	2	245,762	2	265,806
<b>Securities Dealers</b>	15	281,160	16	362,969	15	391,551
<b>Credit Unions</b>	1	543	1	567	2	0
<b>Other</b>	7	56,176	6	53,154	6	55,993
<b>Total</b>	26	700,730	25	662,451	25	713,349

M'\$ - MILLION

## SUPERVISORY RISK ASSESSMENTS

Pensions division, the report on supervisory risk assessments is presented below according to the FSC's activities related to (i) off-site (deskbased) examinations (ii) on-site examinations (iii) reviews of wind-up applications (iv) reviews of plan amendments, and (v) reviews of Statements of Investment Policies.

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

### Pension Plans

During the FY2021-2022, a total of two hundred and forty-seven (247) risk assessments were completed from the statutory filings for two hundred and thirty-one (231) pension plans<sup>26</sup>. Of the plans reviewed, six (6) superannuation funds were assessed as having high levels of risk, with issues relating to solvency and funding being the main factors underpinning the risk assessments revealed that the majority of pension plans experienced high-risk profile of these plans. (See Chart 61).

<sup>26</sup> For some plans, multiple periods were assessed. Assessments were also carried out for submissions made in prior periods.

# PENSION INDUSTRY REPORT

## CHART 61: RESULTS OF RISK ASSESSMENT OF PENSION PLANS

EARLY WARNING RISK ASSESSMENT	PLAN TYPE	PLAN IMPACT	RISK LEVEL		
			Low	Moderate	High
Superannuation Funds	DC	Low	49	1	1
		Moderate	43	1	1
		High	83	0	2
	Traditional DB /a	Low	0	0	1
		Moderate	2	0	0
		High	48	1	1
	Hybrid DB /b	Low	0	0	0
		Moderate	0	0	0
		High	4	0	0
	Mixed DB /c	Low	0	0	0
		Moderate	0	0	0
		High	2	0	0
Retirement Schemes	Low	0	0	0	
	Moderate	0	0	0	
	High	7	0	0	
		<b>Total</b>	<b>238</b>	<b>3</b>	<b>6</b>

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 period<sup>27</sup>, reflecting among other things, the structure of existing asset portfolios and the impact broader macroeconomic developments (such as higher inflation) on relative asset prices since the onset of the Covid-19 pandemic.

### Corporate Entities

Nine (9) corporate entities were assessed during the fiscal year. Chart 62 summarize the results of the risk assessments completed for corporate services providers.

## CHART 62: RESULTS OF RISK ASSESSMENT OF CORPORATE SERVICE PROVIDERS<sup>28</sup>

	PLAN IMPACT	RISK LEVEL		
		Low	Moderate	High
Administrators	Low	1	2	0
	Moderate	0	0	0
	High	2	0	0
Investment Managers	Low	0	0	0
	Moderate	0	1	0
	High	1	2	0
Corporate Trustees	Low	0	0	0
	Moderate	0	0	0
	High	0	0	0
	<b>Total</b>	<b>4</b>	<b>5</b>	<b>0</b>

<sup>27</sup> The assessments were conducted as at 2020 and 2021 plan year ends.

<sup>28</sup> The assessments were conducted as at 2020 and 2021 plan year ends.

# PENSION INDUSTRY REPORT

## Solvency

Consistent with the generally low risk ratings for the majority of pension plans, solvency levels, on average, remained adequate. Of the 356 active plans for which the FSC received solvency data as at December 31, 2021, 343 plans or 96 per cent were solvent, a similar percentage to the previous

year, indicating that most pension plans remained solvent despite the current economic climate. Eighty-three DB plans or 97 per cent were solvent, a decrease from the 84 DB plans or 98 per cent reported as at December 31, 2020. Conversely, the percent of solvent DC plans remained at 96.0 per cent, notwithstanding a reduction in the number of solvent DC plans resulting from plan terminations. (See Chart 63).

**CHART 63: SOLVENCY LEVELS OF ACTIVE PLANS AS AT DECEMBER 31, 2018 - 2021**

PLAN YEAR END	BENEFIT TYPE	# of plans	Solvency Level Based On Periodic Statutory Filings				% of plans which are solvent
			Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
2021	DB	3	0	1	0	2	100.00%
	DC	17	0	15	1	1	100.00%
	<b>TOTAL</b>	<b>20</b>	<b>0</b>	<b>16</b>	<b>1</b>	<b>3</b>	<b>100.00%</b>
2020	DB	17	1	5	6	5	94.12%
	DC	70	4	46	17	3	94.29%
	<b>TOTAL</b>	<b>87</b>	<b>5</b>	<b>51</b>	<b>23</b>	<b>8</b>	<b>94.25%</b>
2019	DB	28	0	6	9	13	100.00%
	DC	79	2	57	11	22	97.47%
	<b>TOTAL</b>	<b>107</b>	<b>2</b>	<b>63</b>	<b>20</b>	<b>11</b>	<b>98.13%</b>
2018	DB	24	1	4	8	16	95.83%
	DC	72	3	47	17	8	95.83%
	<b>TOTAL</b>	<b>96</b>	<b>4</b>	<b>51</b>	<b>25</b>	<b>1</b>	<b>95.83%</b>
2017 AND EARLIER	DB	14	1	4	1	9	92.86%
	DC	32	1	22	8	58	96.88%
	<b>TOTAL</b>	<b>46</b>	<b>2</b>	<b>26</b>	<b>9</b>	<b>46</b>	<b>95.65%</b>
<b>OVERALL</b>		<b>356</b>	<b>13</b>	<b>207</b>	<b>78</b>	<b>356</b>	<b>96.35%</b>

## ON-SITE EXAMINATIONS

During the FY2021-2022, three (3) on-site examinations were executed utilizing the RBS methodology adopted by the FSC. The examinations focused on all significant activities of the entities.

### (iii) WINDING-UP OF SUPERANNUATION FUNDS

As seen in Chart 64, the FSC received four (4) new wind-up applications during the FY2021-2022, nine (9) less than the previous corresponding period. During the FY2021-2022 financial year, the FSC

granted approvals for the winding-up of four (4) plans and the partial winding-up of two (2) plans, compared to 14 and 11, respectively, during the previous financial year. Sixteen (16) plans submitted proposed schemes of distribution of surplus assets, and ten (10) were approved, a 33.3 per cent decrease from the previous year

# PENSION INDUSTRY REPORT

**CHART 64: WINDING-UP OF SUPERANNUATION FUNDS**

	SUBMISSIONS		APPROVALS <sup>29</sup>	
	2020	2021	2020	2021
<b>Full Winding-Up</b>	13	4	14	4
<b>Partial Winding-Up</b>	4	0	11	2
<b>Schemes of Distribution of Surplus</b>	17	16	15	10
<b>Total</b>	<b>24</b>	<b>20</b>	<b>40</b>	<b>16</b>

**(iv) PLAN AMENDMENTS**

For the FY2021-2022, ten (10) applications were received regarding changes to be made to the Constitutive Documents of superannuation funds. Chart 65 illustrates the status of amendments before the FSC for its consideration.

**(v) STATEMENTS OF INVESTMENT POLICIES AND PRINCIPLES (SIPP)**

During the FY2020-2021, the trustees of two hundred and fifty-four (254) approved pension plans submitted SIPPs which were revised. Thirty-six (36) of those submissions were processed during the fiscal period.

**CHART 65: STATUS OF AMENDMENTS TO CONSTITUTIVE DOCUMENTS FY2021-2022**

	Application as at March 31, 2021	New Applications	Approved in Current Year	Rejected/Withdrawn in Current Year	Applications as at March 31, 2022
	<b>B/F</b>				<b>C/F</b>
<b>Superannuation Funds</b>	15	10	8	0	17
<b>Retirement Schemes</b>	0	0	0	0	0
<b>Total</b>	15	10	8	0	17

<sup>29</sup> Some applications received in the prior year were approved during FY2021-2022.

# INVESTIGATIONS & ENFORCEMENT REPORT

During FY2021-2022, the FSC’s Investigation & Enforcement (I&E) division engaged in a number of activities aimed at detecting and deterring violations of applicable FSC statutes and regulations. These activities included (i) receiving, responding to and actioning requests for information, complaints, referrals and queries; (ii) conduct of inquiries, investigations and AML audits/examinations; (iii) preparation, presentation and dissemination of Investigation and Audit/Examination Reports; (iv) identification of statutory and/or market conduct violations and

recommendations and/or pursuit of related remedial and/or enforcement actions; (v) revision of the FSC’s AML/CFT Guidelines to incorporate legislative updates and international standards/trends; (vi) industry AML training and (vii) legislative reform activities associated with the Trust and Corporate Services regulatory framework. Chart 66 shows a snapshot of the activities of the I&E division. The activities of the I&E division will be elaborated under two main headings, namely (i) General Investigations and Enforcement, and (ii) AML/CFT Supervisory Activities.

**CHART 66: SNAPSHOT OF INVESTIGATIONS & ENFORCEMENT ACTIVITIES, FY2021-2022**

Query & Complaint Handling.		Promotion of compliance with relevant local laws and international standards (e.g. FATF Recommendation)	
Supervision and Examinations of regulated entities pursuant to anti-money laundering, counter-financing of terrorism and counter proliferation financing (AML/CFT/CPF) legal and regulatory framework.			
Detection of and Reporting on activity/conduct that offend defined market conduct standards, industry guidelines and/or applicable laws.	Initiation and implementation of deterrent and/or remedial measures in relation to offending entities and/or persons.	Conduct investigations into potential violations of regulated entities/persons. Perform Enhanced Fitness & Propriety Assessments of licenced/registered and prospective licenced/registered individuals.	
Research, recommend and develop legislative and policy reforms toward achieving national and international financial objectives and standards.			
Conduct and Prepare AML/CFT/CPF Risk Assessments and Profiles of Licensees/Registrants.		Conduct periodic AML/CFT/CPF training of regulates entities and prepare and update related reference informational materials and tools.	

# INVESTIGATIONS AND ENFORCEMENT REPORT

## (I) GENERAL INVESTIGATIONS & ENFORCEMENT

The various types of investigations conducted by the I&E division during FY 2021-2022 fall within the following four categories:

1. Complaints;
2. Suspected Breach (SBI);
3. Enhanced Fitness & Property Assessment (EF&P); and
4. Unregistered Financial Organizations (UFO).

Regardless of the category, every investigation was initiated in one of two ways: either via a Complaints Form (completed and submitted primarily by users of financial services), or a Referral Form (completed or

submitted either by other FSC Divisions/Departments, other Government Agency, or I&E team member based on observations of industry activity). However, not every complaint or referral form received within the FY2021-2022 survived the inquiry process to initiate an investigation. Ultimately, the I&E division conducted of a total of one hundred and ninety-three (193) Investigations during FY 2021-2022.

### INVESTIGATIONS CONDUCTED DURING FY 2021-2022

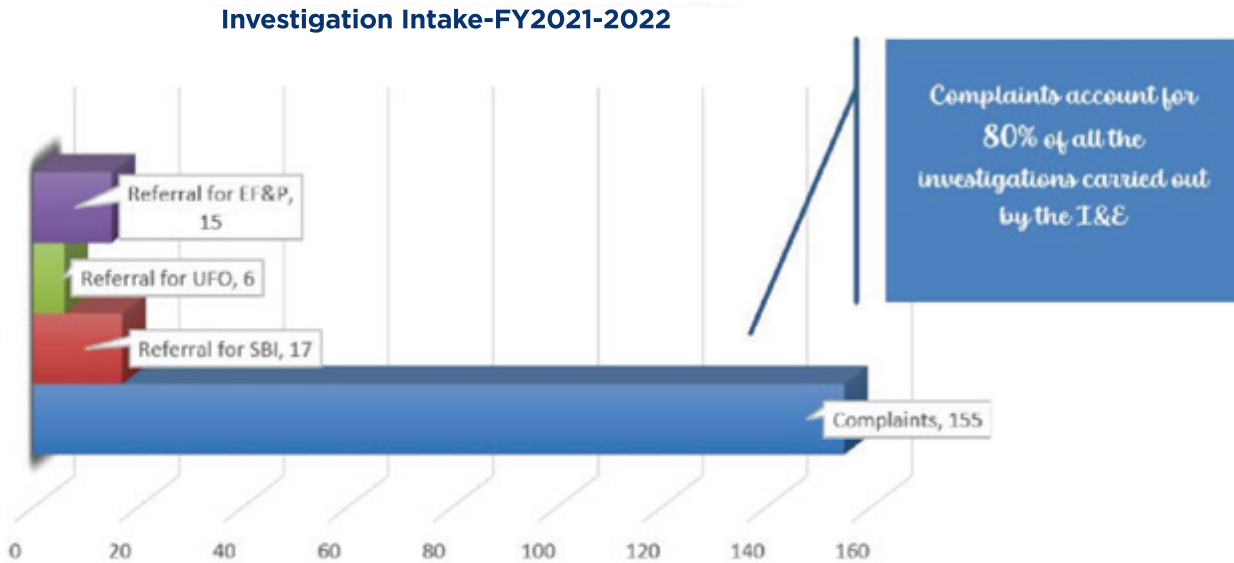
An analysis of the 193 Investigations indicates, inter alia, the existence of fourteen (14) frequently recurring themes/issues. These themes/issues are listed in the Chart 67. The FY 2021- 2022 investigation data shows that most of the investigations conducted fell within the category of Complaints. Notably, that most of the Complaints referrals originated from users/customers of the regulated Insurance Sector (see Chart 68).

**CHART 67: TABLE OF INVESTIGATIVE ISSUE TRENDS FY2021-2022**

INVESTIGATIVE ISSUES TRENDING IN FY2021-2220	
Recurring Issues:	Related Regulated Sector
Undue Delay in Claim Processing	Insurance
Failure to Pay Pension Benefits	Pension
Failure to Make Statutory Filings	Pension
Trustee Breach of Fiduciary Duties	Pension
Failure to Pay Employer/Employee Contribution	Pension
Mismanagement of Investment/Account	Securities/Insurance
Market Misconduct (unfair practices/terms)	Securities/Insurance/Pension
Wrongful Lapse or Cancellation of Policy	Insurance/Insurance
Unauthorized Sale/Disposal of Investment/Shares	Securities
Benefit/Investment Statement or Payment Discrepancy.	Securities/Pension
Unregistered Product and/or Agent/Rep.	Securities/Insurances
Wrongful Refusal to Settle Claim for Third Party report	Insurance
Material Non-Disclosures and/or Due Diligence Failures Onboarding at	Securities/Insurances
Wrongful Failure/Refusal to Settle Claim and/or Salvage; Betterment	Insurance

# INVESTIGATIONS AND ENFORCEMENT REPORT

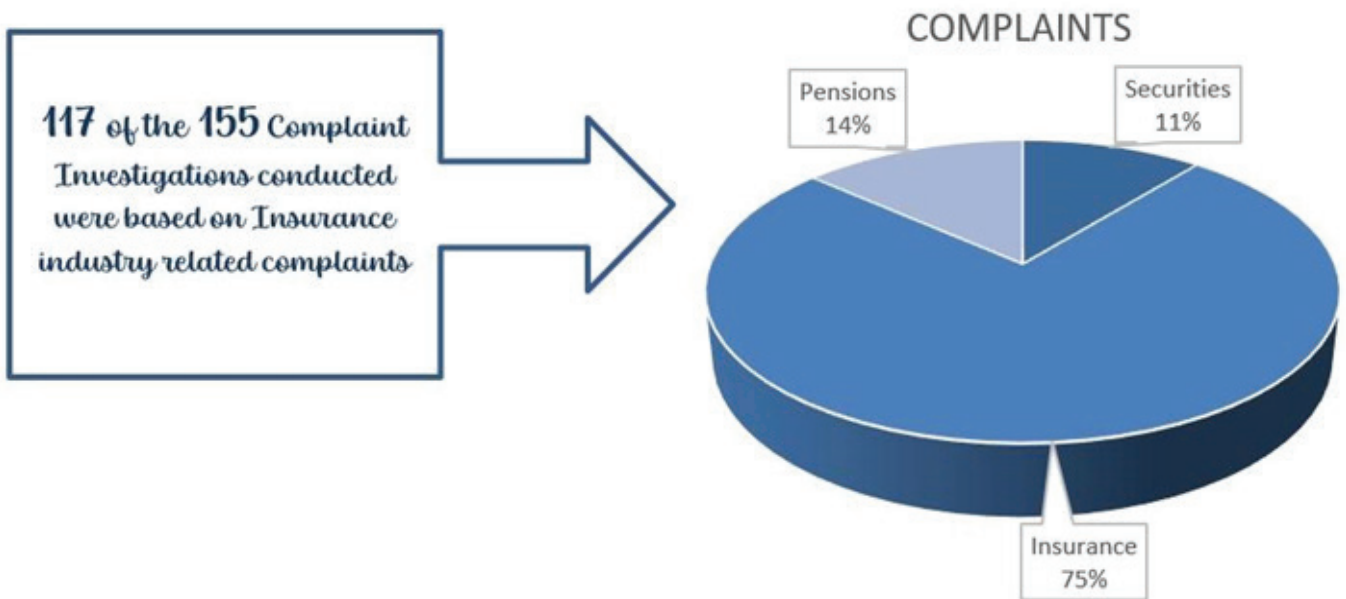
**CHART 68: INVESTIGATION INTAKE/REFERRALS FY2021-2022**



The data also reveals that for FY2021-2022, the regulated insurance industry had the highest incidents of customer/user complaints. Specifically, during the FY2021-2022, insurance-related

complaints surpassed the respective and combined customer complaint rates of the FSC's remaining regulated industries of Pensions and Securities, by a significant margin (i.e.,  $\geq 50\%$ ). See Chart 69.

**CHART 69: FY 2021-2022 COMPLAINT INVESTIGATIONS PER REGULATE INDUSTRIES**

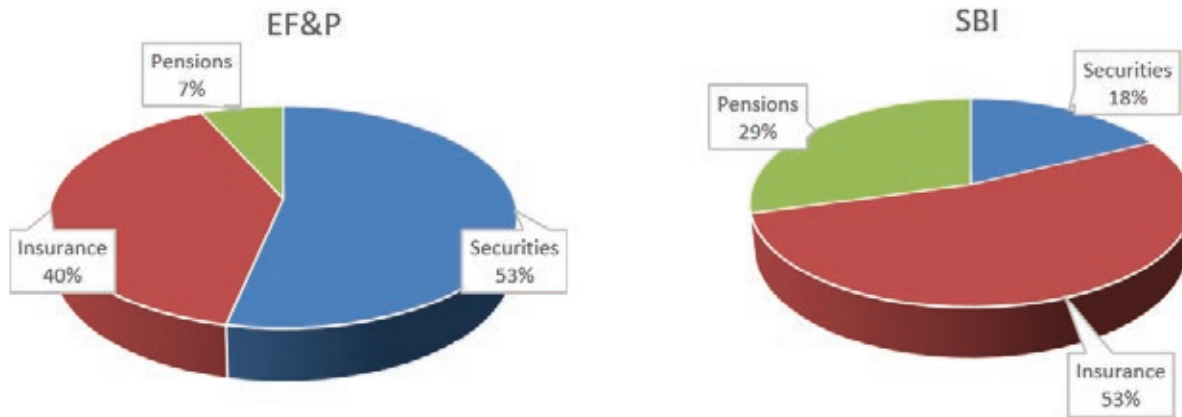


# INVESTIGATIONS AND ENFORCEMENT REPORT

In comparison to the complaints investigations, the data in relation to the remaining categories of investigations provides a less stark contrast among

the three regulated sectors; save and except that for UFO investigations, all six (6) of which were related exclusively to the Securities Industry (see Chart 70).

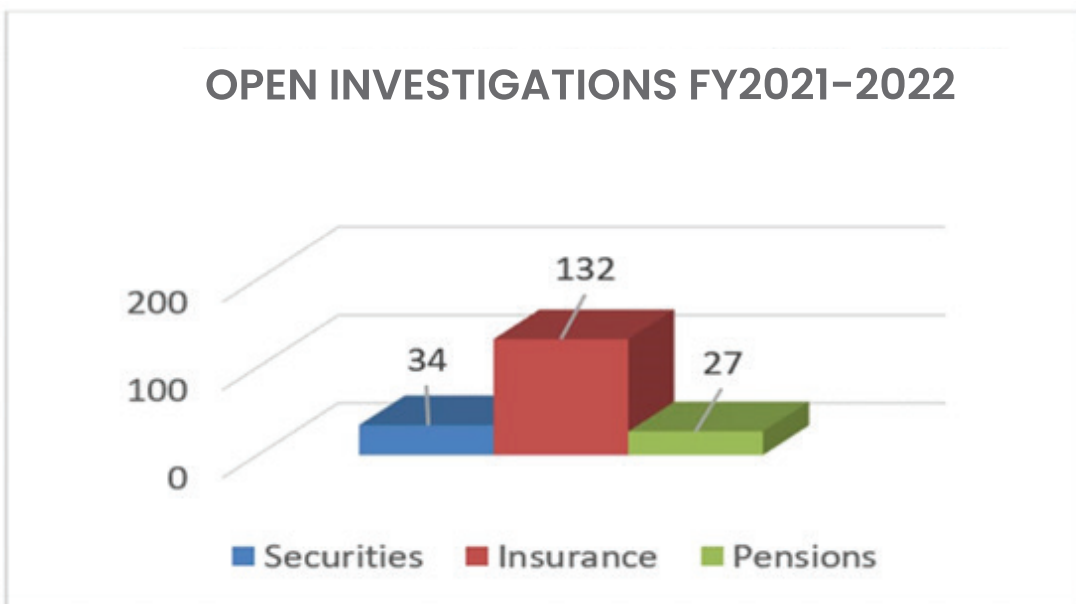
**CHART 70: FY 2021-22 SBI AND EF&P INVESTIGATIONS PER REGULATED INDUSTRIES.**



A cumulative consideration of all categories of investigations conducted in FY2021-22 across the regulated industries is consistent with high investigative activity in general, but specifically with

the investigative microscope being focused most consistently on the Insurance sector and insurance-related matters (see Charts 71 and 72).

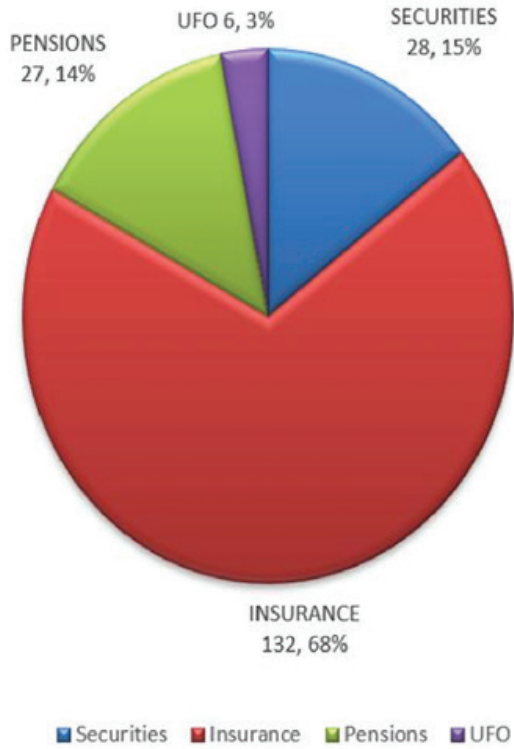
**CHART 71 FY2021-2022 ALL INVESTIGATIONS PER REGULATED INDUSTRY**



# INVESTIGATIONS AND ENFORCEMENT REPORT

**CHART 72: USE OF INVESTIGATIVE TIME FY2021-2022**

## Relative Investigative Time Spent

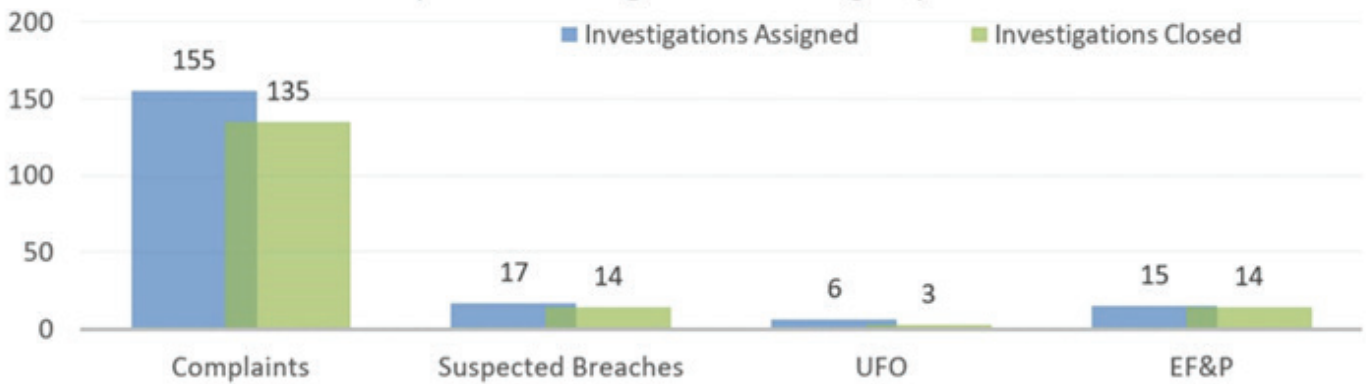


**Investigations Closed During FY2021-2022**

The length of an investigation depends on the scope of the investigation, complexity of the issues and the level of cooperation received from the various stakeholders/respondents during the investigation. As at the end of FY2021-2022, the total number of investigations closed across all investigation categories amounted to one hundred and sixty-six (166) of the 193 investigations under conduct for the year. Charts 73 provides a comparative look at investigations conducted against investigations closed while Chart 74 shows a breakdown of investigation closure-rates according to the type of investigation.

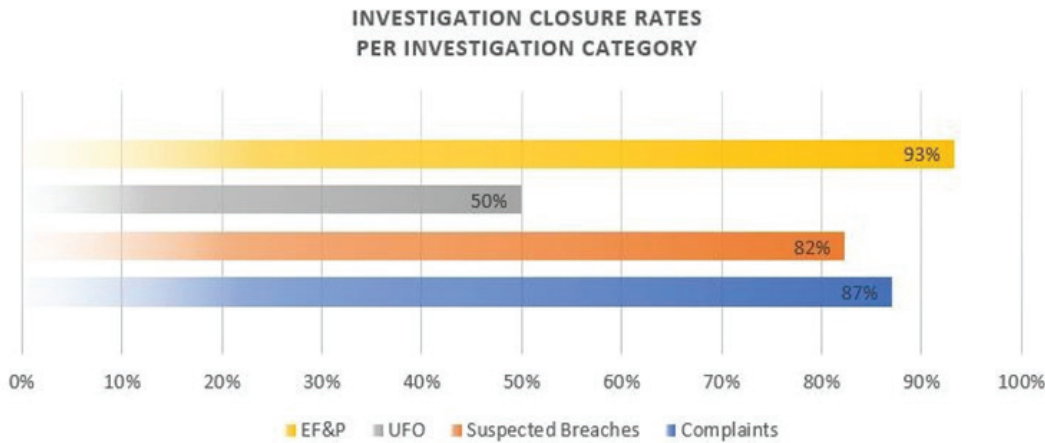
**CHART 73: INVESTIGATIONS CONDUCT AND CLOSURE COMPARISON FY 2021-2022**

## Investigation Case Data per Investigation Category



# INVESTIGATIONS AND ENFORCEMENT REPORT

**CHART 74: INVESTIGATIONS CLOSURE RATES FY2021-2022**



**Use of Investigation Outcomes During FY2021-2022**

The disproportionately large volume of complaints compared to the other investigation categories is consistent with the larger volume of closures of complaints investigation when compared to the other investigation category closures. Although the complaint closures are greatest in volume, the FY2021-2022 investigation outcomes data indicate that complaints provided the least opportunity/incidents for enforcement action by the FSC.

Conversely it is the SBI, EF&P and UFO related investigations that, though markedly fewer in number, required greater resources and time for conduct and completion, involved more complex issues (e.g., statutory/regulatory obligations and/or prohibitions), and higher stakes for the entity, customer(s), and industry involved as well as the FSC with regard to its own regulatory reputation.

In FY2021-2022, the FSC’s investigation and enforcement activity resulted in fourteen (14) general investigation recommendations for enforcement or other compliance related regulatory action, as shown in the Chart 75.

**CHART 75: TABLE OF INVESTIGATIVE OUTCOMES FY 2021-2022**

INVESTIGATION	INVESTIGATIVE OUTCOME	RESULTING ACTION/RECOMMENDATION
SBI (x3)	Trustees’ Breach of Plan Trust Rule/Deed re Pension Benefits	Issuance of Directions
EF&P (x8)	Applicant/Licensees/Registrants deemed Not Fit & Proper	Refusal of Application/Registration
EF&P (x1)	Statutory Breach Established (unregistered person)	Fixed Penalty
SBI (x1)	Statutory Breach Established (licensee’s compensation of unregistered person)	Fixed Penalty
UFO (x1)	Unregistered activity/entity operating within a regulated industry	Public Notice

# INVESTIGATIONS AND ENFORCEMENT REPORT

## (II) AML/CFT SUPERVISORY

### Risk Profiles of Licensees/Registrants

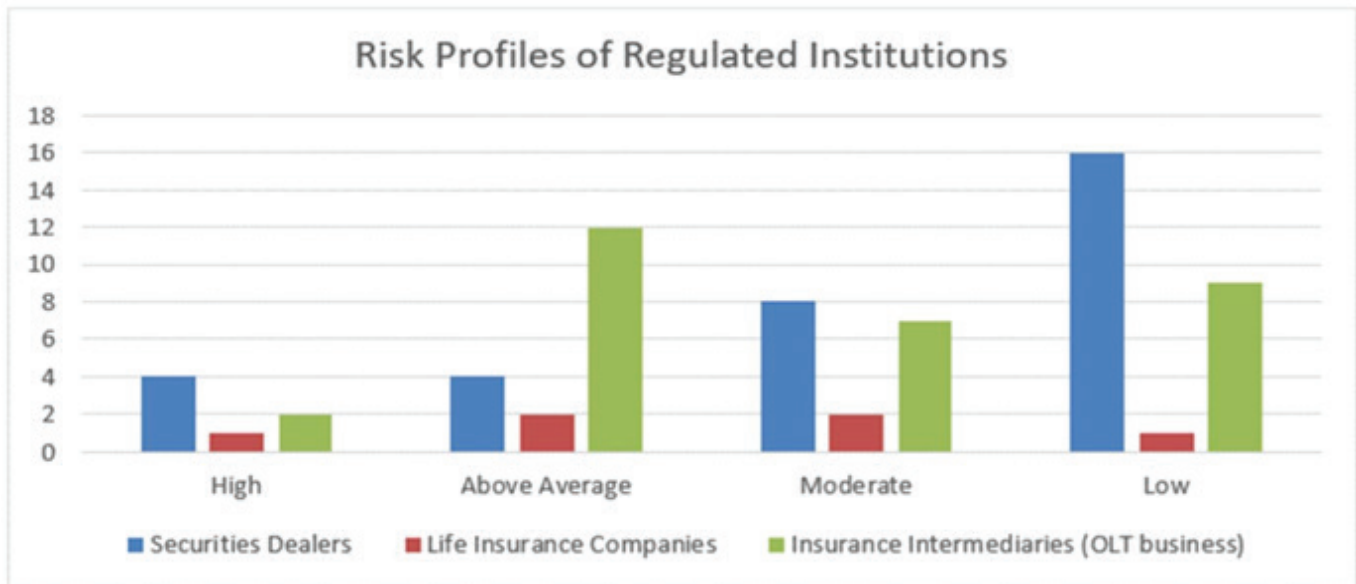
Since 2018, the AML Unit has successfully implemented AML/CFT risk-based supervision for the applicable regulated sectors (Life Insurance and Securities). During FY2021-2022, the Unit expanded this risk-based supervisory framework to include Trust and Corporate Services Providers (TCSPs). In this regard, the Unit updated its primary off-site examination tool, self-assessment questionnaire. This questionnaire is dispatched annually to all licensees and registrants for the collection of certain information on their operations, including AML/CFT systems and controls. This information is used together with other information on the entity (risk scores from onsite examinations, desk reviews, adverse information in the media, thematic studies, information from other competent authorities and the designated authority) to update the risk profiles of licensees and

registrants on an annual basis.

The risk profile is based on a four-point rating system that takes into consideration the entity’s internal controls and an impact score. The impact assessment score is determined by analysing financial data, the size of the business, high-risk products/services, geographic locations, and the ownership/management structure. A resultant risk rating is generated to determine the supervisory intensity that is applied to a regulated entity.

The AML/CFT risk profiles of regulated entities as at March 31, 2022 are shown in the Chart 76.

**CHART 76: RISK PROFILES OF REGULATED INSTITUTIONS**



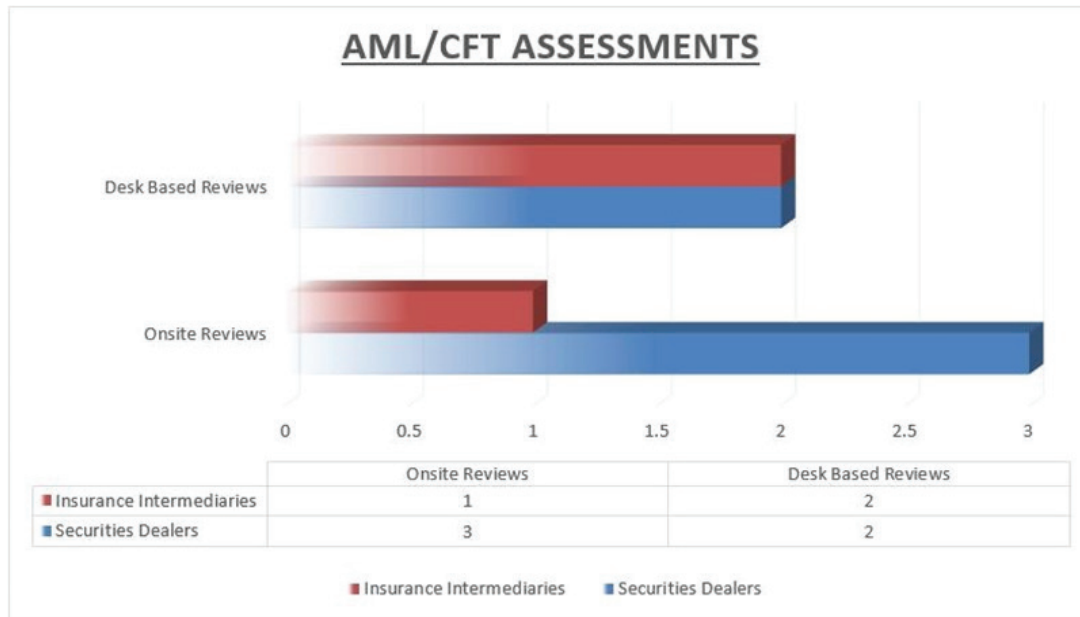
# INVESTIGATIONS AND ENFORCEMENT REPORT

## AML/CFT ASSESSMENTS

During FY2021-2022, the AML Unit conducted eight (8) assessments in total, consisting of both onsite examinations and desk reviews of Insurance

Intermediaries. These eight assessments were conducted in addition to the evaluation done to determine the risk profile of regulated entities (see Chart 77).

**CHART 77: RISK PROFILES OF REGULATED INSTITUTIONS**



### Annual AML/CFT Snapshot Questionnaire

This questionnaire constitutes the main offsite tool that is used to assist the FSC in developing the risk profiles of entities. It therefore serves to identify the entities that should be subject to the highest level of supervisory monitoring.

The questionnaire can also be used by entities as a self-evaluation tool, as it provides indicators of deficiencies and non-compliance within their AML/CFT programmes. From its review of the completed

questionnaire, the AML Unit has identified the following listed deficiencies in the AML/CFT framework of licensees/registrants. See Chart 78 Based on the results of the referenced review and the severe deficiencies which were identified in the AML/CFT operational framework of several regulated entities, twelve (12) deficiency letters were issued to three (3) securities dealers and nine (9) insurance intermediaries. See Chart 79.

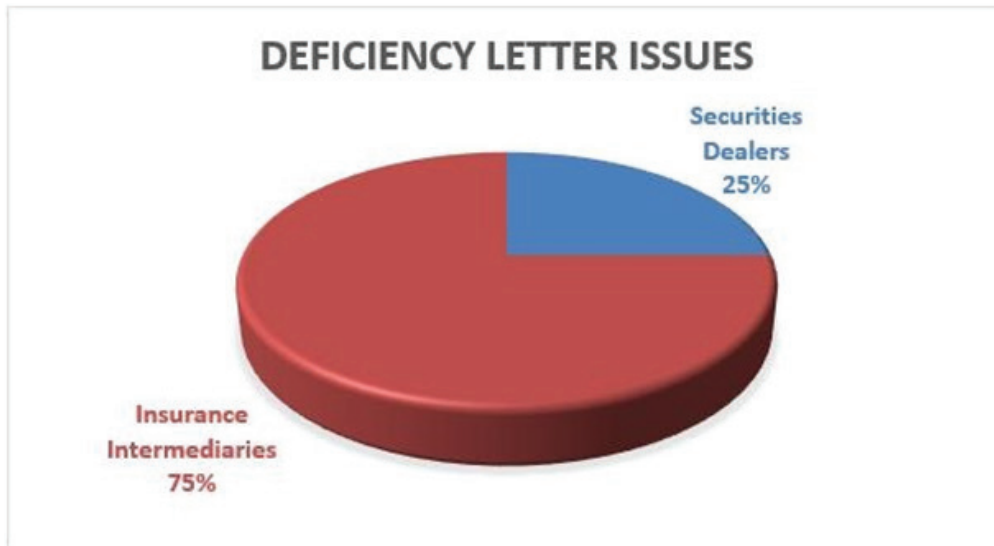
# INVESTIGATIONS AND ENFORCEMENT REPORT

## CHART 78: TABLE OF AML/CFT DEFICIENCIES LISTING

FY2021-2022 AML/CFT Deficiencies Listing

<input checked="" type="checkbox"/>	Failure to update AML/CFT manuals annually
<input checked="" type="checkbox"/>	Failure to conduct independent AML/CFT assessments annually
<input checked="" type="checkbox"/>	Failure to conduct all required enhanced due diligence procedures for high-risk entities
<input checked="" type="checkbox"/>	Failure to implement all required employee due diligence procedures
<input checked="" type="checkbox"/>	Failure to maintain a log of unusual transactions
<input checked="" type="checkbox"/>	Failure to conduct risk assessments of customers, products, and services
<input checked="" type="checkbox"/>	Failure to provide annual AML/CFT training for relevant employees
<input checked="" type="checkbox"/>	Gaps in the procedures for the identification of beneficial owners

## CHART 79: AML/CFT ASSESSMENT DEFICIENCY OUTCOMES



# STAKEHOLDER, COMMUNICATION, AND INTERNATIONAL RELATIONS REPORT

The FSC has redefined how it interacts with its stakeholders and executes its financial literacy programme, and these efforts are now spearheaded by a Stakeholder, Communication, and International Relations (SECIR) Division, in collaboration with technical staff, and other partners and stakeholders in the industry. The Office of Communication and International Relations was subsumed into SECIR.

The FY2021-2022 investor education programme was crafted to (a) empower consumers to be vigilant when it comes to financial scams such as Ponzi and Pyramid schemes, and (b) to make decisions that will enhance their wealth, protect their assets, and ensure a financially stable retirement, by highlighting, inter alia, the role of private pension saving and insurance coverage.

## SOCIAL MEDIA OUTREACH

In the FY2021-2022 social media played an even more critical role in financial literacy and stakeholder engagement. The SECIR division planned and implemented a total of twelve (12) social media campaigns across four (4) of its platforms, namely Facebook, Instagram, YouTube, and Twitter. These activities recorded a reach of over one million, seven hundred thousand (1,700,000) views across all platforms, while gaining a total of approximately twelve-hundred new followers. Video content performed well, with a total of over one hundred and seventy thousand views.

These social media campaigns were themed and had conversion-driven directives for each of the campaigns. The social media campaigns implemented were themed around Insurance, Pensions and Risk-Based Supervision.

The insurance campaign focused on the theoretical importance and real-life application of having insurance. Our followers benefitted from learning about the several types of insurance that are available to them in the regulated insurance industry. The FSC's followership also learned about the differences between the types of industry professionals operating within the pensions industry during the social media campaign on private

pensions.

Risk-Based Supervision (RBS), its adoption by FSC and implementation across the entire non-deposit taking 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 campaign focused on teaching our followers about what RBS is, its purpose and how our stakeholders will benefit from its implementation. Performance data were used extensively in the planning and implementation of all social media campaigns. All initiatives in the cyberspace were backed by data analysis exercises to ensure that the needs of our stakeholders who follow us online were met.

The content shared with our online community was also supplemented by important news items, industry data and clips from events of relevance that may be of interest to our followership. 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. This is done by:

- Sharing practical information and techniques for accessing financial services, primarily insurance, securities, and private pensions.
- Investing in skills-building opportunities to support average, vulnerable and underserved Jamaicans as they navigate their finances through important life events, build individual wealth, and prepare for on-going and later life financial security.

# STAKEHOLDER, COMMUNICATION, AND INTERNATIONAL RELATIONS REPORT

- Preparing the next generation for financial success by guiding the development of money management habits and skills for youth.

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

Second, the strengthening of key relationships with influencers and key stakeholders, which helped people navigate financial choices. Here are some of the events we participated in during the financial year.

## FACE-TO-FACE MEETINGS

These 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 Bureau of Gender Affairs, a division within the Ministry of Culture, Gender, Entertainment and Sport.

This collaboration, along with partnerships with other professional and community-based organisations has provided SECIR with the opportunity to make presentations in Guy's Hill St, Catherine (Bureau of Gender Affairs), and Ocho Rios St. Ann (Jamaica Teachers Association). These speaking engagements entailed presentations on the role and function of the FSC, the importance of retirement and insurance planning, and how to create wealth through investing while safely navigating the financial industry to stay away from scams.

The FSC continued its longstanding partnership with the Jamaica Stock Exchange collaborating on National Investor Education Week from October 4-8, 2021, which was aimed at empowering both existing

and new investors by boosting their confidence in the stock market.

In its community-based approach, the FSC brings financial literacy principles into consumers' lives through people who are termed "influencers." Influencers are those who others look up to and turn to in the various local communities. SECIR has made presentations to teachers, members of the security forces, Clergy, farmers, and medical personnel.

## ADVERTISING, PRINT AND ELECTRONIC MEDIA INITIATIVES

The FSC maintained a strong presence in the media, as we published, aired, and broadcast several advertisements, features and programmes geared at informing our stakeholders about the latest developments in the financial industry. Information builds trust and integrity, 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:

- **EDGE FM: October-November 2021** - advertisements and interviews on financial literacy, personal finance, creating wealth, Risk-Based Supervision, and the importance of insurance.
- **IRIE FM: July 2021** - advertisements and interviews on the Schools' Financial Education Programme, financial literacy for youth, the importance of planning for retirement and the role and function of the FSC.
- **KOOL FM: July, August, October 2021** - advertisements and interviews on the role and function of the FSC, the importance of financial literacy among youth and the Schools' Financial Education Programme.
- **Mello FM: July-November 2021** - advertisements and interviews on the role and function of the FSC, Risk-Based Supervision, the importance of planning for retirement,

# STAKEHOLDER, COMMUNICATION, AND INTERNATIONAL RELATIONS REPORT

financial literacy among youth, creating wealth through investment.

- **Power 106 FM:** May-July 2021 – time signals and interviews on the role and function of the FSC, importance of planning for retirement, importance of insurance.
- **Jamaica Observer: January February 2022** – advertising the Schools’ Financial Education Programme Essay Competition, Public Notice on the Trust, and Corporate Services Providers Act.
- **Jamaica News Network: October 2021** – airing of the Financial Services Commission Financial Forum and promotion, airing of television commercials promoting scam awareness and avoidance.
- **Cable News and Sports: February-March 2022** – airing of television commercials promoting scam awareness and avoidance.
- **Jamaica Information Service Website: October 2021** – publication of a feature story promoting the Financial Services Commission Financial Forum.

## SCHOOLS FINANCIAL EDUCATION PROGRAMME (SFEP)

For the FY2021-2022, the Schools’ Financial Education Programme (“SFEP”) celebrated a decade of teaching students about key financial concepts and important financial institutions that operate in Jamaica. Concepts such as saving, budgeting, investing, planning for retirement, the importance of insurance and being a savvy consumer of financial products are major components of the SFEP Curriculum which is presented to the students in interactive presentations done by FSC staff members and members of our fellow financial regulators.

Students are also introduced to key institutions that operate in the Jamaican financial industry like the FSC, the Jamaica Stock Exchange, the Jamaica

Deposit Insurance Company, the Bank of Jamaica, the Consumer Affairs Commission and more. 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 provide 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, which is a goal 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. This year, students were tasked with writing on the theme “**Financial Inclusion: Savvy and Safe**”. The essay competition officially opened on March 16, 2022, and closed on April 14, 2022. A total of fourteen students entered this year’s competition from across the island. Prizes will be awarded for the best entries from the three counties: Cornwall, Middlesex, and Surrey.

The programme for FY2021-2022 was also the most inclusive iteration to date, as the FSC also made the content available and accessible to select groups like the School for the Blind and the Jamaica Association for the Deaf. Learning material was made accessible to a total of nineteen (19) schools across Jamaica.

## INTERNATIONAL PARTNERSHIPS

The FSC continues to provide secretariat services to CAPS through SECIR and is the key facilitator of the annual conferences. FSC continued to foster strong and meaningful ties with our fellow financial regulators in the Caribbean region by acting as the main liaison for planning and implementing

# STAKEHOLDER, COMMUNICATION, AND INTERNATIONAL RELATIONS REPORT

new and innovative initiatives to best serve our respective stakeholders.

The FSC is a member of the International Forum on Investor Education (IFIE), and during the FY2021-2022, the FSC was able to provide meaningful guidance to members of IFIE's Caribbean Working Group, on how best to improve financial inclusion efforts while operating with the implications of the COVID 19 pandemic in mind. The FSC has offered valuable counsel on boosting reach to the most underserved members of our respective stakeholder groups by leveraging new and old media to form a hybrid communication plan that boasts multiple means of engagement. This year's implementation of the Schools' Financial Education Programme proved to be an example to follow in terms of adaptability and scalability, as the FSC took advantage of the resources available to not only make material available to stakeholders across Jamaica, but also to foster meaningful bonds with our facilitators at the various schools that registered. The year of engagement with the International Forum on Investor Education was characterised by meaningful discussions culminating in the implementation of youth-focused initiatives during World Investor Week, which was from October 4-10, 2021. The FSC provided other jurisdictions with meaningful feedback during the planning stages of their various initiatives and provided a report on our activities during the week. The week was mainly marked by collaboration with the Jamaica Stock Exchange, as well as their week of activities.

# **ANNUAL REPORT**

2021-2022

## **APPENDICES**

FINANCIAL SERVICES  
COMMISSION

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

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## SECURITIES

### Dealers (Companies)

There were thirty-eight (38) licensed securities dealers (Companies) as at March 31, 2022:

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

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

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## Dealers (Individuals)

There were three (3) individuals licensed as securities dealers as at March 31, 2022:

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

## Investment Advisers

There were six (6) licensed investment advisers as at March 31, 2022:

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

## Collective Investment Schemes:

### (a) Mutual Funds

There were twelve (12) registered mutual funds as at March 31, 2022:

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

### (b) Unit Trust Schemes

There were nineteen (19) registered unit trust schemes as at March 31, 2022:

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

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

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

## Unit Trusts Fund Managers

There were eleven (11) registered unit trust fund managers as at March 31, 2022:

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

## INSURANCE

### Life Insurance Companies

There were six (6) life insurance companies registered as at March 31, 2022:

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

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

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## General Insurance Companies

There were twelve (12) general insurance companies registered as at March 31, 2022:

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

## Associations of Underwriters

There was one Association of Underwriters registered as at March 31, 2022:

- Lloyds

## Insurance Brokers

There were twenty-six (26) insurance brokers registered as at March 31, 2022:\

1. Allied Insurance Brokers Limited
2. Assurance Brokers of Jamaica Limited
3. BCMG Insurance Brokers Limited
4. Billy Craig Insurance Brokers Limited
5. Caribbean Assurance Brokers Limited
6. Covenant Insurance Brokers Limited
7. Desmond Mair Insurance Brokers Limited
8. Excel Insurance Brokers Limited
9. Exodus Insurance Brokers Limited
10. Firm Insurance Brokers Limited
11. Fraser Fontaine & Kong Limited Insurance Brokers
12. Gallagher Insurance Brokers Jamaica Limited (formerly CGM Gallagher Insurance Brokers Jamaica Limited)
13. Genesis Insurance Brokers Limited
14. Jamaica Citadel Insurance Brokers Limited
15. John Galt Insurance Brokers Limited
16. JMMB Insurance Brokers Limited
17. Lawe Insurance Brokers Limited
18. Marathon Insurance Brokers Limited
19. MGI Insurance Brokers) Limited (formerly Maritime General Insurance Brokers Limited)
20. National Property & General Insurance Brokers Limited
21. Orion Insurance Brokers Limited
22. Pinnacle Insurance Brokers Jamaica Limited

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

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23. Sagicor Insurance Brokers Limited
24. Solid Life and General Insurance Brokers Limited
25. Spectrum Insurance Brokers Limited
26. Thwaites Finson Sharp Insurance Brokers Limited

## Facultative Placement Brokers

There were twenty (20) facultative placement brokers registered as at March 31, 2022:

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

## Overseas Reinsurance Brokers

There was one (1) overseas reinsurance broker registered as at March 31, 2022:

1. Aeon UK Limited (formerly Aeon Limited) Local Reinsurance Brokers

## Local Reinsurance Brokers

There were two (2) local reinsurance brokers registered as at March 31, 2022:

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

## Insurance Agents

There were fifty-six (56) insurance agents registered as at March 31, 2022:

1. Aisha Annmarie Robinson T/A Aisha's Insurance Agent

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

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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 Viviene 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
21. Fentru Insurance Agency Limited
22. Gensure Insurance Agents Limited
23. Georgia Marie Robotham T/A Sappleton Complete Assurance Agent
24. Gersham McLaughlin T/A Global Risk Management Insurance Agents
25. Gezel Nezlea Morgan T/A GNM Insurance Agent
26. Glenda Patricia Miller T/A Glenda Miller Insurance Agent
27. Gleneta Joan Kenyon T/A Kenyon Insurance Agency
28. Herman Gary Norton T/A Impact Insurance Agents
29. Jamaica Co-operatives Insurance Agency Ltd.
30. Josette Jorna Doure T/A Streamline Insurance Agent
31. Kamar Ian Neil Graham T/A K.I.N.G Insurance Agent
32. Karen Dovorrie Edwards T/A Karen D. Edwards Insurance Agent
33. Kerine Petrice Gayle T/A KPG Insurance Agent
34. Laffaine Farquharson Reynolds T/A Laffaine Reynolds Insurance Agent
35. Mahia Yolanda Reid-Abrahams T/A MRA Insurance Agent
36. Maxine Angela Rhoden T/A DMAX Insurance Agent
37. Michael McGowan T/A M. McGowan Sales Agent
38. Mutual Enterprises (Insurance) Agents Limited
39. Nationwide Insurance Agents and Consultants Limited
40. NCB Insurance Agency & Fund Managers Limited
41. Nicole Natalie Gooden T/A Nicole Gooden Insurance Agent
42. Norma Joan Walcott T/A Norma Walcott Insurance Agent
43. O'Neil Gordon Goulbourne T/A O'Neil Goulbourne Insurance Agent
44. Paul Anthony Simpson, General Insurance Agent
45. Petrice Kenesha Nixon T/A Champion General Insurance Agent
46. Richard Harrison Wilson T/A Agency for Insurance Solutions

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

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47. Riviera Insurance Agency Limited
48. Sagicor International Administrators Limited
49. Sandra Rainessa Lue T/A Sandra Lue General Insurance Agent
50. Shalewa Makere Wallace T/A Shalewa Wallace Insurance Agent
51. Sheila Kerline Powell T/A Powell Insurance Agency
52. Stephen Anthony Dennis T/A Dennis Insurance Agent
53. Tashana Marie Binns T/A Tashana Binns Insurance Agent
54. T'John Linford Ritchie T/A Ritchie Insurance Agent
55. William Alexander Nash T/A William Nash Insurance Agent
56. 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, 2022

## Insurance Loss Adjusters

There were thirty-three (33) insurance loss adjusters registered as at March 31, 2022:

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

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

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28. Sheena Joy Lucinda Johnson T/A Shenjo Insurance Adjusters
29. Smiles Loss Adjusters Limited
30. Stellar Caribbean (Jamaica) Limited
31. Vancliff Lloyd Simpson T/A KVG Loss Adjusters
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, 2022:

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

## Claims Negotiators

There were four (4) claims negotiators registered as at March 31, 2022:

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

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

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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, 2022:

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

## PENSIONS

### Licensed Investment Managers

There were twenty-three (23) pension investment managers licensed as at March 31, 2022:

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

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

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23. Victoria Mutual Pensions Management Limited

## **Licensed Pension Administrators**

There were twenty-three eight (23) pension administrators licensed as at March 31, 2022:

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

## APPENDIX B: BULLETINS, GUIDELINES & DISCUSSION PAPERS

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### ANTI-MONEY LAUNDERING AND COUNTER-FINANCING OF TERRORISM AND COUNTER PROLIFERATION FINANCING (AML/CFT/CPF) AML

In its continuous endeavour to ensure that its regulated entities are informed and are compliant with existing and new obligations in AML/CFT/CPF legislation, the FSC has issued the following Advisory and Notice:

- I&E-ADVI-2021/09-0001- Advisory on the customer due diligence, simplified due diligence and enhanced due diligence requirements for natural persons.
- Notice of Designation of Specified Territories – This Notice, which was published in the Gazette on November 23, 2021, designates certain jurisdictions as Specified Territories pursuant to section 94A of the Proceeds of Crime Act. This designation emanates from the FATF October 2021 Statement indicating that these jurisdictions have significant strategic deficiencies in their AML/CFT/CPF frameworks. FATF therefore requires all other jurisdictions to apply counter-measures to protect the international financial system from the risks from these Specified Territories.

### THE SECURITIES INDUSTRY

- **SR-CONSUL-21/02-0001 - Proposed Amendments to the Guidelines for Issuers of Securities** The FSC solicits feedback from the industry on its proposal to amend its Guidelines for Issuers of Securities

### THE INSURANCE INDUSTRY

- **IR-GUID-2021/10-0002 - Revised Guidelines on Reinsurance Practices & Procedure** – these revised guidelines provide principles that are intended to assist an insurance company in developing prudent approaches to managing its reinsurance risk.
- **IR-CONSUL-2021/10-0001-Proposal to Amend the Insurance Legislation by Removing Certain Schedules (Filing Templates) and to Enable the Financial Services Commission to Instead Specify the Schedules as Required** - The objective of this consultation paper is to solicit feedback on the proposal to amend certain provisions of the Insurance Act, 2001 (the “Act”), and the Regulations, by removing certain filing templates and enabling the FSC to instead, specify the filing templates used by insurance companies and insurance intermediaries, as deemed necessary.
- **AR-ADVI-2021/11-0001 - Requirements for the December 31, 2021 Valuation of Actuarial Reserves and Other Policy Liabilities of Life Insurers** - The purpose of this Bulletin is to set out the FSC’s expectations with respect to the valuation and the preparation of the Appointed Actuary’s Report (“AAR”) produced as at December 31, 2021 or later. The Bulletin sets out requirements regarding the analysis to be performed, the information to be presented, and the nature of the discussions to be included in the AAR. It speaks to issues that arose during the review of AARs (e.g. experience studies, assumptions and MCCR schedules). It is an update of the December 2020 Bulletin (AD-ADVI-19/12-0010), and therefore, supersedes the 2020 version.
- **IR-CONSUL-2021/12-0002-Proposal to Amend the Insurance Legislation By Removing Certain Schedules (Filing Templates) And to Enable the Financial Services Commission to Instead Specify the Schedules as Required** - The objective of this concept paper is to propose amendments to certain provisions of the Insurance Act, 2001 (the “Act”), and the Regulations, by removing certain filing templates and enabling the FSC to instead, specify the filing templates used by insurance companies and insurance

## APPENDIX B: BULLETINS, GUIDELINES & DISCUSSION PAPERS

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intermediaries, as deemed necessary.

### THE PENSIONS INDUSTRY

- **PR-ADVI-21/05-0007 - Electronic (Virtual) Meetings - May 2021**  
The objective of this bulletin is to provide guidance regarding convening electronic participants meetings in an effort to prevent delays and disruptions in the industry due to the inability to meet face-to-face to discuss the affairs of the pension plan.
- **BULLETIN: Amendments to The Pensions (Superannuation Funds and Retirement Schemes) (Investment) Regulations) - PR-ADVI-21/07-0008 - July 2021.**

Subsequent to the passage of The Pensions (Superannuation Funds and Retirement Schemes) (Investment) (Amendment) Regulations, 2019 (the “Investment Regulations”) a bulletin was issued providing a description of the major amendments and to explain some of the new requirements of the Investment Regulations. It also sought to clarify any ambiguities which may have emanated from the regulations. The FSC assessed the feedback received from the industry stakeholders and a revised Bulletin was issued in July 2021.

- **Approvals - PR-ADVI-21/08-0005 - Investment Limits -- August 2021**

This bulletin outlines the process that the trustees of pension plans must take to have the FSC approve an increase in the holdings of securities or assets above the prescribed limits set in the Investment Regulations and establishes the factors that will be taken under consideration for assessment of pension plans that wish to exceed those limits. The bulletin was revised and re-issued in August 2021 after consultation with industry stakeholders.

### GENERAL

- **GEN-ADVI-21/05-004 - BULLETIN: FIT AND PROPER ASSESSMENT BY THE FINANCIAL SERVICES COMMISSION - May 2021**

The purpose of this bulletin is to: x Outline the exceptions to the reliance period for fit and proper documents

- Stipulate other exceptions to the requirement to submit fit and proper documents
  - Indicate the duration for which these exceptions will apply x Articulate the FSC’s requirement regarding the submission of documents used for background checks in its assessment of fitness and propriety
  - Set out the documents in the possession of the FSC that an applicant may request to be used with a new application, provided that such document(s) remains valid.
- **GEN-ADVI-21/12-0004 - GUIDELINES: CRITERIA FOR AUDITORS - December 2021**

The purpose of these guidelines is to outline the FSC’s criteria for the appointed auditor of a regulated entity in determining whether the person appointed is suitable to perform the duties of an auditor. This is to ensure that the skills and resources of the auditor are appropriate for the size, nature and complexity of the regulated entity. These guidelines apply to persons who audit the accounts of registrants or licensees regulated by the FSC.

## APPENDIX C: FSC STATUTES & REGULATIONS

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

- The Financial Services Commission Act (2001) amended 2004; 2013, 2014 and 2016
- The Financial Services (Overseas Regulatory Authority) (Disclosure) Regulations (2005)
- The Insurance Act (2001) amended 2016;
- The Insurance Regulations (2001) amended 2004;
- The Insurance (Actuaries) (Life Insurance Companies) Regulations (2001);
- The Insurance (Actuaries) (General Insurance Companies) Regulations (2002) amended 2011;
- The Insurance (Prescribed Sum) Regulations (2004);
- The Securities Act (1993) amended in 2001, 2013; 2014
- The Securities (Licensing and Registration) Regulations (1996) amended 2003, 2008; 2014
- The Securities (Conduct of Business) Regulations (1999) amended 2003;
- The Securities (Disclosure of Interest) Regulations (1999);
- The Securities (Prudential) Regulations (2014)
- The Securities (Retail Repurchase Agreements) Regulations (2014) amended 2015
- The Securities (Takeovers and Mergers) Regulations (1999) amended 2000; 2014
- The Securities (Central Securities Depository) Regulations (2000) amended 2002;
- The Securities (Collective Investment Schemes) Regulations (2013) amended 2014, 2015
- The Pensions (Superannuation Funds and Retirement Schemes) Act (2004) amended 2005, 2006; 2013
- The Pensions (Superannuation Funds and Retirement Schemes) (Specified Pension Funds and Specified Pensions Scheme) Regulations, (2006);
- The Pensions (Superannuation Funds and Retirement Schemes) (Registration, Licensing and Reporting) Regulations, (2006); 2013
- The Pensions (Superannuation Funds and Retirement Schemes) (Governance) Regulations, (2006);
- The Pensions (Superannuation Funds & Retirement Schemes) (Investment) Regulations 2019
- The Trust and Corporate Services Providers Act 2017, 2022
- The Trust and Corporate Services Providers (Licensing and Operations) Regulations, 2022

In addition, the FSC monitors its licensees and registrations for compliance with:

- The Proceeds of Crime Act 2007 & the Proceeds of Crime (Money Laundering Prevention) Regulations 2007
- The Terrorism Prevention Act 2005 & the Terrorism Prevention (Reporting Entities) Regulations 2010
- The United Nations Security Council Resolutions Implementation Act, 2013
- The United Nations Security Council Resolutions Implementation Prevention (Reporting Entities) Regulations 2019



Everton McFarlane  
Executive Director

# **ANNUAL REPORT**

2021-2022

## **FINANCIAL STATEMENTS**

FINANCIAL SERVICES  
COMMISSION

   @FSCJAMAICA



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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 103-138 which comprise the statement of financial position as at March 31, 2022, 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, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

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



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
FINANCIAL SERVICES COMMISSION

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

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

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

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

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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



## INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of  
FINANCIAL SERVICES COMMISSION

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

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

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

A handwritten signature of the KPMG firm, written in blue ink.

Chartered Accountants  
Kingston, Jamaica

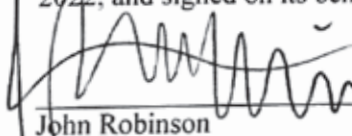
July 31, 2022

FINANCIAL SERVICES COMMISSION

Statement of Financial Position  
March 31, 2022

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	161,139,719	98,196,647
Short term investments	5	487,214,602	577,040,085
Accounts receivable	6	211,426,707	171,076,195
Taxation recoverable	7	<u>14,170,635</u>	<u>36</u>
		<u>873,951,663</u>	<u>846,312,963</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	8	420,173,958	257,212,753
Deferred fees	3(j)	482,287,018	489,240,048
Current portion of lease liability	12(b)	<u>3,286,905</u>	<u>3,039,490</u>
		<u>905,747,881</u>	<u>749,492,291</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>( 31,796,218)</u>	<u>96,820,672</u>
<b>NON-CURRENT ASSETS</b>			
Investments	9	2,050,458,811	1,744,928,813
Intangible assets	10	2,179,286	5,204,595
Property, plant and equipment	11	30,375,242	42,699,748
Right of use asset	12(a)	<u>91,211,829</u>	<u>95,114,246</u>
		<u>2,174,225,168</u>	<u>1,887,947,402</u>
		<u>\$2,142,428,950</u>	<u>1,984,768,074</u>
<b>RESERVES</b>	13	<u>2,029,626,115</u>	<u>1,876,757,315</u>
<b>NON-CURRENT LIABILITY</b>			
Lease liability	12(b)	<u>112,802,835</u>	<u>108,010,759</u>
		<u>\$2,142,428,950</u>	<u>1,984,768,074</u>

The financial statements on page: 103-138<sup>1</sup> were approved by the Board of Commissioners on July 31, 2022, and signed on its behalf by:

 Chairman of the Board  
 John Robinson

 Chairman of the Audit Committee  
 Dennis Brown

## FINANCIAL SERVICES COMMISSION

### Statement of Profit or Loss and Other Comprehensive Income Year ended March 31, 2022

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<b>INCOME</b>			
Fees	3(j)	1,450,862,482	1,362,142,657
Interest income		122,427,838	61,827,201
Loss on disposal of property, plant and equipment		-	( 286,485)
Foreign exchange gain		48,149,272	15,423,508
Recognized gains on investments		-	26,148,265
Other	14	<u>12,646,655</u>	<u>1,221,235</u>
		<u>1,634,086,247</u>	<u>1,466,476,381</u>
<b>EXPENSES</b>			
Advertising		503,044	794,080
Appeal tribunal		4,792,877	4,325,225
Audit		2,145,490	2,023,950
Bank charges		547,949	651,404
Building maintenance		16,851,607	15,487,698
Commissioners' fees		1,134,107	1,920,775
Data security		12,527,323	10,482,734
Depreciation and amortisation	10,11	21,321,250	21,632,137
Depreciation on right of use assets	12(a)	3,902,417	4,410,860
Irrecoverable general consumption tax		21,799,395	25,433,917
Impairment losses/(gain) on investments	19(b)	998,556	( 1,439,422)
Impairment losses on trade receivables, net of recoveries	6(a)	( 1,874,243)	( 12,760,979)
Interest on lease liabilities	12(c)	9,039,491	8,668,426
Motor vehicle and parking expenses		16,097,378	12,133,686
Office expenses		17,289,694	18,099,710
Printing and stationery		1,801,271	1,213,257
Professional fees		14,942,939	68,527,405
Public education		12,046,635	22,180,244
Staff cost	15	1,106,210,634	928,906,540
Subscriptions		30,798,224	32,475,018
Training and conferences		4,370,070	5,742,810
Utilities		<u>33,463,624</u>	<u>29,611,262</u>
		<u>1,330,709,732</u>	<u>1,200,520,737</u>
Depreciation in value of investments classified as fair value through profit or loss		( 138,587,715)	( 27,427,236)
Surplus for the year, being total comprehensive income for the year		<u>\$ 164,788,800</u>	<u>238,528,408</u>

FINANCIAL SERVICES COMMISSION

Statement of Changes in Reserves  
Year ended March 31, 2022

	<u>General fund</u> (note 13)	<u>Capital</u> <u>reserve</u> (note 13)	<u>Total</u>
Balances at March 31, 2020	1,649,050,343	1,078,564	1,650,128,907
Surplus for the year, being total comprehensive income for the year	238,528,408	-	238,528,408
Financial distribution (note 23)	( 11,900,000)	-	( 11,900,000)
Balances at March 31, 2021	1,875,678,751	1,078,564	1,876,757,315
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	<u>2,028,547,551</u>	<u>1,078,564</u>	<u>2,029,626,115</u>

## FINANCIAL SERVICES COMMISSION

### Statement of Cash Flows Year ended March 31, 2022

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Surplus for the year		164,788,800	238,528,408
Adjustments for:			
Depreciation and amortisation	10,11	21,321,250	21,632,137
Depreciation on right of use assets	12(a)	3,902,417	4,410,860
Loss on disposal of property, plant and equipment		-	286,485
Exchange gain on foreign currency balances		( 48,149,272)	( 15,423,508)
Depreciation in fair value of investments		138,587,715	27,427,236
Interest on lease liabilities	12(c)	9,039,491	8,668,426
Interest income		(122,427,838)	( 61,827,201)
		167,062,563	223,702,843
(Increase)/decrease in current assets:			
Short-term investments		89,825,483	( 47,179,722)
Accounts receivable		( 11,667,517)	( 122,757)
Taxation recoverable		( 14,170,599)	1,417,890
Increase/(decrease) in current liabilities:			
Accounts payable		162,961,205	55,035,562
Deferred fees		( 6,953,030)	49,536,956
Net cash provided by operating activities		<u>387,058,105</u>	<u>282,390,772</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to intangible assets	10	-	765,271
Additions to property, plant and equipment	11	( 5,971,435)	( 9,991,600)
Investments, net		(412,941,390)	(326,806,976)
Interest received		<u>93,744,843</u>	<u>36,238,762</u>
Net cash used by investing activities		<u>(325,167,982)</u>	<u>(299,794,543)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease, net	12(d)	( 4,000,000)	( 4,759,068)
Financial distribution	23	( 11,920,000)	( 11,900,000)
Net cash used by financing activities		<u>( 15,920,000)</u>	<u>( 16,659,068)</u>
Net increase/(decrease) in cash and cash equivalents		45,970,123	( 34,062,839)
Effect of exchange rate fluctuations on cash and cash equivalents		16,972,949	53,537,419
Cash and cash equivalents at beginning of the year		<u>98,196,647</u>	<u>78,722,067</u>
Cash and cash equivalents at end of the year		<u>\$161,139,719</u>	<u>98,196,647</u>

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements  
March 31, 2022

### 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, 2022, the Commission had in its employment 159 (2021: 156) employees, out of a Board-approved establishment of 139 (2021: 139) employees.

### 2. Basis of preparation

- (a) Statement of compliance:

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

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

**New and amended standards that became effective during the year**

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

**New and amended standards issued that are not yet effective:**

At the date of authorization of the financial statements, certain new and amended standards have been issued which are not yet effective for the current financial year and which the Commission has not early-adopted. The Commission has assessed the relevance of all such new standards and amendments with respect to its operations and has determined that the following may be relevant:

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

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

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases* are effective for annual periods beginning on or after January 1, 2022.
  - (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
  - (ii) IFRS 16 *Leases* amendments removes the illustration of payments from the lessor relating to leasehold improvements.

2. Basis of preparation (continued)

(a) Statement of compliance (continued):

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

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

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

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

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

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

The financial statements, as at and for the year ended March 31, 2022 (reporting date), are prepared on the historical cost basis and are presented in Jamaica dollars (J\$), which is the functional currency of the Commission.

(c) Use of estimates and judgments:

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

2. Basis of preparation (continued)

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

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

(i) Judgements:

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

(1) Classification of financial assets:

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

(2) Impairment of financial assets:

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

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

Allowance for impairment losses:

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

(iii) Contingencies:

In the ordinary course of operations, the Commission may encounter suits and/or counter-suits in the performance of its functions. Such actions may, or may not, result in liability to the Commission and management assesses the potential for liability in conjunction with legal counsel and provision is made accordingly.

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements  
March 31, 2022

### 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.

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements  
March 31, 2022

### 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.

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements  
March 31, 2022

### 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 1<sup>st</sup> \$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 31<sup>st</sup> 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 31<sup>st</sup> 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, 2022

### 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 20<sup>th</sup> schedule, which came into effect on October 1, 2003, renewal fees for Intermediaries were the greater of the fee indicated on the amended 20<sup>th</sup> schedule or 0.5% of earned commissions. Fees for General & Life Insurance companies are based on assets as outlined in the amended 20<sup>th</sup> 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 20<sup>th</sup> 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.

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 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, 2022

### 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.

## FINANCIAL SERVICES COMMISSION

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

### 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.

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 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.

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 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.

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 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.

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 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.

## FINANCIAL SERVICES COMMISSION

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

### 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>2022</u>	<u>2021</u>
Current and saving accounts	161,103,764	98,160,692
Petty cash	<u>35,955</u>	<u>35,955</u>
	<u>\$161,139,719</u>	<u>98,196,647</u>

## FINANCIAL SERVICES COMMISSION

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

### 5. Short-term investments

	<u>2022</u>	<u>2021</u>
Securities purchased under resale agreement (i)	372,214,602	397,602,543
Certificate of deposit (ii)	<u>115,000,000</u>	<u>179,437,542</u>
	<u>\$487,214,602</u>	<u>577,040,085</u>

(i) Securities purchased under resale agreements are shown net of expected credit losses of \$3,129,977 (2021: \$2,131,421) [see note 19(b)(i)].

The interest rates on resale agreements ranges between 3.5% - 4.2% (2021: 2.10% - 4%) for Jamaica dollars and 2.5%-3.75% (2021: Nil) for US dollars as at the year-end. The market value of the underlying securities as at March 31, 2021, was approximately J\$312,228,659 (2021: J\$399,733,964) and US \$412,981 (2021: Nil).

(ii) Certificate of deposits are denominated in Jamaica dollar and earn interest of 2.20% to 4.65% per annum (2021: 0.857% to 1.02% per annum).

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

### 6. Accounts receivable

	<u>2022</u>	<u>2021</u>
Trade receivables	117,268,066	118,091,212
Less: Allowance for impairment (a)	<u>(1,457,712)</u>	<u>(3,331,955)</u>
	115,810,354	114,759,257
Prepayments and deposits (b)	53,194,609	21,741,118
Other receivables (c)	13,738,749	14,428,820
Interest receivable	<u>28,682,995</u>	<u>20,147,000</u>
	<u>\$211,426,707</u>	<u>171,076,195</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)]

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

	<u>2022</u>	<u>2021</u>
Balance at April 1	3,331,955	16,092,934
Impairment losses recovered	<u>(1,874,243)</u>	<u>(12,760,979)</u>
Balance at March 31	<u>\$1,457,712</u>	<u>3,331,955</u>

## FINANCIAL SERVICES COMMISSION

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

### 6. Accounts receivable (continued)

(b) Prepayments and deposits comprise the following:

	<u>2022</u>	<u>2021</u>
International membership fees	7,695,108	7,438,861
Business process consulting	6,024,945	6,024,945
IT software maintenance	37,731,695	7,184,281
Other	<u>1,742,861</u>	<u>1,093,031</u>
	<u>\$53,194,609</u>	<u>21,741,118</u>

(c) Included in other receivables is an amount of \$11.63 million (2021: \$11.04 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 financial institutions on interest income earned on balances held with those institutions.

### 8. Accounts payable

	<u>2022</u>	<u>2021</u>
Trade payables	101,630,294	83,919,142
Other payables	5,695,318	10,089,234
Employee benefits –accrued vacation, gratuities and salary	<u>312,848,346</u>	<u>163,204,377</u>
	<u>\$420,173,958</u>	<u>257,212,753</u>

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

Included in employee benefits is a provision of \$63,911,013 (2021:\$65,500,023) which represents the 10% performance incentive payable to staff for the reporting year end. Also included is a provision of \$147,122,326 and \$25,552,504 for 10% salary increase and ex-gratia payments, respectively.

### 9. Investments

	<u>2022</u>	<u>2021</u>
Designated FVTPL:		
Government of Jamaica Securities:		
J\$ local bonds	720,675,706	1,055,858,579
US\$ denominated local bonds	<u>734,261,040</u>	<u>16,784,348</u>
	1,454,936,746	1,072,642,927
Certificate of deposit	135,283,000	134,600,460
Fixed Rate Notes	<u>460,239,065</u>	<u>537,685,426</u>
	<u>\$2,050,458,811</u>	<u>1,744,928,813</u>

## FINANCIAL SERVICES COMMISSION

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

### 9. Investments (continued)

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

	<u>2022</u>	<u>2021</u>
1 year to 5 years	745,937,229	340,413,706
Over 5 years	<u>1,304,521,582</u>	<u>1,404,515,107</u>
	<u>\$2,050,458,811</u>	<u>1,744,928,813</u>

### 10. Intangible assets

These represent software cost capitalized as follows:

	<u>2022</u>	<u>2021</u>
Cost:		
At beginning of year	89,736,692	88,971,421
Additions	<u>-</u>	<u>765,271</u>
At end of year	<u>89,736,692</u>	<u>89,736,692</u>
Amortisation:		
At beginning of year	84,532,097	81,570,533
Charge for the year	<u>3,025,309</u>	<u>2,961,564</u>
At end of year	<u>87,557,406</u>	<u>84,532,097</u>
Net book value	<u>\$ 2,179,286</u>	<u>5,204,595</u>

### 11. Property, plant and equipment

	<u>Motor vehicles</u>	<u>Office furniture, equipment and leasehold improvements</u>	<u>Computer equipment</u>	<u>Total</u>
At cost:				
March 31, 2020	13,707,961	157,349,837	105,672,925	276,730,723
Additions	-	7,139,010	2,852,590	9,991,600
Disposal	<u>-</u>	<u>( 2,748,716)</u>	<u>( 20,926,633)</u>	<u>( 23,675,349)</u>
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	<u>13,707,961</u>	<u>163,483,186</u>	<u>91,827,262</u>	<u>269,018,409</u>
Depreciation:				
March 31, 2020	6,118,832	137,044,757	81,901,928	225,065,517
Charge for year	2,412,792	6,677,289	9,580,492	18,670,573
Eliminate on disposal	<u>-</u>	<u>( 2,529,617)</u>	<u>( 20,859,247)</u>	<u>( 23,388,864)</u>
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	<u>10,944,416</u>	<u>146,728,416</u>	<u>80,970,335</u>	<u>238,643,167</u>
Net book values:				
March 31, 2022	<u>\$ 2,763,545</u>	<u>16,754,770</u>	<u>10,856,927</u>	<u>30,375,242</u>
March 31, 2021	<u>\$ 5,176,337</u>	<u>20,547,702</u>	<u>16,975,709</u>	<u>42,699,748</u>

## FINANCIAL SERVICES COMMISSION

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

### 11. Property, plant and equipment (continued)

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. 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>2022</u>	<u>2021</u>
Balance at 1 April	95,114,246	99,525,106
Depreciation charge for the year	( 3,902,417)	( 4,410,860)
Balance as at 31 March	<u>\$91,211,829</u>	<u>95,114,246</u>
(b) Lease liability:		
Maturities analysis- contractual undiscounted cash flows:	<u>2022</u>	<u>2021</u>
Less than one year	6,000,000	4,000,000
One to five years	36,000,000	34,000,000
Six to ten years	54,000,000	50,000,000
Over ten years	<u>216,000,000</u>	<u>228,000,000</u>
Total undiscounted lease liabilities at 31 March	312,000,000	316,000,000
Less: Discount	(195,910,260)	(204,949,751)
	<u>\$116,089,740</u>	<u>111,050,249</u>
Lease liability included in the statement of financial position at 31 March		
Current	3,286,905	3,039,490
Non-current	<u>112,802,835</u>	<u>108,010,759</u>
	<u>\$116,089,740</u>	<u>111,050,249</u>
(c) Amount recognised in profit or loss	<u>2022</u>	<u>2021</u>
Interest on lease liability	9,039,491	8,668,426
Amortisation of right of use asset	<u>\$ 3,902,417</u>	<u>4,410,860</u>
(d) Amount recognised in the statement of cashflows	<u>2022</u>	<u>2021</u>
Total cash outflow for lease	<u>\$( 4,000,000)</u>	<u>( 4,759,068)</u>

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 13. Reserves

	<u>2022</u>	<u>2021</u>
General Fund (i)	2,028,547,551	1,875,678,751
Capital reserve (ii)	<u>1,078,564</u>	<u>1,078,564</u>
	<u>\$2,029,626,115</u>	<u>1,876,757,315</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.

### 14. Other income

Other income materially represents \$12.5 million received for IDB project funding and award granted on legal cases (2021: \$1.22 million for refund of withholding tax on interest from previous years).

### 15. Staff costs

	<u>2022</u>	<u>2021</u>
Salaries, wages and related costs (i)	938,722,898	814,561,701
Payroll statutory costs	68,208,980	46,543,445
Gratuity	49,608,038	35,581,110
Pension (note 17)	48,142,781	30,343,185
Motor vehicle loan subsidy (ii)	<u>1,527,937</u>	<u>1,877,099</u>
	<u>\$1,106,210,634</u>	<u>928,906,540</u>

(i) Included in the current year amount is 4% increase in staff cost for the 2021/2022 financial year and an additional 10% provision for salary increase (2021: 5% increase in staff cost for the 2020/2021 financial year).

(ii) The Commission partners with a major financial institution in providing loans to eligible staff for the purchase of motor vehicles. Under the terms of the agreement, the interest rate borne by the staff will be 3% (2021: 3%) per annum and the Commission will provide a subsidy of the difference between the 3% (2021: 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 \$2.98 million (2021: \$3.16 million) which will be recognised in profit or loss as they fall due.

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 16. Taxation

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

### 17. Pension fund

Effective June 1, 1996, the Securities Commission commenced operations of a contributory pension fund (“Plan” or “Fund”) for employees who are eligible in accordance with the rules of the Plan. On August 2, 2001, the Commission assumed responsibility for the Plan (see note 1). Effective December 1, 2009, the Plan is administrated and managed by Victoria Mutual Pensions Management Limited.

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

The Fund is subject to periodic actuarial reviews at intervals of not more than three years. The last actuarial review at May 31, 2020, disclosed total assets of \$594.44 million, past service liabilities of \$576.73 million and a surplus of \$18.71 million.

Contributions by the Commission for the year amounted to \$48,142,781 (2021: \$30,343,185).

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, 2022, were valued at approximately \$1.04 billion (2021: \$1.064 billion).

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 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.

#### *Trade receivables*

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

The Commission estimates expected credit losses ("ECL") on trade receivables using a provision matrix based on historical credit loss experience as well as the credit risk and expected developments for each group of customers.



## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 19. Financial instruments (continued)

#### (b) Financial risk management (continued):

##### (i) Credit risk (continued):

###### *Trade receivables (continued)*

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

###### *Other accounts receivable*

Credit losses on other receivables materially comprise staff advances which are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Commission expects to receive). No impairment allowances were recognised as at March 31, 2022, and 2021.

###### *Cash and cash equivalents and securities purchased under resale agreements*

Cash and cash equivalents and securities purchased under resale agreements are managed by the Commission's 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, 2022 and 2021.

###### *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>2022</u> Stage 1	<u>2021</u> Stage 1
	<u>12-month ECL</u>	
Gross carrying amount	375,344,579	399,733,964
Less: impairment allowance	( 3,129,977)	( 2,131,421)
	<u>\$372,214,602</u>	<u>397,602,543</u>

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

### 19. Financial instruments (continued)

#### (b) Financial risk management (continued):

##### (i) Credit risk (continued):

The impairment allowance recognised is analysed as follows:

	<u>2022</u>	<u>2021</u>
Balance at April 1	2,131,421	3,570,843
Recognised/(recovered) during the period	<u>998,556</u>	<u>(1,439,422)</u>
Balance at March 31,	<u>\$3,129,977</u>	<u>2,131,421</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.

##### (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.

## FINANCIAL SERVICES COMMISSION

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

### 19. Financial instruments (continued)

#### (b) Financial risk management (continued):

##### (iii) Market risk (continued):

- Interest rate risk (continued):

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Fixed rate instruments (J\$)	928,936,791	350,000,000
Fixed rate instruments (US\$)	<u>609,033,827</u>	<u>570,532,450</u>

*Fair value sensitivity analysis for fixed rate instruments:*

An increase/decrease of 300 (2021:100) basis points in interest rates on J\$ denominated instruments would have decreased/increased surplus for the year by \$27,868,103 (2021: \$3,500,000).

An increase/decrease of 50 (2021:100) basis points in interest rates on US\$ denominated instruments would have decreased/increase surplus for the year by \$3,045,169 (2021: \$57,053,245).

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 2021.

- Foreign currency risk:

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

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

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

	<u>2022</u>	<u>2021</u>
	US\$	US\$
Foreign currency assets:		
Cash and cash-equivalents	110,121	373,943
Securities purchased under resale agreements	412,981	-
Investments	<u>4,691,000</u>	<u>4,691,000</u>
	<u>5,214,102</u>	<u>5,064,943</u>

The exchange rate for US\$1, in terms of Jamaica dollars, at the reporting date, was \$154.13 (2021: \$143.17).

## FINANCIAL SERVICES COMMISSION

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

### 19. Financial instruments (continued)

(b) Financial risk management (continued):

(iii) Market risk (continued):

- Foreign currency risk (continued):

#### *Sensitivity analysis*

A 8% (2021: 6%) strengthening of the United States dollar against the Jamaica dollar would have increased surplus for the year by \$64,291,963 (2021: \$43,508,873). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 2% (2021: 2%) weakening of the United States dollar, would have decreased surplus for the year by \$16,072,990 (2021: \$14,502,958).

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, 2022

### 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 other short term investments accounts receivable and other payables.	Assumed to approximate their carrying values, due to their short-term nature.
Unitised funds	Prices provided by fund managers

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

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

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

**FINANCIAL SERVICES COMMISSION**

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

20. Fair value of financial instruments (continued)

Accounting classifications and fair values

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

		<u>2022</u>				<u>2021</u>	
		<u>Carrying amount</u>	<u>Fair value</u>				<u>Fair value</u>
<u>Note</u>	<u>Fair value through profit and loss</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<b>Financial assets measured at fair value:</b>							
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>	
<b>Investments</b>							
		<u>Carrying amount</u>	<u>Fair value</u>				
				<u>2021</u>			
<u>Note</u>	<u>Fair value through profit and loss</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
9	<u>1,744,928,813</u>	<u>1,744,928,813</u>	-	<u>1,744,928,813</u>	-	<u>1,744,928,813</u>	
<b>Financial assets measured at fair value:</b>							
<b>Investments</b>							

## 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, 2022, there were four (2021: eight) litigation proceedings for which legal fees of approximately \$20,144,784 (2021: \$31,900,000) were provided for.

### 22. Related party balances and transactions

The Commission has a related party relationship with its commissioners and other Key Management personnel. "Key Management personnel" comprise the Commissioners and Senior Managers of the Commission.

- (a) The statement of financial position includes balances with related parties, arising in the ordinary course of business, as follows:

	<u>2022</u>	<u>2021</u>
	\$	\$
Accounts payable:		
Employee benefits – other key management	<u>35,311,910</u>	<u>28,136,733</u>

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Key Management personnel compensation:		
Commissioners' fees	1,134,107	1,920,775
Salaries	190,776,107	193,076,354
Gratuity	32,036,206	27,823,214
Pension contributions	<u>675,243</u>	<u>652,498</u>

### 23. Allocation to the Government of Jamaica Consolidated Fund

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

## FINANCIAL SERVICES COMMISSION

Notes to the Financial Statements (Continued)

March 31, 2022

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

As at the reporting date, the Commission upon request from the Ministry of Finance and Planning remitted \$11,920,000 (2021: \$11,900,000) to the Accountant General's Department.

### 24. Impact of the COVID-19 Pandemic

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

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

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

### 25. Impact of Ukraine Conflict

The Commission continues to monitor the ongoing situation in relation to the Ukraine conflict which is ongoing and has escalated since the year-end. Also, although Eastern Europe is not a key market for the Commission's direct services nonetheless, related increases in energy and food prices may negatively impact disposable income and hence the Commission's income. Whilst there is still uncertainty regarding the implications of these events and conditions over the global economy's recovery from COVID-19, management believes that the Commission is in a position to withstand such economic shocks for the foreseeable future.













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