ANNUAL REPORT 2016

FINANCIAL SERVICES AUTHORITY
St. Vincent & the Grenadines

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Our Mission

FINANCIAL SERVICES AUTHORITY SVG

"To regulate and supervise the international financial services sector and the non bank financial institutions in accordance with the various governing legislation and best international practices to ensure that these sectors are reputable and contribute to the economic and social development of St. Vincent and the Grenadines."

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Board of Directors

Left to Right Standing: Hubert DaSIlva, *Director*
Stewart Haynes, *Director*
Leon Snagg, *Chairman*
Edmond Jackson, *Director*

Absent: Karen Duncan, *Director*

Left to Right Seated: Alma Betty Dougan, *Deputy Chair*
Sharda Bollers, (*Executive) Director*
Elritha Dick, *Director*

Board of Directors

Leon Snagg

LEON SNAGG, was appointed as Chairman of the Financial Services Authority in November 2012 at the commencement of its operations. Mr. Snagg brings a wealth of experience to the Board having served in various capacities in the public service for over thirty years. His early work experience spans service in the Magistrate's Court, the National Insurance and the Audit offices.

Over the period 2004-2010, Mr. Snagg held the positions of Permanent Secretary in the Ministry of Transport, Works and Housing and more recently as the Director of Audit, with responsibility for the audit of the public accounts of the Government of St Vincent and the Grenadines.

As its inaugural Chairman, Mr. Snagg leads the Financial Services Authority at an important time of development of the jurisdiction's regulatory framework for its international and domestic financial services sectors.

Alma Betty Dougan

ALMA BETTY DOUGAN, is the Deputy Chair of the FSA. Mrs Dougan holds valuable experience in the public service having been employed in the Inland Revenue Department of the Government of St Vincent and the Grenadines in various capacities including as Comptroller of Inland Revenue and Consultant Manager for the Value Added Tax (VAT) and Property Tax projects.

In the year 2000 , Mrs Dougan was awarded the Queen's Honour for her distinguished public service.

Mrs. Dougan holds a degree in Economics and Accounting and is a certified accountant with the FCCA designation. She has also served as President of the Caribbean Organization of Tax Administrators (COTA). Her continued active involvement in community affairs involves volunteer service as a member of the St Paul's Anglican Church Council and as Chairman of its Finance and Fundraising Committee.

Hubert Da Silva

HUBERT DA SILVA, is a native Vincentian with a diverse background in the public service, banking and accounting. Mr. DaSilva was instrumental in the establishment of the St. Vincent National Commercial Bank in 1976 and served as the institution's Accountant /Assistant Manager. Prior to that period, he held a senior management position with the Royal Bank of Canada in St Vincent, for eight years and also acted Manager of the St. Vincent Marketing Corporation.

Mr. Da Silva is a Director of the Guadelupe Home for Girls and a member of the Roman Catholic Diocesan Finance Committee. He currently owns and operates a small business.

Stewart Haynes

STEWART HAYNES, holds a Master's Degree in Actuarial Management from the Cass Business School-City University, London and is a Fellow of the Institute of Actuaries in the United Kingdom. He has served on the Board of Directors of the International Financial Services Authority prior to the establishment of its successor, the Financial Services Authority, for several years.

Mr. Haynes currently holds the post of Investment & Research Analyst at the National Insurance Services (NIS) and is also associated with Horizon Actuarial & Financial Consultants, Nassau, Bahamas.

Board of Directors Cont'd

Elritha Miguel

ELRITHA MIGUEL, has been employed with the Eastern Caribbean Central Bank, ECCB, for the past 24 years. She is currently the Resident Representative of the ECCB in St. Vincent and the Grenadines.

Prior to joining the ECCB, Ms. Dick worked with the Government of St Vincent and the Grenadines and also worked as Office Manager for the Law Firm of Colamarino & Sohns, New York, New York, USA.

Ms. Dick holds a Bachelor of Business Administration Degree from the Lubin School of Business, Pace University, New York, USA and certificates from the University of the West Indies and State University of New York (SUNY) Farmingdale in Business Administration. Ms. Dick has also completed the Kellogg's Foundation Fellowship in International Development and a course of study in Secretarial Studies from the London Chamber of Industry and Commerce.

She is the Immediate Past President of the Lions Club of Kingstown SVG and Past President of Partners of the Americas.

Edmond Jackson

EDMOND A. JACKSON holds a BSc. in Economics and Management from the University of the West Indies and an MSc. in Financial Economics from the University of London. He currently holds the post of Budget Director in the Ministry of Finance and Planning.

Mr Jackson's professional experience spans both the public and private sectors having served in several capacities within the Credit Union sector and within the banking industry. He has wide-ranging experience and training in the areas of financial sector regulation, policy development and public finance He has been at the forefront of civil service reform with a career extending over twenty-five years within the public service.

Karen Duncan

KAREN DUNCAN, is the Senior Crown Counsel in the Attorney General's Chambers, Ministry of Legal Affairs. She holds a BSc. in Management Studies and an LLB from the University of the West Indies (U.W.I), a certificate of Legal Education from the Norman Manley Law School, Jamaica, an MSc in Global Affairs from New York University and is presently completing an LLM in Legislative Drafting from U.W.I.

Ms. Duncan's previous experience includes work as an Associate in the Legal Department of DunnCox, Attorneys-at-Law in Jamaica; Legal Officer at the Jamaica Fair Trading Commission focusing on competition/anti-trust law and at Scholars at Risk, an international network of institutions protecting academic freedom, based at New York University.

Deidre Adams

DEIDRE ADAMS, serves as Secretary to the Board of Directors of the FSA. Since 2010, Ms. Adams has held the position of Budget Officer II in the Financial Management Unit of the Ministry of Finance. Prior to this period she held several other positions within the public service including Budget Officer in the Treasury Division.

Ms Adams holds a BSc Degree in Accounting and is also actively involved as a Youth Leader and mentor to young persons in her church community.

Executive Management

Executive Director

Sharda Bollers

Sharda Bollers as Executive Director of the FSA, St. Vincent and the Grenadines, also holds the posts of Registrar of IBCs, International Trusts, Mutual Funds and Credit Unions and Commissioner of International Insurance. Mrs. Bollers has been working with the financial services industry of St. Vincent and the Grenadines since 2002, firstly as the inaugural director of this country's FIU, known as one of the leading FIUs in the Caribbean region, and thereafter, since 2008, as Executive Director of the IFSA. Prior to this, Mrs. Bollers worked as Assistant Director of Public Prosecutions and as Crown Counsel in the Attorney General's Chambers. She has also worked temporarily as Chief Magistrate.

Mrs. Bollers serves locally as the Secretary of the National Anti- Money Laundering Committee, regionally as a Director of the Resolution Trust Corporation (RTC), an ECCU initiative to address the issue of troubled financial assets, and internationally, on the Board of the Small Countries Financial Management Centre, Isle of Man, an initiative to assist small countries around the world to enhance its financial management capacities.

Mrs. Bollers is a barrister at law and solicitor and holds a LLB (Hons) degree and L.E.C. from the University of the West Indies and a LLM (Int'l Finance and Banking) from King's College, London. She is an accredited director under the ICSA DEAP Corporate Governance programme and has been a Legal Assessor for the purposes of the CFATF's AML/CFT methodology.

Mrs. Bollers is a long standing member of Soroptimist International of St. Vincent and the Grenadines.

Deputy Executive Director

Eleanor Astaphan

ELEANOR ASTAPHAN, prior to appointment as Deputy Executive Director of the Financial Services Authority, Ms. Astaphan served as the Executive Director of the Anguilla Financial Services Commission and Chair of the Money Laundering Reporting Authority in Anguilla and the Commonwealth of Dominica.

Ms. Astaphan's experience in the financial services industry spans both the private and public sectors, having been employed in the banking industry and as Manager Finance and Administration for a private concern. Within the public sector, she has held appointments as Manager of the Financial Sector Supervisory Unit, Ag. Budget Comptroller and Assistant Financial Secretary in the Ministry of Finance and Economic Development in the Commonwealth of Dominica.

During the period of intervention by the FSA of the St Vincent Building and Loan Association, she held the position of Acting Chief Executive Officer.

Ms. Astaphan holds a Bachelor of Laws Degree from the University of London, an MBA and BS in Finance and is an Associate Member of the Toronto Leadership Centre for Financial Sector Supervision in Canada.

Management & Legal Team

ROLES & RESPONSIBILITIES:

A S Dionne George is currently the Manager, Finance and Administration of the Financial Services Authority for the past four years with over 27 years' experience in the disciplines of Management and Financial Accounting, Banking, Auditing and Human Resources.

Mrs. George began her professional career with the St. Vincent Marketing Corporation in 1989 where she excelled to the post of Assistant Accountant and worked there until 2002. In 2002 Mrs. George commenced working with the St. Vincent and the Grenadines Development Bank as the Accounts Supervisor until 2004 when she was transferred to the National Commercial Bank (now Bank of St. Vincent and the Grenadine) as the senior Accountant until 2006.

In 2006, she migrated to the Cayman Islands where she worked as an Accountant with the Financial Integrated Services and later as the Operations Manager with the said company. Mrs. George returned to St. Vincent in 2008 where she took up employment with KPMG Eastern Caribbean as an Audit Senior for approximately five years before she commences duties with the FSA in 2013.

Dionne is a fellow of the Association of Chartered Certified Accountants, holds a BSc. (Hons) in Applied Accounting with Oxford Brookes University, United Kingdom, an ACIS of the Chartered Secretaries of Canada (ICSA) and a MSc. in Leadership with Walden University, USA.

ROLES & RESPONSIBILITIES:

Karen Jackson, Manager of International Financial Services, continues with the FSA having been an integral part of the former International Financial Services Authority. Prior to joining IFSA, Ms Jackson worked in the fields of accounting , auditing and bank supervision with the SVG Port Authority, the audit firm of Coopers and Lybrand and the Eastern Caribbean Central Bank.

Ms. Jackson is a Fellow of the Chartered Certified Accountants (FCCA) of the UK. She holds an MS Degree in Finance graduating from Rochester Institute of Technology, NY under the Fullbright Scholars Program and a BSc honors degree in Accounting from the University of the West Indies, Jamaica.

ROLES & RESPONSIBILITIES:

Mintrue Rose-Providence worked with the Ministry of Finance & Economic Planning for ten years prior to being appointed to the position of Manager, Insurance and Pensions with the FSA. During her tenure in the public service, she served as an officer of the Economic Research and Policy Unit and Director of the Supervisory and Regulatory Division with responsibility for domestic non-bank financial institutions.

Mrs. Rose-Providence has wide range of experience and training in the areas of financial sector supervision and regulation, financial programming and policies, monetary and financial statistics. She also received training from the Small Countries Financial Management Centre in the Isle of Man and training in Negotiations at the Said International School of Business, Oxford University.
Over the period 2010-2014 Mrs. Rose-Providence has served as Secretary of the Caribbean Association of Insurance Regulators (CAIR).

Mrs. Rose Providence holds an MSc in Economics, Finance and Management from the University of Bristol, United Kingdom, a BSc in Economics from University of the West Indies, Cave Hill, Barbados and a Diploma in Trade Policy from the World Trade Organisation.

ROLES & RESPONSIBILITIES:

Nyasha Browne joined the Financial Services Authority in August 2015. She serves as the Manager, Credit Unions, Building Societies, Friendly Societies and Money Services Business. Her expertise in this area is founded on her previous managerial experiences and her forte in the field of Accounting – she is ACCA qualified and holds a BSc in Accounting from Oxford Brookes University U.K. Additionally, Mrs. Browne is a certified FATF 4th round assessor.

At present, her skills are being further honed through the pursuit of ACAMS certification.

ROLES & RESPONSIBILITIES:

Geshell Peters, serves as the Legal Officer and Deputy Registrar of International Business Companies. Prior to joining the FSA, Ms. Peters worked in various departments of the public service.

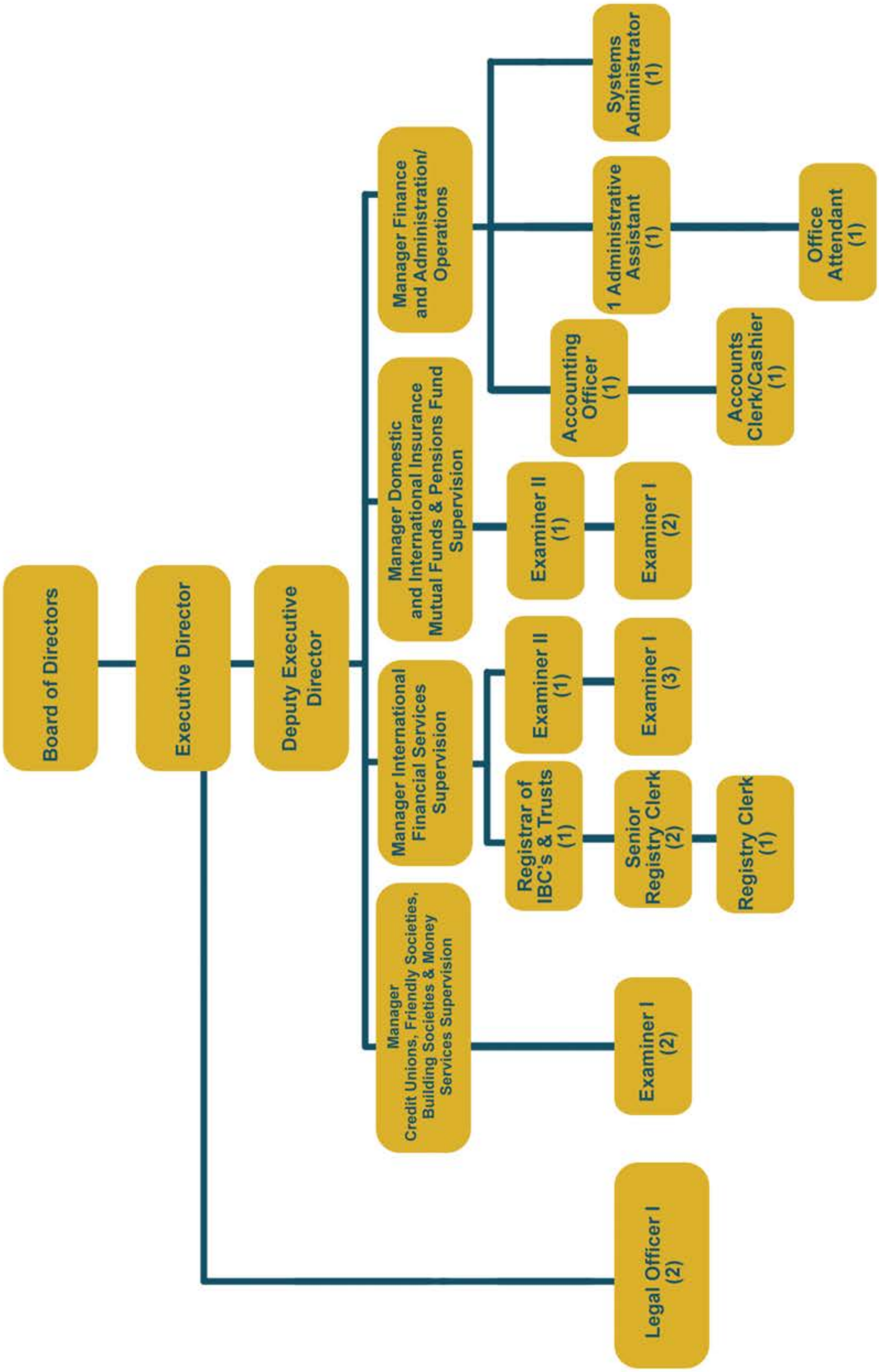
Ms. Peters holds a Bachelor of Laws (LLB) (Hons) Degree from the University of the West Indies, Cave Hill campus, Barbados, a Legal Education Certificate with Merit (LEC) from the Hugh Wooding Law School, Trinidad and Tobago and an ACAMS accreditation in AML/CFT. In 2013, Ms. Peters was one of St Vincent's representatives at the Small Countries Financial Management Programme, University of Oxford, IOM Business School .

Ms. Peters duties include legal research, advice and legal representation of the Authority, supervision of the Registry department and assisting the Registrar of IBCs in the exercise of her powers, duties and functions under the International Business Companies Act.

OUR STAFF

Standing from Left to Right: Leslie-Ann Joseph, Vasilca Cato-Morgan, Kevin Robinson, Niasha Browne, Alicia Browne, Nerissa Hunte, Suzzette Lewis, Daphne Scott, Jabari Guy, Neva Cordice, Karen Jackson, Shanika Layne, Yolande Balcombe, Jimmy Black, Sharda Sinanon-Bollers & Dionne Harry
Seated from Left to Right: Mintrue-Rose Providence, Ival Jack, Geshell Peters, Debon Moses, Farique Daniel
Absent: Eleanor Astaphan & Roxanne Durham

Organisational Chart



Financial Services Authority HIGHLIGHTS

Chairman's Message

Leon Snagg, Chairman

"We will continue to be resolute in ensuring best efforts to preserve and enhance the resilience, transparency, and stability of the financial system."

The year 2016 has been one of tremendous development for the Financial Services Authority ("FSA"). Throughout the year, our efforts were geared towards solidifying our commitment to the users of financial services, strengthening regulatory structures and enhancing capacity, while preserving the soundness and stability of the international financial services, the non-bank financial sector and the economy.

Over the past year, progress towards legislative reform was achieved through strategic alliances with the private and public sector and regional and international bodies. These collaborations resulted in St. Vincent and the Grenadines successfully meeting the reporting requirements of Foreign Account Tax Compliance Act (FATCA) and developing and enacting legislation accelerating support for the Automatic Exchange of Information (AEOI) with 98 other jurisdictions in 2016.

The modern marketplace and the challenges of integrated and interconnected systems continued to shape our regulatory focus in 2016. Having sanctioned the implementation of a Risk Based Supervisory Framework in 2015, regulatory oversight in 2016 placed greater focus on internal control systems, reporting requirements, capital adequacy and included exploratory work in Stress Testing. This was done to ensure that systems utilized by the sectors were able to proactively identify and address emerging risks both at the individual institution level and at the macro-economic level.

Tax administrators of small island states such as St. Vincent and the Grenadines continued to benefit from the initiative and support of the OECD Global Forum during 2016. Intensive work continued in our jurisdiction to support the development of automatic transmission systems and the required legal framework, to ensure that our first exchanges take place in 2018, as scheduled. The sensitization of the local sector on tax transparency also took place, especially in respect of an overview of Automatic Exchange of Information Reporting.

Efforts to preserve the safety and stability of indigenous entities continued in 2016 and included technical assistance to the FSA in the area of stress testing of credit unions aimed at assessing the resilience of the sector to various shocks. In addition, research work was advanced to establish guidelines for Credit Unions in relation to Statutory Reserves, Investment Management and the Management of immovable property, in accordance with the provisions of the Co-operative Societies Act.

Efforts to improve the resilience of our financial system must soon be expanded to include mechanisms such as Credit Bureaus and Deposit Insurance. Both systems are necessary to mitigate against macroeconomic vulnerabilities which still exist within our financial system, that have the potential to create challenges for the health of the financial services sector. These key elements are vital to facilitating greater transparency in the financial markets. Credit bureaus, in particular, are relevant for the better pricing and management of credit risks by the credit unions.

Strategies for the management of loan migration from performing to the non-performing loan (NPL) portfolio and the general reduction of NPLs were significant focus areas for the relevant regulated sectors during 2016. These strategies realized marginal improvement in the level of NPLs, however, the situation gives cause for concern and revived the need for whole scale corrective and/or preventative action.

The FSA recognized that credit erosion presents systemic risks and threatens the viability of institutions. To this end, in 2017, through concerted effort and collaboration with the Caribbean Regional Technical Assistance Centre (CARTAC), work is expected to commence on formulating Crisis Management Strategies for the various sectors.

In light of the BAICO/CLICO debacle and its impact on the financial system, the FSA continued to support the efforts of the Monetary Council of the Eastern Caribbean Central Bank, aimed at creating a single insurance and pensions market within the Eastern Caribbean Currency Union ("ECCU"). Such efforts are geared towards strengthening the insurance and pensions sector and by extension the entire non-bank financial sector through the establishment of a regional regulator, the Eastern Caribbean Financial Services Commission ("ECFSC") for the regulation and supervision of the non-bank financial institutions. Progress has been made in securing a single market, with several drafts of the new insurance law having been subjected to consultation and comment. The FSA has played an important role in this project, particularly through its Deputy Executive Director, committing its resources to its advancement, in recognition that the benefits to be derived not only include economies of scale and scope but also strengthening the resilience of the financial system as a whole.

During 2016, the FSA continued its collaboration with the

Chairman's Message

Cont'd

Financial Intelligence Unit and National Anti-Money Laundering Committee (FIU/NAMLC) which, among other things, assesses money laundering and terrorist financing risks to which the State is exposed and is involved in policy making in relation to the anti- money laundering and counter financing regime. These efforts included regular meetings at the national level to appropriately advance its mandate pursuant to the Proceeds of Crime Act 2013.

The collaboration amongst stakeholders, in particular between the FSA and the Inland Revenue Department (IRD), on matters of tax transparency resulted in marked and significant achievements, as our jurisdiction became compliant with the reporting requirements of FATCA. This achievement could not have been realized without the alliance formed amongst the said stakeholders, including the industry. This coordination resulted in St. Vincent and the Grenadines meeting the reporting deadline of the United States IRS and Department of Treasury.

The impact of de-risking on the Caribbean financial system is real. The need for a unified approach by the Governments of the Caribbean to the threats posed by de-risking to financial soundness and stability is clear. The potential adverse implications for trade and ultimately our economies can be likened to a perfect storm.

Notwithstanding this, the FSA and by extension the Government of St. Vincent and the Grenadines, will continue to provide the necessary support to the financial sector, to ensure that conformity with global compliance standards is strengthened as well as capacity, internal control and AML/CFT systems. Robust and consistent efforts in these areas will increase the confidence of international bodies in our financial system.

The dynamism of the financial sector shows no signs of abating in the near future. For 2017 and well beyond, countries such as St. Vincent and the Grenadines which host international financial centres, will be required to address the challenges of the G20 and European Union (EU) 'blacklisting' exercises. Central to these challenges are the criteria used by both processes, which are somewhat related but different in some respects. The EU's system will undertake to assess various aspects of a country's legislative and reporting mechanisms beyond international tax transparency standards requirements. However, the measures to be utilized to conduct such an assessment are obscure, which may create unattainable benchmarks and barriers to trade with European and other nations.

The Financial Action Task Force ("FATF") and European policymakers have been working to ensure that transparency is also realized for ownership of corporate structures. These efforts resulted in the EU Fourth Anti-Money Laundering Directive ("AMLD4") which requires the EU Member States to keep central registers of information on the ultimate beneficial owners of legal entities. AMLD4 is likely to become law in many EU jurisdictions during 2017. It is expected that this Act will contain provisions regarding transfer and disclosure of beneficial ownership, domiciled within the European Union and operating in St. Vincent and the Grenadines. Such a development will impose further reporting requirements, with which we must be aligned in short time.

Without a doubt, the advances made by criminals to conceal and integrate illicit funds into the financial system, and efforts to circumvent tax laws by corporations necessitate cross-border financial disclosure. These trends are unlikely to slow and will demand that our systems adapt quickly to curtail same. Consequently, ongoing collaborative work between the FSA, local, regional and international agencies must remain strong.

Despite the challenges and the demands of globalization, we will continue to be resolute in ensuring best efforts to preserve and enhance the resilience, transparency, and stability of the financial system.

In closing, I take this opportunity to thank the Board of Directors, management and staff of the FSA for their diligent efforts and contribution to the continuous development of the FSA. On behalf of the Board of Directors, I am pleased to submit this 2016 Annual Report of accounts and operations. In fullfilment of the FSA's reporting obligations under the FSA Act.

Leon Snagg
Chairman

Executive Director's Report 2016

"As we move forward in 2017, we intend to continue to exemplify the ethic of responsible planning, management and deployment of resources."

Over the past four (4) years, the Financial Services Authority (*'the FSA'/ 'the Authority'*) has been forging ahead to deliver on its mandate set out in its governing legislation, the Financial Services Authority Act. The journey to date has been a challenging one, as may be expected with any evolving regulatory authority, but it has also been constructive and rewarding, with continuous development being the hallmark of these early years of the FSA.

I very much welcome the opportunity to herewith report on the work, activities and results of the FSA for the period January 01 – December 31, 2016, in this our Fourth Annual Report.

The Authority - *Background*:

The FSA was established in November 2012 as an autonomous statutory body pursuant to the provisions of the Financial Services Authority Act. Its role, functions and powers are outlined in the said Act, and its regulatory objectives are intrinsically enshrined in the FSA's core guiding principles, also outlined therein. These include, in sum, the protection and fair treatment of consumers, the enhancement of market integrity and financial stability, and the promotion of fair competition. These fundamental principles are also encapsulated in the FSA's Mission Statement.

The FSA is equipped with the requisite legal and administrative framework to allow it to properly discharge its duties. Over the past years, the FSA has utilized its wide ranging regulatory powers to undertake various regulatory and empowerment actions to foster compliance with governing legislation and to promote stability in the operations of financial entities.

Regulatory Approach

The FSA adopts a risk based supervisory approach to ensure that institutions falling under its oversight are well supervised and that threats and risks are identified and addressed in a timely manner. The FSA also utilizes internationally accepted prudential standards (*IFRS, CAMELS, PEARLS-M, IAIS-ICPs, BASEL I and some components of BASEL II*) to assess the condition and financial soundness of institutions which it supervises.

The FSA's supervision since its inception has incorporated a risk based approach, however, a formal Risk Based Supervision Framework (*'the RBS Framework'*) commenced and was documented in 2015, and was formally adopted in early 2016. Details of the RBS framework is available to the industry upon request and will soon be published on the FSA's website.

The key benefits of the RBS Framework include cost effective utilization of resources through prioritization of supervision based on risks; flexibility for supervisors to utilize professional judgement within a structured approach; reducing regulatory burden on well managed institutions; encouraging a strong risk management culture in institutions; and closer integration of macro and micro prudential supervision, with focus on early identification of emerging risks to facilitate timely interventions.

The FSA recognizes that the adoption and integration of a more formalized RBS framework is necessary for any responsible regulator and is indebted to the Caribbean Regional Technical Assistance Centre (CARTAC) for providing us with the main working framework, which was adapted to our specific legislative and supervisory context.

Regulatory Capacity

Capacity building is an ongoing priority of the FSA in order to enhance high performance standards. In 2016, staff continued to be exposed to regional regulatory workshops and conferences hosted annually by CARTAC, which provide excellent opportunities for awareness raising and training on current topics and issues impacting the regulated sector, the regulator and the public at large. These annual workshops are jointly hosted by a regulatory counterpart in the region and as they are very well attended, they also provide an avenue for valuable networking and sharing of experiences.

In addition to these respective annual sector specific workshops on Insurance, Pensions, Credit Unions and Securities, attended by FSA's Managers and Examiners, the FSA was also afforded the opportunity via CARTAC, to attend a broader Financial Stability Workshop in last quarter 2016. Financial Stability and Financial Soundness issues are critical components of the FSA's work programme under its Strategic Plan 2016-2018. Accordingly, the FSA capitalized on this forum by the participation of two of its managers, and the exposure and learning derived from this training will no doubt redound to the rest of the FSA.

The AML/CFT supervision capacity of the FSA would have been strengthened by two events, firstly, the FSA's Manager, Credit Unions et al received training to become a Financial Assessor under the CFATF AML/CFT methodology, and secondly, the FSA's Examiner in charge of AML/CFT Compliance, participated in an Economic Crime and Illicit Trade Conference held in Italy and sponsored by the Italian Government. This was significant for the FSA as such exposure and training have no doubt lent value to the FSA's overall capacity in addressing AML/CFT issues.

All relevant staff were exposed to comprehensive training on

Basel II Capital Accord and its implementation, as well as on Credit Union Stress Testing. Such training was facilitated in-house by experts in the stated areas, made available by CARTAC. Other significant achievements were the obtaining of a Masters in Leadership by the FSA's Manager, Finance and Administration, a Masters of Science in Finance by one of our Examiners in the Insurance and Pensions Department and the attainment of the professional accounting designation of CGA/CPA by an Examiner in the IFS Department.

Operational Efficiencies

Ensuring operational efficiencies has been an important feature of the FSA's strategy over the past 4 years. Underlying strategic actions have included but have not been restricted to ensuring an appropriate and enhanced legislative and regulatory framework and the development of IT infrastructure and MIS capabilities.

To this end, in 2016, the FSA would have researched, drafted and proposed legislation to repeal and revise the Building Societies Act. The objective was to replace this outdated legislation with a more modern legislative and regulatory regime for building societies. The proposed legislation is before the Attorney General's Chambers for review. The FSA would have also worked with the Attorney General's Chambers in reviewing and amending the International Business Companies (Amendment and Consolidation) Act and the Companies Act 2016, which together seek to address the issue of avoidance or non-payment of stamp duties on the transfer of ownership of IBCs that own real estate in St. Vincent and the Grenadines (SVG). Work also continued with the Attorney General's Chambers on the FSA Regulations, previously submitted in 2015.

The FSA has issued several Guidelines since its inception to elaborate upon requirements of the law and best practices. Industry Guidance was issued in 2016 to the Pension Plan sector, comprising Guidelines on Registration Requirements, Reporting Requirements and Fit and Proper Guidelines for Trustees of Pension Plan Funds. These Guidelines sought to address what was considered by the FSA as a lacuna in the present legislative framework governing pension funds, as the latter framework was found to be insufficient to instill and promote an effective pension funds regulatory regime in SVG. In deference to the regional initiative to revise and harmonize the insurance and pension law in the ECCU, the FSA did not seek to amend the Insurance Act to incorporate better regulatory requirements for pension funds. Instead, we proceeded to utilize the facility of Guidelines issued pursuant to the FSA Act, in order to bolster the existing regulatory framework and foster compliance with best practices.

The afore-stated Guidelines constituted a much needed enhancement of the pension fund regulatory regime of SVG. Following the circulation of the Guidelines to the industry for comment, a workshop was held by the FSA in June 2016, to further explain and discuss same and elaborate upon its specific provisions. The Guidelines were thereafter formally issued and have been generally well received by the sector.

The FSA's objective of enhancing technological capacity and employing information technology (IT) to improve efficiency internally and externally to end users was advanced in 2016 under its IT Technical Assistance (TA) Project. This TA Project had been previously sourced by the FSA through the Commonwealth Secretariat and the Caribbean Development Bank (CDB).

Between March – April 2016, the Head of IT of the Gibraltar Financial Services Commission (FSC) was attached to the FSA for a period of approximately 4 weeks and worked with the FSA to install and update IT software, so as to provide a more efficient registry/regulatory information management system. Work is ongoing by the FSA's IT and Registry staff (*and the Head of IT Gibraltar, offsite*) to customize additional modules to suit the specific needs of the FSA. Owing to the extremely high costs of specialized software for the purpose afore-stated, the FSA is grateful to the stated entities for making this Project possible, and we are particularly indebted to the Head of IT, Gibraltar FSC, for his diligent work with us, which went and still goes, beyond the call of duty.

Administratively, there were two (2) main developments of significance in 2016. In April 2016, the FSA moved premises to re-locate to the top floor of the Reigate Building, wherein all staff of the FSA could be accommodated. This was a much welcomed logistical development, as the Insurance and Pensions department of the FSA had previously been housed apart from the rest of the FSA. Having all employees located at one site had an overall positive operational impact on the FSA as it *inter alia*, served to physically settle the FSA in one location as an organization, and augured very well for staff integration and coordination.

The second significant administrative event was that the FSA Staff Regulations were reviewed and updated. The first set of Staff Regulations were formally adopted after the FSA's inception to address matters affecting the tenure and conduct of employees and outline expected standards of behaviour for employees of the FSA. The 2016 review was undertaken as a means of keeping current, promoting ongoing operational effectiveness and at the same time, more clearly outlining and preserving the rights of the employee and employer. Input was derived from staff and management and the stated Regulations were thereafter reviewed and adopted by the FSA's Board of Directors.

Industry Overview

The number of financial entities (*banks, mutual funds, mutual fund managers and administrators, registered agents, credit unions, building societies, friendly societies, MSBs, insurance companies, insurance intermediaries, pension plans*) as at December 2016 was **311** and the number of registered entities (*IBC, CTDs, LLCs, trusts*) was **6,431**, altogether amounting to a total of **6,742** licenced and registered entities operating in or from SVG. The total number of entities was reduced from 7,273 in 2015 to 6,742 or by 7.2 % in 2016.

The number of international banks (5) remained unchanged in 2016, as well as the number of Registered Agents and Trustee Companies or Service Providers (16). Two (2) new international public mutual funds were registered, giving a total of 94 active entities in good standing at year end, and 18 new international trusts were registered, totalling 111 at year end. Six hundred and sixty-six (666) new IBCs and 9 continued IBCs (CTDs) were incorporated while 18 new LLCs were formed. The respective totals of IBCs, CTDs and LLCs in good standing at year end were 5860, 398 and 53.

The number of international insurance entities (4) remained unchanged in 2016. There was one new entrant to the domestic market, registered to conduct short-term insurance business, making a total of twenty-two (22) insurance companies operating domestically. The number of insurance brokers (7) remained unchanged, however 2 new insurance agents were added to the market, giving a total of 16 insurance agents operating in SVG at year end. The number of insurance sales representatives was reduced from 105 in 2015 to 96 at the end of the December 31, 2016, while the number of Occupational Pension Plans registered with the FSA stood at 25 from 2015 to 2016.

The credit union sector (6) remained unchanged in 2016, save that COMFI voluntarily instituted liquidation, an action endorsed by the FSA. The Building Societies sector (1) and MSBs (3) also remained constant, however, one MSB (JN Money Transfer) indicated its intention to wind up its operations in 2017, an action also endorsed by the FSA. One new friendly society was registered in 2016, making a total number of 15 such societies registered with the FSA at year end, with 4 additional friendly societies identified for potential registration.

Notwithstanding the new entrants to the market aforementioned, there was a decline in most areas in the international financial services (IBCs (aggregate of IBCs & CTDs), mutual fund entities and Registered Agents) from the previous year, while trusts and LLCs increased by 1.8% and 23.3% respectively.

Separate reports on the insurance, credit union, money service business, building society and IFS sectors are provided as part of this Annual Report. The said reports outline greater details of the industry status and highlights of activities undertaken in each sector under the FSA's supervision. An analysis of the FSA's financial results over the period also forms part of this Annual Report.

Strategy and Work Programme 2016

2016 saw the commencement of the implementation of the FSA's new Strategic Plan 2016-2018. This Strategic Plan was formulated drawing on the FSA's experiences and results under its Strategic Plan 2012-2015, with the overriding focus of enhancing financial stability and sustainability, increasing resilience of regulated entities to crises, minimizing risks to customers, creditors, investors and the financial industry from the repercussions of insolvency, and enhancing transparency of the operations of regulated entities.

The FSA developed its separate Work Programme 2016 detailing the underlying strategic actions to be pursued to attain its strategic goals and would have worked diligently towards advancing its deliverables. In doing so, especial focus was placed on work with problematic entities which needed to make greater progress in addressing their compliance status.

The FSA investigated certain unregulated activity which it felt appropriate to be brought under a regulatory regime, owing to risks transferred to end users. One such activity is micro-financing. The FSA, with input from the FIU, researched this issue, and brought it to the attention of the National Anti- Money Laundering Committee (NAMLC) for decision, given the apparent money laundering implications. The decision, endorsed by the FSA, was taken to bring micro-financing under a relevant regulatory regime, and the FSA undertook to research and draft appropriate legislation to be proposed to the Hon. Attorney General in 2017.

In addition, the FSA considers that there are serious risks being posed to consumers who invest their funds in pension plans which are unregulated. The FSA has therefore been reviewing the offer of individual pension plans to the public in St. Vincent and the Grenadines (SVG) which fall outside of a regulatory regime. The FSA is liaising with the relevant regional body which regulates securities to further address the matter of a securities broker operating in this country, offering what in substance is a retirement or pension plan.

In the interests of promoting the fair treatment of customers of financial entities, the FSA formally notified all financial institutions which act as Agents for insurance companies, that they should not engage in coercive tied selling in respect of insurance products offered, and instead, should specifically disclose to their customers that they have the option of using another insurance carrier. All relevant financial institutions, both bank and non- bank, were so informed, though the domestic banking sector falls outside of the jurisdiction of the FSA. The FSA would have apprised the ECCB as the regulator of commercial banks of the position being taken and written to the said banks in its capacity as a relevant interested party and stakeholder in the banking sector of SVG.

The implementation of Basel II recommendations as it relates to how much capital banks need to hold to guard against the credit, market and operational risks they face, was advanced by training which the FSA received in the area, and thereafter by the drafting and issuing of three (3) Guidelines on Credit Risks to the industry for comment. The FSA would have been the recipient of in house CARTAC sponsored technical assistance/training in May 2016, facilitated by a CARTAC Consultant, which covered proposed guidelines for the risk categories, credit risk mitigation, market discipline and the supervisory review process.

In pursuit of the objective of increasing resilience of regulated entities to crises, the FSA requested and obtained technical assistance for training on stress testing. A technical assistance mission to the FSA was facilitated by CARTAC, as part of CARTAC's Financial Stability initiative, which was agreed by CARTAC and the FSA, to test the resilience of a key non-bank financial sector, in order for SVG/the FSA to be better able to identify and manage risks to the sector. The credit union sector was selected for this pilot project, owing to the systemic importance of this sector in terms of, *inter alia*, market concentration locally and on a global scale. An expert Consultant conducted training with the FSA in August 2016.

Work on an overall national crisis management plan, though targeted for commencement in 2016, unfortunately was not advanced. This was because the magnitude of this project requires technical assistance, which though secured from CARTAC could not be facilitated in 2016. CARTAC has since indicated its availability for 2017, thus the FSA looks forward to working on this important strategic action which is expected to result in the formulation and documentation of a crisis management approach and plan, to be shared with stakeholders and counterparts in the ECCU.

As a means of keeping the public and consumers apprised of current events and raising awareness on various regulatory products and matters, the FSA continued to pen articles for publication in the media which were published in the local newspapers. An article on the '*Reform of the Insurance and Pension Market in the ECCU*' as well as an article providing an '*Overview of the International Financial Services of SVG*' were published during 2016, the latter article being coordinated for publication under the auspices of the ECCB's Financial Awareness Month. At year end, in keeping with its thrust in 2016 to publish articles on each major sector regulated by the FSA, an article on the credit union sector was submitted for publication entitled '*Credit Unions et al: Enhancing Regulatory Compliance Systems to Combat Challenges.*' In addition, in order raise awareness of the impact of certain international initiatives on SVG, an article entitled '*Demonstrable Compliance and Unilateral Actions – A St. Vincent and the Grenadines Perspective*' was penned for publication in the Offshore Investment Magazine.

The work undertaken by the FSA in 2016 to enhance its legislative and operational infrastructure has already been reported under '*Operational Efficiencies*', and the FSA's work in relation to Regional and International Initiatives is reported separately in this Annual Report, though referenced briefly below.

Local Collaboration

In April 2016, the FSA in conjunction with the Ministry of Finance, organized and hosted a workshop on "*Automatic Exchange of Information (AEOI) and the Common Reporting Standards.*" The facilitator was a Tax Policy Analyst of the OECD Global Forum, made available at the request of SVG. The workshop was well attended by a large turnout from the industry and served to formally introduce the regulated sector and certain stakeholders to the requirements of the new Common Reporting Standard promulgated by the OECD for AEOI.

During the year, the FSA would have collaborated with relevant stakeholders including but not restricted to the Minister and the Ministry of Finance, the Attorney General, the Financial Intelligence Unit, the Inland Revenue Department and the Ministry of Foreign Affairs, on matters of national interest, including but not limited to initiatives such as the US FATCA ('FATCA'), the OECD and the CFATF. The FSA continued to be an active member of this country's National Anti-Money Laundering Committee (NAMLC), with the FSA's Chairman and Executive Director being statutorily constituted members. The FSA is also a member of the National Committee on Exchange of Information, which would have lent valuable support to the movement to implement FATCA in SVG by the timeline of December 2016.

In 2016, the FSA continued to directly engage industry players via prudential and other meetings and onsite examinations. Such engagement forms an integral part of the FSA's collaborative approach to its work with the industry and the industry's co-operation and feedback continued to add considerable value to the work and efforts of the FSA.

Regional and International Context

The FSA continued to be actively involved in regional and international initiatives in an effort to achieve compliance with international standards and safeguard the reputation of SVG. Updates on the main initiatives of national interest and the FSA's involvement thereof, are provided in a separate part of this Annual Report (*Ref:* Regional and International Initiatives). Notwithstanding, 2 accomplishments in 2016 are of especial mention.

The first is the commendable work of the Inland Revenue Department and the Ministry of Finance, which culminated in SVG becoming 'FATCA Compliant' in 2016. This was an achievement of great significance for SVG, owing to the threats of sanctioning posed by non-compliance with this US initiative and its consequent adverse implications for the financial industry of SVG.

The other very laudable achievement was the fulfilling of the requirements of the OECD in relation to the new global standard for AEOI. This was achieved by enactment of enabling legislation within the timeframe stipulated by the OECD as well as the country's acceptance as a party to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. These developments importantly satisfied the requirements of the OECD Global Forum as at December 2016. The FSA continues to lead SVG's response to OECD's initiatives, under the guidance of the Competent Authority for Tax Purposes, the Minister of Finance.

Collaboration with regional counterparts continued to be an invaluable information sharing tool to enable the FSA to more effectively monitor conglomerates, branches and related entities. The FSA sought the establishment of Memoranda of Understanding, with relevant counterparts, to more properly supervise its banking sector and anticipates that the respective Memorandum of Understanding for information sharing will be concluded in 2017.

International Developments in 2016

Several international developments arose in 2016 which are worthy of note as they had the potential, and still do, to negatively affect the reputation and financial stability of SVG.

De – Risking - 'De-risking[2]' became more pronounced in 2016 as a risk mitigating response by financial institutions to regulatory requirements, in particular AML/CFT rules, and was widely acknowledged by international organizations such as the IMF, World Bank and The Commonwealth, as a major problem facing small states around the world, especially those in the Caribbean and the Pacific. De-risking by international banks became a severe threat to the remittance sector and correspondent banking relationships (CBR) in many Commonwealth countries, including in the Caribbean, with SVG being no exception.

The FSA's position on this issue aligns with that of the FIU's, this country's national agency responsible for the investigation of AML/CFT, which condemns any de-risking involving '*the wholescale cutting loose of entire classes of customers, without taking account, seriously and comprehensively, their level of risk or risk mitigation measures for individual customers within a particular sector*'[3].

The FSA considers it especially unsatisfactory that as at

December 2016, no real or practical solution had been obtained to address this problem at the international level, save that financial institutions which depend on CBR, were advised to make greater efforts to ensure and demonstrate their regulatory and AML/CFT compliance. The lack of more decisive and appropriate action on the part of the international financial community as well as international organizations, is particularly disturbing, since arbitrary de-risking threatens to reduce the links between a jurisdiction and the international financial system, and poses particular hardship for small states like ours, which invariably rely on those linkages to conduct business.

Panama Papers – May 2016 saw the release of the largest database of offshore companies and their beneficial owners by the Washington-based International Consortium of Investigative Journalists (ICIJ). The data came from the Panamanian law firm, Mossack Fonesca, one of the largest law firms engaged in doing offshore business internationally. In brief, the ICIJ states that the leak of 11.5 million documents (*the infamous 'Panama Papers'*) reveal how offshore banks and shell companies are being used to conceal wealth and commit financial crimes.

Different responses have been taken by different countries, some countries, e.g. the U.K. (*and consequently, its overseas territories*), have decided to establish public registers of beneficial ownership information. The general international response however, has seen the return of discussions around blacklisting and the imposition of 'defensive measures'[4] against uncooperative jurisdictions, including in particular, moves to publicly identify 'uncooperative jurisdictions.' The European Commission, following the issuing of its controversial 'blacklist' in July 2015, ominously moved towards developing single consolidated criteria to identify and list uncooperative jurisdictions. Whilst this may align with already existing OECD criteria, the Code of Conduct Group of the Commission was tasked with considering "*an additional criterion for listing non-cooperative jurisdictions based on the non-existence of harmful tax regimes as defined by the criteria of the Code of Conduct on Business Taxation, and possible additional criteria, which could be inspired in particular by the OECD BEPS actions.*[5]" As SVG has already attained a Largely Compliant status in relation to international tax transparency and accountability from the international body responsible for same[6], any additional requirements by the European Union appear excessively superfluous and onerous.

The FSA will continue to closely follow these developments and brief stakeholders on the impact thereof, and more particularly, any action required on the part of SVG. In 2016, the links between international taxation and regulatory (*in particular, AML/CFT*) agendas were especially underlined by the developments in the area of tax transparency and these are anticipated to be more pronounced in 2017.

Key Targets 2017

The FSA's Work Programme 2017 will closely guide the activities and priorities of the year and is anticipated to further advance its Strategic goals set out in the Strategic Plan 2016-2018. As 2017 will be the fifth year of the FSA's operation, a main focus would be on strengthening the regulatory, supervisory and administrative infrastructure already in place, addressing risks which continue to exist, as well as any emerging risks in the financial system of SVG. Core regulatory work will be advanced in accordance with the overall strategic direction of enhancing financial sector regulation, supervision and financial stability.

A main legislative target will be the drafting and enactment of a modern legislative framework for Friendly Societies. While the Friendly Societies Guidelines issued by the FSA in 2015 supplement outdated governing legislation, the FSA will be seeking to put in place appropriate primary legislation to govern the sector. The FSA will also draft and submit amendments to the MSB and FSA Acts respectively, so that micro-financing comes under a regulatory regime. The FSA will need to address its corresponding capacity requirements internally to properly supervise this new sector.

Industry Guidelines on Investments to both the Pension Fund and the Credit Union sectors will also be targeted, in order to promote the responsible management of investments undertaken by these sectors as well as the performance and the financial security of funds invested. The implementation of the Basel II framework will also involve the drafting of additional Guidelines and a new prudential reporting form, both of which will require further consultation with the international banking sector.

The FSA hopes to work towards the development of a National Crisis Management Plan under the guidance of CARTAC. This would be a major project for the FSA which would greatly advance one of its strategic goals, in formulating and documenting prompt corrective actions (PCA) to be taken in times of stress, a ladder of intervention process, financial soundness indicators, stress testing and stabilization efforts and initiatives – in short, the whole range of actions necessary to insulate against, prepare for and address crises.

Local, regional and international collaboration will continue as appropriate on matters of systemic importance and/or mutual interest. As international challenges are expected to intensify owing to the new tax initiative being undertaken by the European Commission, the FSA will need to pay very close attention to international developments in this regard, to provide support in defending and preserving the integrity of SVG as a responsible tax and international financial services jurisdiction.

Concluding Remarks and Way Forward

It has been recognized by many experienced regulators globally that supervision is more of an art form than a science, as it often involves the exercise of judgment rather than the mere application of empirical formulae. It is certainly thought provoking that even in the presence of a plethora of rules and regulations, a regulator has to exercise sound judgment on a daily basis. Sound stewardship thus assumes great prominence in this context and accordingly, 'Stewardship' was the theme underlying the FSA's fourth anniversary celebration, commemorated by prayer and reflection at an ecumenical service at the Kingstown Methodist Church. This was an apt theme to mark our fourth year of existence, as the FSA as a regulatory authority with unique and tremendous

Executive Director's Report

Cont'd

responsibilities, must lead outwardly and from within. Indeed, it was underscored on that occasion that the qualities of good stewardship are applicable not only to those in authority, but to every individual of the FSA at every level.

This is a working concept of which we are acutely aware at the FSA. We have always been mindful of our significant responsibilities and that we must ourselves attain the high standards of prudent management, sound corporate systems, transparency and accountability, as those we regulate. Consequently, over the past 4 years we have resolutely built an organization that is patently transparent and accountable.

Demonstrating our accountability as regulator is therefore by no means a difficult task for the FSA. Our constitution and mandate are entrenched in the FSA Act and so, within the public domain. From our very inception in 2012, we have comprehensively disclosed our activities and results by various verbal and written medium: publications, annual and other reports, and in our interactions with the industry and stakeholders. Proper disclosure has been provided to all relevant stakeholders and the industry in relation to the FSA's management and corporate structure, its strategy and goals, its work, activities, results, resources, revenue and finances.

Likewise, the FSA urges that each member of the regulated sector ensures that it is well positioned to easily demonstrate its accountability as well as its integrity, to its consumers, stakeholders (*particularly its regulator)* and the public at large. Being able to demonstrate sound governance structure and systems, compliance with governing legislation, prudential requirements and best practices and thus transparency and accountability as an institution, is no longer a choice on the part of the regulated sector. Voluntariness has long been superseded by the practical imperative need for regulatory compliance in today's financial world. Any deviation therefrom has the potential for irrepressible adverse impact on the micro and macro- economic stability and the reputation of our country. The maelstrom of international challenges that never seems to abate also heightens the need for every member of the regulated sector to be able to demonstrate regulatory compliance, more so now than ever before.

Against this backdrop, it bears underscoring that we at the FSA cannot fail to have a strong appreciation of our own role, responsibilities and accountability. Our awareness of same invariably tends to become even more intensified when adverse situations arise or when we do not get desired results, even though we recognize that the best of regulatory efforts cannot always prevent failed institutions or fraud. Thus, in awareness of the matrix of challenges which frequently arise, our strategy and approach are reviewed on an ongoing basis, in order to continuously improve our results.

Finally, at the FSA, we cannot fail to appreciate the factual journey which we have travelled over the past 4 years. We have worked tirelessly to address the various challenges and problematic issues which have been identified, and our continuing engagement with the industry and all relevant entities, be it strategic partners, stakeholders or members of the public, is evident. ***That there is still much more work to be done to accomplish our goals is undoubted.*** However, it would be apparent to all who have tread the path of the last few years with us, that we have put our best foot forward as an organization as a whole, to consistently strategize and optimize on our resources, so as to deliver on our extensive mandate in absolute good faith.

I am extremely humbled to be part of the FSA's journey since its inception in November 2012, and to have the privilege of working with diverse and dynamic individuals, internal and external to the FSA. I take this opportunity to herewith record my deepest appreciation and thanks to the Board of Directors of the FSA, management and staff of the FSA for their sound stewardship, dedication and hard work. Without the arduous collective efforts of the aforementioned, the FSA would not have progressed to where it is to date. I also take the opportunity to thank our stakeholders, in particular, the Hon. Minister of Finance and the Hon. Attorney General, and the industry, for their valuable cooperation and support.

As we move forward in 2017, we intend to continue to exemplify the ethic of responsible planning, management and deployment of resources embedded in the concept of stewardship. We also intend to steadfastly work with the industry and stakeholders to ensure that mutual objectives of financial soundness, accountability, stability, sustainability and above all, the protection and preservation of fair treatment to consumers, are met.

Sharda Bollers
Executive Director

End Notes:

1. Certified General Accountant/Chartered Professional Accountant.
2. De risking refers to financial institutions terminating or restricting business relationships with clients, or categories of clients, to avoid rather than manage risk.
3. Public Statement made by the Director of the FIU, published in the local newspapers (The Searchlight, August 12, 2016).
4. This followed from the development of a report on *'Possible Tougher Incentives for Failure to Respect the International Exchange of Information on Request Standard' at the request of the G20.'*
5. The OECD/G20 Base Erosion and Profit Shifting (BEPS) Action Plan seeks to ensure that profits are taxed where economic activity is undertaken.
6. Organization for Economic Cooperation and

Credit Union, Building Societies and Money Service Business Sector Report

The number of registered Credit Unions in St. Vincent and the Grenadines, as at December 31, 2016, was six. The Apex body for credit unions, the Credit Union League (CUL) and St. Vincent and the Grenadines Small and Microfinance Co-operative (COMFI) are amongst the six institutions. During the last quarter of 2016, the St. Vincent and the Grenadines Small and Microfinance Co-operative instituted actions to wind up operations and the Auditing firm of KPMG was appointed to manage this process.

The sector included the following entities as at December 31, 2016:-

- General Employees Co-operative Credit union Limited (GECCU);
- St. Vincent and the Grenadines Teachers Co-operative Credit Union Limited (TCCU);
- Kingstown Co-operative Credit Union Limited (KCCU); and
- St. Vincent and the Grenadines Police Co-operative Credit Union Limited (PCCU);
- Credit Union League (CUL);
- St. Vincent and the Grenadines Small and Microfinance Co-operative (COMFI).

St. Vincent Building & Loan Association continued to be the only registered Building Society in St. Vincent and the Grenadines. The institution remained under enhanced supervision by the FSA via Memorandum of Understanding. Throughout the year the Association was able to honour all demands by customers for maturing deposits and funds paid exceeded EC$35m.

Figures for significant measureable areas reported as at December 31, 2016 are outlined in Table one (1) below with comparative data from prior year.
All key areas reported for the credit union sector improved when compared to prior year, which positively contributes to the stability of the financial system. Total Assets increased by 3% or approximately $15.3 million. Total loans also increased by $3.4 million or 1% in 2016 over 2015. Improvements were seen in members' deposits for the period, $77.6 million or 20% more funds were invested with the credit union sector when compared to the same period in 2015. Total institutional capital within the sector remained above prudential norms at 15.3% - an improvement of two percentage points when compared with 2015. The number of employees in the sector decreased slightly in 2016 by 9 (135), when compared with 2015 (144).

Table 1

Categories	December 2016	December 2015	December 2014
Total Assets	$605,406,465	$590,124,441	$597,971,702
Total Loans	$417,154,983	$413,753,431	$411,226,001
Total Deposits	$462,283,369	$384,654,344	394,545,033
Net Institutional Capital	15.3%	13.0%	13.0%
Total Membership	64,149	-	85,122
Total Staff	135	144	137

1.1 Regulation and Supervision

The FSA continued its strategic monitoring of prudential requirements throughout the Sectors during 2016. Its program included, on-site examinations and offsite examinations commensurate with the assessed risks at an institutional level and possible systemic impact. Assessed entities were provided with remedial plans and recommendations for all noted deficiencies. The Sector undertook and adapted several initiatives to address deficiencies identified as at December 2015.

The department benefited from capacity building initiatives coordinated through the auspices of the Caribbean Financial Action Task Force (CFATF), the Caribbean Association of Credit Union Supervisors (CACS), and the Caribbean Regional Technical Assistance Centre (CARTAC - IMF).

2.0 Money Services Business

There were three (3) active Money Services Businesses (MSBs) in SVG as at December 31, 2016. The market leader held a 62% market share for inbound activities, with the two (2) others holding 35% and 1% market share respectively. During 2017, JN Money Transfer will formally cease to operate in this sector.
A summarised report for the sector at December 31, 2016 can be seen in the Table 2 below.

Table 2

	INFLOWS			OUTFLOWS		
	2016	2015	2014	2016	2015	2014
	EC$m	EC$m	EC$m	EC$m	EC$m	EC$m
TOTAL	**112.8**	**102.2**	**116.3**	**25.9**	**22.6**	**21.6**

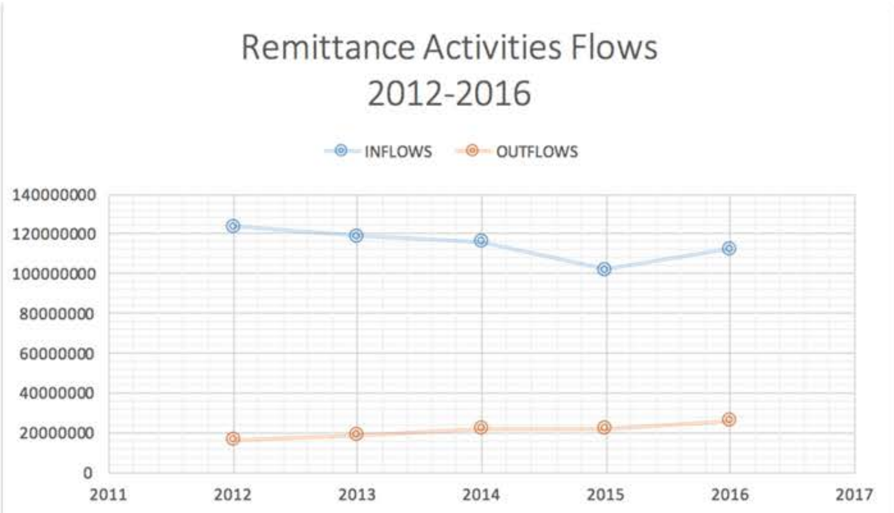
Credit Union, Building Societies and Money Service Business Sector Report Cont'd

Based on the data above, the 2016 inflows increased by $10.6 million (10.4%) when compared with 2015. A further comparison with 2014 inbound activities showed these transactions reasonably rebounded, slightly lower by $3.5m or 3%. On the outbound activities, transaction outflow continued to increase year on year and for the three years highlighted. This situation of increased inflows and increased outflows of remittances signifies improvement in inbound transfers. Prior to this for three consecutive years, inflows were on the decline.
The Table below shows a five year comparison of the inflows and outflows of remittances for St. Vincent and the Grenadines.

Table 3

YEARS	INFLOWS	OUTFLOWS
	$	$
2016	112,765,167	25,811,033
2015	102,204,237	22,260,238
2014	116,296,345	21,648,523
2013	119,071,000	19,008,000
2012	123,618,000	16,510,000

Chart of the above Table displaying five year comparison Inflows and Outflows of Remittances for St. Vincent and the Grenadines.



2.1 Regulation and Supervision

The second round of on-site examinations of MSBs since the inception of the FSA continued in 2016. Specifically reviewed were the effective adoption and compliance of each entity with provisions outlined in the Proceeds of Crime Act of 2013, Anti-Terrorist Financing and Proliferation Act 2015, and the Anti-Money Laundering and Terrorist Financing Regulations of 2014. In addition, offsite prudential reviews were performed during 2016 and the sector was largely compliant with requirements of all governing legislation.

3.0 Friendly Societies

The FSA continued its outreach program with the Friendly Societies sector during 2016. Information acquired during these consultations was utilised to develop the sector's reporting framework. During 2017, the Authority's engagement will be enhanced to include, an implementation review, of the sector's compliance with the Friendly Societies Guidelines issued by the FSA in 2015. In addition, our focus will include viability assessments, educational seminars, governance reinforcement and the development and enactment of modern legislation to strengthen and support accountability within the sector.

Insurance Sector Report

REPORT ON THE INSURANCE SECTOR

The insurance industry in St Vincent and the Grenadines has two distinct sectors; the domestic insurance segment, which provides insurance of local risks, and the international insurance segment, which provides insurance of foreign risk by insurers from within St. Vincent and the Grenadines. The Financial Services Authority ("FSA" or the "Authority") through its Insurance and Pension Department, regulates and supervises all insurance entities operating in and from within St. Vincent and the Grenadines.

Domestic Insurance Sector

The domestic insurance sector continues to be a significant component of the insurance industry and the non-bank financial sector in St. Vincent and the Grenadines comprising insurance companies and intermediaries and pension fund plans. Companies conducting business are either indigenous or domestically incorporated companies or incorporated in CARICOM countries and operating through local agencies or branches.

As at December 31, 2016, there were twenty two (22) active companies registered under Section 8 of the Insurance Act Cap 306 of the Laws of St. Vincent & the Grenadines, Revised Edition 2009, to conduct domestic insurance business in St.Vincent and the Grenadines. The number of active companies registered to conduct short-term insurance business totaled fourteen (14), while eight (8) companies undertook long-term insurance business. One new insurance company entered the market in 2016, namely; EC Global Insurance Company Limited.

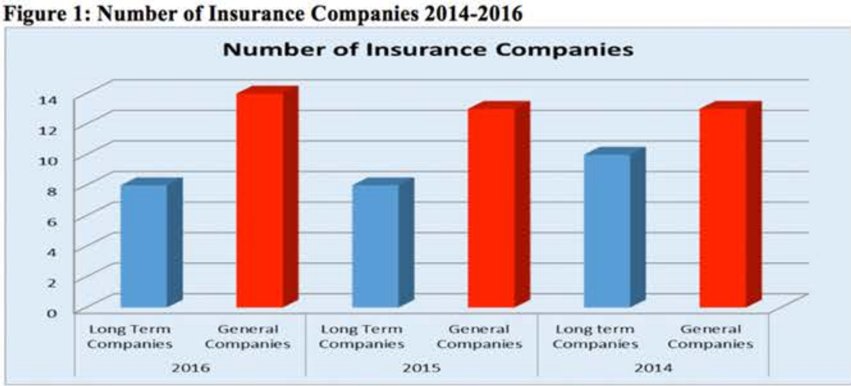
Short-term/General Insurance Companies

The number of active companies registered to conduct short-term insurance business increased to fourteen (14) as at December 31, 2016, one (1) more than the previous year. Four (4) of these companies were locally incorporated while the other ten (10) operated through a branch or agency arrangement of CARICOM based/ foreign owned companies.

Long-term/Life Insurance Companies

There were eight (8) companies registered to undertake long-term insurance business as at December 31, 2016; however, only six (6) were active. One (1) company was registered to write life insurance business only, while the others were composite companies i.e. companies that conduct/write both long-term and short-term insurance business. Two companies, namely British American Insurance Company and CLICO International Life remained under judicial management.

Figure 1: Number of Insurance Companies 2014-2016



Source: FSA Records

Intermediaries

As at December 31, 2016, there was one (1) Association of Underwriters, seven (7) Insurance Brokers, sixteen (16) Insurance Agents and ninety six (96) Insurance Sales Representatives registered at the end of the reporting period. One (1) new insurance broker namely; Risk Consultant and Insurance Brokers Ltd and two (2) new insurance agents namely WAD Agencies Ltd and First Caribbean International Bank (Barbados) Ltd T/A CIBC First Caribbean Insurance Agent were registered during the period.

Table 1 below summarizes the composition of the domestic insurance sector.

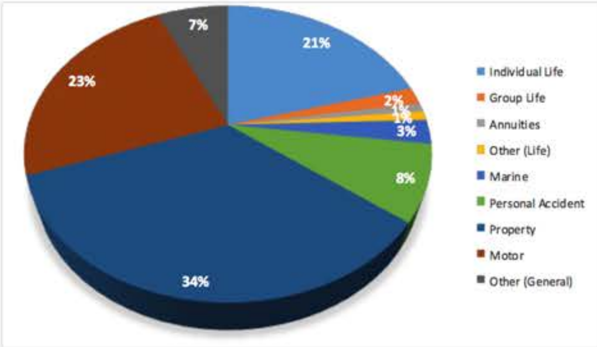
Total Active Insurance Licences in effect at December 31, 2016

	2016	2015
Insurance companies	22	21
Brokers	7	7
Agents	16	14
Sales Representatives	96	105
Association of Underwriters	1	1
Total Insurance Licences	**142**	**148**

Domestic Sector Activity

Insurance business is written directly with the companies or through brokers and agents. In the general insurance market, premium growth was driven by the motor and property lines of business which accounted for 34% and 23% of gross premiums written respectively. In the life insurance market, the key product sold was individual life which accounted for 21% of gross written premium.

Figure 2: Gross Premium Income by Class 2016



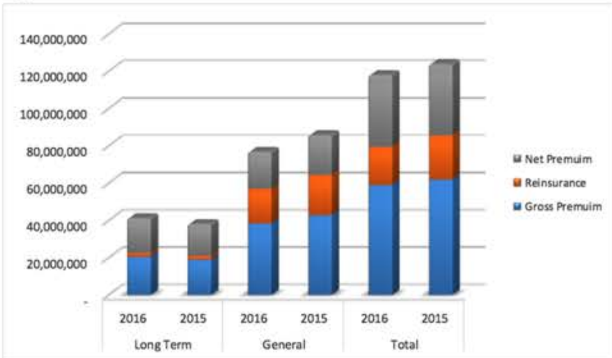
Source: FSA Records

Gross Premium Analysis

At the end of 2016, long-term insurance premiums were approximately EC$$20.6m, reflecting an increase of EC$1.5m or 8.2 percent when compared with the previous year. The leading long term insurer held approximately 64.1 percent of total premiums written.

Gross premium income for the short-term segment of the market totaled EC$38.4m in 2016, a decrease of 10.5 percent when compared with the 2015 figure of EC$42.9m.

Figure 3: Gross Premium Income for 2015-2016

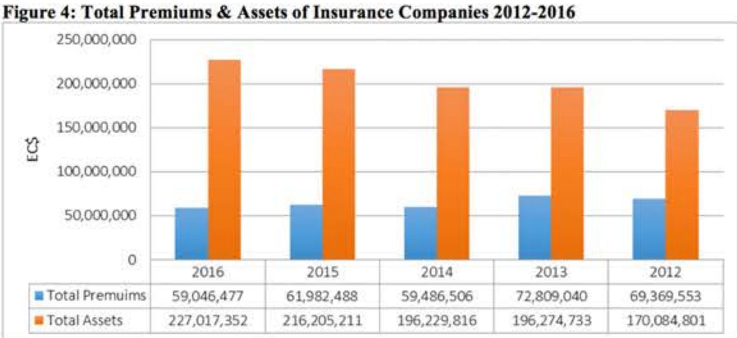


Source: FSA Records

Asset Base

Total assets for the domestic insurance sector stood at EC$227.0 million as at December 31, 2016. Government securities of 36.2% and cash and deposits of 22.8% represented the largest proportion of the industry's assets.

Figure 4: Total Premiums & Assets of Insurance Companies 2012-2016



	2016	2015	2014	2013	2012
Total Premuims	59,046,477	61,982,488	59,486,506	72,809,040	69,369,553
Total Assets	227,017,352	216,205,211	196,229,816	196,274,733	170,084,801

Source: FSA Records

International Insurance Sector

As at December 31, 2016, there were two (2) international insurance companies, one (1) insurance manager and one (1) insurance broker, registered under the International Insurance Act, Chapter 307 of the Revised Laws of St. Vincent and the Grenadines. The insurance companies consisted of a Class II insurer that is registered to conduct life and capital assurance business, while the other is a Class IV, which conducts liability insurance business.

The numbers of international insurance operators have been constant since 2007. However, an assessment of this sector will be undertaken in 2017, in order to chart a way forward with respect to the same.

Pension Fund Plans

The legislative framework governing the regulation and supervision of pension funds in St. Vincent and the Grenadines is Part VIII of the Insurance Act. This provides for a registration process of private pensions and regulatory submissions of annual accounts and triennial actuarial valuations. As at December 31, 2016 there were twenty-five (25) pension fund plans registered with the FSA. There were no new plans registered during the year.

For the purpose of protecting pension plan members and their beneficiaries, the FSA embarked on a review of the supervisory regime for pension fund plans. A consultation was held with the sector to sensitize pension plan operators on the legislative requirements. In addition, to address the regulatory gaps, Guidelines were issued to the sector. Other practical measures to strengthen supervision were also carefully assessed and crafted in 2016, including information brochures to elaborate on requirements and best practices of Trustees and pension plan operators. This sector will continuously be assessed to ensure effective supervision and compliance with applicable legislation and guidelines.

Regulation & Supervision

In 2016, the FSA fully implemented the risk-based supervisory framework and a number of developments were undertaken in this regard. The framework provides a structured approach for understanding and assessing key risks inherent in an institution's activities, whether its risk management processes (i.e. identification, assessment, measurement, monitoring, controlling, mitigating and reporting of risks) are adequate in the context of the key risks and whether its earnings, capital and liquidity are sufficient to enable it to support its risk profile and withstand unexpected shocks. The FSA has a supervisory framework for off-site or desk monitoring and onsite examinations. Insurance companies are subject to an annual off-site risk assessment based on the annual returns and audited financial statements for the year end. Accordingly, as at the end of December 2016 eleven (11) risk assessments matrix reports were prepared and nine (9) follow-up on-site examinations were conducted to ensure that actions arising out of the previous examinations were addressed /implemented and to ensure ongoing regulatory compliance.

As at December 31, 2016, all companies had complied with the minimum capital and statutory deposit and Insurance Fund obligations and had satisfied these requirements. By the end of 2016, approximately EC$103.4 million was held in Insurance Funds in support of policyholders' liabilities. The Insurance Fund provides access to assets in the event of a company's demise and is used as regulatory capital to provide a buffer for insurance liabilities and to support the overall quality of assets on the insurers' balance sheet. These funds are monitored on a regular basis and where shortfalls exist, companies are required to satisfy the deficiency within the shortest possible time.

The FSA will continue to enhance its supervisory and regulatory regime by identifying and responding to new and emerging risks through an integration of a macro-prudential framework in conjunction with the current risk based supervisory approach. In addition, the FSA will also continue to work with all insurance companies to strengthen their corporate governance and risk management practices, capital and internal controls and compliance with regulatory requirements.

Proposed Reform of the ECCU Insurance and Pensions Market

In response to the collapse of CLICO and BAICO, within the Eastern Caribbean Currency Union ("ECCU"), the Monetary Council of the Eastern Caribbean Central Bank ("ECCB") commissioned a project for the establishment of a single insurance market and regulator within the ECCU. The key features of this are the passage of a uniform ECCU insurance legislation and the creation of a single insurance and pension funds regulator.

The FSA has been actively involved in the process with representation through its Deputy Executive Director, on the Steering Committee for the project. This project has been progressing steadily, but slowly, and the third draft of the enabling legislation has been the subject of public consultation. These consultations have provided a platform for raising awareness of the project and for receiving direct and important inputs from industry, the general public and interested stakeholders.

The next phase of the project will include finalization of the uniform law and ratification by the ECCU countries of the Agreement establishing the single market and regulator. The launch of the single insurance and pensions market and regulator for the ECCU is targeted for late 2017.

The FSA will continue its supervision of the insurance and pensions sectors, as mandated by governing legislation under the Insurance Acts and the FSA Act, and in keeping with best international practice. Such supervision will include but will not be limited to the offsite and onsite surveillance of the sectors through the review of annual and quarterly insurance returns, the preparation of risk assessment reports and the conduct of on-site examinations.

International Financial Services Sector Report

At December 2016, the international financial services sector (IFS) maintained its composition of the following types of financial products:

- International Banks;
- Mutual Funds (MFs);
- International Trusts;
- International Business Companies (IBCs); and
- Limited Liability Companies (LLCs).

The aforementioned products continued to be featured in international financial services magazines, such as the STEP Directory and the Offshore Investment Magazine.

International Financial Services Sector: Registered Entities 2010 - 2016

The trend in renewals of all IFS sector products has generally been downwards since 2010 with a marked decline of 10.3% during 2015 (2014:7.9%; 2013:3.1%) for IBC entities which continued downwards but at a slower rate than in 2016(7.6%). There was also a declining trend in new registrations for IBCs up to 2016. This was not positive for the dominant income earner in the IFS industry, however income generated from this product remained the highest in 2016. This downward trend in renewals and new registrations was also observed in International Trusts and Mutual Funds. Notwithstanding, there were increases in new formations and renewals in the LLC subsector, although still relatively small but growing steadily. Thus there is potential for LLCs to be an increasingly important growth area. All five (5) International Banks and sixteen (16) Registered Agents renewed their licenses in 2016.

The total number of active entities for the IBC and Mutual Fund sector also declined in 2016 when compared to 2015; these declines were due primarily to an increased number of cancellations in these sub-sectors. Increases were reflected in active LLCs and International Trusts and the number of entities in the International Banks and Registered Agent sub-sectors remained constant at five (5) and sixteen (16) respectively, as it had been since 2013/2014. *Ref: TABLE 1, below.*

TABLE I
INTERNATIONAL FINANCIAL SECTOR
NUMBER OF ACTIVE ENTITIES
YEARS 2010 – 2016

TYPE OF INTERNATIONAL FINANCIAL SERVICES PRODUCT	2010	2011	2012	2013	2014	2015	2016
International Business Companies	9,171	8,460	8,279	8,103	7,174	6,674	6,258
Limited Liability Companies	1	7	18	44	48	43	53
International Trusts	114	130	126	104	131	118	121
International Banks	2	3	5	4	5	5	5
Mutual Funds	87	125	125	117	114	109	102
Registered Agents	17	16	17	16	16	16	16

International Banks

This sector is licensed and regulated by the Authority under a regime set out by the International Banks Act, Chapter 99 of the Revised Laws of St. Vincent and the Grenadines, 2009 ('the Banks Act') , its regulations and the FSA Act. This sector continued to be relatively small but there were five (5) licensed banks as at review date, the same as that of 2015.

Plans for the implementation of Basel II recommendations on banking laws and regulations in the international banking system in St Vincent and the Grenadines continued in 2016 with training by a CARTAC Consultant as part of a CARTAC/ECCB driven project for the ECCU domestic and international banking sector. Implementation is anticipated in 2017. *TABLE II below* indicates the composition of the international banking sector.

TABLE II
INTERNATIONAL FINANCIAL SECTOR
NAME AND NUMBER OF INTERNATIONAL BANKS
YEAR 2016

Name of Banks	Class[1]
Loyal Bank Limited	A
European Commerce Bank Limited	A
Euro Pacific Bank Limited	A
B2B Bank Limited	A
RBC Royal Bank Holdings (EC) Limited	B

Mutual Funds, Mutual Fund Managers and Mutual Fund Administrators

International Mutual Funds registered in Saint Vincent and the Grenadines are professionally managed investment schemes made up of a pool of funds owned by various investors for the purpose of investing in securities andother assets. The Mutual Funds (Amendment) Act, and its Regulations Chapter 154 of the said Revised Laws ('the Mutual Funds Act') is the governing legislation for this sector. The various mutual fund entities which can be registered pursuant to the said legislation are:

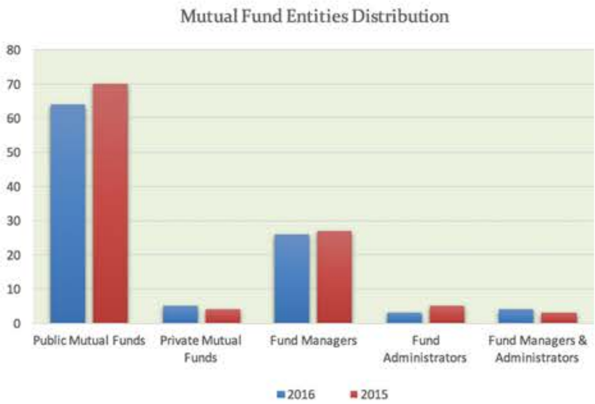
- Public Mutual Funds;
- Private/ Accredited Mutual Funds;
- Mutual Fund Managers[2];
- Mutual Fund Administrators[3]; and
- Mutual Fund Managers and Administrators.

The Table below provides information on the number of active entities registered / licensed pursuant to the Mutual Funds Act.

TABLE III
INTERNATIONAL FINANCIAL SECTOR
DISTRIBUTION AMONG MUTUAL FUND ENTITIES, 2016

MUTUAL FUNDS	NUMBER
Public Mutual Fund	64
Private Mutual Fund	5
Mutual Fund Manager	26
Mutual Fund Administrator	3
Mutual Fund Manager and Administrator	4

As at 31st December, 2016, there were one hundred and two (102) active mutual funds registered/licensed pursuant to the Mutual Funds Act compared to one hundred and nine (109) active entities which existed in 2015 (2014: 114 active entities).



International Trusts

There were 121 active registered International Trusts as at 31st December, 2016. This showed a slight improvement when compared with the 118 active International Trusts at 31st December, 2015. Generally, the International Trust sector continued to show an overall decline since the years 2010 - 2015. The sector's best performances were recorded during 2010 - 2011 and 2013 – 2014 periods.

International Business Companies (IBCs)

IBCs continued to dominate the IFS sector products with respect to the number of registered entities, new registrations and renewals, although the trend continued to show a decline up to the current reporting period. The total number of active registered entities at December 2016 amounted to 6,258 (6,674:2015, 7,174: 2014, and 8,103:2013). New registrations for the year 2016 amounted to 675 IBCs and for year 2015 were 725 IBCs. At reporting date, the total number of renewals amounted to 5,337, 7.6% below the 5,742 renewals reported at December 2015.

Limited Liability Companies (LLCs)

As at December 2016, a total of 80 LLCs were formed, 53 of which were still active. There were
18 new formations in the year and renewals have been generally increasing. As at December, 2016 there were 23 (2015: 19, 2014: 21, 2013: 14) LLC renewals.

International Financial Services Sector Report Cont'd

Registered Agents/Service Providers

Registered Agents and Trustees continue to play a vital role in ensuring suitable international business is channeled into the jurisdiction. Thus, it is critical that all Registered Agents and Trustees which operate in the State execute their functions with utmost proficiency. The FSA continued to ensure that all RAs comply with the provisions of the Registered Agent and Trustee Licensing Act and its regulations (Chapter 105) and the FSA Act.
The total number of active Registered Agents and Trustees was stable and remained at 16 in the year 2016.

End Notes:

1. Pursuant to Section 9 of the Banks Act an International Bank's license is granted by the FSA as either Class A or Class B. A Class A license is for the purpose of carrying on unrestricted banking business, whereas a Class B license is granted for the purpose of carrying on restricted banking business and where the names of the bank's customers are specifically listed and described at application stage and thereafter approved by the FSA. Section 10 (1) and (2) outlines the capital requirements for each class of license.

2. Fund Managers include entities licensed in a recognized jurisdiction.

3. Fund Administrators include entities licensed in a recognized jurisdiction.

Regional & International Initiatives

The Financial Services Authority (FSA) is involved in a number of regional and international initiatives due to its significant role in the financial services sector in St. Vincent and the Grenadines (SVG). The FSA continues to work in close collaboration with relevant regional and international bodies to promote compliance with regional and international standards and best practices pertaining to SVG's financial services sector.

Regional Initiatives

Eastern Caribbean Financial Services Commission (ECFSC)

The FSA, through its Deputy Executive Director, is a member of the Steering Committee of the ECFSC, the intended single insurance regulator in the Eastern Caribbean Currency Union (ECCU). The Steering Committee comprised of regulators, industry representatives and legal and insurance experts had been established to oversee and progress the project. The launch of the single insurance and pensions market and regulator for the ECCU is targeted for late 2017.

During 2016, there was some turnover of members of the Steering Committee charged with implementing the Single Insurance and Pensions Market Project (SIPMP). Consequently, there was limited activity, however, the following were completed:-

1) Circulation of the third draft of the Uniform Insurance and Pensions' Bill to Regulators and Industry, complete with all comments received and responses/amendments of the Legal Draftsperson; and

2) Completion of a full circuit of public consultations with stakeholders across the eight (8) member jurisdictions.

The FSA continued to give tremendous support to this initiative in 2016, as with previous years, primarily through but not limited to its Deputy Executive Director. At the end of 2016, a decision was taken by the Monetary Council of the ECCU to retain full-time resource for the project and to provide direct oversight for same, through a merger of the Technical Core Committee on Insurance and the Steering Committee, both of which are headed by the Financial Secretary of Antigua and Barbuda.

Caribbean Association of Credit Union Supervisors (CACS)

CACS is a regional grouping of prudential regulators of credit unions in the Caribbean, established in 2014, with the objective of developing a collaborative approach between regional credit union supervisors for the more effective regulation and supervision of credit unions. The inaugural CACS Secretariat is St. Vincent and the Grenadines (the FSA) and the Secretariat is intended to be rotated every two years.

The FSA's Executive Director, as the Chair of CACS, formally passed the Chairmanship and Secretariat of CACS to the Executive Director of the Financial Services Commission of Grenada and the said Commission respectively, at the CACS Annual General Meeting held in Grenada in September 2016.

Other Regional Initiatives – CAIR, CAPS, CGBS, ECCB

The FSA is an active member of the Caribbean Association of Insurance, the Caribbean Association of Insurance Regulators (CAIR), the Caribbean Association of Pension Supervisors (CAPS) and is an associate member of the Caribbean Group of Banking Supervisors (CGBS). The FSA also participates in initiatives of the Eastern Caribbean Central Bank (ECCB) with the aim of strengthening supervisory oversight, through the Regulatory Oversight Committee (ROC) and other supervision and financial stability activities.

International Initiatives

The FSA has been intrinsically involved in coordinating the arrangements for the implementation of the US FATCA and the OECD AEOI initiatives in SVG, as it has a direct interest in ensuring SVG's cooperation in these tax initiatives, which if not adhered to, can have resounding effects on SVG's financial services sector and the public as a whole. The FSA, as a relevant stakeholder, is a member of the National Committee on FATCA. The Committee is responsible for overseeing and monitoring the implementation of international tax information exchange initiatives in SVG.

Of note, the mandate of the Committee was expanded to include the new OECD initiative, Automatic Exchange of Information (AEOI) and any other international information exchange initiatives which may be introduced in the future. Accordingly, the Committee was renamed the National Committee on Exchange of Information for Tax Purposes.

US Foreign Account Tax Compliance Act (FATCA)

SVG would have signed the US Intergovernmental Agreement (IGA) Model 1B for the commencement of tax information reporting to the US IRS in 2015. This model IGA is a formal agreement which facilitates the automatic exchange of information to the US IRS through the Competent Authority, the Inland Revenue Department (IRD) rather than directly from the financial entities. Under the IGA, FATCA reporting must be completed by September 30th of each year. Therefore, financial institutions are required to file financial information on US customers at a date ahead of the deadline, as set by the Competent Authority.

The Foreign Accounts Tax Compliance (United States) Implementation and Enforcement Act would have been enacted in 2015 to provide the domestic framework for the legal exchange and automatic transmission of financial information of individual customers of financial institutions to the US IRS. In 2016, SVG concluded its reporting to the US IRS for the 2015 period on December 31, 2016,

, instead of the original deadline of September 30, 2016. The IRD was prompted to make the request to the US IRS for an extension of time, as a result of technical and logistical issues with the installation of the required software.

The FSA continues to work with the IRD in ensuring SVG's compliance with the US FATCA.

Organization for Economic Cooperation and Development (OECD)

SVG has committed to the implementation of the OECD Global Forum's Common Reporting Standard on Automatic Exchange of Information. To date, over 90 countries and jurisdictions have committed to implementing the new Standard pursuant to schedules that would see exchanges commencing in 2017 or 2018.

Through the work of the FSA and the IRD, SVG has made significant progress in 2016 to complete the preparatory phases for the implementation of the OECD Global Forum's Common Reporting Standard on Automatic Exchange of Information by 2018.

- **Automatic Exchange of Information (AEOI)**

The new AEOI initiative requires the implementation of the OECD Common Reporting Standards (CRS) as well as the signing of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC).

- **Common Reporting Standards (CRS)**

The CRS, which builds on the United States Foreign Accounts Tax Compliance Act (FATCA) Inter-Governmental Agreements (IGAs), requires countries to agree to automatically exchange financial account information on persons for tax purposes, on an annual basis with countries which have signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC).

SVG has also signed the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (MCAA). The MCAA forms part of the requirements of the MAAC and provides the administrative framework for the automatic exchange of information using the legal basis contained in the Convention. It is a multilateral framework that provides a standardized and efficient mechanism to facilitate the automatic exchange of information in accordance with the CRS.

SVG retains the sovereign right, before putting the MCAA into operational effect, to decide with which jurisdictions it intends to exchange information. Only where two signatory jurisdictions subsequently nominate each other, will the MCAA come into effect between them and result in exchanges of information. SVG however, intends to agree to exchange information on an automatic basis with all relevant partners.

The FSA was instrumental in drafting and ensuring the enactment of appropriate domestic legislation to facilitate the automatic exchange of financial information under the OECD Common Reporting Standards. Domestic legislation is necessary to ensure that the information to be exchanged is in fact reported by the financial institution to the IRD and that appropriate safeguards are in place to protect information in the AEOI process. The Automatic Exchange of Information (Common Reporting Standards) Act, No. 31 of 2016 was passed on December 15th, 2016 and came into force on December 20th, 2016. The accompanying Regulations, the Automatic Exchange of Information (Common Reporting Standards) Regulations, No. 30 of 2016 came into force on December 23rd, 2016.

- **Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC)**

The MAAC provides a legal basis for many forms of tax cooperation, including that in relation to the automatic exchange of information. SVG is now a signatory to the MAAC having signed the Convention on August 25th, 2016. SVG ratified the Convention on August 31st, 2016. The MAAC formally entered into force in SVG on December 1st, 2016. The FSA was instrumental in the coordination of the signing of the MAAC. The MAAC will have effect for administrative assistance related to taxable periods beginning on or after January 1st, 2017.

Another significant development in 2016 is that the OECD conducted an onsite assessment of SVG on "Confidentiality and Data Safeguards Systems" as part of the preparatory work on AEOI /CRS implementation in SVG. Both the FSA and the IRD were involved in this process on behalf of St. Vincent and the Grenadines. A Confidentiality and Data Safeguards Systems Report was produced from this assessment, and a recommendation was made for SVG to prepare and present an 'Action Plan" to the OECD to outline how the deficiencies outlined in the report will be addressed by SVG. The IRD undertook to develop the required Action Plan with support from the UK HM Customs and Revenue (HMRC).

Caribbean Financial Action Task Force (CFATF)

The FSA continues to liaise and collaborate with the Financial Intelligence Unit (FIU) and the Attorney General's Chambers on matters related to AML/CFT and the CFATF. In SVG's 12th Follow-up report (2016) issued by the CFATF, SVG remained on enhanced follow-up and was scheduled to report back to the CFATF Plenary in May 2017.

Work is ongoing on outstanding legislative amendments which are required to address several areas of deficiencies identified by the CFATF in SVG's previous assessment. A new Anti-Money Laundering and Terrorist Financing Code and the Migrant Smuggling Act and amendments to the Proceeds of Crime Act are nearing completion and are expected to be in place in the upcoming year. The FIU continues to lead on these matters with support from the FSA and the NAMLC.

Financial Performance

Accountant's Report For the Year Ended December 31, 2016

Executive Summary:

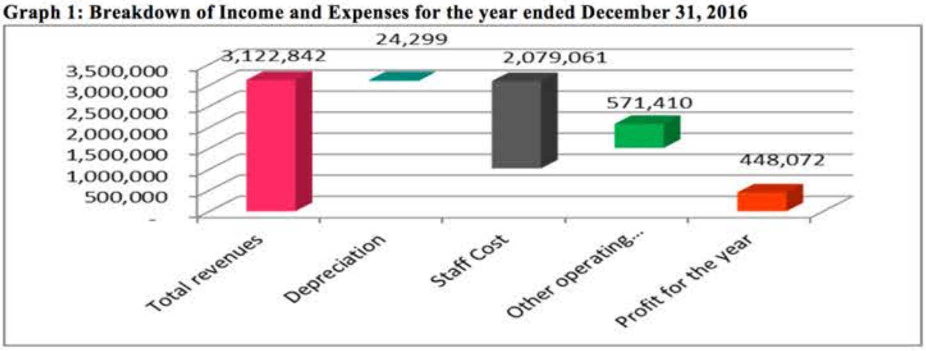
As at December 31, 2016, the Financial Services Authority ("FSA"/ "the Authority") recorded a profit of $448,072, compared with $670,259 from the prior year, a reduction in profit of $222,187 or 33.2%. There was an adverse movement when the actual profit was compared with the budgeted amount by $20,638 or 4.4%.

Revenue earned for the year was $3,122,842, a decrease of $212,457 or 6.4% when compared with 2015. Revenue budgeted for the year fell short by $763,934 or 13.3% due to multiple uncontrollable events.

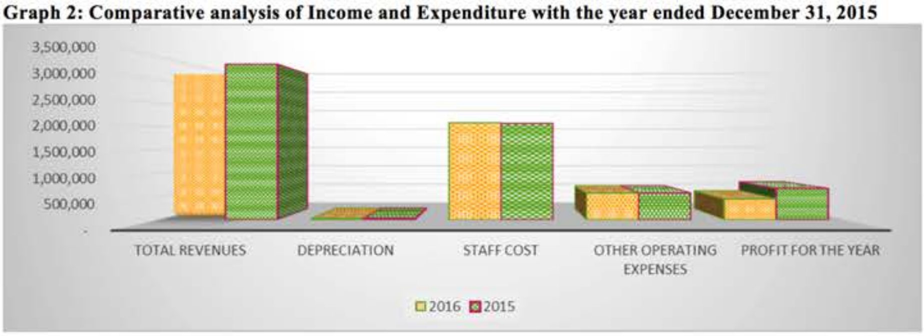
Total expenses for 2016 amounted to $2,674,770, compared with $2,665,040 for 2015, an increase of $9,730 or 0.4%. Budgeted expenses were less by $306,741 or 10.3%.

The FSA's operations are funded by the Government through subvention; as a result, revenue earned is remitted to the Accountant General. Government subvention of $1,695,000 was received during the year in relation to the total budgeted annual amount of $2,300,000. The funds received assisted in offsetting the Authority's operational expenses. Funds remitted through the FSA's Fee Income to the Consolidated Fund for 2016 were $3,020,941 and $3,233,003 for 2015, a reduction of $212,062 or 6.6%.

Graph 1: Breakdown of Income and Expenses for the year ended December 31, 2016



Graph 2: Comparative analysis of Income and Expenditure with the year ended December 31, 2015

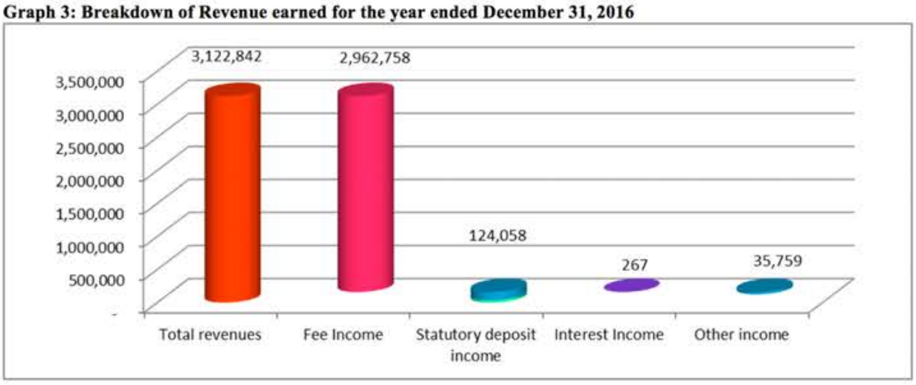


The following is a synopsis of the financial performance of the Authority for the year ended December 31, 2016.

1. Revenue

The FSA generated revenue amounting to $3,122,842 during the year, compared with $3,335,299 in 2015, a reduction of $212,457 or 6.4%. Revenue is comprised of fee income, statutory deposit income, interest and other income.

Graph 3: Breakdown of Revenue earned for the year ended December 31, 2016

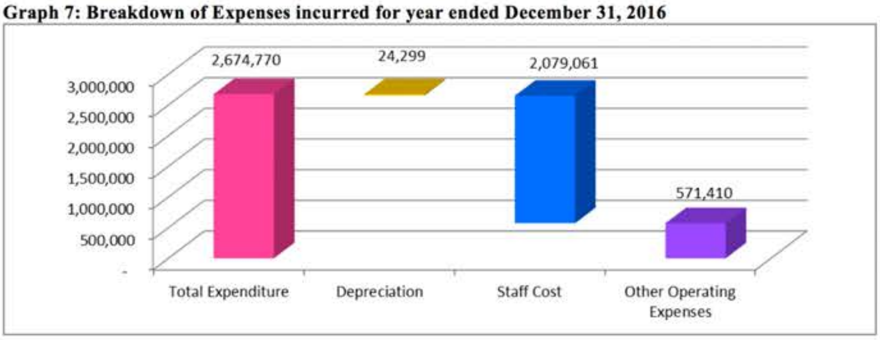


Financial Performance Cont'd

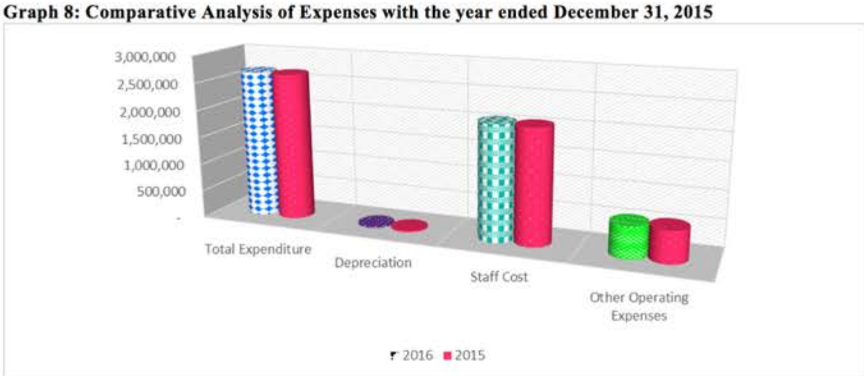
2. Expenditure

Total expenses incurred for the year ended December 31, 2016 was $2,674,770 and $2,665,040 for 2015, an increase of $9,730 or 0.4%, when the two years were compared. Staff cost was consistent with slight adverse movements over the four-year period and accounts for approximately 77.7% of total expenditure and an increase of 0.1% for the year. Total expenses moved favorably to the amount budgeted by $306,741 or 10.3%.

Graph 7: Breakdown of Expenses incurred for year ended December 31, 2016



Graph 8: Comparative Analysis of Expenses with the year ended December 31, 2015

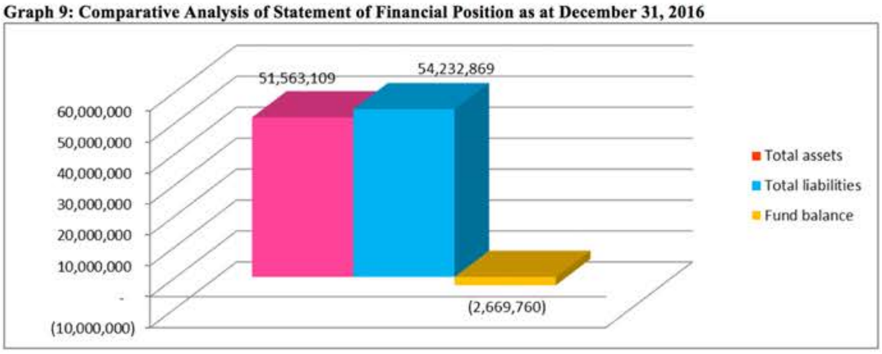


Other operating expenses reduced by $2,566 or 0.5%, when compared with the prior year. There were both adverse and favorable movements which resulted in a negative change, some of these changes in expenses include bank charges, overdraft interest, electricity, stationery and repairs, and maintenance. Subscription/dues and telephone expenses reduced by $4,125 or 28.3% and $19,017 or 44.1% respectively.

3. Statement of Financial Position

Total assets as at December 31, 2016, were $51,563,109, compared with $49,460,408 for 2015, a favorable movement of $2,102,701 or 4.3%. This result was due to new investments made by domestic insurance companies and interest earned on all savings accounts during the year. Total liabilities increased by $3,005,359 or 5.9%, when compared with $51,227,510 in 2015; 94.9% of these liabilities are long-term while 5.1% comprised trade and other payables and bank overdraft. Fund balance moved adversely by $902,658.

Graph 9: Comparative Analysis of Statement of Financial Position as at December 31, 2016



3.1 Receivables

Receivables balances are comprised mainly of annual fees from the International Financial Services sector for IBCs, Mutual Funds, Trusts, CTD, International Banks and Insurance companies. Income for local insurance companies, Credit Unions, and MSBs are collected on a cash basis.

Trade receivables are recognized at fair value and only to the extent that the amount is recoverable during the financial year invoiced or within three (3) months of the end of the fiscal year.

Financial Performance Cont'd

3.2. Cash - Collections/Deposits

As at December 31, 2016, the FSA's cash and cash equivalent position was ($152,680) and subvention of $1,695,000 was received. Funds held in the statutory deposit on behalf of local and international insurance companies, international banks and registered agents were $51,086,701, an increase of $2,469,303 or 5.1% from previous year.

4. Staffing

The FSA employed twenty-three (23) full-time staff as at December 31, 2016. One staff was made redundant during the year and one staff was recruited temporarily to the Registry department for a six (6) months period.

Financial Services Authority
Report from External Auditor
For the year ended December 31, 2016

REGISTERED OFFICE

Reigate Building
Halifax Street
Kingstown
St. Vincent and the Grenadines

NON-EXECUTIVE DIRECTORS

Present	From
Mr. Leon Snagg - Chairman	September 2012 - Present
Mrs. Alma Dougan - Deputy Chair	September 2012 - Present
Mr. Stewart Haynes - Director	September 2012 - Present
Mr. Hubert Da Silva - Director	September 2012 - Present
Mr. Maurice Edwards - Director	September 2012 - Present
Ms. Elritha Dick - Director	January 2013 - Present
Ms. Karen Duncan - Director	April 2015 - Present

EXECUTIVE DIRECTOR

Mrs. Sharda Sinanan-Bollers

COMPANY SECRETARY

Ms. Deidre Adams

BANKERS

Bank of St. Vincent and the Grenadines

AUDITORS

Alexander & Co. Squared
Chartered Accountants
Sergeant-Jack Drive
Arnos Vale
St. Vincent and the Grenadines

Financial Services Authority

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Alexander & Co. Squared

Chartered Accountants

P O Box 1452
Sergeant-Jack Drive
Arnos Vale
St. Vincent and the Grenadines

INDEPENDENT AUDITOR'S REPORT

To the Governor General of St. Vincent and the Grenadines

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Financial Services Authority ("the Authority"), which comprise the statement of financial position as at December 31, 2016, and the statement of changes in fund balance, statement of profit or loss and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in St. Vincent and the Grenadines and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Telephone: (784) 453-3222 Facsimile: (784) 453-3322 Email: admin@alexandersq.com

Auditor's 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 auditor's 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.
- 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

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.

Alexander & Co

May 31, 2017

Chartered Accountants
Arnos Vale,
St. Vincent and the Grenadines

FINANCIAL SERVICES AUTHORITY
Statement of Financial Position
As At December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Notes	2016 $	2015 $
ASSETS			
Cash and cash equivalents	5	**13,907,618**	12,572,956
Trade and other receivables	6	**59,611**	65,589
Prepayments		**5,912**	7,281
Due from Government of St. Vincent and the Grenadines	7	**22,365,571**	23,353,706
Held-to-maturity securities	8	**15,070,924**	13,398,138
Property, plant and equipment	9	**153,473**	62,738
Total Assets		**51,563,109**	49,460,408
LIABILITIES AND FUND BALANCE			
Borrowings	10	**182,857**	349,467
Trade and other payables	11	**2,486,298**	1,875,710
Deferred revenue	12	**477,013**	384,935
Statutory deposits	13	**51,086,701**	48,617,398
		54,232,869	51,227,510
Fund Deficit		**(2,669,760)**	(1,767,102)
Total Liabilities and Fund Balance		**51,563,109**	49,460,408

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

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Leon Snagg
Chairman

FINANCIAL SERVICES AUTHORITY
Statement of Changes in Fund Balance
For the Year Ended December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Scholarship Fund $	General Fund $	Total $
Balance as at December 31, 2014	24,219	(1,331,647)	(1,307,428)
Net Income for the year	–	670,259	670,259
Net distribution to Government's consolidated fund	–	(1,130,503)	(1,130,503)
Appropriations of interest earned on scholarship fund	570	–	570
Balance as at December 31, 2015	24,789	(1,791,891)	(1,767,102)
Net Income for the year	–	448,072	448,072
Net distribution to Government's consolidated fund	–	(1,325,941)	(1,325,941)
Fund transfer	(24,789)	–	(24,789)
Balance as at December 31, 2016	**–**	**(2,669,760)**	**(2,669,760)**

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

FINANCIAL SERVICES AUTHORITY
Statement of Profit or Loss
For The Year Ended December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Notes	2016 $	2015 $
Income			
Fee income	14	**2,962,758**	3,159,692
Statutory deposit income		**124,058**	136,656
Interest income		**267**	1
Other income		**35,759**	38,950
Total Income		**3,122,842**	3,335,299
Operating Expenses			
Depreciation	9	**24,299**	24,205
Staff costs	15	**2,079,061**	2,066,859
Other operating expenses	16	**571,410**	573,976
Total Expenses		**2,674,770**	2,665,040
Net Income for the year		**448,072**	670,259

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

FINANCIAL SERVICES AUTHORITY
Statement of Cash Flows
For The Year Ended December 31, 2016
(Expressed in Eastern Caribbean Dollars)

	Note	2016 $	2015 $
Cash Flows From Operating Activities			
Net Income for the year		**448,072**	670,259
Adjustments for :			
Depreciation		**24,299**	24,205
Interest earned		**(267)**	(1)
Earnings From Operations before Working Capital changes		**472,104**	694,463
Change in trade and other receivables		**5,978**	24,967
Change in prepayments		**1,369**	(772)
Change in due from/to Government of St.Vincent and the Grenadines		**988,135**	(6,228)
Change in trade and other payables		**610,588**	600,029
Change in deferred revenue		**92,078**	103,199
Change in held-to-maturity securities		**(1,672,786)**	(143,828)
Change in statutory deposits		**2,469,303**	924,247
Change in scholarship fund		**(24,789)**	570
Cash Generated From Operations		**2,941,980**	2,196,647
Interest received		**267**	1
Net Cash Generated From Operating Activities		**2,942,247**	2,196,648
Cash Flows From Investing Activity			
Additions to property, plant and equipment		**(115,034)**	(2,525)
Net Cash Flow From Investing Activity		**(115,034)**	(2,525)
Cash Flows From Financing Activity			
Net distribution to Government's consolidated fund		**(1,325,941)**	(1,130,503)
Net Cash Flow From Financing Activity		**(1,346,787)**	(1,130,503)
Net Increase in cash and cash equivalents		**1,501,272**	1,063,620
Net cash and cash equivalents - beginning of year		**12,223,489**	11,159,869
Net cash and cash equivalents - end of year	5	**13,724,761**	12,223,489

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

A

1. Formation and Principal Activities

Financial Services Authority ("the Authority") was established by the Financial Services Authority Act, No. 33 of 2011.

The Authority has responsibility for regulating, supervising and developing the international financial services and non-bank financial services sectors in St. Vincent and the Grenadines.

During the year, the Authority discontinued its scholarship fund.

2. Date of Authorisation for Issue

These financial statements were authorized for issue in accordance with a resolution of the Directors on May 31, 2017.

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

a. Basis of Preparation

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 4.

b. Cash and Cash Equivalents

Cash and cash equivalents include cash-on-hand and demand deposits as well as highly liquid investments with insignificant interest rate risk and original maturities of ninety days or less at the date of purchase.

Bank overdrafts, where applicable, are shown within borrowings in the statement of financial position.

3. Significant Accounting Policies (continued)

c. Trade Receivables

Trade receivables are recognised at fair value and only to the extent that the amount is recoverable during the financial year invoiced or within three (3) months of the end of that financial year.

Subsequent recoveries of amounts invoiced but not taken to revenue in the year invoiced is taken in the statement of profit or loss in the year recovered.

d. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation on property, plant and equipment is provided on a straight line basis at rates that are expected to write-off the cost, less salvage value, over the period of their estimated useful lives using the following annual rates:

Computer hardware	20%
Furniture and fittings	15-20%
Motor vehicle	25%
Office equipment	20%
Books	20%

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the operating profit.

Repairs and maintenance are charged to the statement of profit or loss when incurred.

e. Borrowings

Borrowings are recognized initially at the transaction price (that is, the present value of cash payable to the lenders, including transaction cost). Borrowings are subsequently stated at amortized cost. Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

3. Significant Accounting Policies (continued)

f. Foreign Currencies

These financial statements are expressed in Eastern Caribbean dollars, which is the Authority's functional currency. Transactions involving currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items are converted to the functional currency at the spot rate at the reporting date. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end of monetary assets and liabilities are recognized in the statement of profit or loss. Non-monetary items, which are measured at their historical cost in a foreign currency, are converted at their historical exchange rate at year-end. Non-monetary items which are measured at fair value in a foreign currency are converted at the exchange rate at the date when the fair value is determined. Exchange gains or losses on non-monetary items, which are measured at fair value, are recognized in the statement of profit or loss.

g. Revenue Recognition

Annual Fees

i) Annual fees relating to services provided in the current financial year but received in the year or up to three months into the subsequent financial year are recorded as revenue in the current financial year. Fees received in advance of the accounting year in which the service is rendered is reflected as a liability on the statement of financial position and recognized in the year to which the service relates.

Registration and Application Fees

ii) Registration and application fees are recognized in revenue in the year in which the transaction is approved by the Authority.

Late Fees

iii) Late fees are recognized in profit and loss in the year received.

Grants

iv) Grants are recognised at fair value. A grant that imposes specified future performance conditions is recognised in income when those conditions are met. Grant receipts in advance of satisfying the performance conditions are treated as deferred revenue in the statement of financial position.

Grants consist of two types:

(a) Grants of a capital nature: These are recognized in income over the period necessary to match them with the related costs for which they are intended to compensate, on a systematic basis. The portion of the grant that has not been taken to income is presented as deferred revenue on the statement of financial position. Assets purchased from grants are capitalized as fixed assets. Each year, an amount equal to the depreciation charge for the assets is transferred from deferred revenue to the profit and loss account as income.

(b) Grants of an income nature: These are taken to income in the year in which the performance conditions are met.

3. Significant Accounting Policies (continued)

h. Deferred Revenue

Receipts relating to annual fees for future periods are shown within accounts payable and taken to revenue in the period to which they relate.

i. Impairment of Non-Financial Assets

Assets that are subject to depreciation or amortization are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

If any impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of profit or loss.

j. Financial Assets

The Authority classifies its financial assets into one of the categories shown below, depending on the purpose for which the asset was acquired. The Authority has not classified any of its financial assets as available-for-sale.

Fair value through profit or loss

i) This category comprises investments held long-term and financial contracts in an asset. When used they are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit and loss within "Net changes in fair value on financial assets at fair value through profit or loss".

Loans and receivables

ii) These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence that the Authority will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

The Authority's loans and receivables comprise cash and cash equivalents, trade and other receivables and due from Government. Cash and cash equivalents include cash-on-hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

3. Significant Accounting Policies (continued)

Held to maturity investments

iii) Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities where the Authority has the intention and the ability to hold in the long-term or until maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method.

k. Financial Liabilities

Financial liabilities include bank borrowings, trade and other payables, deferred revenue, distributions payable to Government, due to Government and statutory deposits due to licensed entities.

Financial liabilities are recognised when the Authority becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in the statement of profit or loss.

Trade and other accounts payable and other short-term monetary liabilities are recognised initially at their fair values and subsequently measured at amortized cost less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the statement profit or loss.

l. Fair Value Measurement

Fair value is the price that would be received on sale of 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 Authority has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Authority measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Authority measures instruments quoted in an active market at a mid-price. If there is no quoted price in an active market, then the Authority uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

m. Fair Value Hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities at fair value through profit or loss to use a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

i) Quoted prices (unadjusted) in active markets for identical financial assets and financial liabilities (Level 1);

3. Significant Accounting Policies (continued)

m. Fair Value Hierarchy (continued)

ii) Inputs other than quoted prices included within Level 1 that are observable for the financial assets and the financial liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2);

iii) Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3). The level in the fair value hierarchy within which the financial asset or the financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets are classified in their entirety into only one of the three levels.

4. Critical Accounting Estimates and Judgments

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year are discussed below.

Estimated Impairment of Assets

The Authority tests annually whether assets have suffered any impairment in accordance with the accounting policy stated in the significant accounting policies' section. The recoverable amounts of some assets have been determined based on value-in-use calculations. These calculations require the use of estimates.

5. Cash and Cash Equivalents

	2016 $	2015 $
Cash on hand and at bank	30,177	25,279
Interest bearing deposits	13,877,441	12,547,677
	13,907,618	**12,572,956**

Cash and cash equivalents include the following for the purpose of the statement of cash flows:-

	2016 $	2015 $
Cash on hand and at bank	30,177	25,279
Interest bearing deposits	13,877,441	12,547,677
Bank overdraft (Note 10)	(182,857)	(349,467)
	13,724,761	**12,223,489**

5. Cash and Cash Equivalents (continued)

Certain cash balances in 2015 were restricted for the sole use as scholarship contributions. The total restricted cash as of December 31, 2015 was $24,277.

Cash and cash equivalents are denominated in Eastern Caribbean dollars.

6. Trade and Other Receivables

		2016 $	2015 $
Annual fees	– Internation Business Companies	13,172	37,904
	– Trust	403	–
	– Due diligence	269	–
	– Mutual funds	1,613	806
		15,457	38,710
Allowance for impairment		–	–
Total trade receivables		15,457	38,710
Other receivables		44,154	26,879
Total other receivables		44,154	26,879
Total Trade and Other Receivables		**59,611**	**65,589**

Trade and other receivables are denominated as follows:-

	2016 $	2015 $
United States dollars	23,393	38,710
Eastern Caribbean dollars	36,218	26,879
	59,611	**65,589**

7. Due from Government of St. Vincent and the Grenadines

The amount of $22,365,571 (2015: $23,353,706) represents statutory deposits held in the consolidated fund.

8. Held-to-Maturity Securities

Held-to-maturity securities have varying maturity dates, are denominated in Eastern Caribbean dollars and consist of debt securities issued by regional governments.

The weighted average interest rate on these securities is 6.41% (2015: 6.52%).

9. Property, Plant and Equipment

	Furniture and Fittings $	Motor Vehicle $	Computer Hardware & Software $	Office Equipment $	Books $	Total $
As at December 31, 2014						
Cost	88,034	76,975	42,819	27,103	7,629	242,560
Accumulated depreciation	36,677	68,987	20,795	26,597	5,086	158,142
Closing net book amount	51,357	7,988	22,024	506	2,543	84,418
Year Ended December 31, 2015						
Opening net book amount	51,357	7,988	22,024	506	2,543	84,418
Disposals - Cost	–	–	(8,920)	–	–	(8,920)
Disposals - Accumulated depreciation	–	–	8,920	–	–	8,920
Additions	1,950	–	575	–	–	2,525
Depreciation charge	(7,716)	(7,987)	(6,891)	(83)	(1,528)	(24,205)
Closing net book amount	45,591	1	15,708	423	1,015	62,738
As at December 31, 2015						
Cost	89,984	76,975	34,474	27,103	7,629	236,165
Accumulated depreciation	44,393	76,974	18,766	26,680	6,614	173,427
Net book amount	45,591	1	15,708	423	1,015	62,738
Year Ended December 31, 2016						
Opening net book amount	45,591	1	15,708	423	1,015	62,738
Additions	44,488	–	56,920	13,626	–	115,034
Depreciation charge	(12,123)	–	(10,508)	(654)	(1,014)	(24,299)
Closing net book amount	32,365	–	46,412	12,972	(1,014)	90,735
As at December 31, 2016						
Cost	134,472	76,975	91,394	40,729	7,629	351,199
Accumulated Depreciation	56,516	76,974	29,274	27,334	7,628	197,726
Net book amount	**77,956**	**1**	**62,120**	**13,395**	**1**	**153,473**

Included in fixed assets at December 31, 2015 are advance payments of $30,000 for assets to be purchased. Purchase of these assets was finalized by the 2016 year-end.

10. Borrowings

	2016 $	2015 $
Bank Overdraft		
Bank of St. Vincent and the Grenadines Limited (Note 5)	**182,857**	**349,467**

The Authority has provided no assets as security for repayment of the overdraft.

The effective interest rate on borrowings at the reporting date was as follows:-

	2016 %	2015 %
Bank of St. Vincent and the Grenadines Limited overdraft	11	11.5

Borrowings are denominated in Eastern Caribbean currency.

11. Trade and Other Payables

	2016 $	2015 $
Trade payables and accrued liabilities	949,610	799,295
Payroll related liabilities	732,534	454,274
Pension contributions payable to the consolidated fund	380,216	273,996
Other payroll related liabilities	386,456	333,816
Other payables	37,482	14,329
	2,486,298	**1,875,710**

Trade and other payables are denominated as follows:

	2016 $	2015 $
United States dollars	43,897	61,809
Eastern Caribbean dollars	2,442,401	1,813,901
	2,486,298	**1,875,710**

12. Deferred Revenue

	2016 $	2015 $
Fees in advance		
Annual fees	382,923	342,193
Due diligence fees	24,945	42,742
	407,868	384,935
Grant Income		
Beginning of the year	–	–
Receipts in year	72,856	–
Less: Transfer to income for year	(3,711)	–
	69,145	–
	477,013	**384,935**

Deferred revenue is denominated as follows:

	2016 $	2015 $
United States dollars	407,868	384,935
Eastern Caribbean dollars	69,145	–
	477,013	**384,935**

13. Statutory Deposits

	2016 $	2015 $
Obligations under statutory deposits	49,494,989	47,103,124
Interest payable on statutory deposits	1,591,712	1,514,274
	51,086,701	**48,617,398**

Statutory deposits are denominated as follows:-

	2016 $	2015 $
United States dollars	8,946,661	7,558,247
Canadian dollars	–	1,339,986
Eastern Caribbean dollars	42,140,040	39,719,165
	51,086,701	**48,617,398**

14. Fee Income

		2016 $	2015 $
Registration and Application Fees			
International Business Companies		324,490	315,440
Trust Companies		4,032	20,162
Mutual Funds		8,334	10,753
Limited Liability Companies		9,297	5,309
Banks		5,376	2,688
Registered Agents		–	4,570
Pension Funds		–	3,000
Insurance		1,344	–
		352,873	361,922
Annual and License Fees			
International Business Companies		1,428,536	1,552,168
Trust Companies		38,912	38,878
Mutual Funds		120,163	144,625
Limited Liability Companies		6,452	4,032
Banks		120,969	120,969
Registered Agents		51,613	48,388
Insurance Companies	– International	16,129	16,129
	– Local	142,544	113,800
Credit Unions		850	–
		1,926,168	2,038,989
Other Fee Income			
Due diligence		5,801	6,109
Filing, certification and late fees			
– International Business Companies		588,982	637,074
– Trust Companies		6,116	10,551
– Mutual Funds		33,737	16,308
– Limited Liability Companies		430	4,570
– Banks		34,812	32,527
– Registered Agents		2,419	5,242
– Insurance Companies		1,320	26,300
– Credit Unions		100	100
– Money Service Businesses		10,000	20,000
		683,717	758,781
		2,962,758	**3,159,692**

15. Staff Costs

	2016 $	2015 $
Gratuity	86,400	95,748
National Insurance Services contributions	59,453	59,285
Pension contributions	113,470	116,057
Salaries, allowances and bonuses	1,809,345	1,785,804
Training	7,979	9,965
Scholarship	1,859	–
Staff appreciation	455	–
Uniform	100	–
	2,079,061	**2,066,859**

As of the reporting date, the number of employees amounted to 24 (2015: 24).

16. Other Operating Expenses

		2016 $	2015 $
Advertising and promotion		724	2,054
Audit fee		15,870	15,870
Bank charges		11,837	10,018
Board meeting expenses		7,647	8,387
Customs & brokerage		2,403	–
Directors' fees		93,000	93,750
Donation and gifts		–	1,000
Electricity		65,802	47,905
Entertainment		640	911
Foreign exchange loss		78	223
Insurance		10,854	11,789
Meetings and interviews		232	109
Miscellaneous		921	46,664
Office supplies		3,173	2,581
Onsite inspection		70	272
Overdraft interest		32,227	17,999
Postage and delivery		594	474
Rent		151,477	156,181
Repairs and maintenance	– Equipment	20,168	10,661
	– Plant	432	432
	– Vehicle	4,236	3,671
	– Other	30,793	3,976
Seminars and conferences		3,383	2,988
Stationery and printing		48,282	46,352
Subscription and dues		10,435	14,560
Technical support		31,991	31,991
Telephone and fax		24,141	43,158
		571,410	**573,976**

17. Related Party Transactions

The following transactions were carried out with related parties: -

a. Key Management Compensation

Key management includes the Board of Directors (executive and non-executive), all members of the management team and the Authority's secretary. The compensation of key management is shown below:

	2016 $	2015 $
Chairman and non-executive directors' emoluments	93,000	93,750
Key management salaries and allowances	463,200	503,942
Gratuity	86,400	95,748
	642,600	**693,440**

b. Due to the Government of St. Vincent and the Grenadines

	2016 $	2015 $
Receipts on behalf of the Government	–	1,129,533
Payments remitted to the Government	–	(1,129,533)
	–	–

c. Net Distribution to Government

	2016 $	2015 $
Distribution to consolidated fund	3,020,941	3,233,003
Subvention from Government	1,695,000	2,102,500
	1,325,941	**1,130,503**

18. Taxation

In accordance with the Financial Services Authority Act, No. 33 of 2011, the Authority is exempt from stamp duties, import duties and all other taxes or other charges, on its income or profits or on assets which it acquires for its own use in carrying out its functions.

The Authority's income is also exempt in accordance with section 25 (r) of the Income Tax Act, Chapter 435 of the Revised Laws of St. Vincent and the Grenadines, as it is a statutory authority.

19. Pension Obligations

a. Defined Contribution Pension Plan

The Authority operates a voluntary defined contribution pension plan which is administered by trustees selected within Management. The Authority and members are required to contribute 6% and 4%, respectively, of members' pensionable emoluments.

During the year, the Authority contributed $9,412 (2015: $15,523) to the plan. As of the reporting date, the plan's fund, which is maintained at the Bank of St. Vincent and the Grenadines Limited, amounted to $157,620 (2015: $138,919).

b. Pension Contributions to the Consolidated Fund

The Authority makes pension contributions to the consolidated fund on behalf of pensionable public servants who have been seconded to the Authority from the Government Public Service. The contribution rate is 25% of employees' basic salaries. Pension contributions of $104,058 (2015: $100,534) have been charged against profit or loss during the year.

The Authority has no further contribution obligations in respect of either of these plans on payment of the contributions.

20. Financial Risk Management

Financial risk factors

The Authority's activities expose it to a variety of financial risks; market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Authority's overall risk management programme seeks to minimise potential adverse effects on the Authority's financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in accordance with those policies.

Financial assets of the Authority include cash and cash equivalents, held-to-maturity securities, due from Government, and trade and other receivables. Financial liabilities include borrowings, trade and other payables, and statutory deposits of licensed entities.

a. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Authority'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 parameters, while optimising the return.

Market risk arises from the Authority's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (foreign currency risk) or other market factors (other price risk).

20. Financial Risk Management (continued)

Foreign currency risk

i) Foreign currency risk is the risk that the value of a financial instrument or revenue will fluctuate due to changes in foreign exchange rates. In the normal course of business, the Authority enters into transactions denominated in foreign currencies. As a result, the Authority is subject to transaction and translation exposure from fluctuations in foreign exchange rates.

The Authority is exposed to foreign currency risk arising from the denomination of financial instruments, statutory deposit liabilities and certain trade payables in foreign currencies.

The Authority has statutory deposits denominated in United States dollars, which are pegged to the Eastern Caribbean dollar.

The Authority denominates all its offshore revenues in United States dollars. Furthermore, the Authority customarily receives revenues for subsequent financial years in its current financial year and treats these as deferred income as a component of accounts payable in its statement of financial position. The Authority's income, other than that denominated in Eastern Caribbean dollars, and its deferred income, are denominated in United States dollars.

Interest rate risk

ii) Interest rate risk is the risk that the value of future cash flows of a financial instrument or financial liability will fluctuate due to changes in market interest rates. Floating rate instruments expose the Authority to cash flow interest rate risk whereas fixed rate instruments expose the Authority to fair value interest rate risk.

The Authority has bank deposits with fluctuating interest rates. These deposits originate from statutory deposits made by regulated entities on which the Authority pays interest to the depositor. The Authority changes the interest rate that it pays to depositors when the interest rate it receives on these deposits is changed by the bank, however the interest rate spread is not fixed.

The Authority's bank borrowing is negotiated with a fixed interest rate.

Fair value interest rate risk

The Authority is exposed to fair value interest rate risk on its held-to-maturity investments, classified as regional public and private sector securities, however these financial instruments are traditionally held to term. These investments bear fixed rates of interest and their value is inversely affected by movements in market interest rates. The Authority does not hedge itself against fair value interest rate risk, however, as these financial assets are held to term and for the benefit of and sometimes in the name of the regulated depositors, any losses are passed onto the depositor.

20. Financial Risk Management (continued)

b. Credit risk

Credit risk is the risk of financial loss to the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Authority's cash and cash equivalents, trade receivables, due from Government, and held-to-maturity securities.

Cash and cash equivalents are held with reputable financial institutions. Trade receivables and the related revenue are recorded only when the debtor is assured of paying the amount due and the Authority evidences payment a reasonable period after year-end. Held-to-maturity securities are Government bonds with investment grade.

The carrying amount of financial assets represents the maximum credit exposure.

c. Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Authority's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Authority is exposed to liquidity risk from its financial liabilities which include bank borrowings, trade and other payables, deferred revenue, and statutory deposits payable to licensed entities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet its current operating requirements. The Authority is not exposed to significant liquidity risk as it maintains sufficient cash and cash equivalents to meet its current and foreseeable future obligations. Furthermore, its more significant liabilities are statutory deposits payable to depositors. These deposits were placed with the Authority by regulated entities as either held-to-maturity securities or deposits with the Government of St. Vincent and the Grenadines. In instances where statutory deposits originally placed as a held-to-maturity securities are redeemed the original security is returned to the depositor.

The table below breaks down the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the date of the financial statements to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

20. Financial Risk Management (continued)

Liquidity risk (continued)

The Authority's aging of its contractual repayment period to its creditors as of December 31, 2016, is as follows:

	Within 6 months	After 6 Months	After one year	Total
	$	$	$	$
Borrowings	–	182,857	–	182,857
Trade and other payables	1,719,625	–	766,673	2,486,298
Deferred revenue	447,013	–	–	447,013
Statutory deposits	–	–	51,086,701	51,086,701
Total	**2,166,638**	**182,857**	**51,853,374**	**54,202,889**

The following table shows the Authority's aging of its contractual repayment period to its creditors as of December 31, 2015:

	Within 6 months	After 6 Months	After one year	Total
	$	$	$	$
Borrowings	–	349,467	–	349,467
Trade and other payables	1,265,959	–	609,751	1,875,710
Deferred revenue	384,935	–	–	384,935
Statutory deposits	–	–	48,617,398	48,617,398
Total	**1,650,894**	**349,467**	**49,227,149**	**51,227,510**

21. Lease Commitment

The Authority is committed to annual minimum payments of $149,280 under an operating lease for rental of its office space. The rents for the next three financial years are as follows:

	$
2017	149,280
2018	149,280
2019	49,760

22. Capital Commitment

The Authority has capital commitments for the purchase of computer hardware, software and related soft costs for $41,832 (2015: $144,450).

23. Excess of Expenses over Subvention

	2016 $	2015 $
Income		
Government's subvention	**1,695,000**	2,102,500
Statutory deposit income	**124,058**	136,656
Interest income	**267**	1
Other income	**32,048**	38,950
Total Income	**1,851,373**	2,278,107
Operating Expenses		
Depreciation	**24,299**	24,205
Staff costs	**2,079,061**	2,066,859
Other operating expenses	**571,410**	573,976
Total Expenses	**2,674,770**	2,665,040
Excess of expenses over subventions	**(823,397)**	(386,933)

Notes

FINANCIAL SERVICES
AUTHORITY SVG

Our logo symbolizes and connotes the following:

- **Its pyramid is symbolic of ancient civilization, the beginning of time and the ingenuity which went into establishing such a strong and perfect structure.**
- **The pyramid's triangular shape is a symbol of power and stability and is associated with the mountainous terrain of St. Vincent and the Grenadines.**
- **The arch represents a welcoming symbol, welcoming persons into the local financial industry.**
- **The arch within the pyramid is symbolic of Kingstown, which is also known as the City of Arches.**
- **The circle is symbolic of the sun, a symbol of infinite stability and continuity.**
- **The wave behind is congruent with the changing nature of water (and the financial environment) and its dynamism.**
- **The wave is also reflective of the fact that we are an island surrounded by water.**
- **The gold symbolizes the potential for success of the industry.**

CAPITAL

COMPLIANCE

RESERVES

SOLVENCY

SOUNDNESS

LIQUIDITY

GOVERNANCE

EQUITY

STABILITY

SUSTAINABILITY

RISK

MANAGEMENT

TRANSPARENCY

INVESTMENTS

ACOUNTABILITY

EARNINGS

ASSET QUALITY

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