Financial Services Authority

St.Vincent and the Grenadines

ANNUAL REPORT 2017

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FINANCIAL SERVICES AUTHORITY SVG

OUR MISSION

"To regulate and supervise the financial sector in accordance with best practices so as to promote the safety, soundness and integrity of the sector, thereby enhancing the reputation of St. Vincent and the Grenadines as a secure and competitive financial centre."

CONTENTS

BOARD OF DIRECTORS

Left to Right Standing: Hubert DaSilva - Director
Stewart Haynes - Director
Leon Snagg - Chairman
Edmond Jackson - Director

Left to Right Seated: Alma Betty Dougan - Deputy Chair
Sharda Bollers - (Executive) Director
Elritha Miguel - Director

Absent: Karen Duncan - Director

BOARD OF DIRECTORS

LEON SNAGG, was appointed as Chairman of the Financial Service 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 position 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, 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. She currently serves as Chairperson of the Customs Appeal Tribunal; and is a member of the Audit Committee and the Human Resources Committee of the FSA.

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 alternate representative on the Island Church Council.

HUBERT DA SILVA, is a native Vincentian with a diverse background in the public service, banking and accounting. Mr. Da Silva 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 and also acted Manager of the St. Vincent Marketing Corporation.

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

STEWART HAYNES, is a Chartered Financial Analyst (CFA) and a Fellow of the Faculty and Institute of Actuaries (FIA). Mr. Haynes holds a Master's Degree in Actuarial Management from the Cass Business School-City University, London and a BSC in Actuarial Science from the London School of Economics and Political Science. 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 Executive Director of the National Insurance Services. He is a current Director on the Board of Directors of Eastern Caribbean Financial Holdings, St. Lucia.

BOARD OF DIRECTORS

ELRITHA MIGUEL, has been employed with the Eastern Caribbean Central Bank, ECCB, for the past 28 years. She is currently the Resident Representative of the ECCB in St. Vincent and the Grenadines.

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

Mrs. Miguel holds a Bachelor of Business Administrative 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. Mrs. Miguel 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 a Past President of the Lions Club of Kingstown SVG and Past President of Partners of the Americas.

EDMOND A. JACKSON holds a BSc in Economics and Management from the University of the West Indies and a MSc. in Financial Economics from the University of London. He currently holds the post of Director General 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, is the Senior Crown Counsel in the Attorney General's Chambers, Ministry of Legal Affairs. She holds a BSc. in Management Studies from the University of the West Indies (U.W.I), Mona; a LLB from U.W.I, Cave Hill; a MSc. in Global Affairs from New York University; and a LLM in Legislative Drafting from U.W.I., Cave Hill.

Ms. Duncan was an Attorney in the Litigation Department at DunnCox, Attorneys-at-Law in Jamaica; Legal Officer at the Jamaica Fair Trading Commission focusing on competition/anti-trust law; and Case Manager at Scholars at Risk, an international network of institutions protecting academic freedom, based at New York University.

DEIRDRE 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

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'1 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

MR. AUGUSTIN POWERS, prior to appointment as Deputy Executive Director of the Financial Services Authority of St Vincent and the Grenadines worked as Senior and then Chief Analyst, at the Cayman Islands Monetary Authority, from 2007 to 2016. Prior to this, he served as Senior Compliance Officer in the Regulatory and Supervision Division of the Ministry of Finance and Planning, St. Vincent and the Grenadines, from 2003 to 2007. Mr. Powers also held various positions of responsibility at the said Ministry and other Government departments in St. Vincent and the Grenadines, prior to his aforementioned position of Senior Compliance Officer.

Mr. Powers holds a Masters degree in Economic Policies and Reforms for Development and a Bachelor of Science degree in Accounting and Finance. He is a seasoned financial services regulator with more than nineteen (19) years of increasingly responsible employment.

MANAGEMENT AND LEGAL TEAM

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.

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.

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.

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.

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.

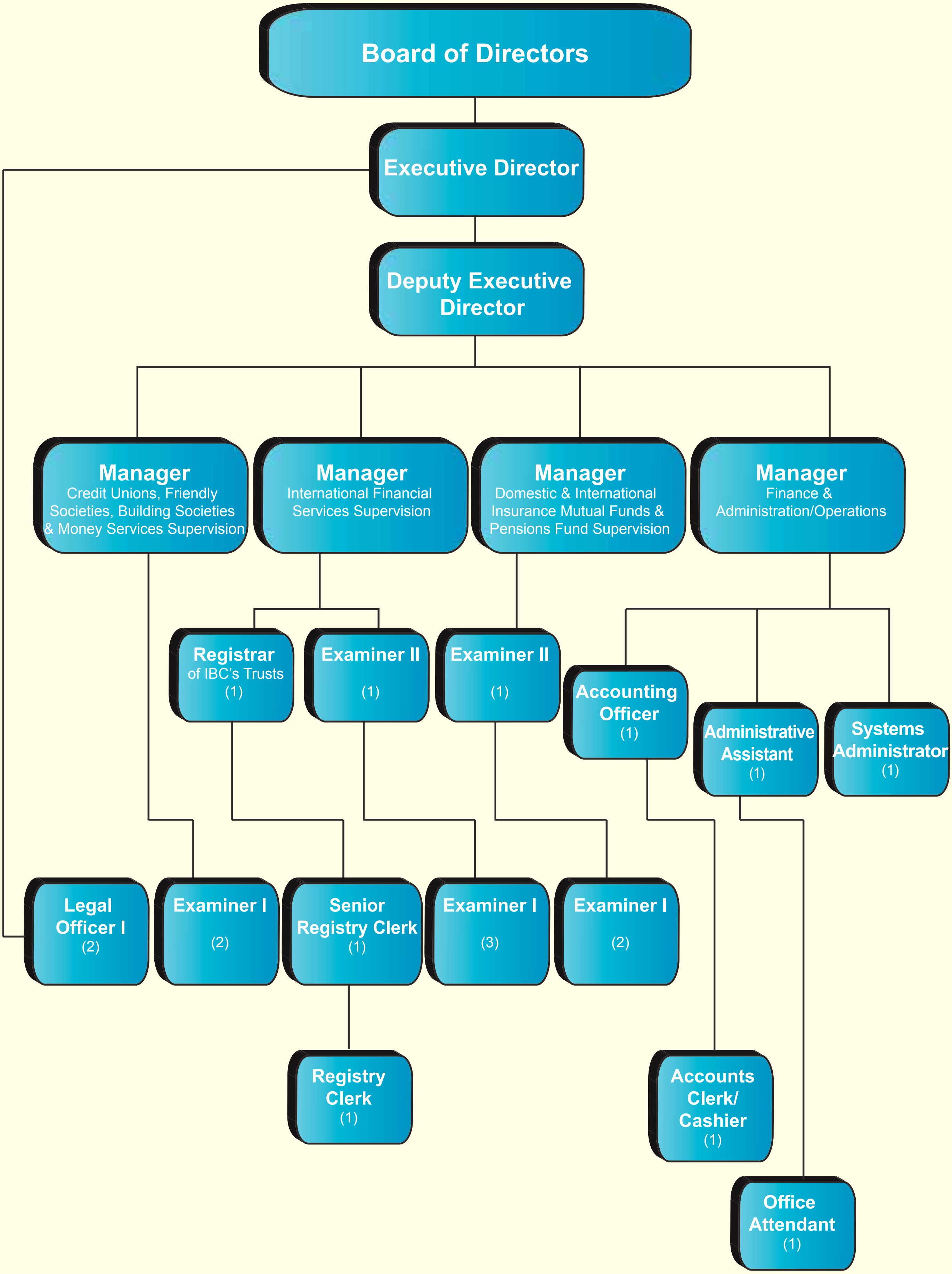
Our Staff

Standing from Left to Right: Leslie-anna Joseph, Vasilca Cato-Morgan, Nyasha Browne, Alicia Browne, Nerissa Hunte, Suzette Lewis, Daphne Scott, Jabari Guy, Neva Cordice, Karen Jackson, Shanika Layne, Yolande Balcombe, Jimmy Black, Sharda Bollers & Dionne George

Seated from the left to Right: Mintrue Rose-Providence, Ival Jack, Geshell Peters, Debon Moses, Farique Daniel.

Absent: Augustin Powers, Keisha Bynoe & Roxanne Durham.

Financial Serives Authority Organisational Chart



CHAIRMAN'S MESSAGE 2017

I am pleased to present to you the 2017 Annual Report of the Financial Services Authority ("FSA"). The year 2017 marked the 5th anniversary of our institution, which began activities in November 2012. Over the past five years, the FSA made intensive use of all the powers conferred upon it in order to enable it to carry out to the fullest, its role and mandate as a supervisory authority in respect of protecting financial consumers.

The work that the FSA has done over the past five years has reflected several main foci, namely; ensuring administrative and operational efficiencies and the development of a sound governance framework, thus allowing for effective and sustained supervision of international and non-bank financial services sectors. During the year in review, the FSA intensified its focus on key goals such as building a robust regulatory framework, inclusive of risk based supervisory methodologies and consolidated supervision, implementation and integration of a sound functional administrative framework with respect to human resources, IT and accounting systems, achieving various targets outlined in the strategic plan and deepening the thrust of public awareness and stakeholder engagement. Though there is much work still to be done, we are encouraged by the progress achieved.

Achievements over the last five years

Overall, the past five years have been years of significant activity and productivity. Accordingly, the FSA made notable strides, some of which are highlighted below.

Enhanced Legislative Framework

A critical ingredient in protecting users of financial services is having the appropriate legal and regulatory framework in place to facilitate adequate monitoring and supervision of service providers. With this in mind, a number of legislative reforms took place during 2017. These include amendments to the International Business Companies Amendment and Consolidation Act, Chapter 149 of the Revised Laws of St. Vincent and the Grenadines, 2009 to enhance the FSA's regulatory powers as well as collaboration with the Financial Intelligence Unit in the passage of the Anti-Money Laundering and Terrorist Financing Code.

In addition to legislative reforms, the FSA issued guidance to its constituents aimed at improving market conduct and governance in all regulated sectors. This is against the background that proper market conduct and corporate governance are critical factors that contribute to the soundness of financial markets. Some of the guidelines issued thus far include:

- Guidelines on the Establishment and Maintenance of Insurance Funds (2015);
- Guidance Note on Reporting Requirements for Pension Plans (2016);
- Guidance Note on Investment Guidelines for Pension Fund Plans (2017);
- Credit Union Investment Guidelines (2017).

Another significant achievement for the FSA during the first five years was the implementation of the Friendly Societies Guidelines which serves as a framework under which Friendly Societies should operate in the absence of a modernized legislation.

Non-Performing Loans & Credit Bureaus

Though the issue on non-performing loans continues to be a challenge within the credit union sector, the strategies employed for the management of loan migration from non-performing to performing, have thus far yielded positive results with a marginal reduction in the NPL ratio as a percentage of gross loans. In addition, the anticipated implementation of the ECCU Credit Reporting System through the ECCU Credit Reporting Act # 19 of 2017 and the development and operationalization of a credit bureau will aid in addressing information asymmetries in the lending process, thereby providing lending institutions with timely access to information which would assist with assessing the credit risks of potential borrowers and thereby improving the quality of loans.

Crisis Management

In its formative years, the FSA took over management and control of the St. Vincent and the Grenadines Building Loan Association in response to a run on the institution. A Turnaround Plan, which included the recapitalization of the Association was implemented in a six-month period. Since then, the BLA has maintained its going concern status.

Recognizing the possibility of having to respond to distress within the non-bank financial subsector in the future, the FSA has among its main strategic activities (2016-2018) the development of a Crisis Management Plan, earmarked for completion in 2018.

Risk Based Supervisory Framework
Supervision involves dynamic assessments of the operations of supervised institutions to ensure they continue to operate in a safe and sound manner and comply with their governing statutes or supervisory requirements and intervening on a timely basis in cases where prudential issues or concerns are identified. It remains a high priority area and some significant strides have been made. The current process requires closer integration of macro and micro prudential supervision, with focus on early identification of emerging risks to facilitate timely interventions. Enhancing this level of coordination is critical to arriving at a holistic view of the risks that confront the entities we regulate. In large measure, the key metrics of assessment have been built and are being utilized in the current analytical framework.

Basel II Implementation
Notwithstanding, during the year, work continued with reviewing and updating Basel II Guidelines for prescribing the amount of capital required to guard against the credit and financial risks faced by the international banks. Basel II will be a major development to match risk exposure to the amount of capital in order to safeguard solvency and economic stability through lending, investment and trading activities. One of the major points coming out of Basel II implementation is that capital adequacy will no longer be based on Basel I's credit risk and to some extent market risks, as it is now, and new guidelines and reporting forms will be introduced to replace the current guideline and quarterly returns respectively. Implementation is targeted for 2018.

The achievements of these first five years of existence clearly indicate that the actions undertaken by the FSA have yielded concrete and useful results. In fact, four years after the establishment of the FSA, the International Monetary Fund (IMF) described St. Vincent and the Grenadines as "the regional leader in non-bank supervision" (St. Vincent and the Grenadines 2016 Article IV Consultation - Press Release/ Staff Report July 2016, page 15). It is also significant that in their equivalent 2015 Report, the IMF had observed that this country was ***"leading the region in credit union supervision,"*** an observation which was also repeated in the aforementioned 2016 Report.

Emerging Risks
The FSA operates in a rapidly changing environment and while there were some major accomplishments during the past five years, there were also several challenges.

Micro-financing
The FSA continued to survey the financial landscape to identify emerging risks to the sector and by and large to consumers. To this end, the FSA with the input of the Financial Intelligence Unit ('FIU') researched the issue of micro-financing with the aim of bringing such activity under an appropriate regulatory regime, given the associated risks. A legal opinion was produced and the FSA's recommendation made for the enactment of Regulations and legislative amendments were submitted to the office of the Attorney General.

Virtual Currencies
The boom in virtual currencies and their underlying technology is becoming too big for financial services regulators to ignore. Virtual currencies have the potential to benefit jurisdictions and to drive development, however they also involve risks, particularly as regards to their use by criminals for money laundering, terrorist financing and cyber and cyber enabled crime.

Accordingly, it appears that based on the international trend, regulation would be imminent. To this end, the FSA submitted a paper to the National Anti-Money Laundering Committee for guidance. The recommendation endorsed by the FSA is for an appropriate legislative regime to govern such activity.

De-risking
The issue of de-risking by correspondent banks, while not unique to St. Vincent and the Grenadines, was at the forefront of the key issues facing the FSA and the country's banking sector. It has threatened the Correspondent Banking Relations links between the jurisdiction and international financial system which rely on the former to operate. Additionally, as a result, immense operational pressure was also placed on the Money Services Businesses. During this time, the FSA has worked with the FIU and other stakeholders on this issue in an effort to identify viable solutions for all parties involved.

Concluding Remarks
In 2018 and over the coming years, the FSA will continue to work towards its mission in all of its areas of responsibility. As we continue to position ourselves to deliver on our vision and achieve better outcomes, it is crucial that we remain proactive, forward-looking and diligent as a regulator to ensure the safety and soundness of the financial sector as well as build a sound and vibrant financial market.

In closing, I take this opportunity to thank the Board of Directors, management and staff of the FSA for their loyalty, dedication and the tremendous work done over the past five years. I also extend my sincere gratitude to both the public and private sectors who supported our work and partnered with us on various initiatives throughout the period. On behalf of the Board of Directors, I am pleased to submit this 2017 Annual Report of accounts and operations, in fulfillment of the FSA's reporting obligations under the FSA Act.

EXECUTIVE DIRECTOR'S REPORT 2017

> ***"Now more than ever, more insightful and effective risk assessment, management and mitigation assume prodigious practical importance for the regulator, not just the regulated."***

The fifth (5th) anniversary of the Financial Services Authority ('FSA') was celebrated on November 12, 2017. This landmark anniversary of a 5th year was a time for both celebration and reflection for the FSA. It was certainly a celebration of the distance travelled in its foundation and developmental years; however, it was also a time for sober reflection on the path ahead, one that requires continuous innovation in order for the FSA to bolster its standing as a responsible local and regional regulator.

It is my privilege to report on the FSA's work over the period January 01- December 31, 2017, particularly against the background of the institution's journey over the past 5 years.

Key Results 2017

Separate reports on the insurance, credit union, money service business, building society and international financial services (IFS) sectors are provided as part of this Annual Report, which outline ***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.

The FSA's work programme or 'Action Plan 2017' closely guided the activities and priorities for the year against the FSA's Strategic Plan 2016 - 2018. As 2017 was the 5th year of the FSA's operations, a main focus was on strengthening the regulatory, supervisory and administrative structure already in place, addressing risks which continue to exist, as well as any emerging risks in the financial system of St. Vincent and the Grenadines (SVG). Core regulatory work was advanced in accordance with the overall strategic direction of enhancing financial sector regulation, supervision and financial stability.

A main legislative target of the drafting of a ***modern legislative framework for friendly societies*** was met and the draft law submitted to the Attorney General for passage into law. Such revision of the law to govern the friendly societies sector would ensure appropriate primary legislation is in place to govern this sector. At present, the Friendly Societies Guidelines 2015, issued by the FSA, supplement outdated legislation. Amendments were also proposed to the Money Services Business Act and FSA Act respectively, in order to bring micro financing under a regulatory regime.

In order to promote the responsible management of investments undertaken by pension plan operators and credit unions, as well as the performance and financial security of funds invested, ***Industry Guidelines with respect to investments*** were issued for these sectors. A Guidance Note on Complaints Handling for Insurance Entities and Competency Standards for Insurance Intermediaries were also issued. Reporting forms for Insurance Agents were implemented as were enhanced Reporting Forms for Pension Plans with additional reporting requirements.

One of the FSA's main strategic goals under its Strategic Plan 2016-2018 is to develop ***a crisis management plan.*** Technical assistance (TA) had been previously sought from Caribbean Regional Technical Assistance Centre (CARTAC) for this major task and was provided in the latter part of the year (November), thus work in this area could not be feasibly advanced in 2017. The receipt of this TA however, signalled the commencement of a major project for the FSA, the culmination of which is anticipated to result in the formulation and documentation of a crisis management framework for the FSA, outlining a range of actions necessary to insulate against, prepare for and address financial crises. An immediate take out of the

TA was recommended steps in relation to formulating resolution strategies of problem institutions.

Local, regional and international collaboration continued on matters of systemic importance and/or mutual interest. International challenges intensified owing to the ***new tax governance initiative undertaken by the European Council (EU)***) and in particular, its Code of Conduct (Business Taxation) Group (COCG). The FSA under the direction of the Minister of Finance, assisted in defending and preserving the integrity of SVG as a responsible tax and international financial services jurisdiction. Consequently, SVG avoided being blacklisted as a tax haven by making the requisite commitments to the EU with respect to legislative changes to its IFS products. The necessity of making such commitments was apparent in the face of tremendous pressure of imminent negative listing and sanctioning by the EU. It is virtually impossible however, from the perspective of a small international financial centre, to wholly welcome this present thrust by the EU, as it is a process which appears duplicitous to the OECD's work in large respects, as well as overly burdensome and precarious to the stability of the IFS sector in small developing economies such as ours.

Five Years Benchmark – Accomplishments in a Snapshot

As the FSA is an institution of unique significance as the arm of the government machinery to preserve financial stability, it is important to place its progress in context at its important 5th year benchmark. A synopsis of some of the accomplishments of the FSA over this period are outlined below. This is ***not an exhaustive listing*** but seeks to include, **in brief**, some of the highlights of the FSA's work over the past five (5) years.

(i) Sound Administrative Framework and Operational Efficiencies

The FSA's enabling legislation, the Financial Services Authority Act (Act No. 33 of 2011) has proven to be effective ***under the test of time.*** This Act is modern legislation containing international best practices and has allowed the FSA wide ranging powers in order to properly discharge its functions, without resorting to a court process. The FSA has implemented and integrated a sound functional administrative framework relative to human resources, IT and accounting systems, to facilitate the carrying out of the FSA's functions, with initiatives ongoing for improvement. ***Strong stewardship*** has been assured at the FSA by unswerving compliance with the requirements of the FSA Act relative to its Board of Directors. The FSA is also suitably staffed by a cadre of qualified multi- disciplinary professionals with relevant financial, legal, accounting and regulatory backgrounds.

(ii) Responsible Implementation of Mandate and Strategic Plans

The FSA successfully merged three (3) distinct regulatory bodies into ***one umbrella body*** for the IFS and non- bank financial services, which has allowed SVG to be better placed to continuously enhance its supervision of the financial services sector and to meet evolving changes to the international regulatory architecture. To date, the FSA has been involved in the responsible discharge of its considerable legal mandate. It has successfully utilized legal powers at its disposal to promote compliance and stability, including but not restricted to, an ***unprecedented regulatory intervention***, without any ensuing legal challenges.

Two consecutive institutional Strategic Plans were established, the first from 2012 – 2015, to guide the inaugural operations of the FSA, and the second, from 2016- 2018, to build and consolidate its work towards financial stability and soundness.

(iii) Formalized Regulatory Approach

The FSA adopted and implemented a formalized ***Risk Based Supervision (RBS)*** and consolidated supervision framework in keeping with best international practice for regulators. Supervision is undertaken by means of offsite monitoring and onsite examinations and the FSA consistently applies internationally accepted prudential standards to assess the condition and financial soundness of institutions which it supervises (CAMELS, PEARLS-M, IAIS, CARAMELS, IFRS, Basel I and some aspects of Basel II) in conjunction with the application of RBS.

(iv) Enhanced Legislative and Regulatory Framework

The FSA worked with the Ministry of Finance, the Attorney General's Chambers and other stakeholders, on revising various pieces of legislation to either modernize it and/or bring it in line with certain international initiatives. In addition, several Industry Guidelines were issued by the FSA to bolster the regulatory legislated framework and promote compliance with legal requirements and best practice. Guidelines have also been particularly useful where there are legislative lacunas or archaic legislation (e.g. Pension Guidelines and Friendly Societies Guidelines). The Guidelines issued by the FSA have thus far been effective in operation and would require periodic review to ensure that they are current and remain effective.

(v) Enhanced Supervision of Regulated Sectors/Entities

The FSA prioritized focus on main systemic or pressing problems, as well as on ***Systemically Important Financial Institutions (SIFIs) and sectors*** in its early years, as was practically required at the outset of the lifespan of a new regulatory authority. Such focus was also consistent with a risk based approach to supervision. Assessment and work immediately followed to address key areas of weaknesses and implement corrective actions.

At just three months old, the FSA, working with stakeholders and the World Bank, averted a crisis with the St. Vincent Building and Loan Association (SVBLA) as a result of a liquidity run on the institution. This was a situation which had the potential of severe adverse repercussions on the financial stability of the country, had the institution collapsed. The crisis was successfully managed and averted by 3rd Quarter 2013, with stable results to date. Notwithstanding the intense, sustained and necessary focus on the maintenance of stability of the SVBLA, especially in the FSA's first two years, the FSA managed to simultaneously advance its regulatory mandate in other sectors and areas with substantive results. To date, necessary full or narrow scope onsite examinations of entities continue of all regulated entities, to identify deficiencies and direct corrective actions, and to ensure that such actions are sustained.

(vi) Detection and Treatment of Unregulated Financial Activities

As a proactive response to financial activities which are unregulated, but which have the potential to adversely impact consumers, the FSA sought to identify such activities, to assess whether they should properly fall under regulation, and made the relevant recommendations for same to be addressed. Some of these activities include microfinancing, unregulated money service business, coercive tied selling of insurance by agents operating from domestic banks, virtual or crypto currencies, FOREX trading by IBCs and unregulated pension products.

(vii) Effective Strategic Alliances and Collaboration Locally, Regionally and Internationally

The FSA has established ***strategic alliances and/ or partnerships*** locally, regionally and internationally with key stakeholders or entities, on matters of mutual and/or national interest. Locally, the FSA is involved in policy making and oversight at the national level of the country's anti money laundering and counter financing of terrorism regime, through the National Anti- Money Laundering Committee (NAMLC). The FSA is part of a national Exchange of Information Committee (formerly the ***US FATCA National Committee)*** and worked with stakeholders on the ***OECD Phase II Review of the country's Exchange of Information (EOI) regime and Automatic Exchange of Information (AEOI),*** both with successful outcomes (FATCA implemented/ OECD Largely Complaint overall country rating/ AEOI legislation enacted).

The FSA has been/is an active participant in regional initiatives such as the ECCB's Regulatory Oversight Committee (ROC), the proposed Eastern Caribbean Financial Services Commission (ECFSC) and the Eastern Caribbean Securities Regulatory Commission's (ECSRC) IOSCO initiative. The FSA is also a member of a number of relevant ***regional regulatory bodies*** (e.g. CAIR, CACS) and has been actively engaged in addressing international initiatives and working with certain international organizations as required and appropriate (e.g. OECD Global Forum, EU Commission, IMF, World Bank).

(viii) Financial Services Sector and Public Awareness Raising –

Over the past 5 years, the FSA raised ***awareness of its role and responsibilities*** through various anniversary and sector specific workshops, publication of articles locally and internationally, circulation of an annual Report and a separate Annual Insurance Report, and through liaison with the sector, stakeholders and regional and international entities and organizations. Workshops on specific issues such as AML/CFT obligations and AEOI, were also organized and hosted in conjunction with stakeholders. All major developments affecting the financial sector were communicated via newspaper articles periodically (quarterly, annually) and press releases on a needs basis. The FSA has a ***public website*** where relevant laws and sector information are posted and work is ongoing to launch a new FSA website.

The Next Chapter

Supervisory focus in the first 5 years of the FSA has been necessarily at the micro level, in order to address live issues and matters and direct corrective actions. It is anticipated that integration of ***macro level supervision*** will take place in due course, certain aspects being anticipated to progress in 2018.

The FSA's sixth (6th) year will no doubt require a greater thrust ***on more effective risk management and mitigation*** by regulated entities, commencing with the FSA's own reassessment of continuing systemic and other risks and **the need to prioritize regulatory focus** on main risks to ensure that they are being appropriately addressed by the regulator and do not cause systemic problems for either the sector or the country.

The IMF has urged regional regulators to take a more ***'invasive'*** supervisory approach to a main insurance regional conglomerate owing to the systemic risk which the institution poses due to its size and structure. Such an invasive approach envisages a sustained, comprehensive and proactive approach by regulators, which equates identically to the approach which needs to be adopted for certain SIFIs. The FSA would need to implement its formal risk based methodology in the truest sense, to focus its efforts and resources in the continuous promotion of financial stability and soundness at the institutional and national level. The dynamism of the financial services sector and ever present challenges require a high level of ***astuteness and strategizing*** by regulators to properly assess and treat risks.

No regulator quite has the time or resources to treat all risks as equal, thus proper risk assessment and management assume prodigious practical importance for the regulator, not just the regulated. Effective risk management translates to so much more than a mere ticking of the compliance box, particularly in view of the perennial need to ensure that resources are well directed and commensurate with actual types and levels of risks. **The challenging international environment heightens the requirement for every member of the regulated sector to be able to demonstrate regulatory compliance, more so now than ever before, and makes the proficient handling of risk assessment, management and mitigation, an essential undertaking for the regulator.**

Concluding Remarks - Rationale for Establishment viz a viz Results 5 years after - Is the FSA successfully fulfilling its mandate?

A main rationale for the establishment of the FSA was the need to have in place ***a more cohesive regulatory regime for the various non- bank financial institutions*** operating in SVG. The international financial services were at that point already being supervised by a specialized statutory body, the International Financial Services Authority (IFSA), which had worked diligently with stakeholders to ensure that appropriate legislative and administrative systems were in place to govern and properly regulate the offshore industry.

In measuring progress, introspection and self -evaluation are important weightings, while independent assessment of one's work and progress is invariably a valued objective tool. Accordingly, the FSA remains very grateful to the IMF for its observation, just four years after its establishment, that this country is ***"the regional leader in non-bank supervision"*** *(St. Vincent and the Grenadines 2016 Article IV Consultation - Press Release/ Staff Report July 2016, page 15). It is also significant that in their equivalent 2015 Report, the IMF had observed that SVG was* ***"leading the region in credit union supervision,"*** an observation which was also repeated in the aforementioned 2016 Report.

This is no small accomplishment for a country whose unified regulatory authority is just 5 years old. The FSA is gratified and humbled by this accolade coming from an independent source such as the IMF, based on its objective assessment about the country's and the FSA's work. The IMF's observations outlined above now form ***part of the history of the FSA*** and may be viewed as ***an important independent watershed mark,*** in measuring the efficacy of the FSA in discharging its mandate over its first 5 years.

That there is still much more work to be done by the FSA to accomplish its goals is undisputed, however, ***the foundation and structure*** of the FSA are well set for continuity and growth. The FSA, after 5 years, is especially mindful of its journey as a still evolving institution, and would no doubt continue to strategize and optimize on its resources, to deliver on its extensive mandate.

Expression of Thanks

This 5th year of the FSA marks the end of my own journey with the institution as its Executive Director. It is a journey which has been truly challenging but overwhelmingly rewarding. I am completely humbled and honoured to have had the opportunity of serving in my present post, in the best interests of institution and country.

One of the most valued experiences emanating from my employment is the working relationships which I have been fortunate enough to have developed. I wish to herewith record my ***deepest appreciation and heartfelt thanks*** to the Board of Directors, management and staff of the FSA, the Hon. Minister of Finance, Hon. Attorney General, Director General and Budget Director, Ministry of Finance, Government Ministries, the industry, the NAMLC, the FIU, all other stakeholders and all other colleagues, local, regional and international, for the ***invaluable cooperation and support*** received throughout the past few years, without which, the FSA could not have made the progress it has, and the distance which I personally travelled would not have been constructive or worthwhile.

I unwaveringly trust that the FSA will continue to move from strength to even greater strength, as it treads a path to a more mature institution.

Sharda Bollers
Executive Director

CREDIT UNION, BUILDING SOCIETIES AND MONEY SERVICE BUSINESS SECTOR REPORT

1.0 Credit Unions and Building Societies

The number of Credit Unions registered and operating in St. Vincent and the Grenadines, as at December 31, 2017, was unchanged and stood at six. The St. Vincent and the Grenadines Small and Microfinance Co-operative (COMFI) voluntary liquidation process progressed significantly and is expected to culminate in the second quarter of 2018.

The sector included the following entities as at December 31, 2017: -

- 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) (currently engaged in liquidation activities).

The Financial Services Authority continued its enhanced monitoring of St. Vincent Building & Loan Association (SVBLA/ the Association) - the only registered Building Society in St. Vincent and the Grenadines. Throughout the year, the Association honored all demands by depositors for maturing deposits. Funds paid exceeded EC$35.0M. The Association focused mainly on improving its technical proficiencies and undertook major system alterations which aligned the organisation's technological processes to perform core functions more efficiently.

Figures for significant measurable areas reported as at December 31, 2017 are outlined in Table 1 below with comparative data from prior years.
Most key areas reported for the sectors improved when compared to prior year, and positively contributed to the stability of the domestic financial system.

- Total assets increased by 2.7% or approximately EC$16.4M.
- Total loans year on year declined marginally by EC$4.8M or 1.2%. This adverse movement can be attributed to increases in delinquency and external loan migration.
- Improvements were seen in members' deposits for the period, EC$16.6M or 3.6% more funds were invested with the credit union sector when compared to the same period in 2016.
- Total institutional capital within the sector remained above prudential norms at 15.96%, a slight improvement when compared with 2016.
- The number of employees in the sector increased in 2017 by 15 to 150, when compared with 135, an increase of 9 in 2016.

Categories	***December 2017**	**December 2016**	**December 2015**
Total Assets	621,765,213	$605,406,465	$590,124,441
Total Loans	412,364,547	$417,154,983	$413,753,431
Total Deposits	478,907,732	$462,283,369	$384,654,344
Net Institutional Capital	15.96%	15.3%	13.0%
Total Membership	65,895	64,149	-
Total Staff	150	135	144

**figures represented above for the year 2017 are unaudited and may change subsequent to the publication of this document*

1.1 Regulation and Supervision

The FSA improved its strategic monitoring of prudential requirements throughout the sectors during 2017 with the introduction and revision of guidelines on investments and cooperative governance - specifically the nomination and subsequent election of officials to boards and mandatory committees.

Its regulatory program included on-site examinations and offsite monitoring commensurate with the evaluated risks at each institution and possible systemic impact. Assessed entities were provided with recommendations to effectively develop and implement corrective action strategies for all noted deficiencies, which should help to promote consistency throughout the sector. The Sector undertook several initiatives to improve safeguards and to address deficiencies identified during the year.

The department benefited from ongoing capacity building initiatives coordinated under 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).

2.0 Money Services Businesses

There were two (2) active Money Services Businesses (MSBs) in SVG as at December 31, 2017. A review of remittance activities over the last five years reveals positive trends for both inbound and outbound transactions processed. Inbound and outbound activities increased by approximately EC$7.3M or 6.0% and EC$2.9M or 11.0% respectively, year on year.

A summarised report for the sector at December 31, 2015-2017 can be seen in the Table 2 below.

Table 2: Inflow and outflow statistics 2015-2017.

	INFLOWS			OUTFLOWS		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
	EC$M	**EC$M**	**EC$M**	**EC$M**	**EC$M**	**EC$M**
Total	120.1	112.8	102.2	28.8	25.9	22.6

A further comparison with 2015 inbound activities and the positive trends seen over the last three years indicates marked improvements in disposable income of remitters. Specifically, when activities of 2015 and 2017 are compared, transactions remitted varied positively by EC$17.9M or 16.0%. Outbound activities continued to increase year on year and for the three years highlighted. This situation of increased outflows of remittances can be reasonably linked to increased regional and international trading for small and medium sized enterprises.

Table 3 below shows a five-year comparison of the inflows and outflows of remittances for St. Vincent and the Grenadines.

Table 3: Five-year comparison of inflows and outflows

YEARS	INFLOWS	OUTFLOWS
	EC$	EC$
2017	120,064,592	28,755,180
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

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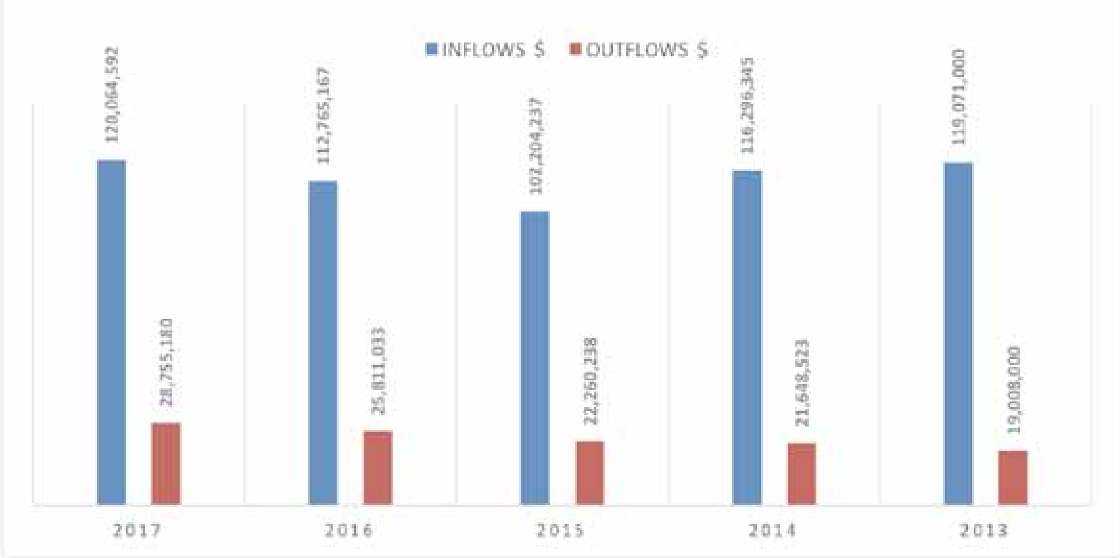
Chart of the previous Table displaying five-year Inflows and Outflows Remittance Data for St.Vincent and the Grenadines.



2.1 Regulation and Supervision

The Anti-Money Laundering and Terrorist Financing regime was enhanced with the passage of the Anti-Money Laundering and Terrorist Financing Code 2017 and the amendments of all AML/CFT governing legislation. In addition, onsite examinations and offsite prudential reviews were performed during 2017 and the sector was largely compliant with requirements of all governing legislation.

3.0 Friendly Societies

The FSA completed a comprehensive assessment of the various business models used by Friendly Societies in conjunction with the provision of the guidelines and the overall long-term viability of the sector.

It was determined that Friendly Societies are a crucial component of our domestic financial system. This method of saving bridges the gap for the unbanked population in SVG and remains a necessary service for one fifth of the population.

The FSA has drafted and submitted to the Attorney General for review and consideration, new legislation to govern this sector, which should reduce opportunities for exploitation and should enhance the sustainability of entities operating therein.

The Authority's engagement with the sector also included subsequent prudential meetings, the review of bye-laws, guided educational seminars, corporate structure stability actions and the enforcement of the financial reporting regime. The Authority's enhanced supervision regime includes three Friendly Societies while all other societies are monitored through our standardised system.

The assets in the sector are approximately EC$10.9M which mainly comprise property and cash and cash equivalent.

INSURANCE SECTOR REPORT

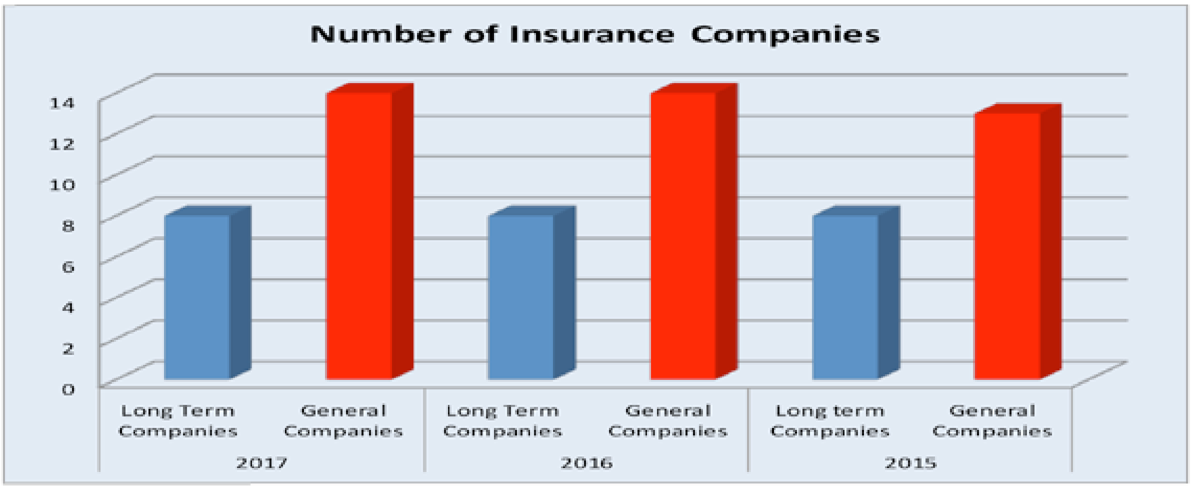
The insurance industry in St Vincent and the Grenadines has two distinct sectors; the domestic insurance segment, which provides insurance of local risks, and the international insurance segment, which provides insurance of foreign risk by insurers from within St. Vincent and the Grenadines. The Financial Services Authority ("The FSA" or "The Authority") through its Insurance and Pensions Unit, 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. Insurance business is written directly with the companies or through brokers and agents.

As at December 31, 2017, there were twenty-three (23) 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 companies registered to conduct short-term insurance business was fourteen (14), while nine (9) companies were registered to undertake long-term insurance business. One new insurance company was registered in 2017, namely; Sagicor Life Eastern Caribbean Inc.

Figure 1: Number of Insurance Companies 2015-2017



Source: FSA Records

Intermediaries

As at December 31, 2017, there was one (1) Adjuster, one (1) Association of Underwriters, seventeen (17) Insurance Agents, seven (7) Insurance Brokers and one hundred and nineteen (119) Insurance Sales Representatives registered at the end of the reporting period. One (1) new insurance broker and one (1) new insurance agent namely; Adams Insurance Brokers St. Vincent Ltd and Priority Insurance Ltd, respectively, entered the market in 2017.

During the year, the FSA drafted and issued a set of Competency Standards for Insurance Intermediaries as a means of ensuring that anyone selling or providing sales advice on insurance products and services has the requisite insurance knowledge and skills.

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

Table 1

Number of Registrants in the Insurance & Pensions Industry as at December 31st, 2017

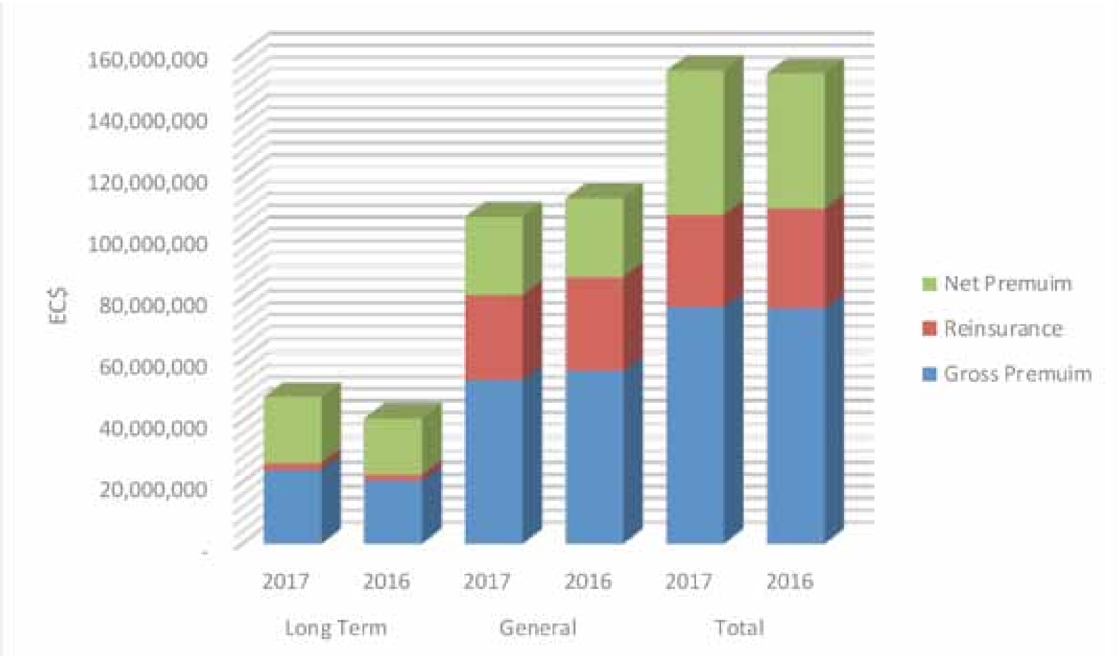
	2017	2016
Insurance companies	23	22
Brokers	8	7
Agents	17	16
Sales Representatives	119	96
Association of Underwriters	1	1
Insurance adjusters	1	
Total Insurance Licences	**169**	**142**
Pension Fund Plans	25	25

Gross Premium Analysis

In 2017, Gross Premium income in the insurance industry totaled $77.2M. This represented approximately 3.7% of Gross Domestic Product at market prices and an increase of 0.4% over the gross premium income of $76.9M in 2016. At the end of 2017, long-term insurance premiums were approximately EC$$23.9M, reflecting an increase of EC$3.4M or 16.8% when compared with the previous year. The leading long-term insurer held approximately 69.7% of total premiums written.

Gross premium income for the short-term segment of the market totaled EC$53.3M in 2017, a decrease of 5.4% when compared with the 2016 figure of EC$56.4M.

Figure 2: Gross Premium Income for 2016-2017

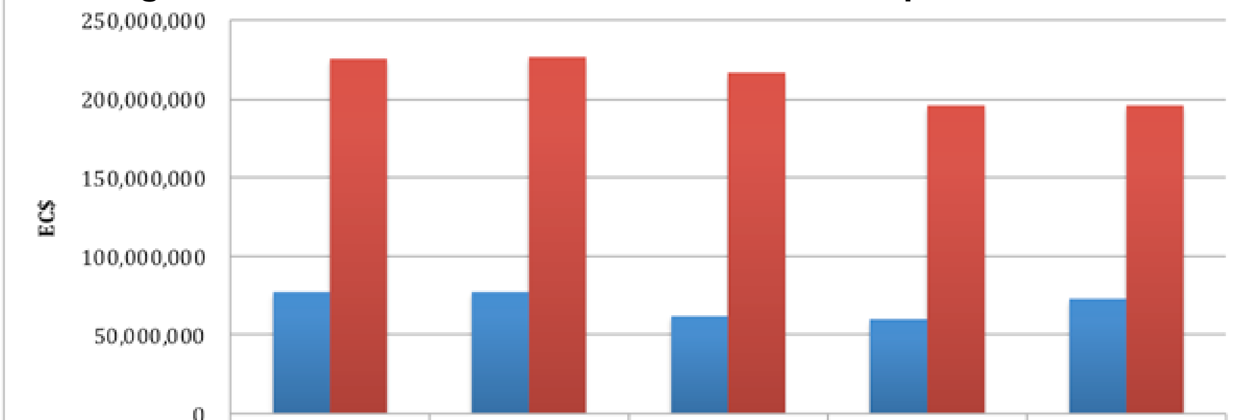


Source: FSA Records

Asset Base

Total assets for the domestic insurance sector stood at EC$225.4M as at December 31, 2017. Government securities of 36.8% and cash and deposits of 23.9% represented the largest proportion of the industry's assets.

Figure 3: Total Premiums & Assets of Insurance Companies 2013-2017



	2017	2016	2015	2014	2013
Total Premuims	77,242,563	76,858,825	61,982,488	59,486,506	72,809,040
Total Assets	225,376,346	227,017,352	216,205,211	196,229,816	196,274,733

Source: FSA Records

Short-term/General Insurance Companies

The number of active companies registered to conduct short-term insurance business remained at fourteen (14) as at December 31, 2017. 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.

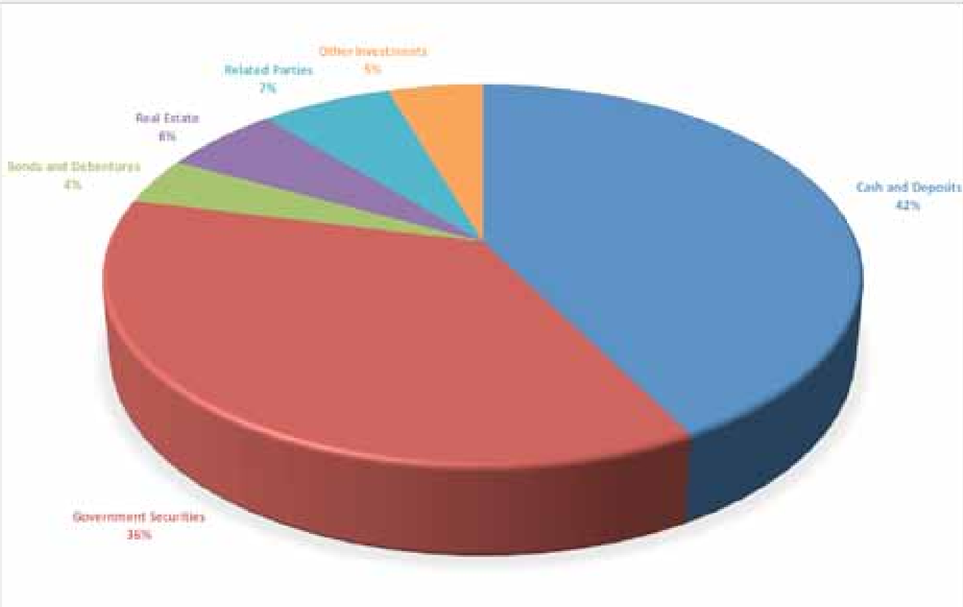
During 2017, gross premiums written by the general/short-term insurance segment of the market amounted to approximately EC$53.3M a decrease of 5.5% when compared with the previous year. Premium income in this segment of the market is driven by the property and motor lines of business which together accounted for approximately 75.0% of premiums written.

The sector retained 47.8% of the insurance risk underwritten, while the majority was reinsured with highly rated international reinsurers.

Claims have historically been the largest component of insurance expenditure. In 2017, short-term insurance companies paid claims totaling EC$13.1M, an increase of 8.6% when compared with the 2016 figure of EC$12.1M. This represented 67.6% of total underwriting expenditure for 2017 compared with 59.7% in 2016.

Total assets for the short-term segment of the market totaled EC$98.4M. Investment assets represented 68.8% of total assets. As depicted in Figure 4 cash and deposits and government securities accounted for the majority of investment assets.

Figure 4: General Insurance Investment Assets Composition 2017



Long-term/Life Insurance Companies

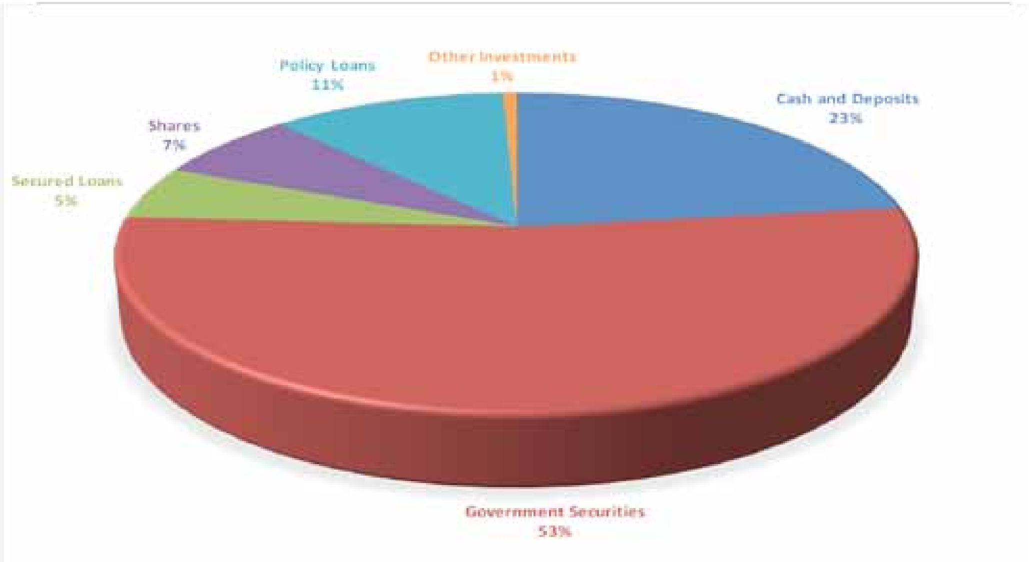
There were nine (9) companies registered to undertake long-term insurance business as at December 31, 2017; however, only six (6) were active. One (1) company was registered to write life insurance business only, while the others were composite companies i.e. companies that conduct/write both long-term and short-term insurance business. Sagicor Life Eastern Caribbean Inc which was registered to assume the Eastern Caribbean portfolio of Sagicor Life Inc subject to a scheme of transfer, had not yet commenced operations. In addition, British American Insurance Company and CLICO International Life remained under judicial management.

In this segment, premium income generated amounted to EC$23.9M in 2017, reflecting an increase of $3.4M or 16.8%, when compared with the previous year. Of this amount, premiums for individual life amounted to approximately 80.0% while annuities and group life were estimated at 7.0% each.

Total expenditure in 2017 in this segment of the market amounted to EC$24.8M, an increase of 5.3% compared with EC$23.5M the previous year. A major expense item for life insurers is policyholders' benefit, which accounted for 49.7% of total expenditure, followed by management expenses and commission expenses with 30.5% and 16.1% respectively.

As at December 31, 2017, the total assets, including statutory deposits for companies registered to conduct long-term insurance business stood at EC$126.9M down from $130.7M, at the end of 2016 or a decrease of 2.9%. As depicted in Figure 5 below, Government securities accounted for 53.0% of total cash and investments while cash accounted for 23.0%.

Figure 5: Life Insurance Investment Assets Composition 2017



International Insurance Sector

As at December 31, 2017, there were two (2) international insurance companies, one (1) insurance manager and two (2) insurance brokers, registered under the International Insurance Act, Chapter 307 of the Revised Laws of St. Vincent and the Grenadines, 2009. 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 more or less constant since 2007.

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 2017, there were twenty-five (25) pension fund plans registered with the FSA.

The regulation and supervision of pension fund plans continue to be an important part of building public confidence in a funded-pension system. In a continued effort to strengthen the supervision of the pension sector, prudential meetings were conducted with each individual pension plan during the year.

The FSA sought through those meetings, to obtain a better understanding of the operation of the pension fund plans and to review the plans' compliance with governing and applicable laws and Guidelines in St. Vincent, as well as international best practices. An important objective of the meetings was also for the FSA to underscore the need for ongoing compliance as described, and to enhance a collaborative working relationship between the FSA and the plan operators.

Regulation and Supervision

The FSA's supervisory activities include off-site monitoring and on-site examinations. Both activities were conducted through a risk-based supervisory methodology which focused on corporate governance, risk management and financial/ internal controls as well as solvency and statutory fund requirements.

During 2017, the Insurance Department continued to utilize a modified CARAMELS Risk Assessment methodology to prepare Annual Risk Assessment reports and matrices to evaluate the risk profile of insurers. Accordingly, insurance companies were subject to an annual off-site risk assessment based on the annual returns and audited financial statements for the year end. As at the end of December 2017, eleven (11) risk assessments reports and matrices were prepared which formed the basis of the on-site examinations.

In fulfillment of its responsibility to ensure a safe, sound and efficient financial system, the FSA conducted onsite examinations of ten (10) insurance companies during the year to assess compliance with applicable laws, guidelines, international best practices, to confirm that mandated prudential requirements arising out of the previous examinations were addressed /implemented and to ensure ongoing regulatory compliance.

As at December 31, 2017, all companies had complied with the minimum capital requirement and had satisfied the Statutory Deposit and Insurance Fund obligations. By the end of 2017, approximately EC$106.3M 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.

British American Insurance Company/CLICO

British American Insurance Company ("BAICO") and CLICO International Life ("CLICO") remained under judicial management throughout 2017.

With respect to CLICO, the Judicial Manager in his report filed in Barbados High Court on September 22, 2017 outlined the recommended actions on the way forward with respect to the Eastern Caribbean operations.

The report also indicated that work was currently being undertaken with respect to the implementation of the Barbados Restructuring Plan and Transfer Agreement, which will see the transfer of policies in relation to Barbados policyholders only to New Life Investment Company Inc. and Resolution Life Assurance Company Limited ("Reslife").

In relation to Phase Two and the EC territories, the Judicial Manager detailed a number of actions to be pursued by the Barbados Judicial Manager to further the implementation of that phase of the Regional Restructuring Plan. However, the ECCU Government continued to challenge the settlement plan for the Barbados policyholders as not being fair and equitable. Legal action is being pursued to ensure the interests of ECCU policyholders are protected as far as possible.

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 harmonised ECCU insurance and pensions legislation and the creation of a single insurance and pension funds regulator.

This project has been progressing steadily, but slowly. With respect to the harmonized insurance and pensions law, work continues on three major areas with the establishment of various sub-committees comprised of industry and regulators and insurance experts based in Canada. Final drafting recommendations for these parts of the law is targeted for end of February /early March 2018.

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 December 2018.

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 international best 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

The International Financial Services (IFS) sector maintained its composition of six (6) financial products, namely, ***international banks, mutual funds and mutual fund entities, international trusts, international business companies (IBCs), limited liability companies (LLCs) and also international insurance***[1] entities in 2017. These IFS product offerings are on par with those available at the major international financial centres and were frequently featured in international financial services magazines such as the Offshore Investment Magazine and the STEP directory.

Service Providers (Registered Agents) are also registered with the Financial Services Authority (FSA or the Authority) and are also an integral part of the IFS operations. The Registered Agents (RAs) continued to be important as they are key players in bringing sound business to the jurisdiction and ensuring compliance with the laws and regulations. They are, in essence, the "gatekeepers" of the IFS industry and provide registered agent, trustee and fiduciary services.

International Financial Services Sector: Registered Entities 2016 -2017

The total number of active entities for all IFS products has generally been declining since year 2012, except for the LLC sector.

There has been one (1) new licensed Class B[2] international bank; and one Class A bank transferred its operations to another jurisdiction. The total number of active RAs was stable and remained on average at 16 over the said period. Ref: TABLE I below provides information on the number of active IFS entities licensed/registered for years 2016 and 2017.

TABLE I
INTERNATIONAL FINANCIAL SECTOR
NUMBER OF ACTIVE ENTITIES YEARS 2016 and 2017

TYPE OF INTERNATIONAL FINANCIAL SERVICES PRODUCT	2016	2017
International Business Companies	6258	5946
Limited Liability Companies	52	55
International Trusts	121	91
International Banks	5	5
Mutual Funds	102	89
Registered Agents	16	16

Of note also, is that the trend in renewals and new registrations of all IFS sector products was generally downwards with a marked decline in the IBC entities. This was not positive for the dominant income earner in the IFS industry, however income generated from this product remained the highest over the period. The increases in active entities, renewals and new registrations observed in LLCs were positive, although a relatively small growing product. There is thus potential for LLCs to be an increasingly important growth area. There has been a general decline in total income generated from IFS products over the period.

The FSA continued to work assiduously with INVEST SVG and had several consultations/engagements with the entity on the IFS sector. In addition, the FSA hosted representatives of INVEST SVG on several occasions and also during a ten-week period in 2017 to inform about the IFS industry to enable them to effectively promote this sector internationally. Despite the harsh international environment, the IFS sector remained competitive and the marketing efforts of a few RAs continued to impact positively on the industry.

[1] A report on International Insurance activity is included with the "Insurance Sector."

[2] The FSA issues two categories of international banking licenses, namely Class A or B, the differences are (i) in the nature of international banking business that can be conducted, general or restricted respectively, reference section 9 of the International Banks Act Chapter 99 of the Revised Laws of St. Vincent and the Grenadines, 2009 ('the International Banks Act') ; and (ii) their capital requirements, reference section 10 of the said International Banks Act.

International Banks

This sector is licensed and regulated by the Authority under a regime set out by the International Banks Act and its Regulations and the FSA Act. This sector continued to be relatively small and consisted of five (5) licensed Banks as at review date, which is relatively the same amount since 2012. TABLE II below indicates the composition of the international banking sector.

TABLE II
INTERNATIONAL FINANCIAL SECTOR
NAME AND NUMBER OF INTERNATIONAL BANKS
YEAR 2017

NAME OF BANKS	CLASS
Loyal Bank Limited	A
European Commerce Bank Limited	A
B2B Bank Limited	A
RBC Royal Bank Holdings (EC) Limited (RBC)	B
MPB Bank Limited	B

Notable highlights/achievements of the International Banking sector over the period are as follow:

(i). Increasing Class A International Banks' Paid up Capital

In July, 2015 all Class A international banks were required to increase their minimum paid up capital of US$1.0M to US$3.0M in accordance with section 10(1)(4) of the International Banks Act[3] . This was done to provide additional support for the depositors and would help to minimize the risk that such institutions are exposed to. Therefore, all such licensed banks were required to issue shares amounting to US$3.0M and also maintain a paid up capital of this amount. Additionally, once a Class A bank has been granted a license, its total equity capital should not decline below US$3.0M. The Authority provided a transitional period to 2017 for adherence to this new requirement which all licensed Class A banks met by year end 2017.

(ii). Class B International Banks

The FSA has two (2) licensed international Class B Banks which represent lower risk to depositors/investors and hence the jurisdiction. This is because such business is conducted among related parties or specific groups and subsidiaries and branches of international banks as opposed to unrestricted international banking business of independent entrepreneurs conducting banking operations via a Class A license.

RBC Royal Bank Holdings (EC) Ltd (RBC) was granted its license in 2014 and is the first such Class B bank to be licensed at the FSA. This was an especially new and welcomed development for the jurisdiction as the bank is a subsidiary of a major conglomerate bank, Royal Bank of Canada, the largest financial institution in Canada which is its ultimate owner/ parent company. MPB Bank, the second Class B Bank, was licensed in September, 2017.

(iii). Consolidated Supervision

The FSA signed a Memorandum of Understanding (MOU) with Central Bank of Trinidad and Tobago in July, 2017. This was in relation to the exchange of information for cooperation and consultation as part of improving the consolidated/ shared supervision of the SVG licensed Class B Bank, RBC with its Trinidad and Tobago parent company, RBC Financial Caribbean Ltd.

The FSA has also engaged the Eastern Caribbean Central Bank for this purpose with respect to RBC ECCU subsidiaries. Dialogue will continue between the stated institutions on this matter in 2018.

(iv). Basel II Implementation

Work continued with reviewing and updating Basel II Guidelines for prescribing the amount of Capital required to guard against the credit and financial risks faced by the international banks. Several of these guidelines have already been issued to the industry. It is expected that all remaining guidelines will be finalized and issued and implementation will commence in late 2018.

[3] Under the stated International Banks Act, the Authority may require a licensee to increase its fully paid-up capital to any greater amount it may determine to be reasonable for the nature of the international banking being, or sought to be, undertaken, without the need for legislative amendment.

Mutual Funds, Mutual Fund Managers and Mutual Fund Administrators

International Mutual Funds registered in St. 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 and other assets. The Mutual Fund (Amendment) Act, Chapter 154 of the revised Laws of St. Vincent and the Grenadines, 2009 and its Regulations are the governing laws of this sector. At 31st December, 2017 there were 89 active mutual fund entities, (including mutual fund operating via segregated cell companies and their segregated cells) registered/licensed under the Mutual Funds Act compared to 102 active entities which existed in 2016. The various mutual fund entities which can be registered pursuant to Mutual Fund Legislation are:

- Public Mutual Funds
- Private/Accredited Mutual Funds
- Mutual Fund Managers[4]
- Mutual Fund Administrators[5]
- Mutual Fund Managers/Administrators

Establishment of a Single Regional Regulator for Mutual Fund Entities

The International Organization of Securities Commissions (IOSCO) is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities sector. IOSCO develops, implements and promotes adherence to internationally recognized standards for securities regulation. It works intensively with the G20 and the Financial Stability Board (FSB) on the global regulatory reform agenda. The Monetary Council of the ECCU approved the Eastern Caribbean Securities Regulatory Commission (ECSRC) as the one single authority within the member countries to seek membership to IOSCO and assume regulation of all onshore and offshore securities entities of the ECCU region. In preparing for the application to IOSCO, the FSA provided feedback on its own Mutual Fund framework and the entities which it has registered and collated detailed information on its mutual fund portfolio.

In addition, the FSA has been part of several ECSRC/IMF/World Bank discussions on the offshore sector and plans for the legislation.

International Trusts

At 31st December, 2017 there were 91 active International Trusts compared to 121 at December, 2016. Generally, the international trust sector has been declining. The sector's best performances were recorded during the 2014 period.

International Business Companies

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 which commenced since 2010 up to the current reporting period. New registrations for the year 2017 amounted to 666 IBCs and for year 2016 there were 675. At reporting date, the total number of renewals amounted to 4,853 and were 9.1% below the 5,337 renewals reported at December, 2016.

Limited Liability Companies

As at December, 2017 a total of 92 LLCs were formed, 55 of which were active. There were 12 new formations in the year compared to 18 in 2016. Renewals have been generally increasing but declined in 2017, to 20 compared with 23 in 2016.

The performance of the LLC product appeared to be stable with very slow increases in formations, minimal cancellations and sustained renewals. This product has the potential to become an increasingly important growth area.

Registered Agents

Registered Agents and Trustees continue to play a vital role in ensuring that 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 Authority continued to ensure that all RAs comply with the provisions of the Registered Agents 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 2017.

[4] Fund Managers also include entities licensed in a recognized jurisdiction

[5] Fund Administrators also include entities licensed in a recognized jurisdiction

FINANCIAL PERFORMANCE
For the Year Ended December 31, 2017

Executive Summary:

The Financial Services Authority's ("The FSA's"/ "The Authority's") financial performance improved in 2017 as a profit of EC$601,363 was realized compared to EC$482,126 from the prior year, an increase of EC$119,237 or 24.7%.

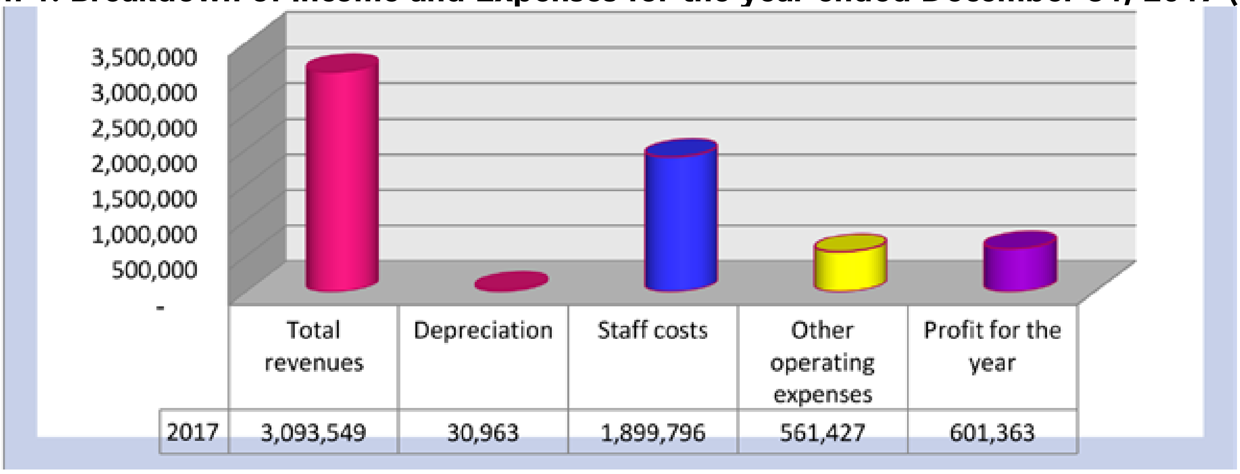
Revenue earned for the year was EC$3,093,549, a decrease of EC$63,347 or 2.0% when compared with 2016.

Total expenses for 2017 amounted to EC$2,492,186 compared with EC$2,674,770 for 2016, a decrease of EC$182,584 or 6.8%.

Revenue earned is remitted to the Accountant General, as a result the FSA's operations are funded by the Government through subvention.

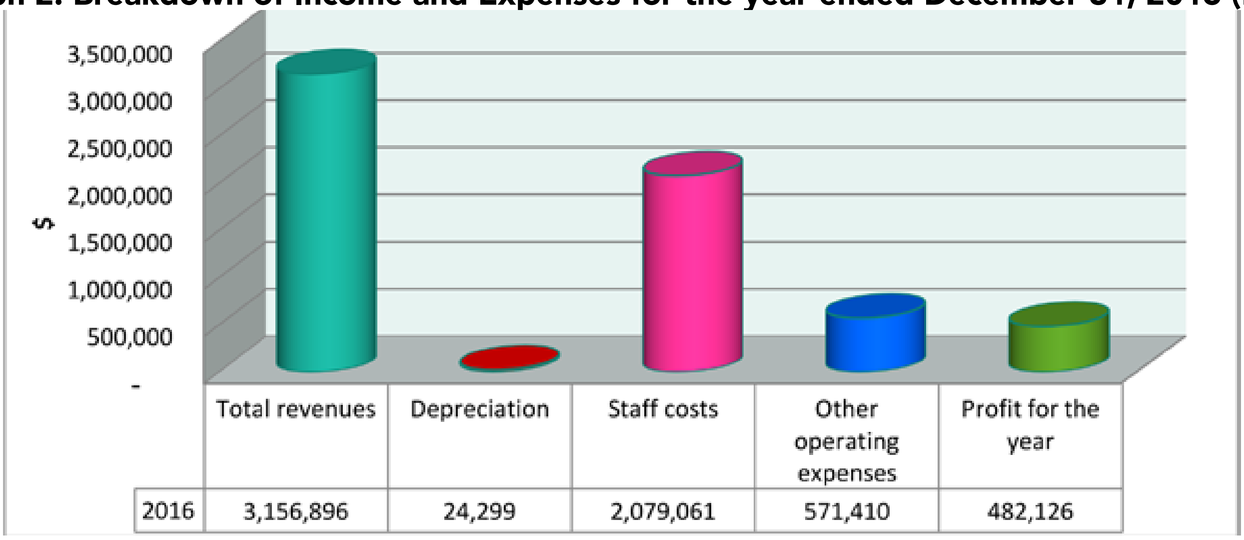
The Fee Income remitted to the Consolidated Fund for 2017 was EC$2,868,270 compared with EC$2,947,301 for 2016, a reduction of EC$79,031 or 2.8%.

Graph 1: Breakdown of Income and Expenses for the year ended December 31, 2017 (EC$)



(Source: Audited financial statements for 2017)

Graph 2: Breakdown of Income and Expenses for the year ended December 31, 2016 (EC$)



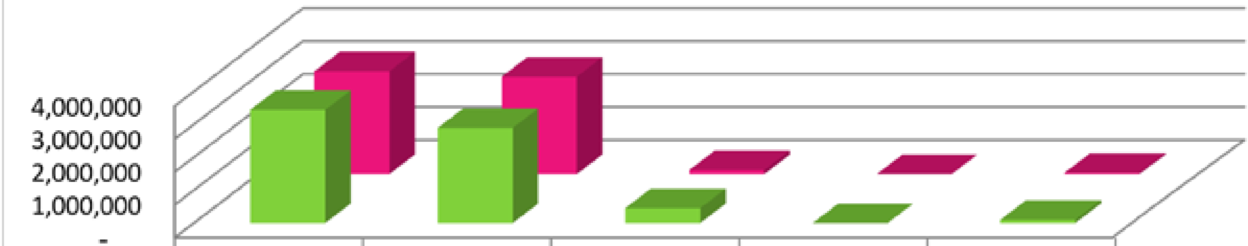
(Source: Audited financial statements for 2017)

The following is a synopsis of the financial performance of the Authority for the year ended December 31, 2017.

1. Revenue

Revenue continues to show a downward trend from year to year though at a slower rate, 2.0% in 2017 when compared to year 2016, and 5.3% in 2016 when compared to 2015. Year 2017 performance resulted mainly because of a decline in fee income as renewals and new registrations of all International Financial Services (IFS) sector products, the main revenue earning source were generally downwards. A marked decline in the number of active International Business Companies (IBCs), the IFS product which is the dominant income earner of the Authority, contributed largely to this. A decrease was also recorded in statutory deposit income when compared to the prior year; this resulted because there was a smaller statutory deposit balance in 2017 as an International Bank under liquidation withdrew a portion of its deposit in March, 2017. Other income increased compared to 2016 mainly because the Authority received grant funds of EC$85,632 of which EC$29,219 was taken to income in 2017, representing an increase of EC$25,508 over the amount taken to income in 2016.

Graph 3: Comparative Analysis of revenue for Years 2017 and 2016



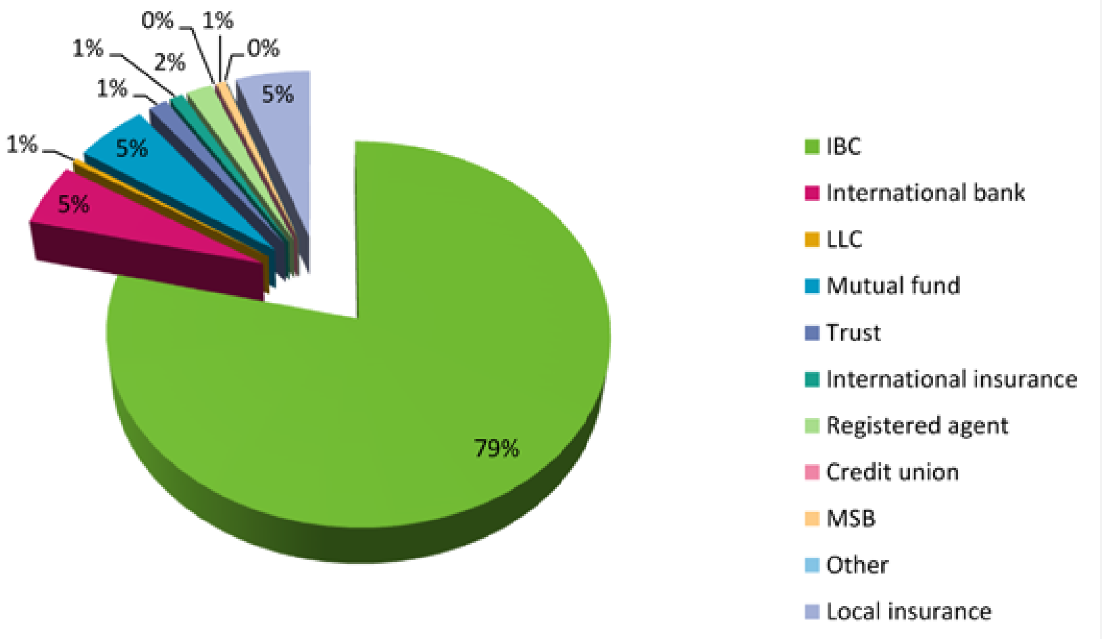
	Total revenues	Fee income	Statutory deposit income	Interest income	Other income
2017	3,439,625	2,890,985	452,866	570	95,204
2016	3,122,842	2,962,758	124,058	267	35,759

(Source: Audited financial statements for 2017)

The IFS sector contributed EC$2,715,756 or 93.9% to fee income and the other sectors represented EC$175,229 or 6.1%.

The Authority's IBCs contributed 79.0% to fee income while the other sector products accounts for 21.0%. Although, there has been a decline in fee income generated from the majority of IFS and other sector products there was a small growth in income from the local and international insurance and money service business categories for the period. Also income from filing, certification and other fees from IBC activity increased and continued to be a lucrative income earner as the number of requests for related IFS generating income activities remained high in the year under review.

Graph 4: Breakdown by percentage of fee income for the year ended December 31, 2017

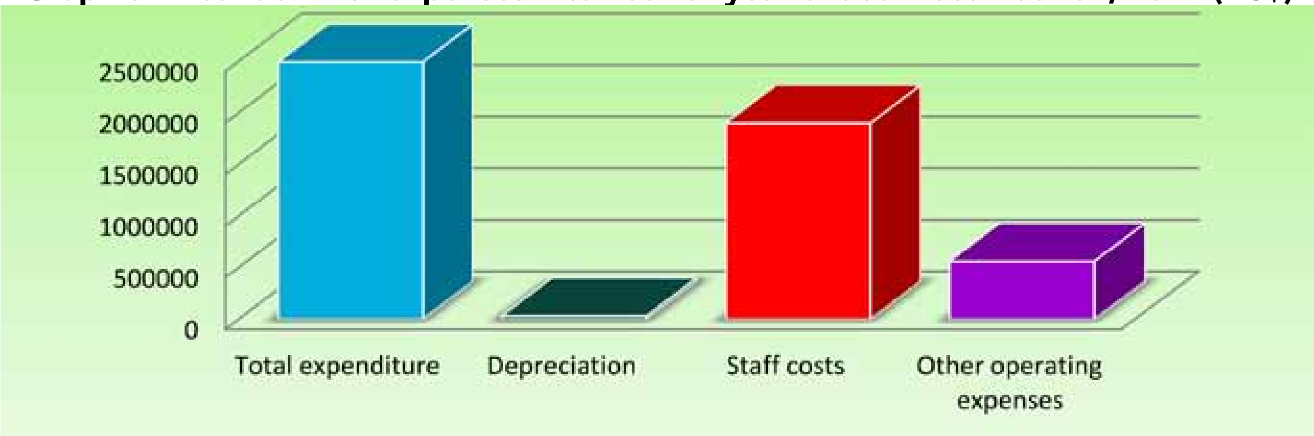


(Source: Audited financial statements for 2017)

2. Expenditure

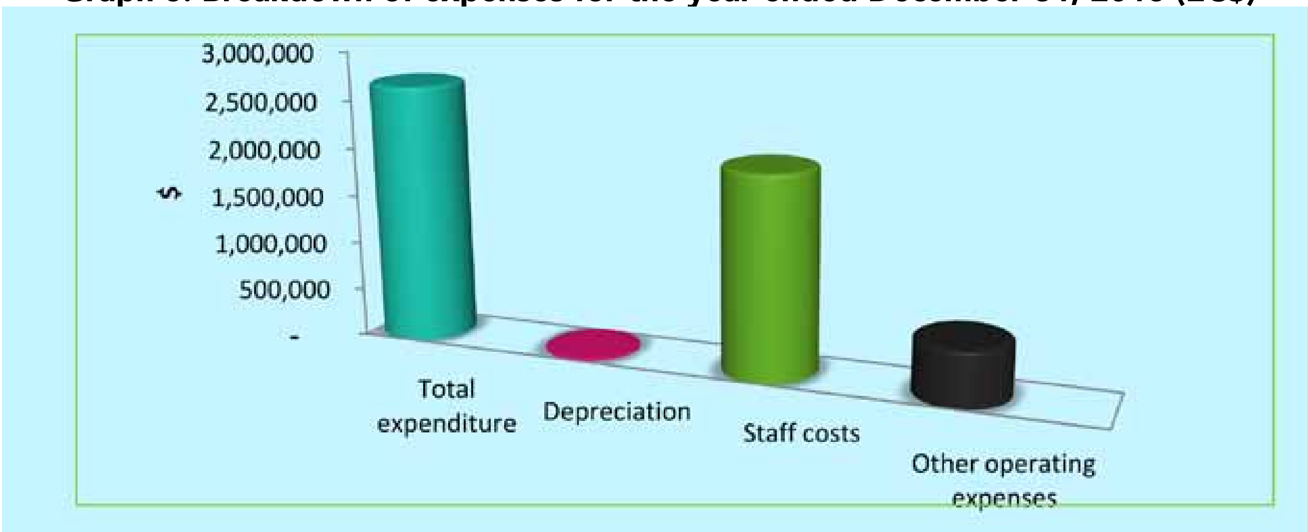
Operating expenses declined by EC$182,584 (6.8%) in 2017 which is largely due to a reduction in staff costs as part of the Authority's efforts to control its expenditure. However, staff costs are still high and represent approximately 76.2% (2016:77.7%) of the Authority's total expenses for the reporting period, and thus have a significant impact on the amount of expenses reported.

Graph 5: Breakdown of expenses incurred for year ended December 31, 2017 (EC$)



(Source: Audited financial statements for 2017)

Graph 6: Breakdown of expenses for the year ended December 31, 2016 (EC$)



(Source: Audited financial statements for 2017)

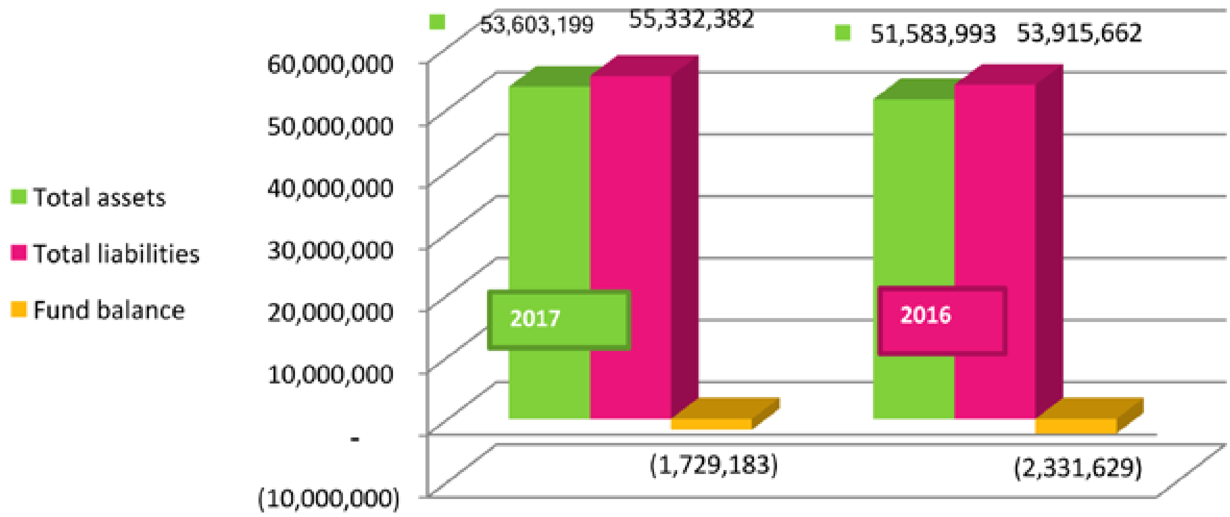
Other operating expense decreased marginally by EC$9,983 or 1.7%.

3. Statement of Financial Position

Total assets as at December 31, 2017, were EC$53,603,199 compared to EC$51,583,993 for 2016, a favorable movement of EC$2,019,206 or 3.9%. This resulted primarily because additional investments were made by domestic insurance companies in held-to-maturity securities as part of their statutory deposit obligation with the Authority.

Total liabilities increased by EC$1,416,720 or 2.6% when compared with EC$53,915,662 in 2016; 97.0% of these liabilities are long-term while 3.0% comprised trade and other payables and the Authority's overdrawn bank balance. The Authority's fund balance moved favorably by EC$602,446 as a result of the net profit for the year.

Graph 7: Comparative analysis of Total Assets, Total Liabilities & Fund Balance for years 2017 & 2016 (EC$)



(Source: Audited financial statements for 2017)

3.1. Receivables

Receivables balances are comprised mainly of annual fees from the IFS sector for IBCs, Mutual Funds, Trusts, International Banks and Insurance companies. Income for local insurance companies, Credit Unions, and MSBs are accounted for within the current financial year.

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

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

3.2. Cash and cash equivalent

As at December 31, 2017, the FSA's net cash and cash equivalent position was EC$13,138,593. Funds held as statutory deposits on behalf of local and international insurance companies, international banks and registered agents were EC$53,150,737, an increase of EC$2,447,022 or 4.8%.

4. Staffing

The FSA employed twenty-two (22) full-time staff as at December 31, 2017.

FINANCIAL SERVICES AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

FINANCIAL SERVICES AUTHORITY
CORPORATE INFORMATION

REGISTERED OFFICE
Reigate Building
Granby 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
Ms. Elritha Miguel - Director	January 2013 - Present
Ms. Karen Duncan - Director	April 2015 - Present
Mr. Maurice Edwards - Director	September 2012 - August 2017
Mr. Edmond Jackson - Director	September 2017 - Present

EXECUTIVE DIRECTOR
Mrs. Sharda Bollers

SECRETARY TO THE BOARD
Ms. Deirdre Adams

BANKERS
Bank of St. Vincent and the Grenadines Ltd.

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

FINANCIAL SERVICES AUTHORITY

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A²

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, 2017, and the statement of changes in fund balances, statement of comprehensive income 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, 2017, 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with 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 and the IESBA code.

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

INDEPENDENT AUDITORS' REPORT (Continued)

To the Governor General of St. Vincent and the Grenadines

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

June 27, 2018

Chartered Accountants
Arnos Vale,
St. Vincent and the Grenadines

FINANCIAL SERVICES AUTHORITY
Statement of Financial Position
As At December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 $
ASSETS			
Cash and cash equivalents	5	**13,139,957**	13,907,618
Trade and other receivables	6	**85,050**	80,495
Prepayments		**10,751**	5,912
Due from Government of St. Vincent and the Grenadines	7	**22,365,571**	22,365,571
Held-to-maturity securities	8	**17,826,074**	15,070,924
Property, plant and equipment	9	**175,796**	153,473
Total Assets		**53,603,199**	51,583,993
LIABILITIES AND FUND BALANCE			
Borrowings	10	**1,364**	182,857
Trade and other payables	11	**1,694,239**	2,486,298
Deferred revenue	12	**420,303**	477,013
Due to Government of St. Vincent and the Grenadines	13	**65,739**	65,739
Statutory deposits	14	**53,150,737**	50,703,715
		55,332,382	53,915,662
Fund Deficit		**(1,729,183)**	(2,331,629)
Total Liabilities and Fund Balance		**53,603,199**	51,583,993

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 Balances
For the Year Ended December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Notes	Scholarship Fund $	General Fund $	Total $
Balance as at December 31, 2015, as previously reported		24,789	(1,791,891)	(1,767,102)
Prior period adjustment	15	–	304,077	304,077
Balance as at December 31, 2015, as restated		24,789	(1,487,814)	(1,463,025)
Profit for Year		–	482,126	482,126
Net distribution to the Government's consolidated fund		–	(1,325,941)	(1,325,941)
Fund transfer		(24,789)	–	(24,789)
Balance as at December 31, 2016		–	(2,331,629)	(2,331,629)
Profit for Year		–	601,363	601,363
Net receipt from the Government's consolidated fund	19	–	1,083	1,083
Balance as at December 31, 2017		**–**	**(1,729,183)**	**(1,729,183)**

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

FINANCIAL SERVICES AUTHORITY
Statement of Comprehensive Income
For The Year Ended December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Notes	2017 $	2016 $
Income			
Fee income	16	**2,890,985**	2,962,758
Statutory deposit income		**135,385**	158,112
Interest income		**570**	267
Other income		**66,609**	35,759
Total Income		**3,093,549**	3,156,896
Operating Expenses			
Depreciation	9	**30,963**	24,299
Staff costs	17	**1,899,796**	2,079,061
Other operating expenses	18	**561,427**	571,410
Total Expenses		**2,492,186**	2,674,770
Profit for Year		**601,363**	482,126

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

FINANCIAL SERVICES AUTHORITY
Statement of Cash Flows
For The Year Ended December 31, 2017
(Expressed in Eastern Caribbean Dollars)

	Note	2017 $	2016 $
Cash Flows From Operating Activities			
Profit for Year		**601,363**	482,126
Adjustments for :			
Depreciation		**30,963**	24,299
Interest earned		**(570)**	(267)
Earnings From Operations before Working Capital changes		**631,756**	506,158
Change in trade and other receivables		**(4,555)**	8,216
Change in prepayments		**(4,839)**	1,369
Change in due from the Government		**–**	988,135
Change in trade and other payables		**(792,059)**	610,588
Change in deferred revenue		**(56,710)**	92,078
Change in held-to-maturity securities		**(2,755,150)**	(1,672,786)
Change in statutory deposits		**2,447,022**	2,433,011
Change in scholarship fund		**–**	(24,789)
Cash (Used In) Generated From Operations		**(534,535)**	2,941,980
Interest received		**570**	267
Net Cash (Used In) Generated From Operating Activities		**(533,965)**	2,942,247
Cash Flows From Investing Activity			
Additions to property, plant and equipment		**(53,286)**	(115,034)
Net Cash Used In Investing Activity		**(53,286)**	(115,034)
Cash Flows From Financing Activity			
Net receipts from (distribution to) the Government's consolidated fund		**1,083**	(1,325,941)
Net Cash Generated From (Used In) Financing Activity		**1,083**	(1,325,941)
Net (Decrease) Increase in cash and cash equivalents		**(586,168)**	1,501,272
Net cash and cash equivalents - beginning of year		**13,724,761**	12,223,489
Net cash and cash equivalents - end of year	5	**13,138,593**	13,724,761

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

FINANCIAL SERVICES AUTHORITY

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1. Formation and Principal Activities

The Authority is a statutory body of the Government of St. Vincent and the Grenadines (the Government). It 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.

2. Date of Authorisation for Issue

These financial statements were authorized for issue in accordance with a resolution of the Directors on June 27, 2018.

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 on the statement of financial position.

c. Trade Receivables

Trade receivables are recognised at fair value and in respect of non-licensed entities, only to the extent that the amount is recoverable within three (3) months of the end of the financial year. Fees for licensed entities are recognised when due.

Subsequent recoveries of amounts relating to the financial year other than in which the fees relate are taken in the statement of comprehensive income in the year recovered.

3. Significant Accounting Policies (continued)

d. Plant and Equipment, and Depreciation

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the statement of comprehensive income.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. Ongoing repairs and maintenance are expensed as incurred.

(ii) Depreciation

Depreciation has been provided on all assets on the reducing balance basis at the following annual rates:

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

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 entity'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 comprehensive income. 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 comprehensive income.

g. Revenue Recognition

Annual Fees

i) Annual fees relating to services provided in the current financial year are recorded as revenue in the current financial year. If the service is in respect of non-licensed entities, applicable to the current financial year, and received up to three months into the subsequent financial year, the annual fee is recorded in the current financial year. Fees received in advance of the period to which the service is rendered is 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 the statement of comprehensive income in the year received.

Grants

iv) Government 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.

Government grants that affect revenue consist of two types:

(a) Grants of a capital nature, which are presented as deferred revenue on the statement of financial position. The assets purchased from the grant are capitalized as fixed assets. Each year, an amount equal to the depreciation charge for the assets, is transferred from deferred revenue to the statement of comprehensive income as income.

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

3. Significant Accounting Policies (continued)

g. Revenue Recognition (continued)

Statutory Deposit Income

v) The Authority receives as income a component of the interest generated on statutory deposits that are placed as certificates of deposit at its bank. Income from statutory deposits is recognised on an accruals basis.

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. Receipts relating to grants of a capital nature are shown within deferred revenue in the statement of financial position.

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 comprehensive income.

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 comprehensive income within "Net changes in fair value on financial assets at fair value through comprehensive income".

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.

3. Significant Accounting Policies (continued)

j. Financial Assets (continued)

Loans and receivables (continued)

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.

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, 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 comprehensive income.

Trade and other payables 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 recognised in the statement of comprehensive income.

3. Significant Accounting Policies (continued)

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);

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 Note 3 "significant accounting policies". 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

	2017 $	2016 $
Cash on hand and at bank	48,847	30,177
Interest bearing deposits	13,091,110	13,877,441
	13,139,957	**13,907,618**

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

	2017 $	2016 $
Cash on hand and at bank	48,847	30,177
Interest bearing deposits	13,091,110	13,877,441
Bank overdraft (Note 10)	(1,364)	(182,857)
	13,138,593	**13,724,761**

Cash and cash equivalents are denominated in Eastern Caribbean dollars.

6. Trade and Other Receivables

Trade receivables

		2017 $	2016 $
Annual fees	– International Business Companies	22,044	13,172
	– Trusts	403	403
	– LLC's	269	269
	– Mutual Funds	–	1,613
		22,716	15,457
Allowance for impairment		–	–
Total trade receivables		22,716	15,457
Other receivables		62,334	65,038
Total other receivables		62,334	65,038
Total Trade and Other Receivables		**85,050**	**80,495**

As at the year-end date, the Authority had no impaired trade receivables.

The ageing of trade receivables for 2017 is as follows:

	Within 1 Year $	After 1 Year $	Total $
2017	12,769	9,947	22,716
Total	**12,769**	**9,947**	**22,716**

The ageing of trade receivables for 2016 is as follows:

2016	15,457	–	15,457
Total	**15,457**	**–**	**15,457**

Trade and other receivables are denominated as follows:-

	2017 $	2016 $
United States dollars	30,685	23,393
Eastern Caribbean dollars	54,365	57,102
	85,050	**80,495**

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

The amount of $22,365,571, (2016: $22,365,571) represents statutory deposits of regulated entities held in the Government's consolidated fund.

The amount due from the Government is denominated in Eastern Caribbean dollars.

8. Held-to-Maturity Securities

Held-to-maturity securities have varying maturity dates, are denominated in Eastern Caribbean dollars and consist of the following:

	$
At December 31, 2017	
Treasury bills, at amortised cost	2,200,000
Bonds and notes, at amortised cost	15,258,724
Term deposits, at amortised cost	367,350
	17,826,074

	$
At December 31, 2016	
Treasury bills, at amortised cost	1,906,000
Bonds and notes, at amortised cost	13,032,274
Term deposits, at amortised cost	132,650
	15,070,924

The interest rate on these securities range from 6 to 7% (2016: 6 to 7%).

9. Property, Plant and Equipment

	Furniture and Fittings $	Motor Vehicle $	Computer Hardware & Software $	Office Equipment $	Books $	Total $
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	77,956	1	62,120	13,395	1	153,473
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
Year Ended December 31, 2017						
Opening net book amount	77,956	1	62,120	13,395	1	153,473
Additions	31,280	–	18,268	3,738	–	53,286
Depreciation charge	(16,556)	–	(11,045)	(3,362)	–	(30,963)
Closing net book amount	92,680	1	69,343	13,771	1	175,796
As at December 31, 2017						
Cost	165,752	76,975	109,662	44,467	7,629	404,485
Accumulated Depreciation	(73,072)	(76,974)	(40,319)	(30,696)	(7,628)	(228,689)
Net book amount	**92,680**	**1**	**69,343**	**13,771**	**1**	**175,796**

10. Borrowings

	2017 $	2016 $
Bank Overdraft		
Bank of St. Vincent and the Grenadines Ltd. (Note 5)	**1,364**	**182,857**

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

The effective interest rate on borrowings at the reporting date was 11% (2016: 11%)

Borrowings are denominated in Eastern Caribbean dollars.

11. Trade and Other Payables

	2017 $	2016 $
Trade and other payables	893,182	949,610
Payroll related liabilities	217,303	732,534
Pension contributions payable to the consolidated fund	484,275	380,216
Other payroll related liabilities	34,282	386,456
Other payables	65,197	37,482
	1,694,239	**2,486,298**

Trade and other payables are denominated as follows:

	2017 $	2016 $
Pound sterling	7,193	–
United States dollars	2,717	43,897
Eastern Caribbean dollars	1,684,329	2,442,401
	1,694,239	**2,486,298**

12. Deferred Revenue

	2017 $	2016 $
Fees in advance		
Annual fees	277,745	382,923
Due diligence fees	17,000	24,945
	294,745	**407,868**
Grant Income		
Beginning of the year	69,145	–
Receipts in year	85,632	72,856
Less: Transfer to income for the year	(29,219)	(3,711)
	125,558	**69,145**
	420,303	**477,013**

Deferred revenue is denominated as follows:

	2017 $	2016 $
United States dollars	294,745	407,868
Eastern Caribbean dollars	125,558	69,145
	420,303	**477,013**

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

The amount due to the Government is unsecured, non-interest bearing, and has no fixed terms of repayment.

The amount due to the Government is denominated in Eastern Caribbean dollars.

14. Statutory Deposits

	2017 $	2016 $
Obligations under statutory deposits	51,582,065	49,484,915
Interest payable to statutory depositors	1,568,672	1,218,800
	53,150,737	**50,703,715**

Statutory deposits are denominated as follows:-

	2017 $	2016 $
United States dollars	9,166,186	8,946,661
Eastern Caribbean dollars	43,984,551	41,757,054
	53,150,737	**50,703,715**

15. Prior Period Adjustment

During the year management became aware that it was not reflecting in its income a share of the interest earned on certificates of deposits held as statutory deposits on behalf of domestic insurance companies. It was previously felt that interest on these deposits was held for the benefit of the Government of St. Vincent and the Grenadines. Accordingly, the Authority has retrospectively restated its statement of financial position for the effects of this, as at December 31, 2016, and the statement of comprehensive income for the year then ended.

As a result of this change, earnings for the year ended December 31, 2016 was increased by $34,054, from $448,072 to $482,126, to reflect the interest that should have been recorded for that year. Furthermore, the general fund balance as at December 31, 2016 was increased by $338,131 to reflect the cumulative adjustment for interest that had not been recorded up to that date, of which $34,054, was applicable to the 2016 financial year. The effect of the adjustments for each financial statement line item for the 2016 and 2015 financial years are as follows:

	At December 31, 2016, as adjusted $	Adjustment for 2016 $	At December 31, 2016, as previously reported $
General fund balance	(2,331,629)	338,131	(2,669,760)
Statutory interest income	158,112	34,054	124,058
Profit for year	482,126	34,054	448,072
Trade and other receivables	80,495	20,844	59,611
Statutory deposits	50,703,715	(317,247)	51,020,962

	At December 31, 2015, as adjusted $	Adjustment for 2015 $	At December 31, 2015, as previously reported $
General fund balance	(1,487,814)	304,077	(1,791,891)
Statutory interest income	158,901	22,245	136,656
Profit for year	692,504	22,245	670,259
Trade and other receivables	88,711	23,122	65,589
Statutory deposits	48,270,704	(280,955)	48,551,659

16. Fee Income

		2017 $	2016 $
Registration and Application Fees			
International Business Companies		306,771	324,490
Trusts		7,259	4,032
Mutual Funds		5,377	8,334
Limited Liability Companies		6,654	9,297
Banks		2,689	5,376
Registered Agents		1,345	–
Insurance		–	1,344
		330,095	352,873
Annual and License Fees			
International Business Companies		1,316,190	1,428,536
Trusts		29,571	38,912
Mutual Funds		115,055	120,163
Limited Liability Companies		5,377	6,452
Banks		120,969	120,969
Registered Agents		50,270	51,613
Insurance Companies	– International	28,780	16,129
	– Local	154,100	142,544
Money Service Business		20,000	10,000
Credit Unions		–	850
		1,840,312	1,936,168
Other Fee Income			
Due diligence		–	5,801
Filing, certification and late fees			
– International Business Companies		653,406	588,982
– Trusts		2,353	6,116
– Mutual Funds		31,618	33,737
– Limited Liability Companies		485	430
– Banks		29,167	34,812
– Registered Agents		2,420	2,419
– Insurance Companies		404	1,320
– Credit Unions		725	100
		720,578	673,717
		2,890,985	**2,962,758**

17. Staff Costs

	2017 $	2016 $
Gratuity (over provision) from previous years	(3,906)	86,400
National Insurance Services contributions	56,873	59,453
Pension contributions	104,058	113,470
Salaries, allowances and bonuses	1,741,898	1,809,345
Training	–	7,979
Scholarship	–	1,859
Staff appreciation	873	455
Uniform	–	100
	1,899,796	**2,079,061**

As of the reporting date, the number of employees amounted to 22 (2016: 24).

18. Other Operating Expenses

		2017 $	2016 $
Advertising and promotion		8,056	724
Audit fees		15,870	15,870
Bank charges		5,850	11,837
Board meeting expenses		7,589	7,647
Cash shortage		21	–
Consultancy fees		55,484	–
Customs & brokerage		1,024	2,403
Directors' fees		93,000	93,000
Donations		232	–
Electricity		68,116	65,802
Entertainment		570	640
Foreign exchange loss		27	78
Insurance		10,047	10,854
Meetings and interviews		293	232
Miscellaneous		685	921
Office supplies		12,220	3,173
On-site inspection		22,527	70
Overdraft interest		11,422	32,227
Postage and delivery		748	594
Rent		149,280	151,477
Repairs and maintenance	– Equipment	15,355	20,168
	– Plant	432	432
	– Vehicle	5,483	4,236
	– Other	15,691	30,793
Seminars and conferences		4,000	3,383
Stationery and printing		21,877	48,282
Subscription and dues		9,609	10,435
Technical support		6,464	31,991
Telephone and fax		19,455	24,141
		561,427	**571,410**

19. 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 for employee services is shown below:

	2017 $	2016 $
Chairman and non-executive directors' emoluments	93,000	93,000
Key management salaries and allowances	496,386	463,200
Gratuity (over provision)	(3,905)	86,400
	585,481	**642,600**

b. Net Distribution to the Government

	2017 $	2016 $
Distribution to consolidated fund	2,778,917	3,020,941
Due to the Government assigned to Authority	458,910	592,797
Subvention from the Government	(3,238,910)	(2,287,797)
Net (receipts from), transfers to consolidated fund	**(1,083)**	**1,325,941**

20. 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 of the Government.

21. Pension Obligations

a. Defined Contribution Pension Plan

The Authority operated a voluntary defined contribution pension plan, administered by trustees selected within Management, which was discontinued during the year. The Authority and members were required to contribute 6% and 4%, respectively, of members' pensionable emoluments.

During the year, the Authority made no contributions (2016: $9,412) to the plan. As of the reporting date, the plan's fund, which was maintained at the Bank of St. Vincent and the Grenadines Ltd., had a nil balance (2016: $157,620).

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 (2016: $104,058) have been charged against profit for the year.

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

22. 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, trade and other receivables, and due from Government. Financial liabilities include borrowings, trade and other payables, deferred revenue, due to the Government 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 optimizing 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).

22. 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, and are payable in United States dollars.

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 liabilities 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 liabilities 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. 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 yields 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.

22. 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 the 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 held-to-maturity securities are redeemed the original security is returned to the depositor.

The Authority also has significant liabilities to Governments' statutory bodies, as a component of trade and other liabilities that are available for underwriting by the Government.

The table overleaf 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.

22. Financial Risk Management (continued)

Liquidity risk (continued)

The Authority's aging of its contractual repayment period of its financial assets and liabilities as of December 31, 2017, is as follows:

	Within 6 months $	After 6 months $	After one year $	Total $
Assets				
Cash and cash equivalents	48,847	–	13,091,110	13,139,957
Trade and other receivables	85,050	–	–	85,050
Prepayments	3,752	1,646	5,353	10,751
Due from the Government	–	–	22,365,571	22,365,571
Held-to-maturity securities	–	–	17,826,074	17,826,074
Total	**137,649**	**1,646**	**53,288,108**	**53,427,403**
Liabilities				
Borrowings	–	1,364	–	1,364
Trade and other payables	1,175,682	–	518,557	1,694,239
Deferred revenue	420,303	–	–	420,303
Due to the Government	–	–	65,739	65,739
Statutory deposits	–	–	53,150,737	53,150,737
Total	**1,595,985**	**1,364**	**53,735,033**	**55,332,382**
Net	**(1,458,336)**	**282**	**(446,925)**	**(1,904,979)**

The following table shows the Authority's aging of its contractual repayment period of its financial assets and liabilities as of December 31, 2016:

	Within 6 months $	After 6 months $	After one year $	Total $
Assets				
Cash and cash equivalents	30,177	–	13,877,441	13,907,618
Trade and other receivables	80,495	–	–	80,495
Prepayments	3,998	1,914	–	5,912
Due from the Government	–	–	22,365,571	22,365,571
Held-to-maturity securities	–	–	15,070,924	15,070,924
Total	**114,670**	**1,914**	**51,313,936**	**51,430,520**

22. Financial Risk Management (continued)

Liquidity risk (continued)

	Within 6 months	After 6 months	After one year	Total
	$	$	$	$
Liabilities				
Borrowings	–	182,857	–	182,857
Trade and other payables	1,719,625	–	766,673	2,486,298
Deferred revenue	477,013	–	–	477,013
Due to the Government	–	–	65,739	65,739
Statutory deposits	–	–	50,703,715	50,703,715
Total	**2,196,638**	**182,857**	**51,536,127**	**53,915,622**
Net	**(2,081,968)**	**(180,943)**	**(222,191)**	**(2,485,102)**

23. Lease Commitment

The Authority is committed to annual minimum payments of $149,280, under an operating lease for rental of its office space. The rental expense commitment for the next two financial years resulting from this lease is as follows:

	$
2018	149,280
2019	49,760

The Authority's lease is for a period of three years commencing May 01, 2016, and ending April 30, 2019. The lease makes provision for an extension on terms to be agreed upon by the lessee and lessor.

24. Capital Commitment

The Authority has capital commitments for the purchase of computer hardware, software and related soft costs for $25,639 (2016: $41,832).

25. Excess of Subvention over Expenses

	2017 $	2016 $
Income		
Government's subvention	**3,238,910**	2,287,797
Statutory deposit income	**135,386**	158,112
Interest income	**570**	267
Other cash income	**65,985**	32,048
Total Income	**3,440,851**	2,478,224
Operating Expenses		
Staff costs	**1,899,796**	2,079,061
Other operating expenses	**590,291**	571,410
Total Expenses	**2,490,087**	2,650,471
Excess (shortage) of subvention over Expenses	**950,764**	(172,247)

FINANCIAL SERVICES AUTHORITY SVG

OUR LOGO

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 symbolic 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.

Financial Services Authority
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