Financial Services Authority
St. Vincent & The Grenadines

Annual Report 2019

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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."

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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
Carla James - Executive Director
Elritha Miguel - Director

Absent: Karen Duncan - Director

BOARD OF DIRECTORS

LEON SNAGG, was appointed as Chairman of the Financial Services Authority ('FSA') 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. He has successfully completed the Association of Accounting Technician (AAT) membership examination in 1998.

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 Chairperson of the Audit Committee and a member of 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 Solicitor General 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.

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

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

EXECUTIVE MANAGEMENT

CARLA JAMES joined the FSA, St. Vincent and the Grenadines as Executive Director in September 2018. Ms. James is a barrister at law and solicitor and holds a LLB from U.W.I Cave Hill and a L.E.C from Hugh Wooding Law School.

As Executive Director, she also holds the posts of Registrar of IBCs, International Trusts, Mutual Funds and Credit Unions and Commissioner of International Insurance. She is also a statutory member of the National Anti-Money Laundering Committee.

Ms. James has worked in the field of financial services since 2003, specifically the detection and combating of financial crimes, firstly as the Legal officer of the Financial Intelligence Unit, known as one of the leading FIUs in the Caribbean region, and then as its Director from 2016-2018. She has also served as Magistrate at the Kingstown Magistrates' Court for a period of one and a half years where she adjudicated on all aspects of the law.

MR. DEREK ST. ROSE, was appointed as Deputy Director in May of 2019. He has over 25 years of experience in financial services regulation and prior to his appointment he held several key positions in various countries, including: Superintendent of International and Domestic Insurance at the Financial Services Regulatory Commission (FSRC) in Antigua and Barbuda, Head of Insurance at the Financial Services Commission in Turks & Caicos Islands, Deputy Director of the Financial Services Commission in Anguilla. He also held numerous positions at the Ministry of Finance in St. Lucia and has been involved in international financial services regulation and supervision, and financial services development and policy formulation over his career.

Mr. St. Rose holds an MBA (Finance) degree from Charles Sturt University, Australia, a Post Graduate Diploma in Management and E-Commerce from the London School of Commerce and a BSc. Degree in Management Studies (Honours) from the University of the West Indies (Mona, Jamaica).

MANAGEMENT AND LEGAL TEAM

KEISHA BYNOE serves as the Manager, Finance & Administration of the Financial Services Authority, effective July 1, 2019. Prior to this she acted in the position for approximately a year and a half. She holds a BSc. in Accounting from the University of the West Indies, Cavehill, Barbados and is ACCA qualified.

Mrs. Bynoe has gained experience in auditing and accounting from working with the auditing firm of KPMG (Eastern Caribbean) for over seven (7) years. Prior to that period, she worked with the Inland Revenue department of the Government of St. Vincent as a Junior Tax Officer.

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.

MANAGEMENT AND LEGAL TEAM

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 left to right – *Daphne Scott, Debon Moses, Nyasha Browne, Karen Jackson, Vasilca Cato-Morgan, Shanika Layne, Nerissa Burton-Hunte, Carla James, Mintrue Rose-Providence, Leslie Joseph, Farique Daniel, Ival Jack, Suzette Lewis, Roxanne Durham, Neva Cordice, Keisha Bynoe.*

Seated from left to right – *Derek St. Rose, Courtney Lewis, Yolande Balcombe, Shaquille Williams, Jimmy Black*

Absent: *Geshell Peters*

THE FSA-WHO WE ARE AND WHAT WE DO

The Financial Services Authority (the "FSA"/ "Authority") was established on November 12, 2012 under the Financial Services Authority Act, No. 33 of 2011 and is responsible for the regulation and supervision of the non-bank and international financial services sector in St. Vincent and the Grenadines.
The FSA is responsible for registering/regulating/supervising the following entities:

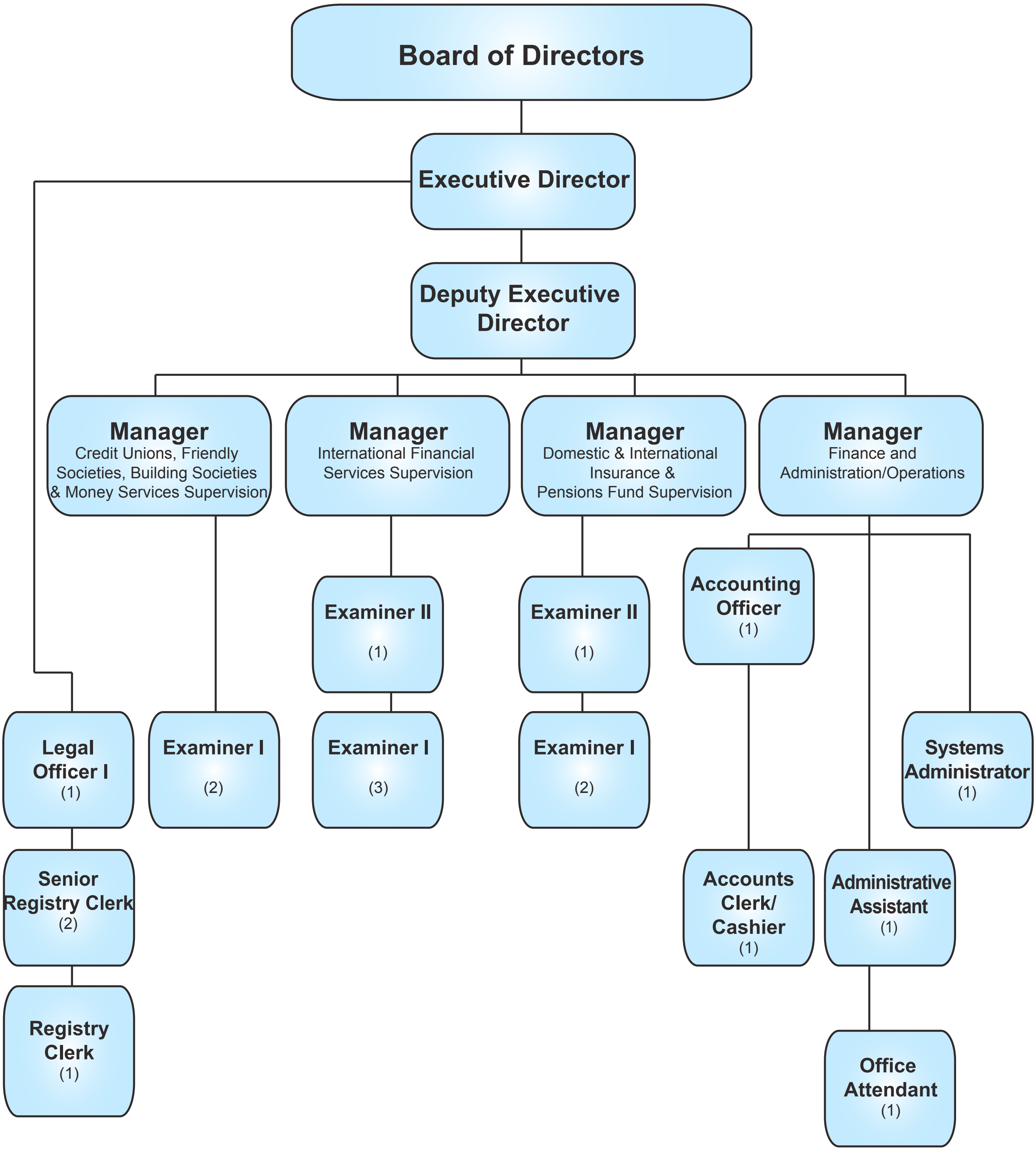
- International Business Companies (IBCs);
- Limited Liability Companies (LLCs)
- Mutual Funds;
- International Banks;
- International Trusts;
- International Insurance Companies;
- Domestic Insurance Companies
- Insurance Intermediaries;
- Pension Fund Plans;
- Credit Unions;
- Building Societies;
- Friendly Societies; and
- Money Service Businesses.

In addition, the FSA monitors compliance of all registered and financial entities with the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Legislation.

The main functions of the FSA include, but are not limited to, the following:

- **Reduction of Risk** - the FSA seeks to reduce the risk of financial loss to the public due to dishonesty, incompetence or malpractice by or through the imprudence of persons providing financial services in or from within St. Vincent and the Grenadines;
- **Risk Based Supervision** - the FSA directs greater supervisory effort to entities that are classified as high risk and place more emphasis on dealing with regulatory issues that may significantly affect the entire financial system;
- **Protection and enhancement of the Reputation and Integrity** of St. Vincent and the Grenadines in financial matters;
- **Counter Financial Crimes** in St. Vincent and the Grenadines and elsewhere;
- **Financial stability and security** of the financial services sector;
- **Transparency, equity and cost efficiencies in decisions, processes and actions** – the FSA carries out its functions in accordance with existing legislation and best practices;
- **Collaboration** - the FSA works together closely with financial entities as well as other financial services regulators regionally and internationally to ensure the stability of the financial sector of St.Vincent and the Grenadines;
- **Professionalism** - the FSA exhibits a positive, courteous, conscientious and businesslike approach in its interactions; and
- **International competitiveness and innovativeness in the financial services sector** – the FSA ensures that its products and services can compete on the international market by continuous focus on updating and improving relevant legislation and keeping apprised of all international developments and best practices.

FINANCIAL SERVICES AUTHORITY
Organisational Chart



Chairman's Message 2019

I am pleased, as Chairman of the Financial Services Authority, St. Vincent and the Grenadines ("FSA"/ "Authority") to present, on behalf of the Board of Directors, the FSA's 2019 Annual Report. This report covers work undertaken for the financial year ended December 31, 2019 and includes the financial performance for that period.

The year under review has been one of notable progress for the FSA as we continue to chart new growth directions in order to consolidate St. Vincent and the Grenadines' position and reputation as a strong and stable jurisdiction.

Indeed, with the transformations taking place internationally in the economic landscape, and which are driving change in our own jurisdiction, we have felt the need to shift away from traditional approaches which are unsustainable in the longer term. We cannot remain complacent with our achievements if we are to enhance our reputation and attractiveness.

Accordingly, I am pleased to announce that, during the year under review, we have embarked upon and significantly progressed several of our strategic initiatives. Some of these initiatives include enhancement of a risk-based supervisory approach and continued focus on financial sector stability and crisis management.

Risk-Based Supervisory Framework

The FSA's enhanced approach to risk-based supervision is based on the following concepts and principles, which are considered essential for an effective functioning of the financial system, namely; continuous assessment of the risk profile, focus on material risks, corporate governance, principles-based and forward looking and supervisory intensity and intervention.

The FSA will continue to enhance its risk-based supervision methodology which will undoubtedly deepen our oversight function and ultimately boost the safety and soundness of the country's financial system.

Financial Sector Stability and Deposit Insurance

Financial sector linkages have increased tremendously with cross border capital flows and financial conglomerates dominating the financial system. While increased financial integration has facilitated the flow of funds and financial intermediation, the increased interconnectedness has also built systemic risks, increased the likelihood and severity of contagion and has highlighted vulnerabilities such as the lack of related safety nets.

To this end, the issue of deposit insurance remains a crucial component in enhancing the stability of the financial system and more specifically, to overcome the asymmetry of information in the financial system. The collapse of CLICO and BAICO demonstrated that government bailouts may not be feasible, especially in the absence of a national crisis management plan. Moreover, it raises a much more fundamental issue, namely; the need for a crisis resolution strategy, inclusive of deposit insurance to reduce the risk to depositors of financial loss.

Risk Management Infrastructure

Regulating and supervising financial institutions is a difficult balancing act. As such, the FSA must find the right balance between protecting depositors, policyholders and other creditors, and allowing regulated financial institutions to compete effectively and take reasonable risks.

In keeping with its mandate, the strategic objectives of the FSA are aimed at improving the safety and soundness of financial institutions, and increasing confidence in the financial system. The Authority does this through developing guidance on risk management and mitigation, assessing the risks and risk management of financial institutions, and intervening promptly when corrective actions need to be taken. The FSA focuses on current and emerging risks that have the potential to have a material impact on regulated entities, and whether they have effective controls in place. The triggers of disturbances and shocks to the financial system are uncertain. What is relatively certain, however, is that if controls and risk management in institutions are robust, and strong capital and liquidity shock absorbers are in place, the ability to deal with such events is greatly improved.

NPLs & Credit Bureau

Improving asset quality, through effective management of non-performing loans, remains the most important challenge for the credit union and building society sectors.

The rapid resolution of "bad loans" has been recognised as a matter of paramount importance for managing credit risk and strengthening the financial infrastructure.

In my last message, I would have mentioned that the Credit Reporting Bill was enacted in St. Vincent and the Grenadines in 2017. To date, it has been passed in the Parliaments of four (4) other ECCU member territories. However, enactment of the Bill remains outstanding in three (3) territories. The Eastern Caribbean Central Bank ("ECCB") continues to advocate for the legislation to be enacted in all member territories to allow for the operation of the credit bureau regionally.

This is an important step in addressing the issue of asymmetric information, accelerate the speed with which credit applications are processed, provide credit-granting firms with greater means to assess risk and facilitate the extension of credit to underserved segments of the population.

Emerging Issues

Virtual Assets

The emergence of cryptocurrencies and more extensive cyber security risks have impacted the scope and conduct of supervision. The emergence of virtual assets, globally and regionally, represents both a challenge and an opportunity not only for the regulator but also for the industry and consumers of financial services. It has generated growing public interest and diverse legislative responses. It is evident that the emergence of such innovative technology requires modernization of our legislative and regulatory framework. Based on the available information however, virtual assets do not currently pose a material risk to financial stability. Nonetheless, their existence raises several policy issues and regulators have recognised the need for vigilant monitoring in light of the speed of market developments.

The ECCB has prepared a draft Virtual Asset Business Bill to provide for the regulation of virtual asset business in the Eastern Caribbean Currency Union ("ECCU"). The Bill proposes to introduce a registration regime that will be overseen by the national regulators in the eight member countries of the ECCU.

Systemically Important Financial Institutions (SIFIs)

The 2007/2008 financial crisis brought to the forefront the high degree of connectivity that exists among financial institutions and the catastrophic effects that these contagion linkages can have on the financial system and the wider economy, thus creating the need for greater regulation and oversight for financial institutions that are deemed systemically important.

Within our financial space, credit unions are expanding, becoming an increasingly important source of credit to the private sector through increases in membership, assets, loans and deposits. The boom in credit union activity has implications for financial inclusion and the financial stability framework.

Given the very important and systemic role that credit unions play in the financial landscape of St. Vincent and the Grenadines, and by extension the ECCU, the ECCB embarked on a framework for identifying systemically important credit unions to enhance the robustness of the ECCU's financial stability framework. The assessment is based on the minimum criteria; size, interconnectedness, substitutability and complexity, outlined in the Domestic Systemically Important Banks (D-SIB) framework. In this regard, the General Employees Cooperative Credit Union (GECCU) has been identified as a SIFI, which according to the ECCB's financial stability mandate, should be subject to greater supervisory oversight.

Stabilization Fund

The FSA continues apace with several initiatives which are expected to assist in enhancing financial stability in the jurisdiction. These initiatives are mainly geared towards new legislative developments and new and improved supervisory arrangements. One such initiative is the establishment of a stabilization fund for the credit unions. The aim of the Fund is to protect vulnerable but viable credit unions from liquidation, instability or collapse. It will also foster and maintain public confidence in the financial system.

International Initiatives

On the international front, St. Vincent and the Grenadines successfully completed an assessment on harmful tax practices by the Organization for Economic Cooperation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Inclusive Framework in January 2019 and thereafter, in March 2019, also successfully passed the EU COCG's screening exercise and was whitelisted.

The Authority will continue to work closely with these organizations to ensure that St. Vincent and the Grenadines remains in good standing with these organizations.

The FSA fully supports the policy goal of the Government of St. Vincent and the Grenadines to introduce a territorial based system of taxation. This, together with complimentary economic substance legislation are anticipated to result in a positive turnaround for a rapidly declining IFS Sector.

Concluding Remarks

The environment in which we operate is in constant evolution and continues to increase in its complexity. It is likely that the pace of change within the industry will continue to accelerate and we must rise to new challenges and meet expectations head-on. We need to adapt and respond to the changing landscape to continue to contribute to a sound and strong financial system in St. Vincent and the Grenadines.

In closing, I wish to commend the relentless dedication and commitment of the Executive Management and Staff in fulfilling the mandate of the FSA. I further wish to record my deepest appreciation to my fellow Board members for their unstinting support. Collectively, we will continue to fulfil our responsibility to safeguard the best economic interest of St. Vincent and the Grenadines.

Leon Snagg
Chairman

Executive Director's Report 2019

It is my pleasure to report on the work and activities of the FSA over the period January 01- December 31, 2019.

At the time of writing this 2019 report, jurisdictions across the world are experiencing unprecedented challenges as we contend with the outbreak of the COVID-19 pandemic. The far-reaching consequences and impact of the pandemic on St. Vincent and the Grenadines and the financial sector are yet to be determined. The FSA will continue to work with the regulated sector to navigate this crisis with focus and resilience.

Background

November 12, 2019 marked the seventh anniversary of the FSA, an autonomous statutory body established pursuant to the Financial Services Authority Act, No. 33 of 2011 ('the FSA Act'), an amalgam of three regulatory units[1] which has yielded significant benefits by streamlining functions, consolidating and optimizing resources. The FSA's role, functions and powers are outlined in the FSA Act, and its regulatory objectives are enshrined in the FSA's core guiding principles, also outlined therein. These include, in sum, the protection and fair treatment of consumers, the enhancement of market integrity and financial stability, and the promotion of fair competition.

The FSA has responsibility for the administration and enforcement of those enactments specified under its governing legislation. As part of its mandate therefore, the FSA is charged with ensuring compliance with the FSA Act and other specified enactments, regulations or guidelines. It is also responsible for ensuring that each licensed financial entity is properly managed and remains financially sound.

Consistent with the FSA's core principles, the FSA continued to strengthen the supervision of the non-bank financial services sector. We have also sharpened our supervisory approach to focus more heavily on risks identification and mitigation, crisis management and financial stability. These techniques are in fact embedded in our current three-year Strategic Plan (2019- 2021).

The FSA's main contribution to building financial stability is to ensure that institutions are well-supervised and that emerging threats and risks are identified and acted upon in a timely and effective manner. A stable financial system is key to achieving other statutory objectives of maintaining market confidence, protecting consumers and reducing financial crime.

Prudential supervision has historically focused on the safety and soundness of individual firms and the risks they pose to their particular sector. The growing importance and use of financial soundness indicators and stress tests underscores the need for a macro-prudential approach to regulation and supervision to identify and mitigate risks emerging in the financial system as a whole; that is, the institutions and the markets in which they operate as a means of maintaining financial stability and averting systemic crises.

Regulatory Approach

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, International Core Principles (ICPs), CARAMELS, International Financial Reporting Standards (IFRS), Basel I and some aspects of Basel II) in conjunction with the application of Risk-Based Supervision (RBS).

Supervisory oversight in 2019 remained consistent, with a comprehensive on-site inspection programme, complemented by equally comprehensive off-site analytical activities across all regulated sectors.

Risk-Based and Consolidated Risk-Based Supervision

The FSA adopted and implemented a formalized Risk Based Supervision (RBS) framework in keeping with best international practice for regulators in 2015 subsequent to training from the Caribbean Regional Technical Assistance Centre (CARTAC). In 2018, CARTAC conducted a review of the application of the RBS framework among regional regulators and found that there was inconsistent application. It was therefore recommended that further training of non-bank supervisors be undertaken to ensure clear understanding and correct implementation, the objective being to fully reap the benefits of RBS.

1 The International Financial Services Authority (IFSA), the Co-operatives Division of the Ministry of National Mobilization, Social Development et al and the Supervisory and Regulatory Division within the Ministry of Finance.

To this end, in July of 2019, the FSA and other regional Regulators attended a Regional workshop, hosted by the FSA in St. Vincent and the Grenadines, in which technical assistance was delivered by CARTAC on the RBS framework and enhancing RBS practices across non-bank financial institutions. Supervisors were urged, inter alia, to depart from the practice of conducting annual full-scope onsite inspections and to use their limited resources wisely in directing efforts where the greater risks lie and conducting more focused visits, as necessary.

The desired outcome of RBS is to operate at an optimum level. This entails a sufficiently deep understanding of institutions and industries to identify material changes and assess the probable impact on their risk profiles for timely interventions. The key benefits include systemic, forward looking assessment within a formalized framework, allowance for early identification and intervention leading to a reduction in resolution costs, encouraging strong risk management practices and devotion of supervisory attention on a proportionate basis, in line with the risk profiles of the institutions and their systemic importance.

In September 2019, the FSA also participated in another CARTAC hosted workshop on Consolidated Risk Based Supervision of Banking Groups and Financial Conglomerates aimed at capacity building to strengthen prudential and supervisory oversight of financial groups (banking, insurance and financial conglomerates in the region).

Several recommendations were made, including, inter alia, the development and implementation of risk-based supervisory strategy by both home and host supervisors to ensure adequate coverage/scope in executing supervisory work at both the solo and consolidated levels for systemically important cross-border financial conglomerates. Further recommendations included the review of remedial tools and powers by applicable home and host supervisors to address gaps which inhibit recovery and resolution planning for systemically important financial groups, and development of a regional crisis management plan.

Accordingly, the FSA will seek to promote a more cohesive consolidated supervisory approach by enhancing its data compilation and analysis of the regulated financial institutions and seeking collaboration with other regional regulators in the regulation of financial groups and conglomerates and other cross-border institutions.

Regulatory Capacity

CapCapacity building continues to be a top priority of the FSA in order to engender high performance standards. In 2019, relevant staff of the FSA participated in regional regulatory workshops and conferences held annually by CARTAC, which provided excellent opportunities for training and awareness raising on current topics and issues impacting the regulated sector, the regulator and the public at large.

In addition to these annual sector-specific workshops on Insurance, Pensions and Credit Unions attended by FSA Managers and Examiners, the FSA also participated in the College of Regulators on Demerara Mutual Life Assurance Society Ltd. which was chaired by the Bank of Guyana, home Regulator, and included representatives from Grenada, Guyana, St. Lucia, St. Vincent and the Grenadines and Trinidad and Tobago. The key outcomes included a decision that the home Regulator would draft a supervisory plan to be shared with all the host Regulators, which outlines the supervision of Demerara in Guyana and in the other jurisdictions. There was also encouragement for Regulators to engage in more dialogue to ensure that there is a unified approach to the supervision and regulation of Demerara given its complexity and systemic importance, particularly in Guyana.

Local Collaboration

In 2019, the FSA collaborated locally with key stakeholders, including, but not limited to, the Financial Intelligence Unit, the Inland Revenue Department, the Ministry of Finance and the Attorney General's Chambers on initiatives relating to the work of the FSA and other matters of national interest. Work with the Attorney General's Chambers has included revising various pieces of legislation to either modernize and/or bring them in line with certain international initiatives.

The FSA continues to be involved in policy making and oversight of the country's Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regime via its membership on the National Anti-Money Laundering Committee (NAMLC), the Chairman, Executive Director and Legal Officer all being members.

The FSA actively participated in the National Risk Assessment (NRA) of the AML/CFT Regime using the World Bank Methodology, and contributed significantly to the conduct of the exercise, with key members of staff engaged in various Working Groups as well as the Coordinating Committee. This self-assessment of the jurisdiction's AML/CFT regime will provide the jurisdiction with an opportunity to critically review weaknesses identified and improve AML/CFT effectiveness, by, inter alia, opening an avenue for regulators, law enforcement and the relevant business communities to further develop and enhance a more effective supervisory and enforcement system, respectively, centered around the risks identified, and prevailing vulnerabilities in products and operations.

In 2019, the FSA maintained its direct engagement with industry players via prudential and other meetings and onsite examinations. Such engagements form an important part of the FSA's collaborative approach to its work and the industry's cooperation and feedback continue to add value to the FSA's works and efforts.

Industry Overview

Chart 1 - No. of financial and registered entities (2015-2019)

The number of financial entities[2] as at December 2019 was **310** and the number of registered entities was **6,092** altogether amounting to a total of **6,402** licensed and registered entities[3] operating in or from within St. Vincent and the Grenadines.

As depicted in the chart above, there has been a consistent decline in the total number of entities, specifically registered entities, over the past five (5) years.

While the size of the non-bank financial sector remained consistent for 2019, with the exception of LLCs, which increased substantially, and Trusts, which remained constant, there was an overall decline in international financial services products (IBCs (aggregate of IBCs, BCs & CTDs from the previous year. The rapid decline in IBCs and Trusts, and reduced entrants to the market, was an anticipated result of the amendments to the IBC and Trusts Acts in December 2018, removing the hitherto most attractive feature to investors, corporate or direct tax exemption. Despite the decline, the IFS sector overall remained the principal income earner.

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

SVG International Tax Status

BEPS Inclusive Framework

In January 2019, St. Vincent and the Grenadines was assessed by the Forum on Harmful Tax Practices (FHTP) of the OECD's Base Erosion and Profit Shifting (BEPS) Inclusive Framework, and was found compliant, in that the country did not have preferential or harmful tax regimes with respect to its international financial services. The next steps in regards to St. Vincent and the Grenadines' membership in the BEPS Inclusive Framework is to ensure that the remaining minimum standards are implemented. The FSA will continue to engage the OECD BEPS Inclusive Framework representatives to obtain guidance in relation to these standards, some of which would require legislative amendments.

Since St. Vincent and the Grenadines became a member of the BEPS Inclusive Framework in 2018, work has been ongoing with the OECD to ensure that SVG meets the BEPS four minimum standards. St. Vincent and the Grenadines in fact hosted a Regional Induction Workshop on the BEPS project, coordinated by the OECD and the Ministry of Finance and the FSA in September 2019, the purpose of which was to assist St. Vincent and the Grenadines and other Caribbean jurisdictions, which are new members of the BEPS Inclusive Framework, in meeting the four minimum standards[4].

EU COCG/EU Commission International Tax Criteria

St. Vincent and the Grenadines was placed on the European Union Code of Conduct Group (Business Taxation) (EUCOCG) white list in March 2019, following its formal assessment of the jurisdiction's amended IBC and International Trust legislation. By meeting the requirements of the EU Tax Criteria, St. Vincent and the Grenadines was able to avoid the disruptive effects of blacklisting on its economy, which had the potential to negatively affect financial stability at both the macro and micro level, and at the same time, preserve its integrity in matters of international cooperation, tax transparency and tax accountability.

While the publication of EU's list of non-cooperative jurisdictions has placed St. Vincent and the Grenadines in good standing with the EU COCG, St. Vincent and the Grenadines is now in a position where it is struggling to compete with other international financial services centers in the Caribbean region and around the world, which have been able to maintain their 0% corporate tax rate. The increase in the tax rate which has been imposed, expectedly had a negative effect on the IBC sector. The decline in the sector, which commenced prior to 2018, was escalated as a result of these amendments, despite the three-year grandfathering period for existing registered IBCs before the change takes full effect. The IBC sub-sector is being closely monitored to assess the continued impact owing to these factors.

A policy goal of the Government is to introduce a territorial based system of income tax, where tax is charged only on income that accrues directly or indirectly from sources in St. Vincent and the Grenadines. This regime will also be complemented by economic substance legislation, which

2 Consists of banks, mutual funds, mutual fund managers and administrators, registered agents, credit unions, building societies, friendly societies, Money Service Businesses (MSBs), insurance companies, insurance intermediaries, pension plans.

3 International Business Companies (IBCs), Continued IBCs (CTDs), Limited Liability Companies (LLCs), Trusts

4 Action 5- Countering harmful tax practices more effectively, taking into account transparency and substance
Action 6- Prevention of Treaty Abuse
Action 13- Re-examination of transfer pricing documentation
Action 14- Making dispute resolution mechanisms more effective

would require international entities to demonstrate real economic activity in the jurisdiction. This regime would enable the financial services sector to remain competitive in the international market. An assessment of the option of merging the international and domestic corporate regimes in St. Vincent and the Grenadines will also be undertaken. The FSA will continue to engage the relevant stakeholders in this exercise and to engage in relevant dialogue with the EU and OECD to ensure that the country continues to meet its commitments.

Established Standards for Institutional Strengthening

The FSA continues to issue Industry Guidelines to bolster the regulatory framework and promote compliance with legal requirements and best practice and have been found to be 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 but nonetheless require periodic review to ensure that they are current and remain effective.

In 2019, Guidelines for the Insurance Sector on Business Continuity Planning were issued pursuant to Section 10 of the FSA governing legislation, the purpose being to encourage insurers to adopt a proactive approach in formulating a documented plan to ensure continuity of operations in the event of a disaster or other threats to their business.

Strategic Plan 2019-2021

In the first quarter of 2019, the FSA drafted and adopted its third Strategic Plan for the period 2019-2021. This Plan was carefully formulated to guide the operations of the FSA, and was created against the current backdrop of evolving international standards for financial services regulation. The FSA continues to be fully cognizant of the significant responsibilities which it holds as the country's single regulator for the non-bank and international financial sectors. As such, the main elements of the Strategic Plan have been structured to closely align with the FSA's statutory objectives and the overriding aim of the FSA's strategic goals and supervisory activities is to provide protection to consumers as users of regulated financial services. The three main strategic goals of the 2019-2021 Strategic Plan are:

- on-going institutional capacity building and operational efficiency;
- establishing standards for institutional strengthening for the management of risk in the financial services sector for the protection of stakeholders; and
- development of Early Warning System Indicators through compilation of financial soundness indicators and financial stability reports.

The main strategic actions which will be pursued by the FSA to achieve its objectives are development of a system for monitoring and evaluating performance indicators for systemic and contagion risks, the development of a set of macro-prudential and stability performance indicators for the non-bank financial sector and the establishment of a stabilization fund for the credit union sector.

The FSA's 2019-2021 Strategic Plan was developed after careful assessment of the progress and strategy of the organization over its first six years of existence and was drafted with the intent of enhancing already established areas and strengthening areas which require greater focus and development.

Key Targets 2020

The FSA Work programme for 2020 will closely guide the activities and priorities of the year and is expected to further advance its strategic goals set out in the Strategic Plan 2019-2021. Main legislative targets will be the enactment of a modern legislative framework for Friendly Societies and Building Societies. The FSA will also draft and submit amendments to the FSA's enabling legislation (Financial Services Authority Act) to strengthen its enforcement powers. The FSA will also work with relevant stakeholders and the industry to advance the implementation of a territorial tax regime with the passage of amendments to the Income Tax Act as well as the drafting and enactment of complementary economic substance legislation. The FSA will also endeavor to advance the enactment of amendment to the Money Services Business Act, harmonized Cooperatives Societies Regulations and a Virtual Assets Bill.

Attention will continue to be placed on promoting compliance with governing legislation and best practice by ensuring that there is comprehensive guidance to aid the regulated sectors in complying with their regulatory obligations. To this end, Guidelines on Reinsurance Arrangements and Sound Practices and Procedures for insurers, Share Capital Guidelines, and Guidelines on the establishment of a Stabilization Fund for the credit union sector, are slated to be implemented in 2020.

Core regulatory work will also be advanced in accordance with the overall strategic direction of enhancing financial sector regulation, supervision and financial stability. The FSA will continue to foster strategic alliances with its counterparts, locally, regionally and internationally in order to achieve its strategic goals and execute its mandate.

The FSA will continue towards full implementation of the technical assistance offered by the Caribbean Development Bank (CDB) to provide for institutional strengthening of the FSA through the implementation of a new IT platform. The anticipated positive results have come to fruition as there has been a notable enhancement of the FSA's registry, regulatory and administrative systems. The FSA intends to intensify its dialogue and collaboration with Invest SVG[5] in implementing the marketing development component of the CDB Project as steps have been taken in 2019 to recruit a Marketing Consultant to liaise closely with Invest SVG to promote and market SVG's IFS products and formulate a Strategic Marketing Plan.

As we navigate the effects of the COVID-19 pandemic, the FSA is cognizant of the difficult year ahead as we continue to grapple with the various challenges-health, social and economic, posed. The FSA will provide guidance and issue advisories as required on emerging risks, and heighten its offsite supervisory focus on core regulatory issues in the regulated sector. The FSA will also assess its own operations and business continuity in the constantly fluid environment in which we continue to operate.

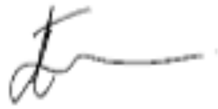
Conclusion

While the FSA's Strategic Plan details the specific outcomes, the Authority is seeking to achieve, as well as the strategies and initiatives which will be undertaken to achieve those outcomes, it is recognized that the key to successful implementation is driven in large part by the continued support and cooperation of stakeholders and the industry.

I take this opportunity to record sincerest gratitude and appreciation to the Board of Directors, management and Staff of the FSA for their sound stewardship, dedication and hard work. I wish to also mention and record the FSA's appreciation of the service and dedication of our beloved Alicia Browne, Examiner in the IFS department, whose sudden passing on September 22, 2019 still resonates and leaves a void within the FSA. May she continue to rest in perfect peace.

I also take the opportunity to thank our stakeholders, in particular, the Honourable Minister of Finance, as well as the Honourable Attorney General, and the industry, for their valuable cooperation and support. The progress and results of the FSA over the past seven years would not have been accomplished without the arduous collective efforts of the aforementioned.

As we move forward into 2020, we intend to build upon a firmly entrenched foundation to ensure continued delivery of our mandate with dedication, commitment and integrity.



Carla James

Executive Director

5 A governmental statutory body with responsibility as part of its mandate to market and promote SVG's international financial services.

Credit Union, Building Societies and Money Service Business Sector Report

Credit Unions

Credit Unions are members owned financial entities, that provide financial services to their members. The operation of a credit union is primarily governed by the Cooperative Societies Act (CSA) No. 12 of 2012. Oversight of credit unions is tri-fold; internal oversight activities are conducted by volunteers (Board of Directors and various committees) voted from amongst its membership, SVG Co-operative League Limited (CUL), an apex body and the Financial Services Authority (FSA). Collectively, they work to maintain the safety and soundness of internal control systems and effective financial structure.

The five (5) credit unions operating in St. Vincent and the Grenadines as at December 31, 2019 are:

- General Co-operative Credit Union Limited (GECCU);
- Kingstown Co-operative Credit Union Limited (KCCU);
- SVG Police Co-operative Credit Union Limited (PCCU);
- SVG Teachers Co-operative Credit Union Limited (TCCU); and
- SVG Co-operative League Limited (CUL) – the Apex Body

SVG Small Business and Microfinance Co-operatives Ltd. (COMFI) remains in liquidation. Resolution proceedings were significantly delayed as a result of issues relating to the transfer of financial instruments and securities.

Building Societies

The St. Vincent Building and Loan Association (SVBLA) is the only registered building society in St. Vincent and the Grenadines. This institution remained under enhanced supervision during 2019. In 2019 the SVBLA completed a three (3) year Strategic Plan and honored all demands for fixed deposits during the year.. Fixed deposits paid during the year amounted to EC$4.7M.

Financial Performance

In 2018, the credit unions and building society officially adopted and implemented the IFRS 9 accounting standard for financial instruments. This standard replaced IAS 39, and specifies the recognition, measurement and derecognition of financial instruments. The initial implementation resulted in moderate decreases in the required allowance for expected credit losses (ECL) in most of the entities, however, the ECL reported for 2019 increased but remained in line with expectations. Variations are expected in these estimates, by virtue of the underlying principles of IFRS 9.

The table below provides a summary of the impact of the standards on the loans and advances in the sector. It also shows that adequate credit management techniques were utilized, by the sector.

Table 1 - Impact of implementation of IFRS 9/IAS 39 on Loans and Advances

Particulars	ECL December 2019 (Unaudited)	ECL December 2018 (Audited)	ECL December 2017 (Audited)
Expected Credit Loss (ECL)/Allowance for Loan Loss (ALL)	$26,417,435	$25,998,392	$26,690,450
Gross Loans	486,149,527	454,662,735	433,771,738
Ratio	5.4%	5.7%	6.2%

A synopsis of the financial position of the sector as at December 31, 2019 is illustrated in the following table with key financial indicators and comparative data from prior years.

Table 2 – Synopsis of Total Assets, Net Loans, Deposits and Regulatory Capital

Categories	December 2019 (Unaudited)	December 2018 (Audited)	December 2017 (Audited)
Total Assets	EC$705,111,743	EC$658,963,047	EC$620,459,261
Net Loans	EC$459,732,092	EC$428,664,343	EC$407,081,288
Total Deposits	EC$559,743,926	EC$517,271,862	EC$478,907,732
Regulatory Capital	14.8%	14.6%	15.9%
Total Membership	72,748	70,820	65,895
Total Staff	170	157	150

The sector recorded growth in all of the major areas when compared to the prior year, 2018 as follows:

- Total assets increased by EC$46.1M or 7.0%;
- Loans portfolio expanded by 7.3% or EC$31.1M, this expansion can be attributed to attractive product and marketing strategy within the sector;
- Loan portfolio represents 65.2% of total assets in 2019;
- Members' deposits grew by 8.2% or EC$42.0M;
- Overall regulatory capital was above the prudential rate at 14.8%, a slight increase of 0.2 percentage points when compared with 2018; and
- Credit unions membership also grew by 1,928. Similarly, the number of employees also grew by thirteen (13).

Regulation and Supervision

The FSA continued to ensure that an appropriate and enhanced legislative framework and guidelines are in place to regulate the sector. The review of draft amendments to the Cooperative Societies Regulations to address administrative penalties and fees and the strengthening of the risked-based supervision framework are some of the areas that were pursued in 2019. Additionally, all the credit unions underwent onsite examinations in 2019 which were focused on the entities' main risk vulnerabilities. Off-site monitoring was also featured as a key supervisory tool during the review period. The FSA continued to provide guidance and recommendations where deficiencies were noted in order to promote stability and confidence in the sector.

The department was involved in several capacity building exercises that were coordinated and sponsored by the Caribbean Regional Technical Assistance Centre (CARTAC), and the United States Treasury Department.

Money Service Business

As at December 31, 2019, two (2) Money Services Businesses were in operation. A review of remittance activities over the last three (3) years revealed a positive trend in the volume of inbound transactions with a marginal decline in value in 2019. Outbound activities have declined in both volume and value. At year-end 2019, the value of inbound activities declined by EC$2.1M or 1.6%, while outbound activities declined by EC$2.5M or 9.8%.

Table 3 outlines the net flow as at December 31, 2019.

Table 3: Inflow and Outflow Statistics 2017-2019

Inbound Trends				Outbound Trends			
Year	Dec. 2019	Dec. 2018	Dec. 2017	Year	Dec. 2019	Dec. 2018	Dec. 2017
Value EC$ M	129.7	131.8	120.1	Value EC$ M	23.0	25.5	28.8
# of Trans.	206,458	203,275	195,454	# of Trans.	26,470	29,521	33,372

Also, transaction trends, by value, over the last five-years revealed a positive movement of inflows to St. Vincent and the Grenadines, except for 2019 when there was a slight decline in remittances. Funds remitted outward within the same period peaked in 2017, then decreased. This trend continued in 2019. The chart below illustrates the inflows and outflows between 2015 - 2019.

Chart 1 - Inbound and Outbound flows for 2015-2019

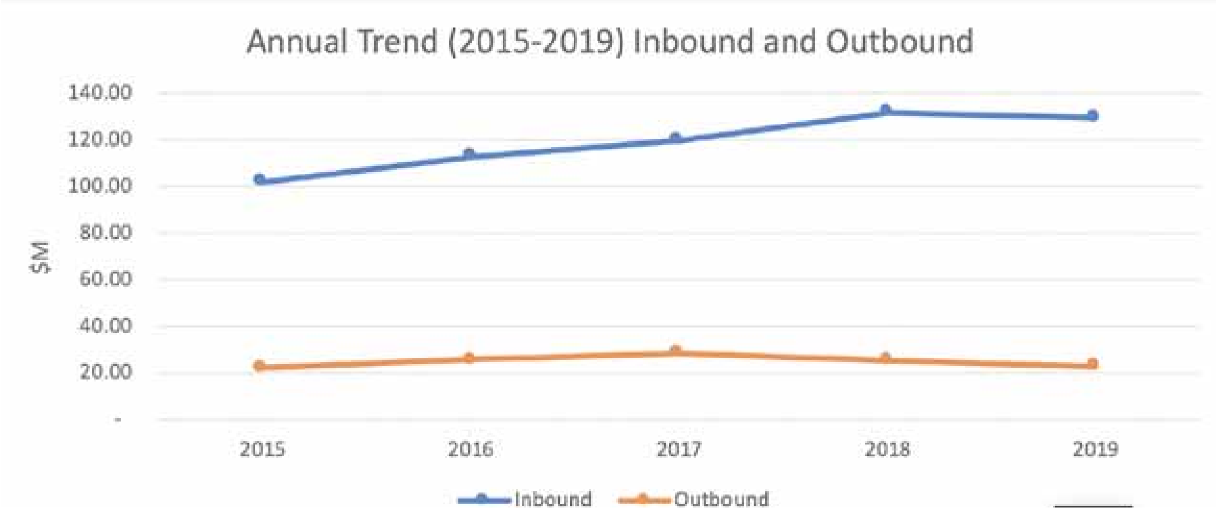


Chart 1 figures are expressed in EC$M

Regulation and Supervision

The third round of full-scope onsite examinations was conducted during 2019, with heavy focus on AML/CFT compliance. Monthly offsite assessments were conducted and the sector remained mostly compliant with the governing legislation and regulations.

Friendly Societies

As at December 31, 2019, there were eighteen (18) registered friendly societies with combined assets of $11.4M. The assets mainly consisted of property and cash and cash equivalents. New legislation to govern the friendly societies has been reviewed by the Attorney General's Chambers and at review date was with the Honorable Minister of Finance for approval.

Activities during 2019 consisted of onsite and desk-based review of financial information and policies and sustained efforts to strengthen corporate governance within these entities.

INSURANCE SECTOR REPORT

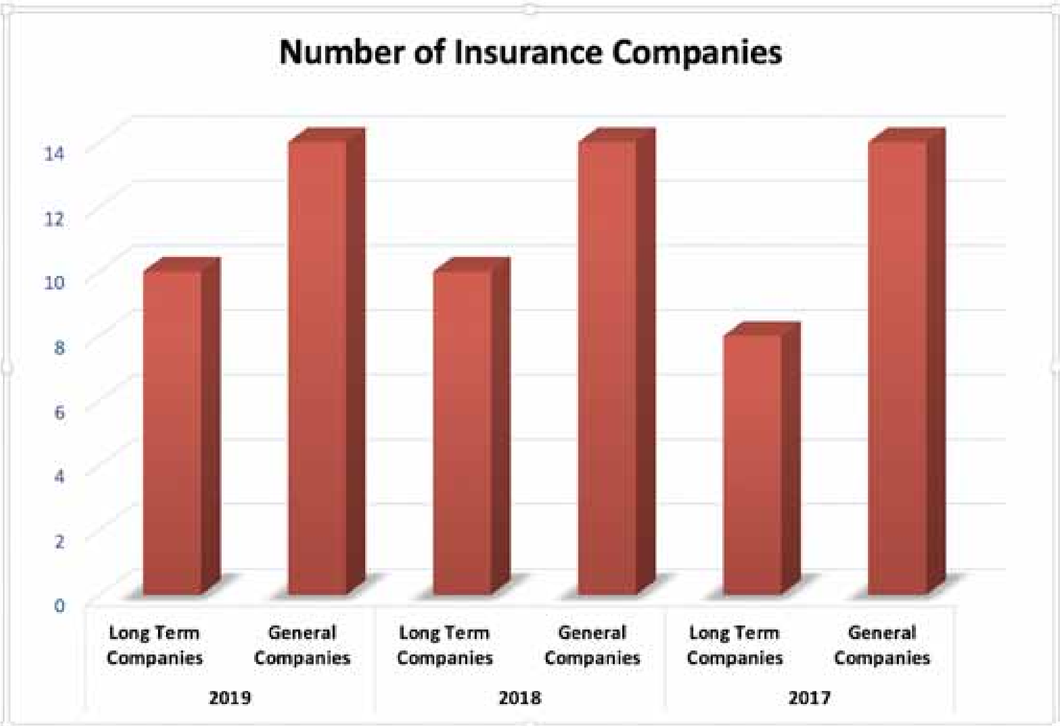
The insurance industry in St. Vincent and the Grenadines has two distinct sectors; the domestic insurance segment, which provides insurance of local risks, and the international insurance segment, which provides insurance of foreign risk by insurers from within St. Vincent and the Grenadines. The FSA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

Domestic Insurance Sector

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

For the reporting period, January to December 2019, it was noted that the composition of the domestic insurance sector remained constant when compared with 2018. As at December 31, 2019, there were twenty-four (24) 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. Fourteen (14) companies were registered to conduct short-term (also referred to as property and casualty) insurance business, while ten (10) companies were registered to undertake long-term insurance business.

Figure 1. Number of Insurance Companies 2017-2019



Source: FSA Records

Intermediaries

As at December 31, 2019, there were two (2) Adjusters, one (1) Association of Underwriters, sixteen (16) Insurance Agents, eight (8) Insurance Brokers and one hundred and twenty-seven (127) Insurance Sales Representatives.

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

Table 1. Number of Registrants in the Insurance & Pensions Industry as at December 31, 2019

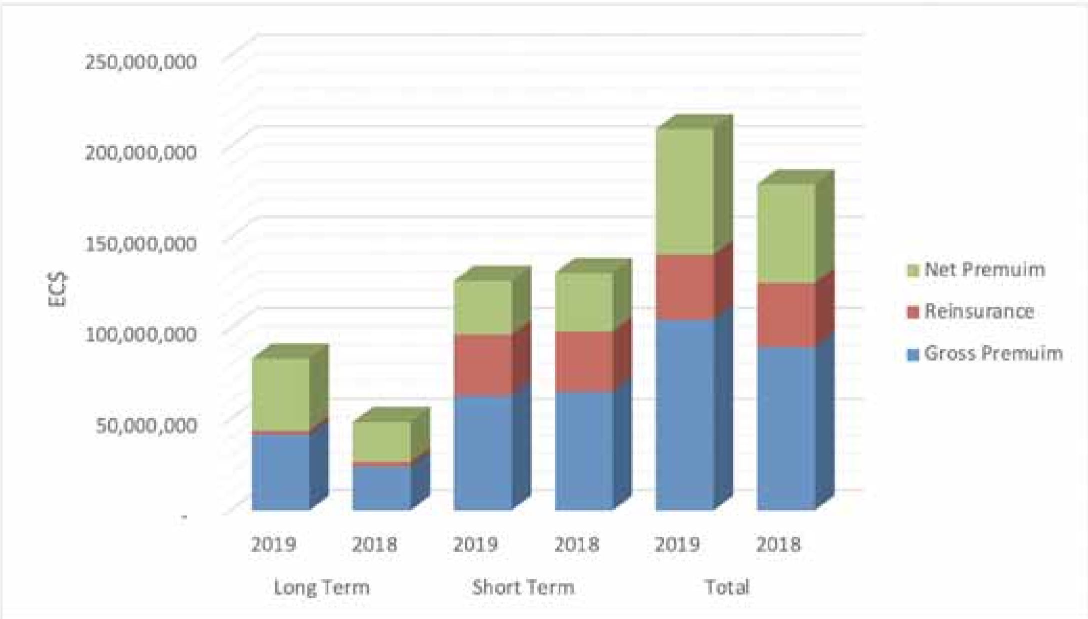
	2019	2018	2017
Insurance companies	24	24	23
Brokers	8	8	8
Agents	16	16	17
Sales Representatives	127	127	119
Association of Underwriters	1	1	1
Insurance adjusters	2	2	1
Total Insurance Licences	**178**	**178**	**169**
Pension Fund Plans	28	28	25

Gross Premium Analysis

In 2019, Gross Premium income in the insurance industry totaled $104.9M[1] . This represented approximately 4.6% of Gross Domestic Product[2] at market price and an increase of 17.0% over the gross premium income of $89.6M in 2018. At the end of 2019, long-term insurance premiums were approximately EC$41.7M; reflecting an increase of EC$17.4M or 71.5% when compared with the previous year. The leading long-term insurer held approximately 75.2% of total premiums written.

Gross premium income for the short-term segment of the market totaled EC$63.1M in 2019; a decrease of 3.3% when compared with the 2018 figure of EC$65.3M.

Figure 3. Gross Premium Income for 2018-2019



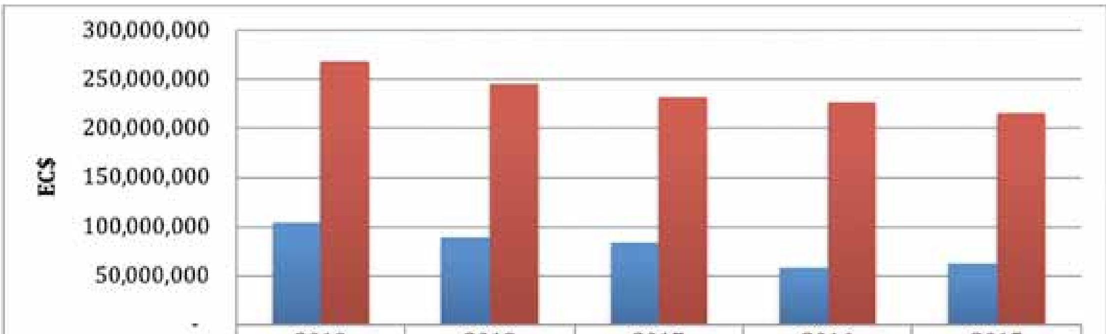
Source: FSA Records

1 All figures for 2019 are preliminary.
2 GDP at market price for SVG for 2019 was forecasted at EC$2,225.35m.

Asset Base

Total assets for the domestic insurance sector stood at EC$268.4M as at December 31, 2019. Government securities of 46.7%, and cash and deposits of 18.7% represented the largest proportion of the industry's assets.

Figure 4. Total Premiums & Assets of Insurance Companies 2015-2019



	2019	2018	2017	2016	2015
Total Premuims	104,858,859	89,617,974	83,620,826	59,046,477	61,982,488
Total Assets	268,360,848	245,899,405	232,131,094	227,017,352	216,205,211

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, 2019. Four (4) of these companies were locally incorporated while the other ten (10) were incorporated outside of St. Vincent and the Grenadines and operated through a branch or agency arrangement.

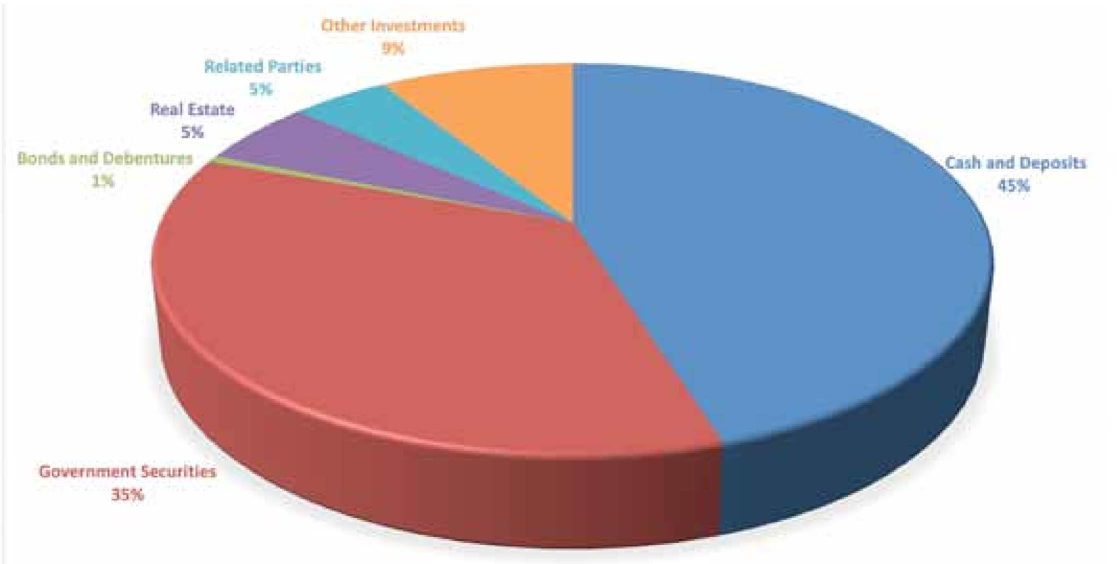
During 2019, gross premiums written by the general/short-term insurance segment of the market amounted to approximately EC$63.1M, a decrease of 3.4% when compared with the previous year. Premium income in this segment of the market is driven by the property and motor lines of business.

The sector retained 46.8% of the insurance premiums underwritten, while the majority was reinsured with highly rated international reinsurers.

Claims have historically been the largest component of insurance expenditure. In 2019, short-term insurance companies paid claims totaling $15.2M, a decrease of 9.4% when compared with the 2018 figure of $16.8M. This represented 65.3% of total underwriting expenditure for 2019 compared with 69.5% in 2018.

Total assets for the short-term segment of the market totaled EC$114.0M. Investment assets represented 63.7% of total assets. As depicted in Figure 5, cash and deposits and government securities accounted for the majority of investment assets.

Figure 5. General Insurance Investment Assets Composition 2019



Long-term/Life Insurance Companies

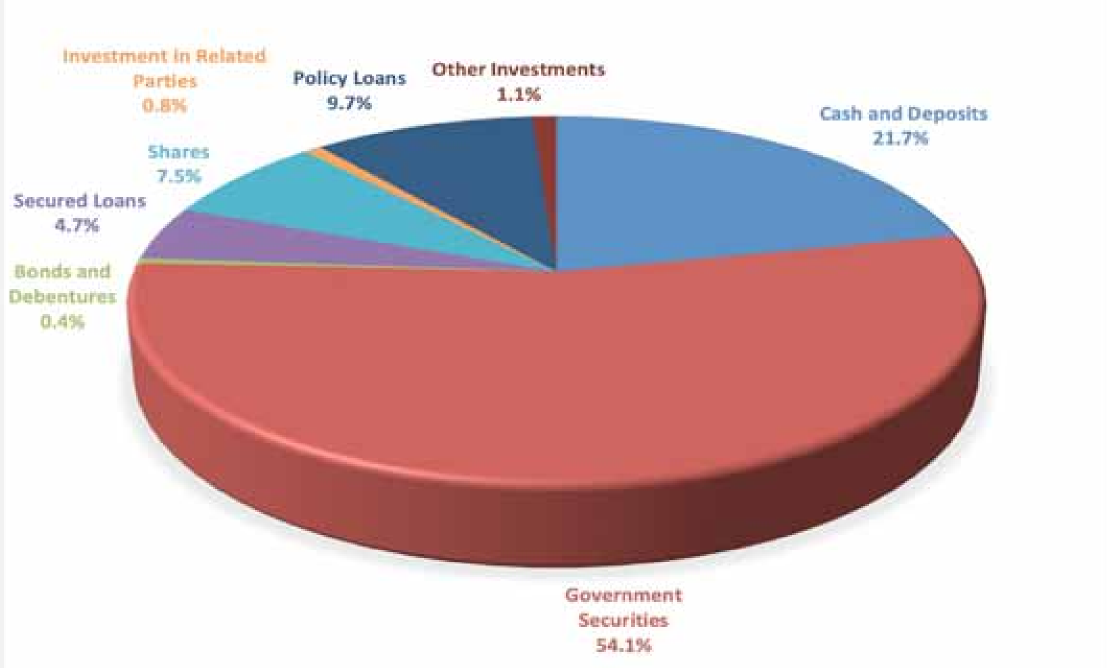
There were ten (10) companies registered to write long-term insurance business as at December 31, 2019. Three (3) companies are registered to write life insurance business only, while the others are composite companies i.e. companies that conduct/write both long-term and short-term insurance business. Of the total, British American Insurance Company and CLICO International Life remained under judicial management.

In this segment, premium income generated amounted to EC$41.7m in 2019, reflecting an increase of $17.4M or 71.5%, when compared with the previous year.

Total expenditure in 2019 in this segment of the market amounted to EC$42.1M; an increase of 66.3% compared with EC$25.3M the previous year. A major expense item for life insurers is policyholders' benefits, which accounted for 67.1% of total expenditure, followed by management expenses and commission expenses with 20.6% and 8.7% respectively in 2019.

As at December 31, 2019, the total assets, including statutory deposits, for companies registered to conduct long-term insurance business, stood at EC$154.3M, up from $139.5M at the end of 2018 or an increase of 10.6%. As depicted in Figure 6 below, Government securities accounted for 54.1% of total cash and investments while cash accounted for 21.7%.

Figure 6. Life Insurance Investment Assets Composition 2019



International Insurance Sector

As at December 31, 2019, there were three (3) international insurance companies, one (1) Insurance Manager and one (1) Insurance Broker registered under the International Insurance Act, Chapter 307 of the Revised Laws of St. Vincent and the Grenadines. The insurance companies consisted of two Class II insurers that are registered to conduct life and capital assurance business, while the other is a Class IV, which conducts liability insurance business.

The total number of international insurance operators have been more or less constant since 2007. However, there was a change to the structure of the portfolio, in that there was one additional insurer and one less broker. This was due to the fact that one broker was closely associated with the newly registered insurer and as such was required to surrender its broker license. The FSA continues to monitor this sector to ensure effective supervision and compliance with applicable legislation and guidelines.

Pension Fund Plans

The legislative authority governing the regulation and supervision of pension funds in St. Vincent and the Grenadines is Part VIII of the Insurance Act. These provisions provide for a registration process of private pensions and regulatory submissions of annual accounts and triennial actuarial valuations. As at December 31 2019, there were twenty-eight (28) pension fund plans registered with the FSA. Two new plans were registered in 2019.

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, follow-ups on the areas of concerns and deficiencies identified during prudential meetings held with each individual pension plan, were conducted during the year. Additionally, the FSA continues to implore upon the trustees, the importance of the timely submission of the audited financial statements in order to enhance the supervisory methodology for the registered plans.

Regulation and Supervision

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

The insurance department continues to enhance its RBS framework which was fully implemented in the previous year. In 2019, examiners were exposed to a regional workshop on the Implementation of Risk-Based Supervision which led to the revision of the annual risk assessment reports and risk matrices used to evaluate the risk profile of insurers. As part of the RBS approach, the risk assessment report requires the identification of the significant activities of a financial institution, the inherent risks associated with each of these activities and the impact of the risks on the institution's capital, earnings and liquidity. In addition, the effectiveness and oversight of each key inherent risk is considered separately then compiled into an assessment of the residual risk for the activity.

Insurers with a composite rating of high or above average can expect increased monitoring from the FSA, while insurers which are assessed as low to moderate risk may receive fewer visits and regulatory oversight and may also be assessed through prudential meetings in lieu of full scope or focused onsite examinations.

As a result, insurance companies were subject to annual off-site risk assessments based on the annual returns and audited financial statements. As at the end of December 2019, nine (9) risk assessment reports and risk matrices were prepared which formed the basis of the onsite examinations and prudential meetings that were conducted.

On the supervisory front, the FSA continues to conduct onsite examinations in fulfillment of its responsibility to ensure a safe, sound and efficient financial system. During the year, three (3) insurance companies were assessed in regards to compliance with applicable laws, guidelines, international best practices, to confirm that prudential requirements arising out of the previous examinations were addressed/implemented and to ensure ongoing regulatory compliance. Six (6) insurance companies were assessed through prudential meetings.

As at December 31, 2019, all companies had complied with the minimum capital requirement and had satisfied the Statutory Deposit and Insurance Fund obligations. By the end of 2019, approximately EC$110.5M 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 continues to provide guidance to the insurance sector through issued guidelines to promote and maintain high standards of conduct and management in the provision of insurance services. During the year, guidelines on Business Continuity Management for Insurers were issued to the sector.

The FSA will continue to enhance its supervisory and regulatory regime by identifying and responding to new and emerging risks through a macro-prudential approach to regulation in conjunction with the current risk-based supervisory approach. The FSA will also continue to work with all insurance companies to strengthen their corporate governance and risk management practices, capital adequacy and internal controls and compliance with regulatory requirements. The FSA recognizes that the overall effectiveness of its function heavily hinges on the collaboration and cooperation with the regulated entities. To this end, the FSA is committed to continually improving communication with licensees to achieve its stated objectives.

INTERNATIONAL FINANCIAL SERVICES SECTOR REPORT

Introduction

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/trusts, international business companies (IBCs)/Business Companies, Limited Liability companies (LLCs) and also international insurance*[1] entities in 2019. These IFS product offerings are on par with those available at the major international financial centers.

Registered Agents[2] , which are an integral part of the IFS sector, are also licensed by the FSA. Registered Agents are key players in ensuring that sound business is channeled to the jurisdiction and there is compliance with the laws and regulations. They are, in essence, the "gatekeepers" of the IFS industry and provide registered agent, trustee and fiduciary services.

New Developments /Impact of New Tax Regime

In 2018 SVG made a significant change[3] to its International Business Companies and International Trusts legislation in order to avert being listed as a "non-cooperative" jurisdiction by the European Union Code of Conduct Group (EUCOCG) Business Taxation. On March 12, 2019, the EU listed SVG as a cooperative jurisdiction. While the publication of EU's list of non-cooperative jurisdictions has placed SVG in good standing with the EUCOCG, SVG is now in a position where it is struggling to compete with other IFS centres in the Caribbean region and around the world which have managed to maintain their 0% corporate rate. The amendments and subsequent events thereafter have significantly impacted the size of the IFS sector, particularly, the IBCs and International Trusts sectors. As a result, the IBC and International Trusts sectors are being closely monitored because of these factors. The FSA is however, working alongside relevant stakeholders to introduce a territorial tax system and economic substance requirements in an effort to maintain the IFS sector.

IFS Sector: Registered Entities 2012 -2019

The total number of active entities for all IFS products has generally trended downwards since 2012. Ref: TABLE I below provides information on the number of active IFS entities licensed/registered from 2012 up to December, 2019. Also, of note is that cancellations in all sectors have generally been increasing.

1 A report on International Insurance activity is included with the "Insurance Sector."
2 Service providers in the international financial service sector
3 The removal of tax exemption on income from IBCs and International Trusts.

TABLE I
INTERNATIONAL FINANCIAL SECTOR
NUMBER OF ACTIVE ENTITIES
YEARS 2012 – 2019

Type of International Financial Services Product	2012	2013	2014	2015	2016	2017	2018	2019
International Business Companies	8,279	8,103	7,174	6,674	6,258	5,946	5,548	5,368
Business Companies	-	-	-	-	-	-	-	472
Limited Liability Companies	18	44	48	43	53	55	47	163
International Trusts	126	104	131	118	121	91	82	82
Trusts	-	-	-	-	-	-	-	7
International Banks	5	4	5	5	5	5	4	3
Mutual Funds	125	117	114	109	102	89	90	79
Registered Agents	17	16	16	16	16	16	13	14

In addition, the trend in renewals and new registrations of all IFS sector products was generally downwards. In addition, there has been a general decline in total income generated from IFS products over the period, albeit at a slower rate compared to the 2017/2018 period.

The exception to this was the growth recorded in the LLC sector. It must be highlighted, that with the abolition of SVG's IBC regime, deemed harmful by the EUCOCG, in December 2018, higher-than-usual quantities of LLCs are being registered. There were also increases in renewals observed in LLCs over the 2012-2019 period, which was positive. Therefore the income from LLC activity has been significantly higher.

Despite the harsh international economic environment, the IFS sector remained relatively competitive and the marketing efforts of a few Registered Agents continued to impact positively on the industry.

Pursuant to an ongoing Grant Agreement with the Caribbean Development Bank, in 2019 a Marketing Consultant was solicited to work with Invest SVG and other stakeholders to develop an effective strategic plan for marketing, promotion and further development of the IFS industry.

International Banks

This sector is licensed and regulated by the Authority under a regime set out by the International Banks Act, Chapter 99 of the revised laws of St Vincent and the Grenadines, 2009 and its Regulations, the FSA Act 2011, the Proceeds of Crime Act, 2013 and the Anti-Money Laundering and Terrorist Financing Regulations, 2014. The international banking sector declined in early 2019 as another international bank wound up its operations and proceeded into voluntary liquidation. Therefore, three (3) licensed international banks remained operating in SVG in 2019, Ref: TABLE II below.

TABLE II
INTERNATIONAL FINANCIAL SECTOR
NAME AND CLASS OF INTERNATIONAL BANKS
YEAR 2019

NAME OF BANK	CLASS[4]
Investex Bank Ltd *formerly B2B Bank Limited*	A
RBC Royal Bank Holdings (EC) Limited	B
MPB Bank Limited	B

In 2019, the risk-based supervision (RBS) framework was formally implemented and has become an integral part of the examination process of the licensed international banks. The result has been a more proactive and dynamic supervision process which is intended to enhance and direct the supervision/monitoring of the licensed banks.

Onsite examinations of the international banks continued and the seventh round of examinations since 2008 commenced in 2019.

The three (3) licensed International Banks have generally maintained adequate capital and met the minimum paid up capital requirement of 8% and US$3.0M respectively. One of the licensed Banks had to make a substantial adjustment in its annual impairment under IFRS9. This was reflected in a reduction in its investment balances.

Mutual Funds, Mutual Fund Managers and Mutual Fund Administrators (Mutual Fund Entities)

International Mutual Fund entities registered/licensed in SVG are professionally managed investment schemes made up of pools of funds owned by various investors for the purpose of returns from the various types of investment instruments. The Mutual Funds (Amendment) Act Chapter 154 of the Revised Laws of St. Vincent and the Grenadines, 2009 is the governing legislation for this sector. As at December 31, 2019 there were seventy-nine (79) active entities registered/licensed pursuant to the Mutual Funds legislation. The various mutual fund entities which can be licensed/ registered/recognized pursuant to the Mutual Fund legislation are:

- Public Mutual Funds;
- Private/Accredited Mutual Funds;
- Mutual Fund Managers;
- Recognized Mutual Fund Managers;
- Mutual Fund Administrators; and
- Mutual Fund Managers/Administrators.

Several Public and Private mutual funds have been formed utilizing the segregated cell company (SCC) structure, introduced under the International Business Companies (Amendment and Consolidation) (Amendment) Act, 2018, which is an attractive product to investors. Since its introduction, the FSA has processed several mutual fund ventures utilizing this model.

Establishment of a Single Regional Regulator for Mutual Fund Entities

In 2017, the Monetary Council of the Eastern Caribbean Currency Union (ECCU) approved one single authority within the member countries, the Eastern Caribbean Securities Regulatory Commission (ECSRC), to seek membership to the International Organization of Securities Commissions (IOSCO) and assume regulation of all onshore and offshore securities entities of the ECCU region. In 2019, the Authority continued the work it had begun four years ago to further develop the ECSRC and provided feedback on its own mutual fund framework including the entities which it had registered and detailed information on its mutual fund portfolio.

The Investment Funds Bill, drafted in 2018, which will apply to the mutual funds sector and other investment products was circulated to the industry for comments and the consultation period ended in early March, 2019. The ECSRC

4 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 Banks Act') ; and (ii) their capital requirements, reference section 10 of the said Banks Act.

received approval from the ECCU Monetary Council in October 2019 to enact the newly redrafted Securities Bill and a new ECCU Investment Funds Bill.

International Trusts/Trusts

At 31 December 2019 there were 82 active international trusts (2018: 82) and 7 new trust registrations in total during the reporting period. The aforementioned amendment of the International Trust Act brought changes to the international requirements which differentiated this product and removed the tax exemption provisions.

International Business Companies/Business Companies

IBCs/BCs continued to dominate the IFS sector products with respect to the number of registered and active entities, new registrations and renewals. IBC/BC new registrations have fluctuated but the trend has generally been increasing up to 2018, albeit marginal, and a marked decline was recorded in 2019. This was not positive for the dominant income earner in the IFS industry, however, this product continued to generate the highest income over the period.

Limited Liability Companies

At reporting date there were 234 LLC formations, 163 of which were active. Further, there were 136 new formations during the year. The largest such recording since the enactment of the LLC legislation in 2008. In fact, annual average LLC formations for the period 2012-2019 were 10; thus, 136 formations for the year is noteworthy. On average, the LLC was a relatively small product which is becoming an increasingly important growth area.

Registered Agents

Given that Registered Agents play a crucial role in ensuring the suitability of international business that is channeled to the Jurisdiction the FSA continued to ensure that all Registered Agents comply with the provisions of the Registered Agents and Trustee Licensing Act, its regulations and other governing legislation. All registered agents were solvent and generally compliant with legislation.

The sixth round of onsite examinations of the FSA's registered agents commenced in 2019.

An additional Registered Agent was licensed in the year thereby increasing the number of active registered agents to 14.

Active offsite supervision of the other IFS products where necessary continued throughout the year.

FINANCIAL PERFORMANCE
For the Year Ended December 31, 2019

Financial Highlights

The Financial Services Authority ("The FSA"/ "The Authority") realized a profit of EC$479,814; a reduction of 38.9% (2018: EC$785,751) for the reasons highlighted below in the discussion of revenue and expenses.

Revenue earned is remitted to the Consolidated Fund[1] . As a result, the FSA's operations are funded by the Government of St. Vincent and the Grenadines through subvention.

The Fee Income remitted to the Consolidated Fund for 2019 was EC$2,763,645 compared to EC$2,898,221 for 2018, a decrease of EC$134,576 or 4.6%.

Revenue

In 2019, revenue decreased by 3.9% to EC$2,937,171 (2018: EC$3,055,472). This downward movement in 2019 was primarily due to a decline in renewals of the majority of the International Financial Services' ('IFS') sector products, with the exception of LLCs and International Int'l Insurances that increased for the period. In addition, new registrations showed an overall decline particularly Business Companies[2] which significantly reduced by 39.1%.

During the year renewals and new registrations for BCs, fell by 6.8% and 39.1% respectively compared to 2018.

This decline in the number of renewals and registration was as a result primarily of the revised legislative requirements in December 2018, the effect of which has removed the tax exemptions on income generated by IBCs & Trusts. This has led to a reduction of the existing entities and a decline in new registrations. Of note is that IBCs continue to be the primary income generator of the FSA. As a result, their overall decline impacted the total revenue earned for the period.

Additionally, total renewed entities and new entities fell overall by 9.8% compared to the previous year.

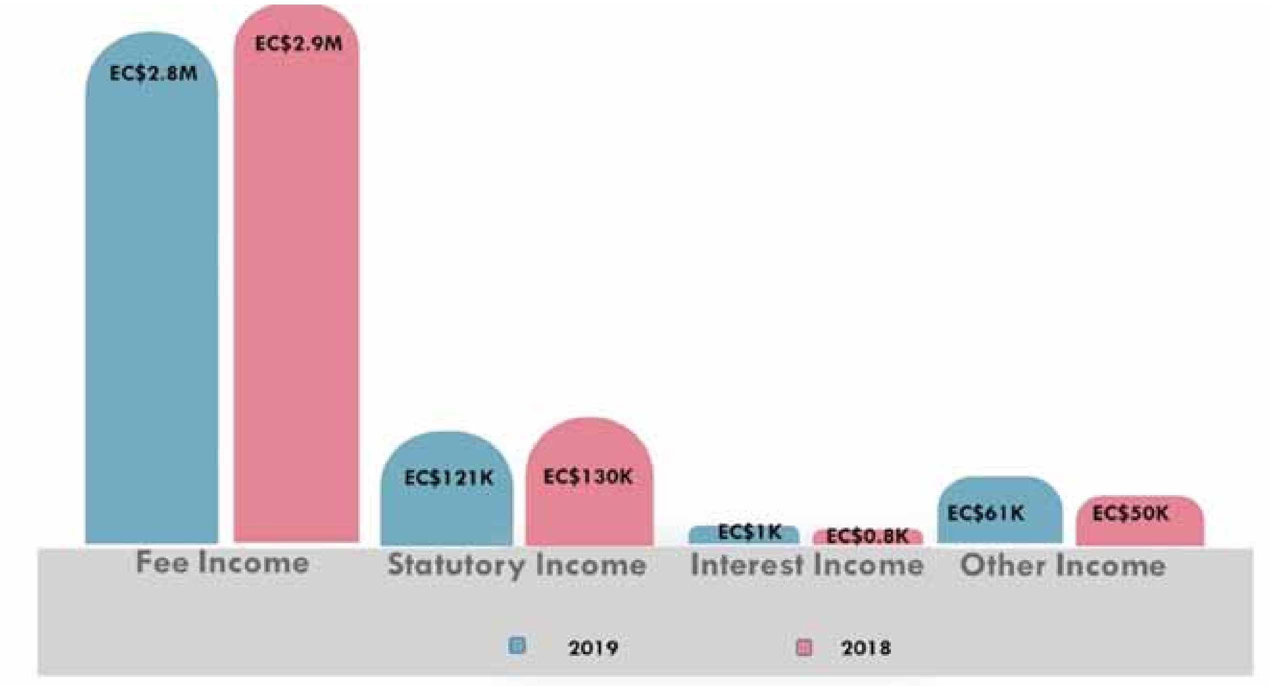
Statutory deposit income[3] declined by 6.5% when compared to the prior year. This is because the FSA released a statutory deposit that was held for an International Bank that proceeded into voluntary liquidation whilst other income climbed during the period primarily as a result of an expense that was reimbursed to the Authority.

1 Consolidated Fund is the account into which the Government of St. Vincent and the Grenadines ('GOSVG') taxes and revenues are deposited. Thus, all funds collected on behalf of the GOSVG by the FSA are deposited into this account.

2 Business Companies (BCs) is the new term used for International Business Entities since the amendment of the International Business Companies (IBCs) Act as at December 31, 2018. Thus, throughout this report new and existing entities will be referred to as BCs/ IBCs.

3 Statutory deposit income is interest income earned on statutory cash deposits held for International Banks and International Insurance entities, and the FSA receives as income a component of the interest generated.

Chart 1: Comparative Revenue Analysis for the Years 2019 and 2018

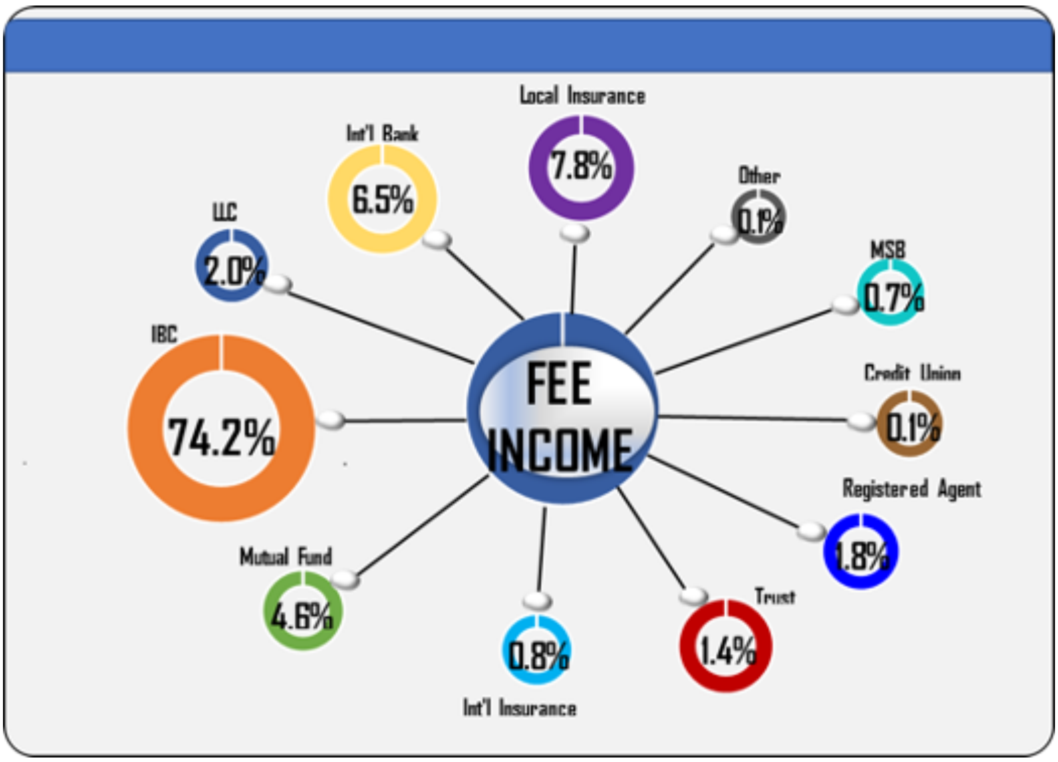


(Source: Audited financial statements for 2019)

The IFS sector continued to be the dominant revenue generator for 2019, contributing EC$2,515,993 or 91.4% to fee income while the other sectors represented EC$238,044 or 8.6%.

The Authority's IBCs contributed 74.2% to fee income while the other non-IBC sector products accounted for 25.8%. Of note however, is that although, there was a decline in fee income generated from the majority of IFS and other sector products, LLCs showed significant growth, which is largely due to the exemption of tax still attached to this product.

Chart 2: FSA's Products as a Percentage of Fee Income



(Source: Based on numbers from the 2019 Audited financial statements)

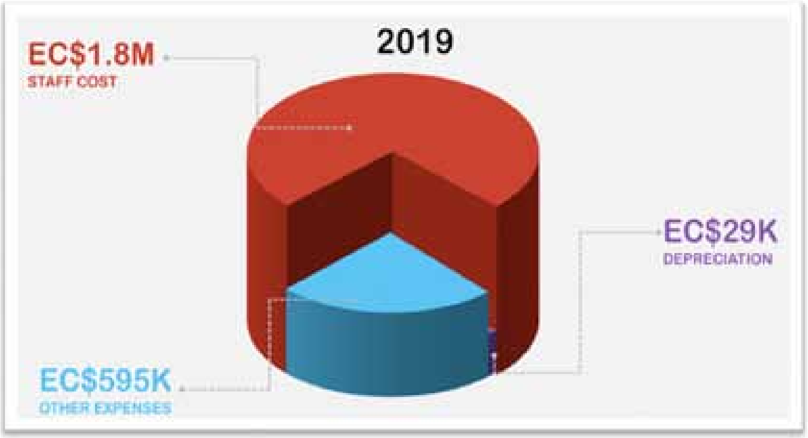
Expenditure

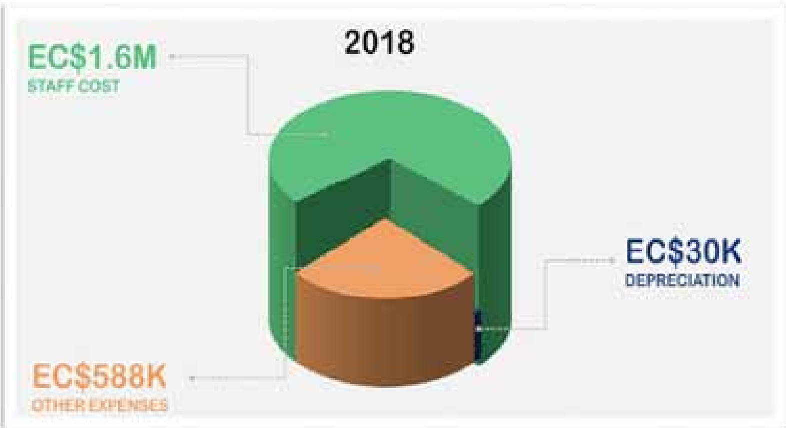
Operational expenses increased by EC$187,636 or 8.3% when compared with 2018. This was mainly as a result of an approved salary increase and the filling of two vacant positions during the year. Staff costs represented approximately 74.6% (2018:72.8%) of the Authority's total expenses for the reporting period, thus resulting in a significant impact on the total expenses reported.

Other operating expenses also increased, but slightly, by EC$7,583 or 1.3%. This increase cannot be attributed to any one particular expense, but relates to an offset of opposing movement on several expenses over the period. The Authority's cost to income ratio increased to 0.84:1 whilst 2018 was 0.74:1. For reasons stated above, whilst expenses increased, revenue declined for the period.

Despite the increase in overheads the Authority continued to be frugal in managing its overall cost.

Chart 3: Expenditure Analysis for the Years 2019 and 2018





(Source: Audited financial statements for 2019)

Assets and Liabilities

Assets

Total assets increased by EC$4.2M or 7.9% when compared to 2018 over the 2019 financial year. This upward movement in total assets reflects the impact of several asset balances increasing over the year, with the exception of trade and other receivables and due from Government of St. Vincent and the Grenadines.

During the year held-to-maturity securities rose by 22.4%, and this was primarily due to the lodgment of new securities by insurance entities with the Authority. For 2019 EC$1.9M bond securities matured and were disbursed to these entities, whilst proceeds of EC$5.7M in new securities were charged to the Authority.

Other asset balances also increased as follows: Cash and cash Equivalent by 3.3%, plant and equipment by 7.1% and prepayments by 16.6% while trade and other receivables decreased by 7.6%. The FSA's net cash and cash equivalents' position was EC$13.3M. This arose from favorable working capital movements of EC$830K offset by cash consumption for investing activities of EC$43K, which relates to asset acquisition and cash consumption for financing activities of EC$434K, resulting in a net movement of EC$353K for the period.

Trade and other receivables decreased by EC$13K, which is mainly due to a decrease in other receivables following the part payment of amounts owed, whilst there was no movement in the statutory balance held with the Government of St. Vincent and the Grenadines.

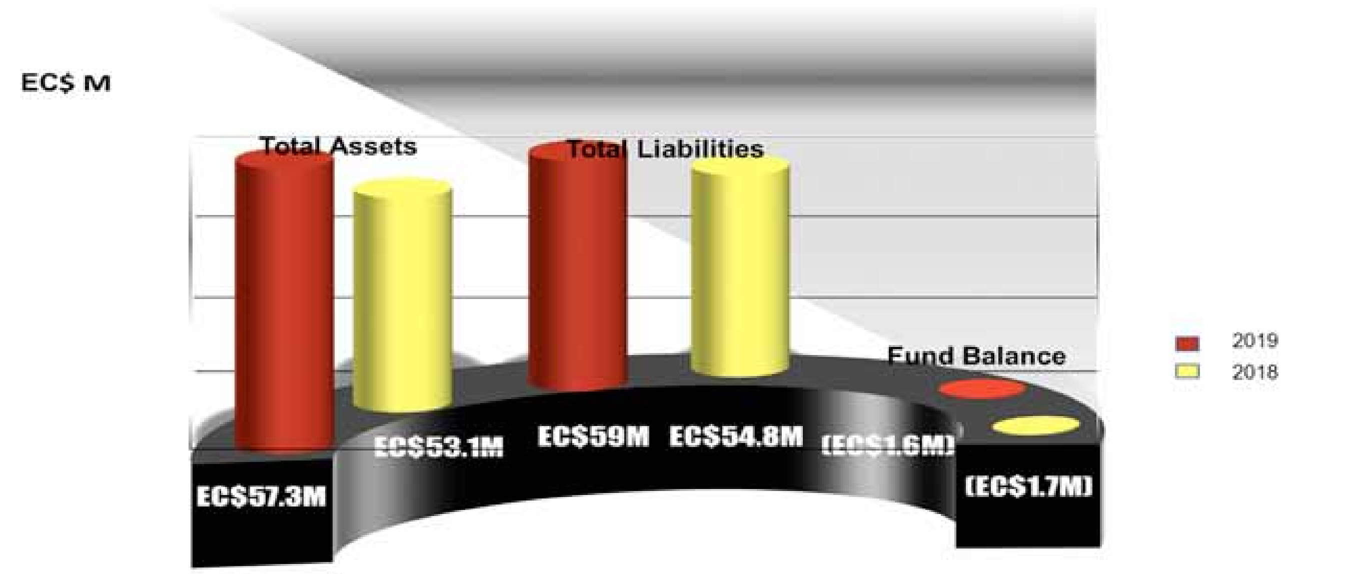
Liabilities

Total liabilities increased by EC$4.2M or 7.6% in comparison to 2018, which showed a decrease of 2.2% over 2017; 73.4% of these liabilities are long-term, while 26.6% are short-term.

The major contributor to the increase in liabilities is the change in due to statutory depositors, which increased by 7.8%. This is as a result of the receipt of EC$5.7M[4] statutory deposits from insurance entities that were charged to the Authority during the year, and was partially reduced by the disbursement of matured bonds of EC$1.9M.

Trade and other payables grew by 1% and this was primarily driven by the increase in pension accrued which was slightly offset by a decline in trade payables for the period.

Chart 4: Comparative Analysis of Total Assets, Total Liabilities and Fund Balance for the Years 2019 and 2018



(Source: Audited financial statements for 2019)

4. Staffing

The FSA employed twenty-two (22) full time staff as at December 31, 2019.

4 This figure includes statutory deposit balance for issued securities and statutory cash balances received from insurance entities. During

In Loving Memory
of
Alicia Samantha Browne
Sunrise: 10.05.1984 ~ Sunset: 22.09.2019

Alicia Samantha Browne was a stalwart employee of the Financial Services Authority (FSA); an occupation in which she took much pride during her fifteen-year tenure. Alicia was employed as a Temporary Registry Clerk with the then IFSA on 1st March 2004 and was granted permanent employment eight months later.

Upon completing her Bachelor of Laws (LLB), she was promoted to Trainee Examiner and subsequently Examiner I. Diligent in her tasks, Alicia had a positive impact at the FSA and was regarded as an exemplary employee. She represented the IFSA and the FSA at numerous workshops and conferences locally, regionally and internationally. Alicia was awarded Employee of the Year in 2014 and her excellent service was also recognized by the FSA in subsequent years. She was also the FSA's sole formally trained anti-money laundering and counter financing of terrorism specialist.

Alicia sadly departed this life on 22nd September 2019. At the time of her passing, she was engaged in the pursuit of further education towards a BSc. in Accounting at the University of the West Indies.

For our light and momentary troubles are achieving for us an eternal glory that far outweighs them all. So, we fix our eyes not on what is seen, but on what is unseen, since what is seen is temporary, but what is unseen is eternal.
2 Corinthians 4:17-18

The Financial Services Authority is profoundly saddened by the passing of Alicia who has left an indelible impression on us all. She is fondly remembered for her strong Christian faith, mannerisms, helpfulness and rosy cheeks.

"And when great souls die, after a period peace blooms slowly … They existed. We can be. Be and be better. For they existed."
- Maya Angelou

Sincerest condolences to her family and friends and may her soul rest in peace.

FSA DEPARTMENTS AND MANAGEMENT TEAM

Executive Management & Managers

Credit Union et al Department

International Financial Services Department

Registry Department

Insurance and Pensions Department

Finance and Administration Department

FINANCIAL SERVICES AUTHORITY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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. Edmond Jackson - Director	September 2018 - Present

EXECUTIVE DIRECTOR

Ms. Carla A. James

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 the Financial Services Authority ("the Authority"), which comprise the statement of financial position as at December 31, 2019, and the statement of changes in fund balance, 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, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities (IFRS for SMEs).

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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 IFRS for SMEs, 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 Authority'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 Authority or to cease operations, or has no realistic alternative but to do so.

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

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.

Telephone: 1(784) 453-3222 Facsimile: 1(784) 453-3322 Email: admin@alexandersq.com

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 Authority'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 Authority'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 Authority to cease to continue as a going concern.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 30, 2020

Alexander & Co. Squared
Chartered Accountants
Arnos Vale
St. Vincent and the Grenadines

FINANCIAL SERVICES AUTHORITY
Statement of Financial Position
As At December 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
ASSETS			
Cash and cash equivalents	5	**13,366,855**	12,939,407
Trade and other receivables	6	**167,150**	180,801
Prepayments		**10,312**	8,841
Due from Government of St. Vincent and the Grenadines	7	**22,945,157**	22,945,157
Held-to-maturity securities	8	**20,615,531**	16,838,803
Property, plant and equipment	9	**210,872**	196,895
Total Assets		**57,315,877**	53,109,904
LIABILITIES AND FUND BALANCE			
Liabilities			
Borrowings	10	**112,119**	37,713
Trade and other payables	11	**1,802,755**	1,784,444
Deferred revenue	12	**412,774**	413,189
Due to Government of St. Vincent and the Grenadines	13	**123,148**	140,468
Due to statutory depositors	14	**56,514,253**	52,429,431
Total Liabilities		**58,965,049**	54,805,245
Fund Deficit		**(1,649,172)**	(1,695,341)
Total Liabilities and Fund Balance		**57,315,877**	53,109,904

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

Approved on behalf of the board of directors based on director's meeting on June 30, 2020.

Leon Snagg
Chairman

FINANCIAL SERVICES AUTHORITY
Statement of Changes in Fund Balance
For the Year Ended December 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	General Fund $	Total $
Balance as at December 31, 2017		(1,729,183)	(1,729,183)
Profit for Year		785,751	785,751
Income of predecessor body ceded to Authority		53,812	53,812
Net distribution to the Government's consolidated fund	18	(805,721)	(805,721)
Balance as at December 31, 2018		(1,695,341)	(1,695,341)
Profit for Year		479,814	479,814
Net distribution to the Government's consolidated fund	18	(433,645)	(433,645)
Balance as at December 31, 2019		**(1,649,172)**	**(1,649,172)**

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

FINANCIAL SERVICES AUTHORITY
Statement of Comprehensive Income
For The Year Ended December 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Income			
Fee income	15	**2,754,037**	2,875,153
Statutory deposit income		**121,331**	129,699
Interest income		**1,072**	803
Other income		**60,731**	49,817
Total Income		**2,937,171**	3,055,472
Operating Expenses			
Depreciation	9	**29,247**	30,026
Staff costs	16	**1,832,670**	1,651,838
Other operating expenses	17	**595,440**	587,857
Total Expenses		**2,457,357**	2,269,721
Profit for Year		**479,814**	785,751

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

FINANCIAL SERVICES AUTHORITY
Statement of Cash Flows
For The Year Ended December 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Note	2019 $	2018 $
Cash Flows From Operating Activities			
Profit for Year		479,814	785,751
Adjustments for :			
Depreciation		29,247	30,026
Interest earned		(1,072)	(803)
Earnings From Operations before Working Capital changes		507,989	814,974
Change in trade and other receivables		13,651	26,443
Change in prepayments		(1,471)	1,910
Change in due to Government of St. Vincent and the Grenadines		(17,320)	(34,938)
Change in trade and other payables		18,311	(31,989)
Change in deferred revenue		(415)	(7,114)
Change in held-to-maturity securities		(3,776,728)	987,271
Change in due to statutory depositors		4,084,822	(1,191,225)
Cash Generated From Operations		828,839	565,332
Interest received		1,072	803
Net Cash Generated From Operating Activities		829,911	566,135
Cash Flows From Investing Activity			
Additions to property, plant and equipment		(43,224)	(51,125)
Net Cash Used In Investing Activity		(43,224)	(51,125)
Cash Flows From Financing Activities			
Transfers to fund		—	53,812
Net distribution to the Government's consolidated fund		(433,645)	(805,721)
Net Cash Used In Financing Activities		(433,645)	(751,909)
Net movement in cash and cash equivalents		353,042	(236,899)
Net cash and cash equivalents - beginning of year		12,901,694	13,138,593
Net cash and cash equivalents - end of year	5	13,254,736	12,901,694

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 30, 2020.

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. In respect of non-licensed entities, receivables are recognised only to the extent that the amounts are recoverable within three (3) months of the end of the financial year. Fees for licensed entities are recognised when due.

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. Property, 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, plant 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, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the 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 and software	20%
Furniture and fittings	15%
Motor vehicle	25%
Furniture and 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 that financial year. If the service provided during the year is in respect of non-licensed entities and received up to three months in the subsequent financial year, the annual fee income is recorded in the current financial year. Fees received in advance of the period to which the service is rendered is recognized as revenue 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 revenue 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 performance conditions are treated as deferred revenue in the statement of financial position.

3. Significant Accounting Policies (continued)

g. Revenue Recognition (continued)

Grants

Government grants that affect revenue consist of two types:

(a) Capital grants, which are presented as deferred revenue on the statement of financial position. The assets purchased from these grants are capitalized as property, plant and equipment. 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) Income grants, which are taken to income in the year in which the performance conditions are met.

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.

3. **Significant Accounting Policies (continued)**

j. **Financial Assets (continued)**

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.

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 are as defined in note 3(b).

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.

3. Significant Accounting Policies (continued)

k. Financial Liabilities

Financial liabilities include bank borrowings, trade and other payables, deferred revenue, due to Government and due to statutory depositors.

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.

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);

3. Significant Accounting Policies (continued)

m. Fair Value Hierarchy (continued)

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.

a. 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.

b. Trade Accounts Receivable

The Authority determines its trade accounts receivable balance at each year-end by conducting a review of receipts in the three months after year-end which are applicable to fee income for previous years. Changing the assumption selected by management, in particular the period after year-end for which the review is undertaken, could significantly affect the Authority's evaluation of its income and trade accounts receivable and hence it's reported assets and profit or losses.

5. Cash and Cash Equivalents

	2019 $	2018 $
Cash on hand and at bank	88,695	41,094
Interest bearing deposits	13,278,160	12,898,313
	13,366,855	**12,939,407**

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

	2019 $	2018 $
Cash on hand and at bank	88,695	41,094
Interest bearing deposits	13,278,160	12,898,313
Borrowings (Note 10)	(112,119)	(37,713)
	13,254,736	**12,901,694**

Cash and cash equivalents are denominated in Eastern Caribbean dollars.

6. Trade and Other Receivables

Trade receivables

	2019 $	2018 $
Annual fees —International Business Companies	11,559	3,764
—Mutual Funds	—	2,957
	11,559	6,721
Allowance for impairment	—	—
Total trade receivables	11,559	6,721
Other receivables	155,591	174,080
Total other receivables	155,591	174,080
Total Trade and Other Receivables	**167,150**	**180,801**

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

6. Trade and Other Receivables (continued)

The ageing of trade receivables is as follows:

	2019 $	2018 $
0-60 days	11,559	6,721
	11,559	**6,721**

Trade and other receivables are denominated as follows:-

	2019 $	2018 $
United States dollars	11,559	6,721
Eastern Caribbean dollars	155,591	174,080
	167,150	**180,801**

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

The amount of $22,945,157 (2018: $22,945,157) represents statutory deposits of regulated entities held in the Government's consolidated fund on behalf of the Authority.

The amount due from 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:

	2019 $	2018 $
Treasury bills, at amortised cost	3,200,000	3,200,000
Bonds and notes, at amortised cost	17,415,531	13,638,803
	20,615,531	**16,838,803**

The maturity distribution of held-to-maturity securities is as follows:

	2019 $	2018 $
Under 1 year	5,626,000	5,665,841
1 – 5 years	8,177,830	6,918,562
Over 5 years	6,811,701	4,254,400
	20,615,531	**16,838,803**

The interest rate on these securities range from 6 to 7.5% (2018: 6 to 7.5% per annum).

Held-to-maturity securities are held in the name of the statutory depositor but control over them is assigned to the Authority. Interest on these securities is paid directly to the depositor.

9. Property, Plant and Equipment

	Furniture & Fittings $	Motor Vehicle $	Computer Hardware & Software $	Furniture & Equipment $	Books $	Total $
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
Year Ended December 31, 2018						
Opening net book amount	92,680	1	69,343	13,771	1	175,796
Additions	—	—	48,055	3,070	—	51,125
Depreciation charge	(18,253)	—	(4,727)	(7,046)	—	(30,026)
Closing net book amount	74,427	1	112,671	9,795	1	196,895
As at December 31, 2018						
Cost	165,752	76,975	157,717	47,537	7,629	455,610
Accumulated Depreciation	(91,325)	(76,974)	(45,046)	(37,742)	(7,628)	(258,715)
Net book amount	74,427	1	112,671	9,795	1	196,895
Year Ended December 31, 2019						
Opening net book amount	74,427	1	112,671	9,795	1	196,895
Additions	538	—	42,686	—	—	43,224
Depreciation charge	(18,760)	—	(6,150)	(4,337)	—	(29,247)
Closing net book amount	56,205	1	149,207	5,458	1	210,872
As at December 31, 2019						
Cost	166,290	76,975	200,403	47,537	7,629	498,834
Accumulated Depreciation	(110,085)	(76,974)	(51,196)	(42,079)	(7,628)	(287,962)
Net book amount	**56,205**	**1**	**149,207**	**5,458**	**1**	**210,872**

10. Borrowings

	2019 $	2018 $
Bank Overdraft		
Bank of St. Vincent and the Grenadines Ltd. (Note 5)	**112,119**	**37,713**

The bank overdraft is unsecured.

The effective interest rate on borrowings at the reporting date was 11% (2018: 11%) per annum.

Borrowings are denominated in Eastern Caribbean dollars.

11. Trade and Other Payables

	2019 $	2018 $
Trade and other payables	928,409	991,816
Payroll related liabilities	8,575	26,374
Pension contributions payable to the consolidated fund	697,118	588,332
Other payables	168,653	177,922
	1,802,755	**1,784,444**

Trade and other payables are denominated as follows:

	2019 $	2018 $
Pound Sterling	2,880	3,281
United States dollars	14,806	6,264
Eastern Caribbean dollars	1,785,069	1,774,899
	1,802,755	**1,784,444**

12. Deferred Revenue

	2019 $	2018 $
Fees in advance		
Annual fees	300,337	285,084
Due diligence fees	35,734	16,175
	336,071	**301,259**
Grant Income		
Beginning of the year	111,930	125,558
Transfer to income for the year	(35,227)	(13,628)
	76,703	**111,930**
	412,774	**413,189**

Deferred revenue is denominated as follows:

	2019 $	2018 $
United States dollars	336,071	301,259
Eastern Caribbean dollars	76,703	111,930
	412,774	**413,189**

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

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

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

14. Due to Statutory Depositors

The amounts due to statutory depositors consist of mandatory deposit obligations made by statutory depositors and voluntary deposits in excess of mandatory deposits.

	2019 $	2018 $
Obligations under statutory deposits	54,956,571	50,928,304
Interest payable to statutory depositors	1,557,682	1,501,127
	56,514,253	**52,429,431**

Statutory deposits are denominated as follows:-

	2019 $	2018 $
United States dollars	8,897,527	7,342,256
Eastern Caribbean dollars	47,616,726	45,087,175
	56,514,253	**52,429,431**

15. Fee Income

		2019 $	2018 $
Registration and Application Fees			
International Business Companies		240,484	395,056
Trusts		5,645	7,258
Mutual Funds		2,688	1,344
Limited Liability Companies		51,636	1,971
Registered Agents		1,344	1,344
Insurance – International		1,344	—
Local		5,900	—
		309,041	406,973
Annual and License Fees			
International Business Companies		1,125,282	1,207,728
Trusts		27,420	33,737
Mutual Funds		103,361	122,985
Limited Liability Companies		4,301	3,575
Banks		82,888	107,528
Registered Agents		41,936	45,162
Insurance Companies	— International	20,162	12,097
	— Local	208,988	193,826
Money Service Businesses		20,000	20,000
Credit Unions		1,775	1,850
		1,636,113	1,748,488
Other Fee Income			
Due diligence		806	267
Filing, certification and late fees			
— International Business Companies		678,262	647,655
— Trusts		4,312	6,575
— Mutual Funds		20,411	17,073
— Limited Liability Companies		484	1,317
— Banks		97,044	33,603
— Registered Agents		6,989	3,091
— Insurance Companies - Local		575	—
— Money Service Businesses		—	9,500
— Credit Unions		—	611
		808,883	719,692
		2,754,037	**2,875,153**

16. Staff Costs

	2019 $	2018 $
National Insurance Services contributions	55,522	50,733
Pension contributions	108,786	104,058
Salaries, allowances and bonuses	1,659,386	1,493,344
Training	3,206	2,569
Staff appreciation	5,770	1,134
	1,832,670	**1,651,838**

As of the reporting date, the number of employees amounted to 22 (2018: 22).

17. Other Operating Expenses

		2019 $	2018 $
Advertising and promotion		7,819	5,703
Audit fees		15,370	15,370
Bad debt — advances written off		—	3,221
Bank charges		3,467	2,683
Board meeting expenses		8,990	8,777
Cash shortage		37	1
Consultancy fees		32,744	4,373
Customs & brokerage		908	462
Directors' fees		84,000	85,960
Donations		6,362	968
Due diligence		6,112	—
Electricity		77,218	68,940
Foreign exchange loss		115	156
Insurance		9,543	10,060
Interest and fines — late payments		—	23,577
Meetings and interviews		—	49
Miscellaneous		2,444	2,080
Office supplies		7,052	3,224
On-site inspection		2,609	208
Overdraft interest		5,875	5,564
Postage and delivery		529	369
Professional fees		—	4,220
Recruitment fee		—	11,253
Rent		149,280	149,280
Repairs and maintenance	— Equipment	24,046	16,048
	— Plant	432	432
	— Vehicle	9,959	6,853
	— Other	11,688	23,548
Seminars and conferences		5,904	6,546
Stationery and printing		51,545	45,612
Subscription and dues		13,940	7,226
Technical support		46,264	54,801
Telephone and fax		11,188	20,293
		595,440	**587,857**

18. Related Party Transactions

(a) Definition of related party

A related party is a person or entity that is related to the Authority.

A person or a close member of that person's family is related to the Authority if that person:

(i) has control or joint control over the Authority;

(ii) has significant influence over the Authority; or

(iii) is a member of the key management personnel of the Authority.

An entity is related to the Authority if any of the following conditions applies:

(i) The entity and the Authority are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the Authority (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Authority or an entity related to the Authority entity. If the Authority is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part provides key management personnel services to the Authority or to the parent of the Authority.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(b) Identity of related parties

The company has related party relationships with the directors, secretary to the board, key management personnel and Government.

18. Related Party Transactions (continued)

(c) Related party transactions and balances

The following transactions were carried out with related parties: -

i) 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 as follows:

	2019 $	2018 $
Chairman and non-executive directors' emoluments	84,000	85,960
Key management salaries and allowances	326,229	323,688
	410,229	**409,648**

ii) Net Distribution to Government

	2019 $	2018 $
Distribution to consolidated fund	2,763,645	2,898,221
Due to the Government assigned to Authority	—	108,509
Subvention from Government	(2,330,000)	(2,201,009)
Net distribution to consolidated fund	**433,645**	**805,721**

19. 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.

20. Pension Obligations

The Authority has an obligation to make 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 (2018: $104,058) have been charged against profit for the year.

21. 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, trade and other receivables, held-to-maturity securities 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 from 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).

21. 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 revenue, as a component of liabilities in its statement of financial position.

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, 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, which are either 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, and sometimes in the name of the regulated depositors, any losses are borne by the depositor.

21. 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 and are held in the name of regulated entities.

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 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 most 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 Government's 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.

21. **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, 2019, is as follows:

	Within 6 months	After 6 months	After one year	Total
	$	$	$	$
Assets				
Cash and cash equivalents	926,961	—	12,439,894	13,366,855
Trade and other receivables	11,559	—	155,591	167,150
Prepayments	2,822	2,114	5,376	10,312
Due from Government	—	—	22,945,157	22,945,157
Held-to-maturity securities	5,626,000	—	14,989,531	20,615,531
Total	**6,567,342**	**2,114**	**50,535,549**	**57,105,005**
Liabilities				
Borrowings	—	112,119	—	112,119
Trade and other payables	927,204	—	875,551	1,802,755
Deferred revenue	336,071	—	76,703	412,774
Due to Government	—	—	123,148	123,148
Due to statutory depositors	7,307,527	—	49,206,726	56,514,253
Total	**8,570,802**	**112,119**	**50,282,128**	**58,965,049**
Net	**(2,003,460)**	**(110,005)**	**253,421**	**(1,860,044)**

The Authority's aging of its contractual repayment period of its financial assets and liabilities as of December 31, 2018, is as follows:

	Within 6 months	After 6 months	After one year	Total
	$	$	$	$
Assets				
Cash and cash equivalents	1,542,281	—	11,397,126	12,939,407
Trade and other receivables	54,324	—	126,477	180,801
Prepayments	2,287	2,263	4,291	8,841
Due from Government	100,000	—	22,845,157	22,945,157
Held-to-maturity securities	3,200,000	—	13,638,803	16,838,803
Total	**4,898,892**	**2,263**	**48,011,854**	**52,913,009**

21. Financial Risk Management (continued)

Liquidity risk (continued)

	Within 6 months $	After 6 months $	After one year $	Total $
Liabilities				
Borrowings	—	37,713	—	37,713
Trade and other payables	1,090,316	—	694,128	1,784,444
Deferred revenue	283,711	10,522	118,956	413,189
Due to Government	—	—	140,468	140,468
Due to statutory depositors	4,701,128	—	47,728,303	52,429,431
Total	**6,075,155**	**48,235**	**48,681,855**	**54,805,245**
Net	**(1,176,263)**	**(45,972)**	**(670,001)**	**(1,892,236)**

22. Excess of Subvention over Expenses

	2019 $	2018 $
Income		
Government's subvention	**2,330,000**	2,201,009
Statutory deposit income	**121,331**	129,699
Interest income	**1,072**	803
Other income	**60,731**	49,817
Total Income	**2,513,134**	2,381,328
Operating Expenses		
Staff costs	**1,832,670**	1,651,838
Other operating expenses	**595,440**	587,871
Total Expenses	**2,428,110**	2,239,709
Excess of subvention over expenses	**85,024**	141,619

NOTES

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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.