FINANCIAL SERVICES AUTHORITY SVG

ANNUAL REPORT

2021

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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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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.

BOARD OF DIRECTORS

SUSAN M. SAMUEL, is a native Vincentian and a Qualified Accountant with over twenty-five (25) years of experience in Finance, Banking, Internal Auditing and Compliance. She is a Fellow Member of the Association of Chartered Certified Accountants. She is currently serving as Financial Controller in the Government Owned Hotel Project Implementation Unit.

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.

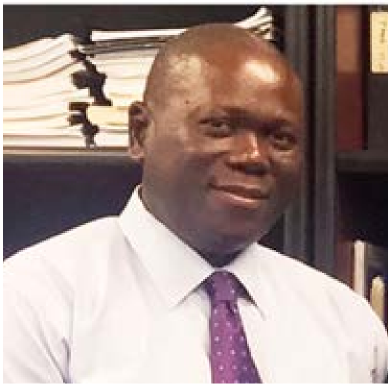
Prior to joining the ECCB, Mrs. Miguel worked with the Government of St. Vincent and the Grenadines and also worked as Office Manager for the Law Firm of Colamarino & Sons, New York, New York, USA.

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.

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.



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.

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. She recently completed the certificate as a Certified Risk and Compliance Management Professional (CRCMP) from the International Association of Risk and Compliance Professionals (IARCP).

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:

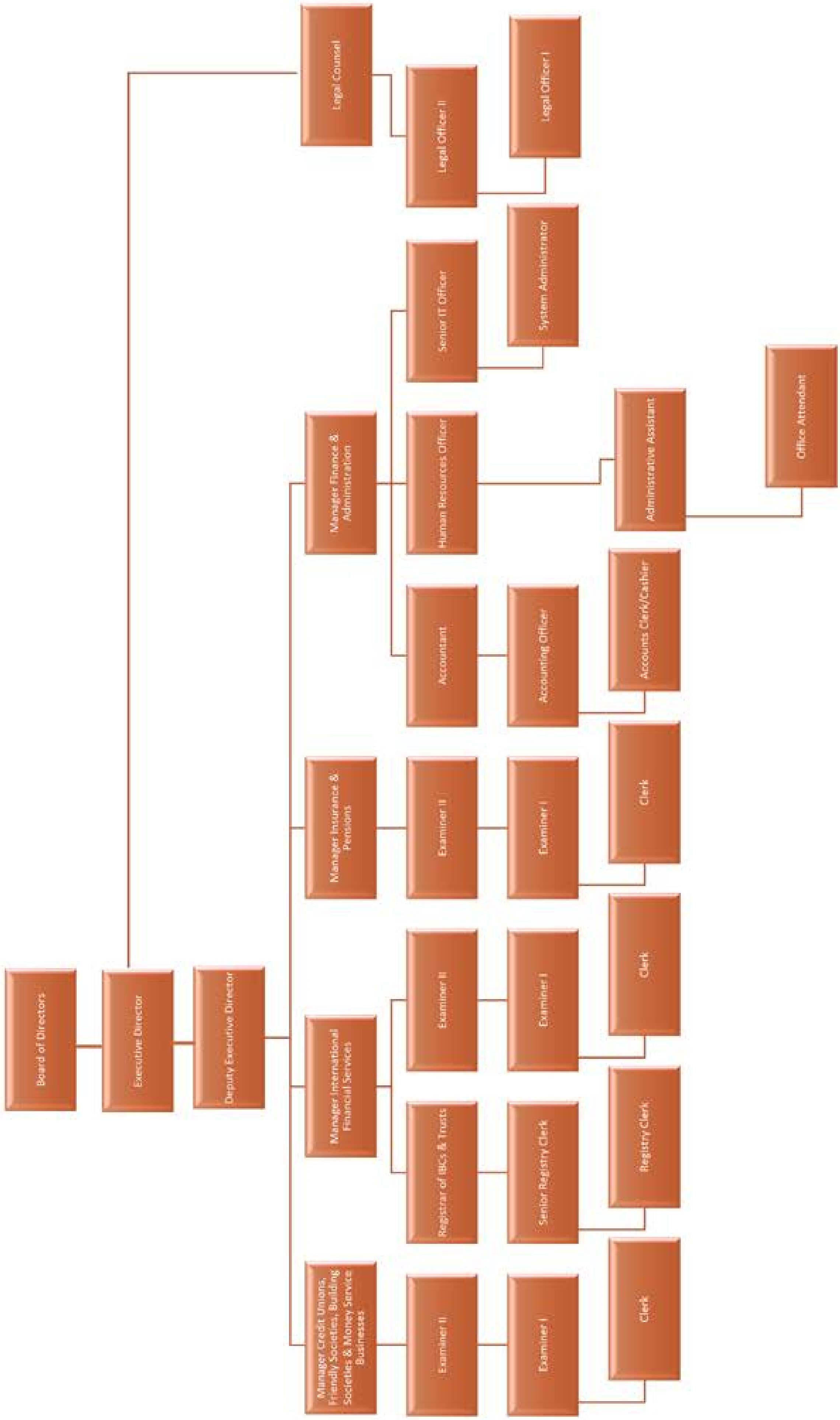
- Business Companies (IBCs);
- Limited Liability Companies (LLCs)
- Mutual Funds;
- International Banks;
- Trusts;
- International Insurance Companies;
- Domestic Insurance Companies
- Insurance Intermediaries;
- Pension Fund Plans;
- Credit Unions;
- Building Societies;
- Friendly Societies; and
- Money 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 2021

On behalf of the Board of Directors, I am pleased to report on the activities and financial performance of the Financial Services Authority ("FSA"/ "Authority") for the year-ending December 31, 2021.

Despite the many challenges brought on by the COVID-19 pandemic and explosive eruptions of the La Soufrière volcano, the FSA made significant progress in the advancement of its strategic objectives.

Loans Moratoria Programme

The COVID-19 pandemic is not just a health crisis; it has had a significant impact on financial institutions in St. Vincent and the Grenadines; particularly deposit taking institutions such as credit unions. Following the outbreak of the pandemic and the subsequent lock-downs, a number of persons were adversely affected by the loss of employment, significantly reduced income streams or even the closure of some businesses. The hardest hit sector was the tourism sector. In response to these challenges, and following the guidance issued by the Eastern Caribbean Central Bank ("ECCB"), the credit unions and the lone Building Society provided a loan moratorium to a number of customers who were encountering difficulty servicing their loans. A total of EC$27.9M in loans were under moratoria as at December 31, 2021 as part of the COVID-19 relief programme.

Credit Reporting Act and the Operationalising of a Credit Bureau

In my last message, I spoke about the ongoing work led by the ECCB to support the region in improving credit infrastructure, including the establishment of a credit bureau. I am pleased to report that the ECCB continues to work towards completion of the Eastern Caribbean Currency Union ("ECCU") Credit Bureau Project.

To date, a credit reporting legal environment, including the passage of the ECCU Credit Reporting Bill and issuance of the ECCU Credit Reporting Regulations have been successfully established by most of the ECCU member countries. Although the Bill is yet to be passed in Saint Lucia and Anguilla, the licensed credit bureau, Creditinfo ECCU Ltd, continues to undertake development tasks towards a scheduled December 2022 launch.

In the meanwhile, the ECCB, named in the legislation as the supervisor of credit reporting services, has developed a credit reporting supervisory framework and is in the process of finalising its credit reporting communications strategy for implementation.

Digital Transformation/Virtual Assets Bill

For more than a decade, dating back to the years following the global financial crisis, regulatory compliance concerns have topped the risk agenda of financial services companies. Over time, the industry began shifting its attention to the future, keeping pace with digital transformation, but the challenges of regulatory compliance remained the major concern. Rounding out the 2021 top five risks for financial services is the adoption of 'new digital technologies'.

Of all 'new digital technologies', perhaps none has received the same degree of attention in recent years as virtual currencies, examples of which include Bitcoin, Ripple and ZCash. Currently, virtual assets remain a small portion of overall global financial system assets and direct connections between virtual assets and systemically important financial institutions and core financial markets, while growing rapidly, also remain limited. Nevertheless, the rapid evolution and international nature of the virtual assets markets could reach a point where they represent a threat to global financial stability due to their scale, structural vulnerabilities and potential increasing interconnectedness with the traditional financial system.

Regulation is therefore moving beyond its initial supportive response to such technologies and actively looking to address the areas that virtual assets impact: from platform economy risks to consumer protection, cross-border issues and acknowledgement that the 'regulatory perimeter' is a dynamic concept that must be frequently reassessed. Cognizant of this fact, work continues apace towards the passage of the Virtual Asset Business Bill, which is expected to be enacted in 2022.

New Strategic Plan

Despite the stumbling blocks created by the unprecedented challenges of 2021, the FSA continued to forge ahead with its strategic objectives and successfully accomplished a number of initiatives critical to its continued growth and development.

With the expiration of the Authority's 2019-2021 strategic plan, we commenced the process of the development of a new strategic plan for 2022-2024, which outlines the policies and measures to be implemented during this period. We are optimistic that the execution of the new strategic roadmap will upgrade and extend the FSA's capabilities and operational effectiveness to safeguard the stability and integrity of the financial system, protect consumers' interest and promote market competitiveness.

Climate-related Financial Risks

Climate change is recognised as an all-encompassing global threat. It impacts human, societal, environmental and economic systems, through rising temperatures and their consequences, including rising sea levels and an increasing frequency/severity of natural catastrophes and extreme weather events, to which St. Vincent and the Grenadines is not immune.

There is growing recognition that climate change and climate-related risks are a source of financial risk, having an impact on the resilience of individual financial institutions, as well as on financial stability. Accordingly, an adequate supervisory response to both the risks and opportunities from climate change will support the objectives of the FSA of protecting policyholders, contributing to financial stability and promoting the maintenance of a fair, safe and stable financial market.

Climate change and the potential impacts that could derive from unmanaged risks has the potential to affect our economy and our financial system. This implies significant work ahead for financial institutions to develop effective and complete frameworks to identify, assess, manage and disclose these risks within existing supervisory and regulatory frameworks.

As a prudential regulator, it is our job to ensure that the financial entities that we supervise are prepared for these changes and are able to play their part in supporting the transition. Climate change requires us to take an equally ambitious approach, and a proactive response is needed to ensure financial institutions are resilient to the financial risks from climate change and able to support an economy-wide transition to net-zero emissions. To this end, the FSA, in conjunction with the ECCB and other regional regulators, have embarked on developing and executing a strategic roadmap for greening the region's financial system over a 24-month period.

Conclusion

In closing, whilst extending my appreciation to my fellow Board members for their continued insight and guidance. I would like to thank our Executive Management and all our valued staff members for their hard work and dedication during what can be described as a year of unprecedented challenges. I look forward to further results over the coming period, as the Authority continues to deliver on its mission within an ever more challenging global financial and regulatory environment. The FSA stands ready to take advantage of what's already been achieved, to seize upon all opportunities for development and work to ensure that our financial sector in 2022 is even more resilient to potential economic and financial shocks.

Leon Snagg
Chairman

Executive Director's Report 2021

The challenges experienced in the year 2020 due to the emergence and disrupting effects of the COVID-19 pandemic continued unceasingly into 2021. St. Vincent and the Grenadines (SVG) experienced significant spikes in positivity rates at various points throughout the year and deaths as a result of the pandemic. In April 2021, the country experienced multiple volcanic eruptions, the devastating impact of which was exacerbated by same taking place during the pandemic, and followed immediately by Hurricane Elsa, which, due to the damage wreaked by the eruptions, resulted in further infrastructural damage and widespread flooding. Needless to say, these natural disasters severely impacted SVG socially, economically and physically.

Resilience through Adversity

Our resilience as an organisation during 2021 was demonstrated as, despite the ongoing challenges of the global pandemic and the further debilitating effects of the eruptions and Hurricane Elsa, the Financial Services Authority (FSA) was able to significantly advance its Work Plan, albeit with some adjustments.

Despite the external challenges, the FSA exercised its mandate, ensuring that international and non-bank financial entities were properly managed and remain financially sound by continuing its heightened offsite surveillance and engaging in financial health checks and risk assessments of its financial entities, and keeping the industry abreast of developments.

Being ever mindful of the continued operational and other constraints affecting financial entities however, the FSA maintained its application of forbearance measures. This was applied in relation to deadlines for regulatory submissions and requirements and the issuance of additional guidance on the extension of moratoria arrangements to customers and the hosting and facilitation of hybrid Annual General Meetings by the Credit Union sector using virtual technology, in light of safety protocols implemented due to the pandemic.

Risk-Based Supervision

The FSA continues to implement initiatives to strengthen its supervisory practices of the sector, including the application of the principles of risk-based supervision (RBS). As indicated in prior reports, the desired outcome of RBS is to operate at an optimum level. The key benefits include systemic, forward-looking assessments 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 2021 the FSA persisted in its engagement with the Caribbean Regional Technical Assistance Centre (CARTAC), leveraging on the technical assistance provided in 2020 and is scheduled to receive further training during the first quarter of 2022. The FSA amended its internal RBS guidance and developed an external RBS framework with a view to publishing the latter on its website in early 2022. The FSA endured on its journey towards full RBS of its entities and departing from the practice of conducting full-scope onsite inspections approximately every 12-18 months and to use its limited resources wisely in directing efforts where the greater risks lie and conducting more focused visits, as necessary.

Regulatory Capacity

Capacity building continues to be a top priority of the FSA in order to engender high performance standards. In 2021, staff participated in virtual meetings hosted by the CFATF (Caribbean Financial Action Task Force), Caribbean Association of Insurance Regulators and Caribbean Regional Technical Assistance Centre (CAIR/CARTAC), Caribbean Association of Pension Supervisors (CAPS), International Credit Union Regulatory Network (ICURN), Caribbean Group of Bank Supervisors (CGBS), the World Bank and the Eastern Caribbean Central Bank (ECCB). The FSA also continued to participate in Regulatory Oversight Committee (ROC) Meetings, hosted by the Eastern Caribbean Central Bank (ECCB), in which matters of mutual interest that may affect the financial stability of the region are discussed. Through the Memorandum of Understanding (MOU) that is currently in place with the ECCB and other Single Regulatory Units (SRUs) in the region, information is shared on a regular basis and forms part of the ECCB's financial stability report.

The FSA also participated in various meetings, and will participate in a regional Consultancy executed by the CARICOM Secretariat over the next two years to develop a Common Financial Consumer Protection Regime for CARICOM Member States. The expected outcome is a draft CARICOM Policy on Financial Consumer Protection and a Model Financial Consumer Protection Law and Regulations to address the existing gap within member States of Consumer Protection laws specifically addressing financial services.

The FSA also participated in capacity building initiatives on International Financial Reporting Standard (IFRS) 17, which will be applicable to financial reporting periods from 2023, and will be used by the majority of global insurers for general purpose financial reporting and, in some cases, for prudential reporting.

All regional and international regulatory workshops and conferences provided opportunities for awareness raising and capacity building for staff on key regulatory, Anti-Money Laundering, Counter-Financing of Terrorism (AML/CFT) and other relevant issues.

Climate Change

Given the Region's vulnerability to climate change risks, during 2021, a series of quarterly capacity building sessions were held with the Eastern Caribbean Currency Union (ECCU) national regulators and development banks, the ECCB, and other selected stakeholders on the potential impact of climate-related financial risks, how to monitor and supervise those risks, and how to include these issues in strategic plans.

SVG's own circumstances of the flooding occasioned by Hurricane Elsa, made the country's vulnerability to climate crises even more glaring. Consequently, the FSA prepared a Strategic Roadmap which will be incorporated into its Strategic Plan and work programme for 2022-2024. Ongoing technical assistance in this area is critical, given the risk posed by climate change to the stability and viability of the ECCU financial sector.

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.

In 2021, Guidelines on Risk Management and Internal Controls for Insurance Companies were issued pursuant to section 10 of the FSA's governing legislation. These Guidelines have been developed to outline the FSA's expectation on what is required of the insurers' Board and senior management in the implementation of an effective risk management and internal control programme. These Guidelines further aim to ensure that insurers are managed in a sound and prudent manner by having in place systems for identifying, assessing, monitoring, and mitigating the risks that affect their ability to meet their obligations to policyholders.

In addition, the FSA has engaged the Credit Union sector in consultation on the Share Capital and Stabilization Fund Guidelines, the former intending to address the equity structure of credit unions and clarify areas of ambiguity within the substantive legislative framework relating to shares, and the latter being to establish contingency systems and financial safety nets for the sector given its significance to the local and regional financial system.

Legislative Reform

The FSA periodically reviews and updates its legislative framework to ensure that it is fit for purpose, meets international standards, is appropriately flexible and supports ethical business practices. To this end, in 2021, the FSA continued the review of its enabling legislation[1], the intention being to strengthen the FSA's enforcement powers and enhance its crisis management preparedness and recovery and resolution framework.

In July 2021, the modernized Friendly Societies Act[2] was passed in Parliament and later proclaimed in October 2021. This Act is aimed at modernizing the way business is done by Friendly Societies, strengthening the regulatory

1. Financial Services Authority Act, No. 33 of 2011
2. Act No. 8 of 2021

powers of the FSA and outlines inter alia, registration and reporting requirements of Friendly Societies and enforcement and investigative powers of the FSA. Following the passage of the Act, the FSA engaged in outreach and sensitization of the sector on the new provisions and implications arising therefrom.

In 2021, a review was undertaken and amendments drafted to strengthen various critical regulatory provisions in the existing Cooperative Societies legislation, with a view to ensuring the proper conduct of business by Co-operative Societies. The FSA engaged in consultation with the credit union sector on the amendments to this legislation simultaneously with the aforementioned Share Capital and Stabilization Fund Guidelines.

The FSA also advanced further its amendments to the Money Services Business Act[3] to provide for the regulation of micro-financing entities and the inclusion of provisions to address consumer protection measures.

Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT)

The FSA continues to be involved in policy making and oversight of the country's AML/CFT regime as a statutory member of the National Anti-Money Laundering Committee (NAMLC), via the Chairman, Executive Director and Legal Counsel. In this capacity the FSA continued to review and provide recommendations on the AML/CFT legislative reforms in the jurisdiction, including relevant amendments to the Proceeds of Crime Act[4] , and draft Administrative Penalties Regulations, which will enable supervisory authorities to impose administrative penalties against service providers who fail to comply with AML/CFT obligations.

Preparations continued apace during 2021 for the CFATF's mutual evaluation of the AML/CFT regime of SVG, now scheduled for 2023. The FSA continued to advance the objectives in the Action Plan developed during the National Risk Assessment (NRA) process.

In 2022, the FSA will issue AML/CFT guidance to the sector and develop and implement an AML/CFT supervisory framework which will formally outline its risk-based supervisory approach. The FSA intends to leverage on the training tools provided by the World Bank during its Risk-Based Approach (RBA) toolkit exercise which has been ongoing since 2020, in formulating a risk matrix for the generation of risk profiles of its regulated service providers and sectors.

In preparation for the 2023 Mutual Evaluation, work will be accelerated into 2022 both for SVG and the FSA to ensure that SVG's AML/CFT framework remains robust and effective in preventing the misuse of the country's financial services industry for money laundering and terrorist financing (ML/TF) purposes. The facilitation and provision of regular and appropriate AML/CFT training for staff will be a priority, as well as the delivery of increased outreach and engagement activities targeting particular areas of regulatory concern/focus and aimed at increasing the understanding and awareness of the regulated sector.

Digitalization of Financial Services

With the advent of digital financial services, the FSA in 2021 took steps to keep abreast of the modernization of financial services, fostering digitalization and engendering financial inclusion. Further review was undertaken of the Virtual Assets Bill, a harmonized model legislation prepared by the ECCB, proposing to introduce a registration regime for virtual asset business, to be overseen by national regulators, in the ECCU territories.

The FSA also engaged in further review of the Payment System and Services Bill (part of ECCB's payment reform strategy for modernization and development of the ECCU payment system). The Bill intends to address gaps in the existing legislation, such as the introduction of a comprehensive licensing regime for electronic payment services and developments in electronic payment systems. It is intended that the licensing regime will be calibrated to the specific risks of the licensee. Further, appropriate consumer protection measures will also be included.

Provisions were also drafted to amend the Money Services Business Act[5] to incorporate licensing of mobile payment service providers, with the aim of including these types of business within the regulatory scope of the FSA.

Prior to its launch in SVG in July 2021, the FSA engaged with the ECCB's Fintech Working Group and pledged its commitment to continued collaboration with the ECCB on the deployment of DCash, a milestone initiative. DCash is touted as value proposition-to offer a faster, cheaper and safer payment option that promotes financial inclusion and supports the development of the digital economy in the region.

2022 Initiatives

Looking ahead, and in line with our strategic objectives as outlined in the draft 2022-2024 Strategic Plan, 2022 will be a year of continued focus on completing the transition to RBS, regulatory reforms and amending the FSA Act to strengthen the FSA's enforcement powers and develop a crisis management plan. Further, we are ever mindful that a stable financial system is key to achieving other statutory objectives of maintaining market confidence, protecting consumers and reducing financial crime.

The Authority will continue its work around strengthening AML/CFT compliance and awareness through active engagement with the industry. Similar activities will focus on the sensitization of the industry on the results of the National AML/CFT Risk Assessment, on which the FSA

3. Chapter 260 of the Revised Laws of 2009
4. Act No. 38 of 2013
5. Ibid

worked with other government and regulatory agencies, and relevant industry participants, to assess ML/TF risks.

Our two strategic anchors provide the framework for which we will deliver on our vision and top priorities throughout the next three years:

1. **Establishing standards for institutional strengthening for the management of risk in the financial services sector for the protection of stakeholders.**
2. **To strengthen organizational capacity and operational efficiency.**

The development of a virtual asset regulatory framework will also be a top priority. Definitions on how this new framework fits into the existing regulatory regime will be determined, along with implementing the necessary support infrastructure. The FSA will also engage with the pension sector to improve compliance with reporting requirements and obligations to plan members and establish a Code of Conduct for Insurance Brokers, among other initiatives.

Conclusion

As we approach our milestone tenth anniversary in 2022 and adopt and implement our fourth Strategic Plan for the years 2022-2024, we must, of necessity, reflect on the policies and practices of the past nine years and the importance of our role in safeguarding the international and non-bank financial system in SVG. While it is clear that we have made significant progress in ensuring that we laid the right foundation to advance our strategic ambitions, our future outlook remains that of maintaining financial stability within the international and non-bank financial system by enhancing our technological capacities, continued organizational and staff development and legislative relevance and enhancement.

Undoubtedly, the FSA's mandate and strategic objectives for 2021 could not have been accomplished without the continued indelible support and cooperation of our stakeholders and the regulated sector, to whom we remain grateful. I thank in particular the Honourable Prime Minister, Honourable Minister of Finance and the Honourable Attorney General for their invaluable cooperation and support.

I remain indebted to the Board of Directors for their support and guidance on the FSA's work programme for 2021. I also wish to take this opportunity to thank our Management and staff for their strength, dedication and delivery over the year, under continued challenging circumstances.

Carla James
Executive Director

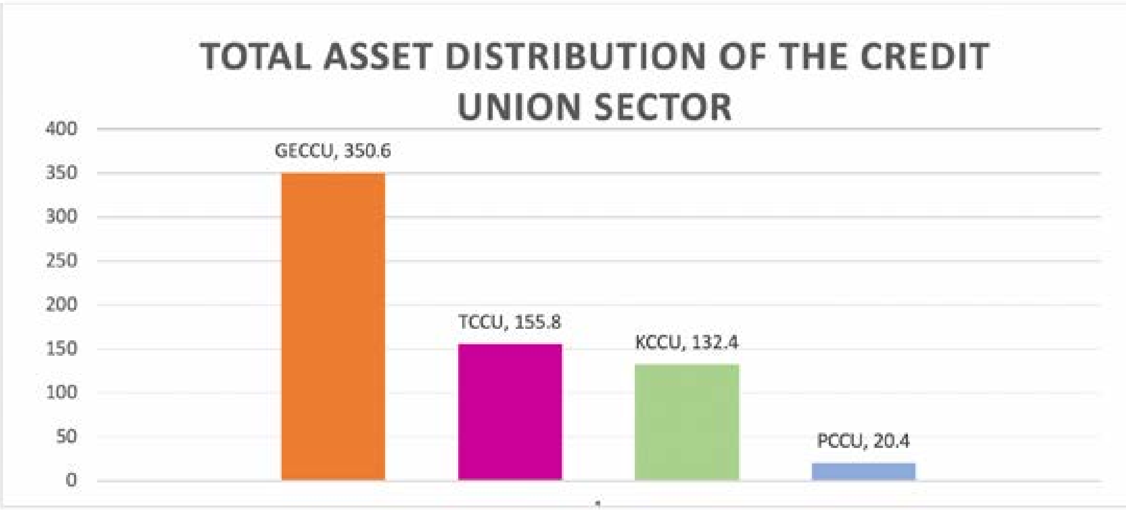
CREDIT UNIONS, BUILDING SOCIETIES, FRIENDLY SOCIETIES AND MONEY SERVICES BUSINESS SECTOR REPORT

1.0 Credit Unions

Credit Unions are built on seven core principles founded in the philosophy of cooperation and the central values of equality, equity, and helping one another. Credit unions in St. Vincent and the Grenadines (SVG) strive to keep these fundamentals alive by offering financially inclusive products and services to seventy-nine thousand and eighty-nine (79,089) members collectively which equates to a penetration rate of approximately 98%. The sector is principally governed by the Cooperative Societies Act (CSA) No. 12 of 2012. During the year ended December 31, 2021, the sector remained sound and showed great resilience despite ongoing challenges relating to the COVID-19 pandemic.

The sector comprises four (4) credit unions along with the Apex Body, the Credit Union League ("the League"). The League mainly coordinates negotiation, reviews, and training activities for the collective benefit of the sector. A graphical representation of the sector is provided below based on the total asset base of each entity.

Chart 1: Credit Union Sector based on total assets held EC$M as at December 31 2021.



A synopsis of the financial position of the credit union sector as at December 31, 2021, is shown in Table 1 below, with key financial indicators and comparative data for the years ended December 31, 2020, and 2019.

Table 1: Key performance of Toral Assets, Net Loans, Deposits and Regulatory Capital.

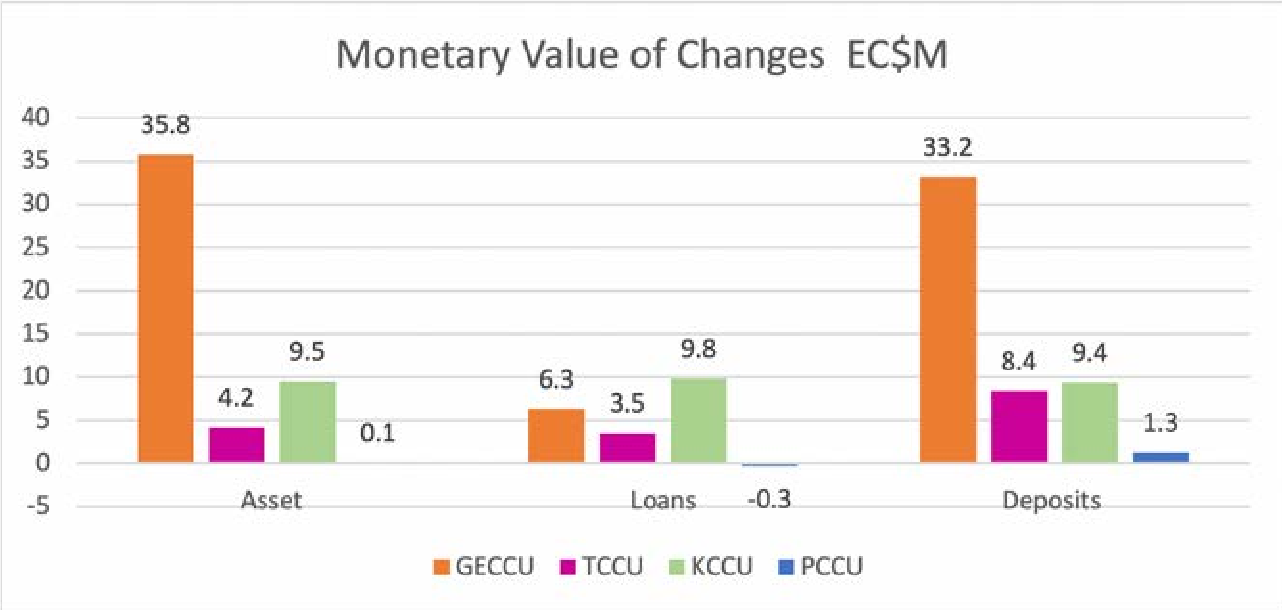
Categories	*December 2021 (Unaudited)	December 2020 (Audited)	December 2019 (Audited)
Total Assets	EC$ 659,207,826	EC$609,642,005	EC$710,403,134
Net Loans	EC$ 367,743,536	EC$348,534,868	EC$453,207,979
Total Deposits	EC$ 548,762,119	EC$ 496,508,021	EC$ 558,665,399
Regulatory Capital	12.3%	13.2%	15.2%
Delinquency Rate	8.0%	8.1%	5.4%
Total Membership	78,877	81,058	78,944
Total Staff	182	176	170

*Figures reported for the year ended December 2021 are unaudited and are expected to change.

The credit union sector maintained stable operational activities during 2021, notwithstanding the economic challenges brought about by the COVID-19 pandemic as mentioned previously. Sustained growth was evident in various key performance indicators despite the marginal decline in the capital ratio year-on-year. This ratio was impacted by lower contributions to retained earnings owing to relief measures instituted for members adversely affected by the global pandemic.

Chart 2: outlines the monetary value of changes in Assets, Loans and Deposits held by each credit union year on year.

Chart 2. Changes in Assets, Loans and Deposits as at 2021



Other notable variances as at year end 2021 when compared to year end 2020 were:

- Regulatory capital continued to trend above the prudential benchmark of 10%, at 12.3%;
- Delinquency remained at approximately 8.0% which is three (3) percentage points above benchmark (5.0%);
- Credit unions' membership increased by 3,193 or 4%; and
- The total staff complement increased by six (6).

Loan Moratoria:

The Loan moratoria program, sanctioned by the FSA, was extended to the first quarter of 2022 due to the prolonged economic effects of the COVID-19 pandemic and consequent unemployment. Most of the 254 participants in the program were Mortgagees previously employed in the tourism sector, who had not yet resumed gainful employment activities.

Income deferred for the year ended December 31, 2021, was valued at EC$568.8K, whilst participating credit unions' restructuring efforts during the year resulted in $244.0K or 42.9% decline in total Loan Interest Income deferred at the reporting date.

Table 2 below highlights the number and value of approved moratoria loans within the credit union Sector.

Table 2: Loan Moratoria values December 31, 2021

Approved Applications	Value of Loans	Deferred Income
254	EC$14,946,345	EC$568,849

1.1 Regulation and Supervision

In 2021, the focus of the Credit Unions et al department was on strengthening capacity in the practical application of the risk-based regulatory framework for both AML/CFT and prudential supervision. To this end, offsite monitoring activities included more detailed empirical analyses which utilized risk-based methodologies.

The Authority considered it necessary to ensure that meaningful engagement between the membership and those charged with governance continued, given that the existing COVID-19 protocols or mandates prevented mass physical gatherings. Therefore, the FSA utilized virtual means to host meetings during 2021 and also approved this medium for the hosting of Annual General Meetings and Special Meetings for all sectors. The credit unions used virtual technology to host hybrid Annual General Meetings; this method allowed for physical and remote membership participation. All meetings were well attended and attained outcomes akin to those achieved when members are physically gathered.

2.0 Building Societies

The St. Vincent Building and Loan Association (SVBLA or the Association) remained the sole registered building society in St. Vincent and the Grenadines. As at December 2021, the Association's operations remained stable and its total assets stood at EC$142.7M, deposits EC$100.8M and loans EC$101.3M. Its membership register showed fully paid-up members as 9,911 while associated members amounted to 9,308. During the financial year, the Association paid matured fixed deposits amounting to EC$4.7M. SVBLA remained under enhanced supervision during 2021.

3.0 Money Service Business

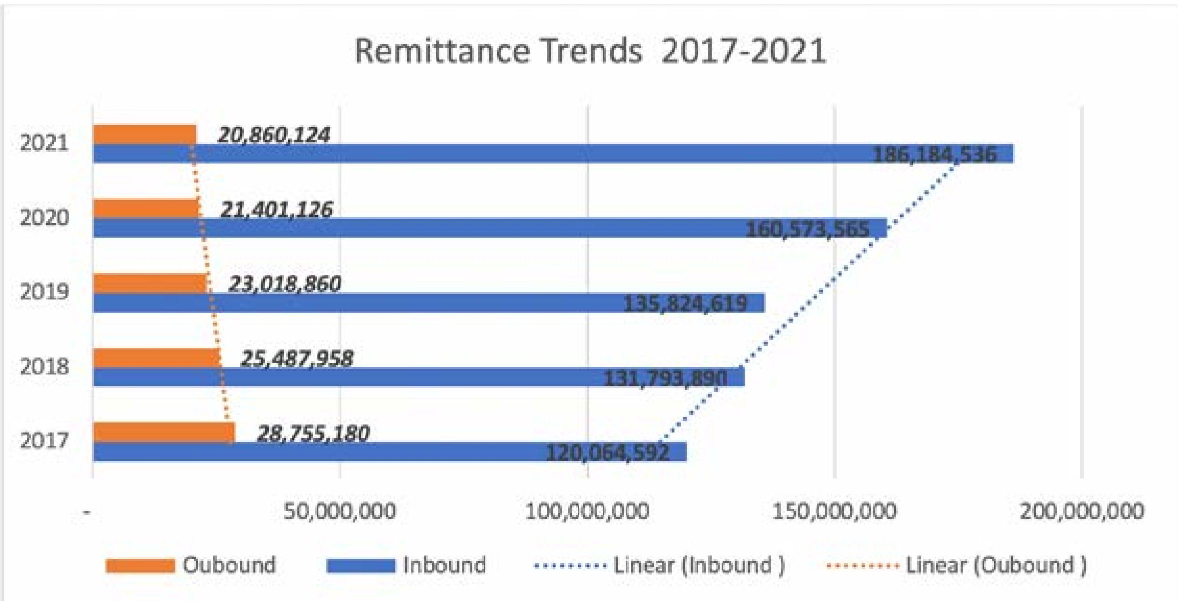
One new entrant was recorded for the Money Services Business (MSBs) sector. Licenced MSBs were therefore three (3) entities, each operating several branches both on the mainland as well as in the Grenadines.

Inbound remittances increased in value and volume during the period and were 15.9% and 11.1% higher than activities recorded in the prior year. Several factors may have influenced great inward flow, including the explosive eruptions of the La Soufriere volcano. Individual and corporate entities remitted funds to assist with disaster relief efforts, including the United Nations World Food Program (WFP).

Conversely, outbound transactions continued to decrease, and patterns observed were very similar to prior observations.

Trends for both inbound and outbound transactions are illustrated in chart 3 below:

Chart 3: Remittance Trends 2017-2021



4.0 Friendly Societies

There were seventeen (17) registered friendly societies at December 31, 2021, with combined assets of EC$13.8M and a membership base of 40,352 The assets consisted primarily of property and cash and cash equivalents. One friendly society was liquidated during review period.

The Friendly Societies Act 2021 was passed in the House of Assembly on July 6, 2021, and proclaimed on October 15, 2021. The FSA conducted virtual and physical outreach and awareness-raising sessions with the sector on critical aspects of the legislation. The main focus was placed on areas relating to reporting, penalties and fines, record-keeping and amalgamation.

The FSA would continue its efforts to strengthen corporate governance and modernize the operations of these entities.

INSURANCE SECTOR REPORT

The insurance industry in St. Vincent and the Grenadines is divided into two (2) distinct sectors; the domestic insurance sub-sector which provides insurance for local risks and the international insurance sub-sector, which provides insurance of foreign risks by insurers from within St. Vincent and the Grenadines. The FSA through its Insurance and Pension Department, regulates and supervises all insurance entities in and from within St. Vincent and the Grenadines.

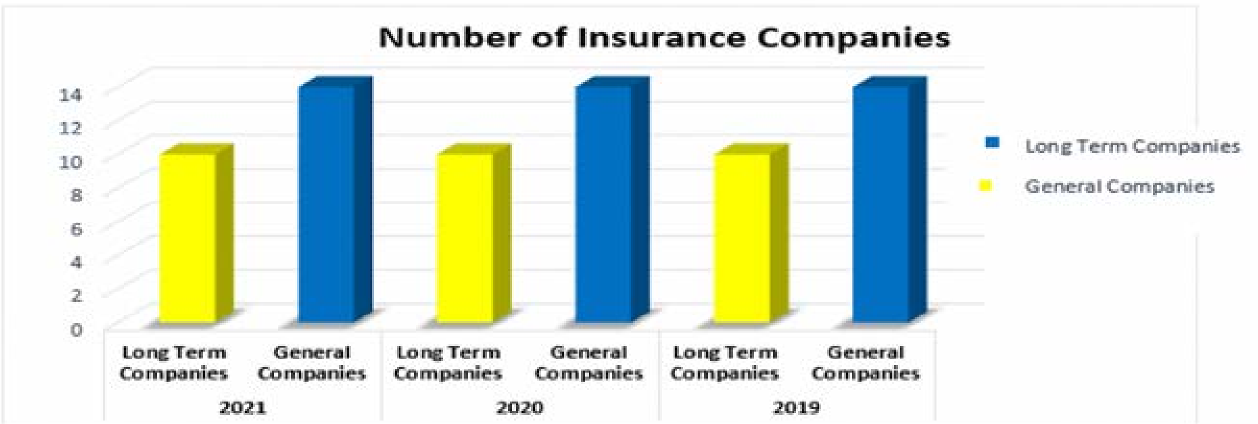
Domestic Insurance Sector

Based on the number of active entities, the domestic insurance industry is the largest component of the non-bank financial services sector in St. Vincent and the Grenadines, comprising insurance companies and intermediaries and pension fund plans. Companies conducting business are either indigenous or domestically incorporated companies or incorporated in CARICOM countries and operating through local agencies or branches. Insurance business is written directly with those companies or through the use of intermediaries such as brokers and agents.

For the reporting period, January to December 2021, the composition of the domestic insurance sector remained constant when compared with 2020. As at December 31, 2021, there were twenty-four (24) companies registered under Section 9 of the Insurance Act, Cap 306 of the Laws of St. Vincent & the Grenadines, Revised Edition 2009 ("the Insurance Act"), 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. General insurance business and policies of insurance typically do not exceed one (1) year and fall into six (6) categories, namely, liability insurance, motor vehicle insurance, pecuniary loss insurance, personal accident insurance, property insurance, and marine, aviation and transport of insurance business. Long-term insurance policies exceed one (1) year and among insurers comprise ordinary long-term, creditor life, group life and annuity business.

The sector has contributed substantially to the local economy and thus plays a vital role in contributing to economic development. In 2021, the sector contributed roughly $5.9M in insurance premium taxes to the government (2020 – $5.2M) and generated $0.1M in registration and licence fees (2020 - $0.1M).

Figure 1. Number of Insurance Companies 2019 - 2021



Source: FSA Records

Intermediaries

As at December 31, 2021, there were one hundred and fourteen (114) Insurance Sales Representatives, six (6) Insurance Brokers, seventeen (17) Insurance Agents, three (3) Insurance Adjusters and one (1) Association of Underwriters.

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

Table 1. Number of Registrants in the Insurance & Pensions Industry for the period 2017 - 2021

Table 1. Number of Registrants in the Insurance & Pensions Industry for the period 2017-2021

As at December 31	2021	2020	2019	2018	2017
Insurance companies	24	24	24	24	23
Brokers	6	8	8	8	8
Agents	17	15	16	16	17
Sales Representatives	114	116	127	127	119
Association of Underwriters	1	1	1	1	1
Insurance adjusters	3	1	2	2	1
Total Insurance Licences	**165**	**165**	**178**	**178**	**169**
Pension Fund Plans	30	28	28	28	25

Statutory Deposit and Insurance Fund

It is a statutory obligation that all general insurance companies that conduct motor insurance business maintain/ establish a deposit with the Authority of the greater of $500,000 or 30% of gross premium income. In respect of other general insurance business, the deposit required is the greater of $200,000 or 30% of gross premium income. In the case of life insurance, the deposit is fixed at $500,000. Additionally, companies conducting motor and long-term insurance business must establish an insurance fund equal to their liabilities and contingency reserves, less amounts held as statutory deposit. This fund must be held in trust to the order of the FSA for the protection of policyholders.

As at December 31, 2021, all companies were in compliance with the Statutory Deposit and Insurance Fund obligations. By the end of 2021, total liabilities and contingency reserves of all insurance companies (excluding those under judicial management) less statutory deposit required amounted to approximately $128.1M. Total assets pledged or identified by those companies for inclusion in their Insurance Fund as at December 31, 2021 was approximately $135.2M or 105.5% of insurance liabilities. The Insurance Fund provides access to assets in the event of failure of an insurance company 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.

Capital Adequacy & Solvency

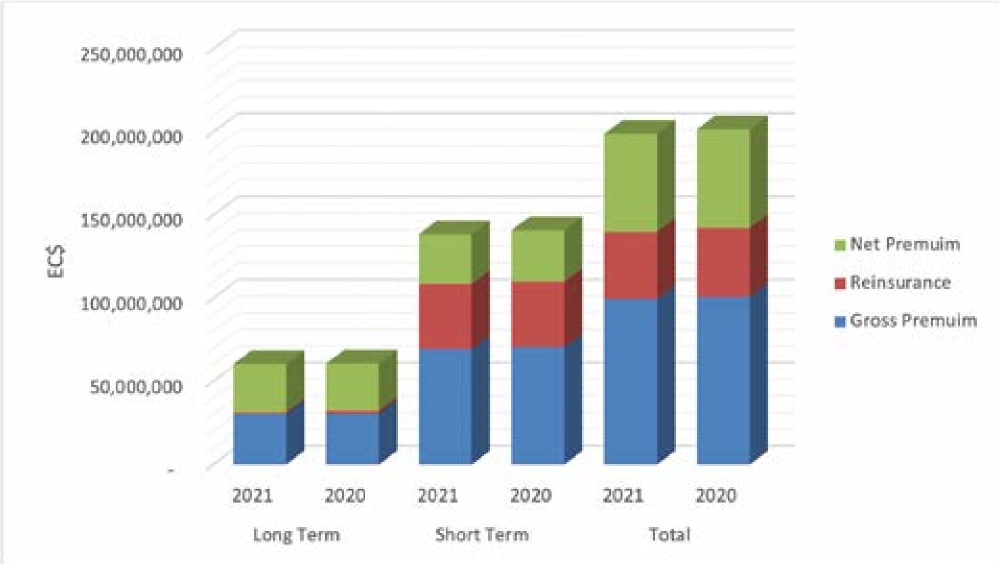
Solvency, both as an economic requirement in the market and as a regulatory and supervisory tool, is critical to the insurance sector and underpins the prospect for insurers to contribute effectively to financial sector development. One of the principal aims of insurance supervision is the protection of the interest of the policyholders through a properly managed and financially sound insurance sector. Consequently, it is necessary that insurance companies have appropriate capital adequacy and solvency regimes in place so that the benefits of the claimants and policyholders are secured.

The FSA monitors the solvency position of each company quarterly and annually based on the returns for the same periods. As at December 31, 2021, all companies satisfied the solvency standards. The quality and quantity of capital of each company was adequate as most companies' capital tend to be permanent and include share capital.

Gross Premium Analysis

In 2021, Gross Premium income in the insurance industry totaled $99.4M[1] . This represented approximately 4.6% of Gross Domestic Product[2] at market prices and a decrease of 1.4% when compared with gross premium income of $100.8M reported in 2020. More specifically, the gross premiums written for the long-term insurance sector decreased by 0.6% to $30.2M (2020-$30.3M). The leading long-term insurer held approximately 61.1% of total premiums written. Similarly, gross premiums written for the general insurance classes of business exhibited a decline of 1.7% and amounted to $69.2M (2020 - $70.5M).

Figure 2. Gross Premium Income for 2020 - 2021



Source: FSA Records

Analysis of Financial Position

Total assets for the domestic insurance sector stood at $298.3M as at December 31, 2021, an increase of 1% when compared with $295.3M for the previous year.

Total liabilities amounted to $203.9M, which resulted in net assets of $ 94.3M. Key balance sheet figures for the past five (5) years are presented along with the industry's net position in Table 2 below.

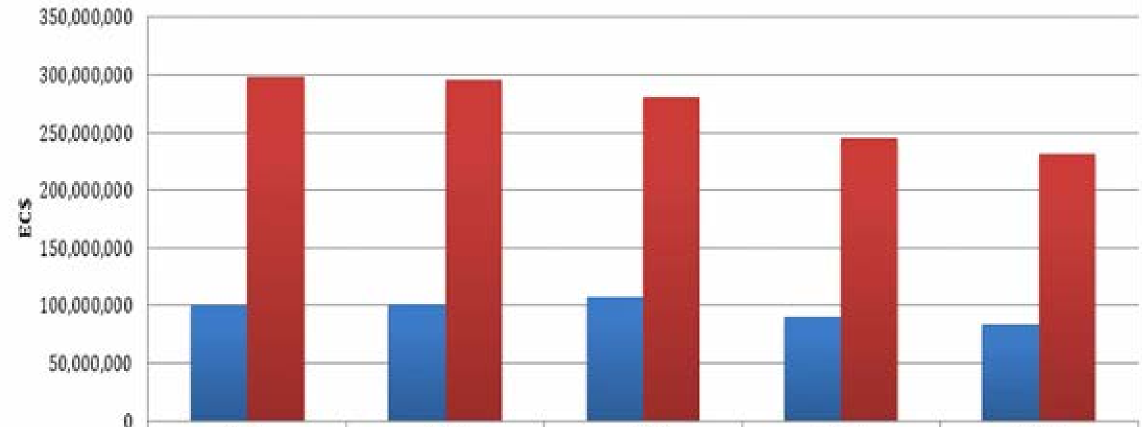
Table 2. Gross Insurance Industry Balance Sheet 2017 - 2021

	2021	2020	2019	2018	2017	Percentage Change 2021/2020
Total Investment assets	230,426,352	216,040,956	200,175,077	186,987,724	176,533,014	6.7%
Total Assets	298,250,965	295,268,998	280,959,838	244,911,789	232,129,093	1.0%
Total Insurance Liabilities	171,551,862	166,418,551	159,431,454	135,573,902	127,306,971	3.1%
Total Liabilities	203,936,166	202,354,532	188,656,742	169,493,633	152,734,030	0.8%
Total Capital and reserves	94,314,799	92,914,466	92,303,096	75,418,156	79,395,063	1.5%

For the third consecutive year, total assets and total liabilities increased, stemming from increases in investment assets and insurance liabilities respectively. As insurance liabilities must be backed by prescribed assets, largely comprised of investment assets, the related increase in both balance sheet line items correspond to growth in the industry.

1. All figures for 2021 are preliminary, while 2020 figures have been restated based on the annual returns.
2. GDP at market price for St. Vincent and the Grenadines for 2021 was forecasted at EC$2.1b. Source: Ministry of Finance and Economic Planning.

Figure 3. Total Premiums & Assets of Insurance Companies 2017 - 2021



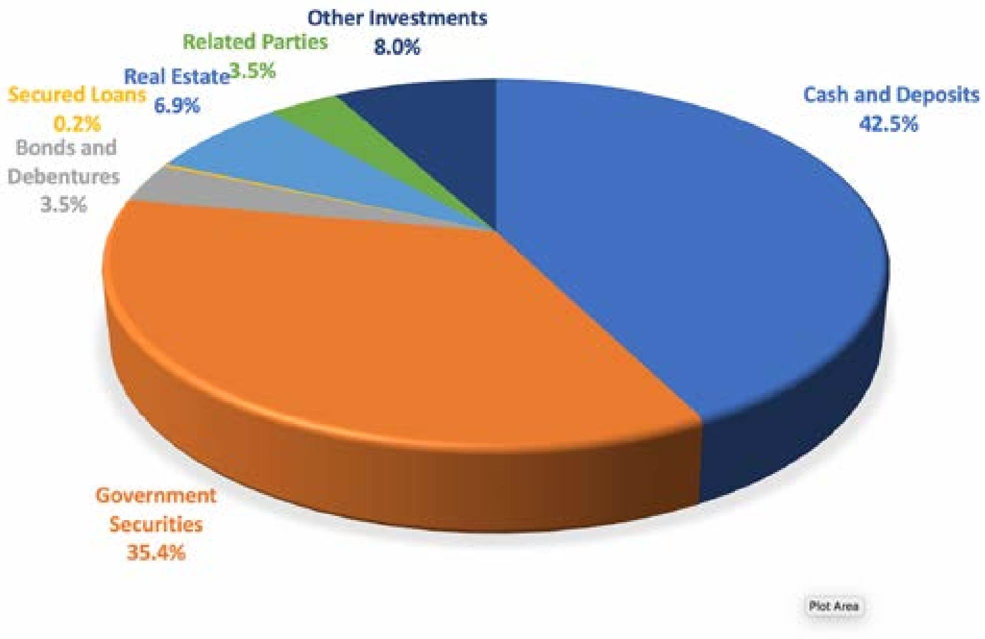
	2021	2020	2019	2018	2017
Total Premuims	99,407,488	100,952,701	107,838,786	89,696,974	83,620,826
Total Assets	298,250,965	295,268,998	280,959,838	244,911,789	232,129,093

Source: FSA Records

For the industry as a whole, government securities and cash and deposits continue to be the largest components of assets and accounted for 35.6% (2020 – 33.5%) and 24.6% (2020 – 25.1%) of total assets respectively.

For the short-term segment of the industry, total assets amounted to $106.2M. Investment assets represented 61.1% of total assets. As depicted in Figure 4, cash and deposits (42.5%) and government securities (35.4%) accounted for the majority of investment assets.

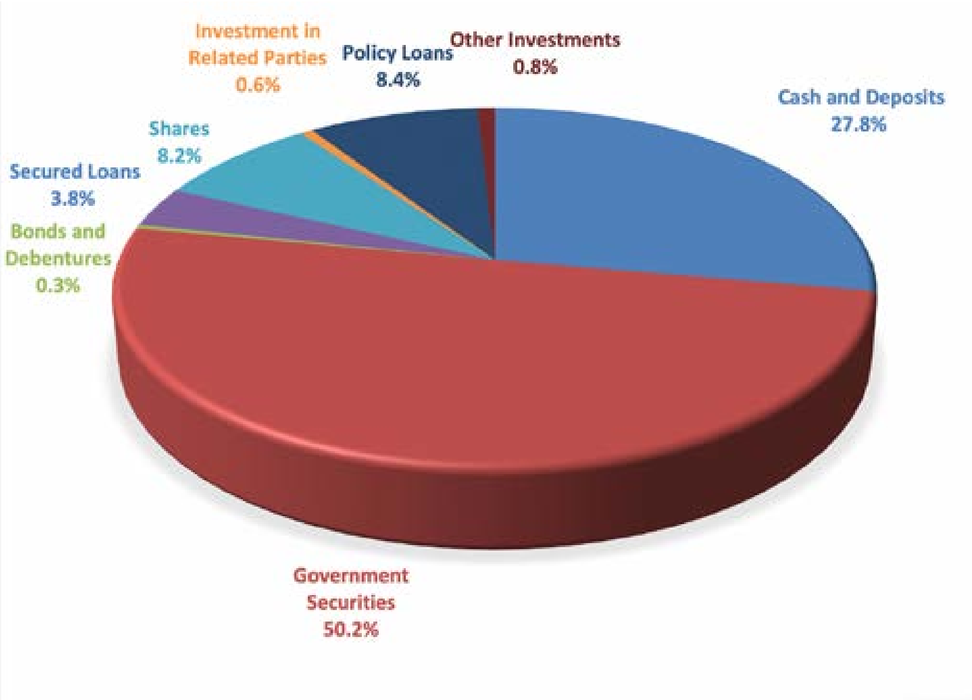
Figure 4. General Insurance Investment Assets Composition 2021



Source: FSA Records

Total assets, including statutory deposits for companies registered to conduct long-term insurance business, stood at $192.0M, an increase of 4.1%, when compared with the previous year's figure of $184.5M. As depicted in Figure 5 below, government securities accounted for 50.2% of total cash and investments, while cash and deposits accounted for 27.8%.

Figure 5. Life Insurance Investment Assets Composition



Source: FSA Records

Underwriting Performance

The timely detection of weak or troubled insurance companies is of utmost importance for the effective and stable functioning of the insurance sector. Monitoring the financial performance and position of insurance companies through the use of early warning tests is fundamental in this regard. Accordingly, the Authority pays particular attention to the underwriting performance of insurers; for the general/short-term insurers, more so from a profitability standpoint and, for life/long-term insurers, from a viability standpoint. The analysis of underwriting ratios assists in identifying companies which fall outside the prudential limits, thereby enabling early intervention and corrective action.

The key underwriting ratios used to assess underwriting performance are the loss ratio, the operating expense ratio and the combined ratio. These are calculated below.

- **Loss/Claims Ratio**

The first significant influence on profit performance is the underlying claims that arise from the business the insurer has written. The loss ratio represents, as a percentage, the proportion of annual claims paid by an insurer in comparison to the premiums received and is calculated as net claims incurred/net earned premiums. While there is no set standard of acceptable range, lower loss ratios indicate better underwriting performance.

Table 3: Short-term Insurers Loss/Claims Ratio (2017-2021)

December 31	2021	2020	2019	2018	2017
Net Claims Incurred	16,872,951	15,859,170	18,028,671	16,474,926	15,611,940
Net Premiums Earned	29,893,345	28,791,040	32,063,490	30,262,116	28,118,499
Loss Ratio (%)	**56.4**	**55.1**	**56.2**	**54.4**	**55.5**

Source: Insurance Companies and Financial Services Authority

Claims have historically been the largest component of insurance expenditure particularly for general insurers. Consequently, loss ratios are typically higher in the short-term segment of the market. Nonetheless, the claims ratio is a very reliable indicator of underwriting performance for general insurers.

As can be seen from the table above, the loss ratio for the general insurance sector ranged from 54.4% to 56.4% during the period 2017-2021. As at December 31, 2021, several companies reported loss ratios above the sector average of 56.4%, however, these companies are heavily involved in the motor vehicle class of business which tends to be more volatile and has a higher volume of claims in the normal course of business.

Table 4: Long-term Insurers Loss Ratio (2017-2021)

December 31	2021	2020	2019	2018	2017
Claims	6,126,000	7,963,000	4,327,000	3,520,000	3,631,000
Gross Premiums	30,159,000	30,343,000	39,213,000	24,227,000	23,965,000
Loss Ratio (%)	**20.3**	**26.2**	**11.0**	**14.5**	**15.2**

Source: Insurance Companies and Financial Services Authority

The same factors are relevant to the interpretation of this segment of the market as for the short-term segment. However, because this indicator ignores the effects of reinsurance ceded through the use of gross premiums, it helps in assessing the underlying profitability of the business written directly by the insurer. Reinsurance is not a significant risk transfer strategy for long-term insurers, given the nature of the business written. In addition, the incidence of claims in this segment is not as prevalent as in the short-term segment of the market, hence the loss ratio is lower than that of the general segment of the market.

As at December 31, 2021, the loss ratio for the long-term segment of the market stood at 20.3% compared with 26.2% the previous year. This represented a moderate reduction and was a result of a 23.1% decrease in claims reported as at the end of the reporting period compared with the prior year.

- **Operating Expense Ratio**

The second significant source of operating performance is the expense associated with the administration of the business. The expense ratio measures the percentage of premiums used to pay the costs of acquiring, writing and servicing insurance contracts. It is calculated as Net Commission Expenses plus Management Expense (Operating Expenses)/Net Premium Earned. As with the loss ratio, lower expense ratios are desirable. Higher ratios indicate that the business is cost-intensive or that the insurer is less efficient.

Table 5: Short- term Insurers – Expense Ratio (2017-2021)

December 31	2021	2020	2019	2018	2017
Operating Expenses	7,065,165	12,257,843	8,327,852	7,472,557	8,270,681
Net Premiums Earned	29,893,345	28,791,040	32,063,490	30,262,116	28,118,499
Expense Ratio (%)	**23.6**	**42.6**	**26.0**	**24.7**	**29.4**

Source: Insurance Companies and Financial Services Authority

As at December 31, 2021, the operating expense ratio for the short-term companies stood at 23.6% compared with 42.6% the previous year. This was as a result of a 42.4% decline in Operating Expenses (primarily driven by an 8.5% decline in Management Expenses) and an increase of 3.8% in Net Premium Earned, thus positively affecting the efficiency of the sector.

Table 6: Long-term Insurers - Expense Ratio (2017-2021)

December 31	2021	2020	2019	2018	2017
Operating Expenses	13,371,000	13,194,000	13,106,000	11,407,000	11,604,000
Net Premiums Written	29,012,000	28,290,000	36,920,000	21,943,000	21,659,000
Expense Ratio (%)	**46.1**	**46.6**	**35.5**	**52.0**	**53.6**

Source: Insurance Companies and Financial Services Authority

As can be seen from the table above, the expense ratio for the long-term insurers was generally higher than that of the general insurers and averaged 46.8% over the period 2017-2021. Additionally, the operating expenses of this segment of the market has usually been higher than that of the short-term segment. This is largely due to the fact that life insurers generally compete for business through the payment of commissions to Sales Representatives.

Overall, the industry remained profitable, producing before tax profits in each segment in each of the respective years.

• **Combined Ratio**

The combined ratio is the summation of the loss and the operating expense ratios and measures the underwriting performance of the insurer (Combined Ratio = Loss Ratio + Operating Expense Ratio). A ratio below 100% indicates that the company is making underwriting profits while a ratio above 100% indicates that the company's underwriting expenses exceed the premiums collected. The table below illustrates the combined ratio for both segments of the market.

Table 7: Combined Ratio- Industry (2017-2021)

Combined Ratio (%)	Prudential Limits	2021	2020	2019	2018	2017
Short-Term Insurers	< 100%	80.1	97.7	82.2	79.1	84.9
Long-Term Insurers	< 100%	66.4	73.0	46.5	66.5	68.7

Source: Insurance Companies and Financial Services Authority

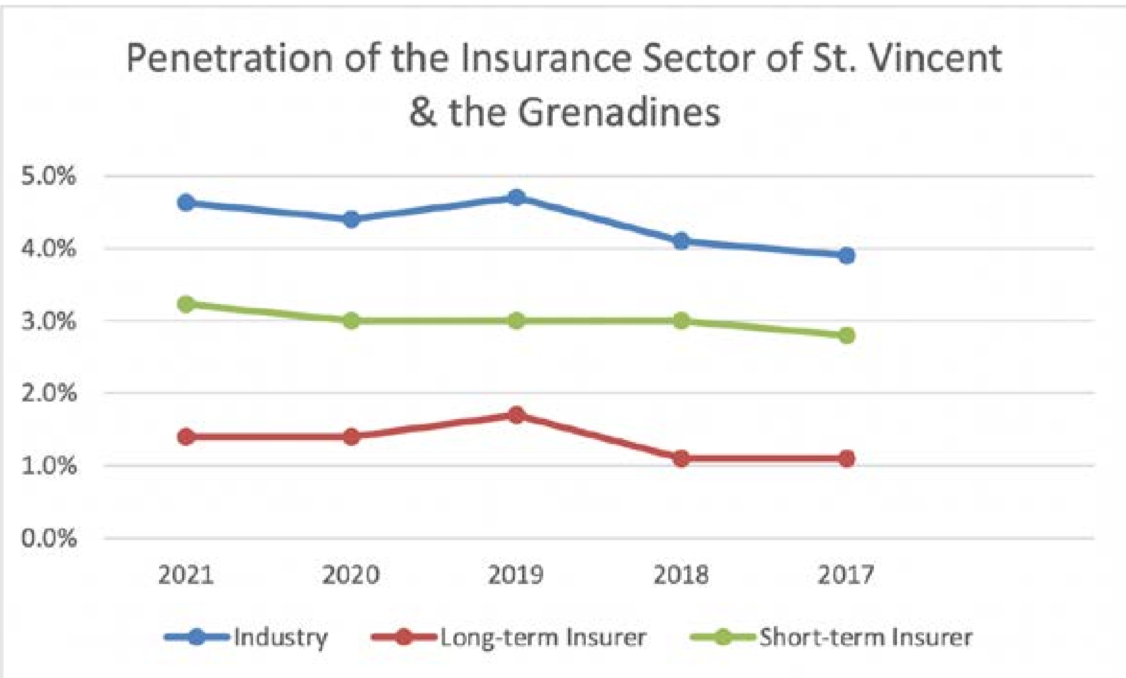
As illustrated in the table above, the combined ratio for both the short-term and long-term segments of the market has decreased and remained below the 100% benchmark in each of the review years.

Insurance Penetration

Insurance penetration is an indicator of the level of development and reach of the insurance sector in a country. It measures the level of insurance market development relative to the size of the economy. As at December 31, 2021, the average penetration of insurance as a percentage of GDP for the industry as a whole was 4.6%, 0.2 percentage points higher than that of 2020.

Dissecting the ratio into long-term and short-term shows an average penetration ratio of 1.4% and 3.2% respectively. Lower insurance penetration ratios are characteristic of lower levels of economic development, which may have resulted in a lower demand for insurance cover. Also, the higher penetration in the short-term segment of the market may be attributable to the compulsory nature of certain classes of general insurance products such as motor insurance and to a lesser extent property insurance, in cases where it is a requirement for a mortgage loan. The result however, suggests that the insurance sector still has significant room for expansion.

Figure 6: Penetration of the Insurance Sector (2017-2021)



Source: Insurance Companies and Financial Services Authority

Impact of the COVID-19 pandemic and explosive eruptions of La Soufrière volcano

The impact of the COVID-19 pandemic and explosive eruptions of the La Soufrière volcano was not as significant for the insurance sector as for deposit taking institutions. Notwithstanding, as a result of persons being laid off from work (particularly in the tourism/hospitality sector) some companies reported cancelation of insurance policies, delinquency in premium payments resulting in a slight increase in lapse rate, particularly with over-the-counter mode of payment. In addition, there were requests from customers for payment plans.

In terms of the volcanic eruptions, although the island was severely impacted by ashfall, the damage to infrastructure was not widespread or significant. Most of the affected infrastructure was in the Red Zone, i.e., the north eastern and north western extremities of the island. Historically, many houses in those areas are built with sweat equity and have no mortgage indebtedness, which requires mandatory property insurance. Thus, many of those houses are uninsured.

The negligible increase in claims as a result of the volcanic eruption, is directly correlated to the low insurance penetration ratio for property insurance as a whole in St. Vincent and the Grenadines. With an average national penetration ratio of approximately 3.2% in the general/property and casualty insurance market, it can also be concluded that the majority of properties in those areas are uninsured.

International Insurance Sector

The number of international insurance sector participants has remained relatively stable since 2007. As at December 31, 2021, there were two (2) Class II international insurance companies, that were registered to conduct life and capital assurance business, 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.

As at December 31, 2021, all entities were in compliance with all applicable requirements. However, 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 2021, there were twenty-eight (28) Defined Contribution (DC) plans, one (1) hybrid of DC and Defined Benefit (DB) and one (1) multi-employer plan. Additionally, three (3) of the pension plans are operated by insurance companies that are currently under judicial management and one plan was wound-up and de-registered pursuant to section 176 (2) of the Insurance Act.

The majority of the plans are relatively small in terms of the number of participants as well as asset size. Plan membership ranges from small plans with only four (4) members to as large as four hundred and seventy-nine (479) members, while assets range from $95K to $7.8M. The larger pension plans include statutory bodies, a commercial bank and a well-established private entity.

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, trusts, business companies (BCs), limited liability companies ('LLCs') and also international insurance**[1] entities. These IFS product offerings are similar to those available at the major international financial centres. There are different governing legislation for administering and overseeing the registration and licensing of each of the aforementioned products.

All IFS entities are required to engage the services of Registered Agents (or Service Providers) who are required to be registered, licensed and supervised by the FSA. Therefore, Registered Agents are key to ensuring that sound business is brought to the Jurisdiction and that there is compliance with the laws and regulations. Registered Agents are, in essence, the "gatekeepers" of the IFS industry and provide registered agent, trustee and fiduciary services.

Developments

(i) Impact of New Tax Regime

The application of a 30.0% corporate tax rate on IBCs/BCs from 2019 has had an apparent negative impact on this sector as observed in the decline in new registrations. However, in, December 2020, St. Vincent and the Grenadines ('SVG') achieved its policy goal regarding the introduction of a territorial-based system of corporate income tax. One resulting benefit to the IFS sector is that BCs and trusts would only be subject to SVG corporate taxes on income earned directly or indirectly from sources in the jurisdiction and therefore would benefit from tax exemptions or zero-rated taxation on global income. The anticipated increases in activity expected in the BC sector materialized in 2021 as there were more (20.5%) new BC registrations than in 2020. The changes in the legislation which allowed for the aforementioned could still lead to possible further growth, survival and stabilization of SVG's IFS sector, the economic international climate permitting, although it might still be too early to conclude this.

(ii) Enhanced Marketing Efforts

INVEST SVG, the investment promotions agency for SVG, commenced its participation and preparation in Expo 2020 in late 2021 and engaged attendees on SVG investments, at networking events. The showcasing of IFS products is also anticipated at this event. With joint engagement between the FSA and INVEST SVG, the marketing development initiative embarked upon in 2021 bore fruition of an IFS micro-site, containing promotional videos on the IFS sector and the tax-exempt LLC product as well as an E-guide, all accessible on the FSA and INVEST SVG websites. It is anticipated that there will be ongoing work to further develop the sector, including the implementation of the marketing plan drafted in late 2020, the objective being to attract more business to the Jurisdiction, which is expected to translate into its growth.

(iii) Impact of COVID-19[2]

In year 2021 the impact of the pandemic was far reaching and touched every possible area of development. The poor and the vulnerable bore the brunt as they were dealt a severe setback to ending poverty and boosting shared prosperity. But it wasn't all doom and gloom. As the year went on, there were several positive developments - global economies grew, goods/trade rebounded, food commodity prices begun to stabilize, and remittances registered a robust recovery. However, with newer variants and unequal access to vaccines, it was felt that there was more work to be done. At the same time, as some countries begun to chart their recovery, the opportunity to achieve lasting economic growth without degrading the environment or aggravating inequality was pursued. The World Bank group helped countries chart a recovery that was about green, resilience and inclusivity through achieving economic stability and growth, leveraging the digital revolution, making development greener and more sustainable, and investing in people. Thus, these may have worked positively for global financial market participants and by extension impacted the IFS sector in a somewhat favorable manner, see discussion below, IFS Entities: 2016 -2021.

1. A report on International Insurance activity is included within the "Insurance Sector Report."
2. Source – www.worldbank.org/en/news/feature/2021 year in review the inequality pandemic.

IFS Entities: 2016 - 2021

Over 2016-2021, the total number of active entities for all IFS products generally decreased except for the LLC. Of note, is that the number of international banks and registered agents has been stable since 2019 at 3 and 14 respectively. Also, after a steady decline since 2016, active trusts increased in year 2021 by 4.1% (3 trusts). TABLE I below provides information on the number of active IFS entities licensed/registered/formed from year 2016 up to December, 2021. Generally, cancellations in all sectors have been increasing, with the exception of the LLC product.

TABLE I: INTERNATIONAL FINANCIAL SECTOR NUMBER OF ACTIVE ENTITIES YEARS 2016 – 2021

Type of International Financial Services Product	2016	2017	2018	2019	2020	2021
Business Companies (IBCs/BCs)	6,258	5,946	5,548	5,368	4,245	3,390
Limited Liability Companies (LLCs)	53	55	47	163	653	1,341
Trusts	121	91	82	82	74	77
International Banks	5	5	4	3	3	3
Mutual Funds	102	89	90	79	76	66
Registered Agents	16	16	13	14	14	14

An increase in formations of LLCs was noted from 2019-2021, whereas IBC/BC and mutual fund business activity over the 2016-2021 period has generally been on a declining trend. The trend in renewals of IBC/BC products also continued downwards; of note however, is that there was an increase of 20.5% in new BC registrations recorded in 2021. Total income generated from IFS products was at its highest since 2016. Also, when IBC/BC income is combined with income generated from LLCs, the total performance of these two products improved further in 2021, its highest since 2016. This was positive and it may be that the potential previously observed for LLCs is being realized and the tax-exempt feature of the LLC may deem it a more attractive product when compared to BCs. Also, the latter feature, when combined with that of zero-rated taxation on BC global income, may have contributed to the increase in new registrations in 2021.

Despite the challenges of the international environment, the efforts placed to maintain the IFS sector continued in 2021 and yielded positive results, as the sector remained relatively competitive and the marketing efforts of a few Registered Agents continued to impact favorably on the industry. These marketing efforts combined with the marketing initiatives of 2021 and the changes in the tax regime of BCs and trusts appeared to have made SVG remain as a fairly attractive IFS center. The IFS sector will continue to be closely monitored to assess the impact given the aforementioned factors.

(i) International Banks

This sector is licensed and regulated by the Authority under a regime set out by the International Banks Act, Chapter 99 of the Revised laws of St Vincent and the Grenadines, 2009 (the International Banks Act) and its Regulations, the FSA Act, 2011, the Proceeds of Crime Act, 2013 and the Anti-Money Laundering and Terrorist Financing Regulations, 2014. In 2021 three (3) licensed international banks continued to operate in SVG, *Reference: TABLE II* below.

TABLE II: INTERNATIONAL FINANCIAL SECTOR NAME AND CLASS OF INTERNATIONAL BANKS YEAR 2021

NAME OF BANK	CLASS[3]
Exness formerly *Investex Bank Ltd*, *B2B Bank Limited*	A
RBC Royal Bank Holdings (EC) Limited	B
MPB Bank Limited	B

3

During the reporting period RBC Royal Bank Holdings (EC) Limited divested its 100% shareholding in its sole subsidiary. The bank continued to satisfy capital financing and other legislative requirements.

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/US$0.5M respectively.

(ii) Mutual Funds, Mutual Fund Managers and Mutual Fund Administrators (Mutual Fund entities)

International Mutual Fund entities registered/licensed in SVG are professionally managed collective investment schemes made up of a pool of funds owned by various investors for the purpose of a return from the various types of investment instruments.

The Mutual Funds Act and its Regulations Chapter 154 of the Revised laws of St. Vincent and the Grenadines, 2009 are the governing legislation for this sector. At 31st December 2021 there were sixty-six (66) (2020: 76) 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 structures have utilized the segregated cell company (SCC) construct which was introduced under the IBC Act and which is an attractive initiative to the investor.

Ongoing Matters – governing legislation proposed for Mutual Funds and Mutual Fund Entities:

As at 31st December 2021, the newly redrafted Securities Bill and a new Eastern Caribbean Currency Union ('ECCU') Investment Funds Bill[4] , which were approved by the Monetary Council in October 2019, had been passed into law in three (3) ECCU Jurisdictions, namely Antigua and Barbuda, Grenada and St. Vincent and the Grenadines.

(iii) Trusts

At 31st December 2021, there were seventy-seven (77) active trusts (2020: 74). There were eight (8) [2020: fifteen (15)] new trust registrations in total during the reporting period.

3. The FSA issues two categories of international banking licenses, namely Class A or B, the differences are (i) in the nature of international banking business that can be conducted, general or restricted respectively, reference section 9 of the International Banks Act Chapter 99 of the Revised Laws of St. Vincent and the Grenadines, 2009 ('the International Banks Act') ; and (ii) their capital requirements, reference section 10 of the said International Banks Act.
4. The Investment Funds Bill will apply to the FSA mutual funds sector and other investment products.

(iv) Business Companies

IBCs/BCs continued to dominate the IFS sector products with respect to the number of active entities and renewals. IBC/BC new registrations have fluctuated, the trend has generally been declining and a marked decline of 51.3% was recorded in 2020. However, an increase of 20.5% was recorded in 2021. Also, income generated from this product's

annual license and other fee activity remained the highest over the period. This was positive for the dominant income earner in the IFS industry as BC activity may be rebounding.

(***v) Limited Liability Companies***

In year 2021, there was an increase of 105.4% in active LLCs to 1,341 since year 2020. This was a significant increase, albeit at a slower rate than the increase of 2019/2020 which was approximately 300.0%. Also, the number of new formations amounting to 940 (2019:538) during the reporting period, exceeding the number of new BC registrations (482), were noteworthy. There were also increases in renewals observed in LLCs in the 2016-2021 period which was positive.

(vi) Registered Agents

At reporting date, there were fourteen (14) licensed registered agents in the jurisdiction. Active offsite supervision of all IFS licensed entities continued throughout the year.

Financial Performance For the Year Ended December 31, 2021

Overview

The FSA operations are funded by the Government of St. Vincent and the Grenadines through subvention and revenue earned is remitted to the Consolidated Fund[1].

The Fee Income remitted to the Consolidated Fund for 2021 was EC$3.2M compared to EC$2.7M for 2020. This represents an increase of EC$0.5M or 18.5%.

The year 2021 brought with it growth and recovery following the unprecedented turbulence created by the COVID-19 pandemic, as the Authority realized a profit of EC$1.7M; a notable increase of 262.0% when compared to the year 2020. The information below highlights the reason/s for the movement in revenue and expenses.

Revenue

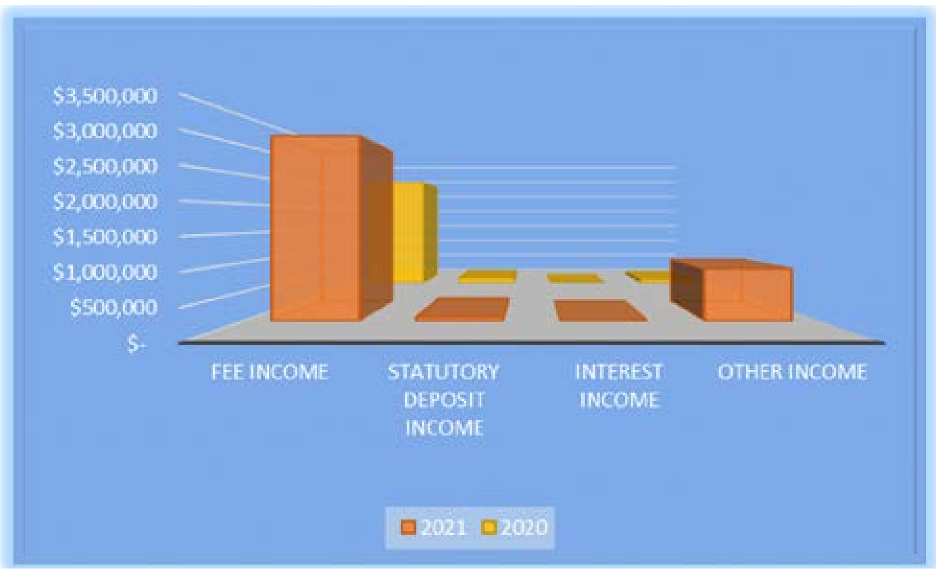
Total revenue for the 2021 financial year was EC$4.1M; EC$1.2M (41.4%) higher than the previous year. This resulted from increases in other income and fee income of EC$789.2K (781.4%) and EC$445K (16.4%) respectively. This amount is offset by a reduction in statutory income of EC$63.9K (48.4%).

This increase in fee income was a result, of a substantial increase in filing fees generated from filing notices for Business Companies (BCs). This rise in BC filing fees was largely influenced by the legislative changes to the Business Companies (Amendment) Act requiring all registered agents to file a notice of their entity's directors and members with the Authority. The grandfathering period, applicable to BCs registered prior to January 1, 2019, which allowed for the exemption from this requirement, expired on June 30, 2021. Also, fee income generated from new registrations grew by EC$209K following a 50.1% increase; from 953 entities in 2020 to 1,430 in 2021.

Additionally, other income increased significantly as a result of the recognition of pension obligations of $806K as grant income.

Conversely, statutory deposit income decreased primarily as a result of a reduction in the International Bank's Statutory deposit held, as, during the prior year, the Authority repaid the balance of a Class A Bank's statutory deposit. This resulted in the reduction in interest income earned on total international bank statutory deposits held. In addition, interest income for domestic insurance was reduced by 50% for the current period, resulting in an overall reduction in total statutory deposit income.

Chart 1: Comparative Revenue Analysis for the Years 2021 and 2020

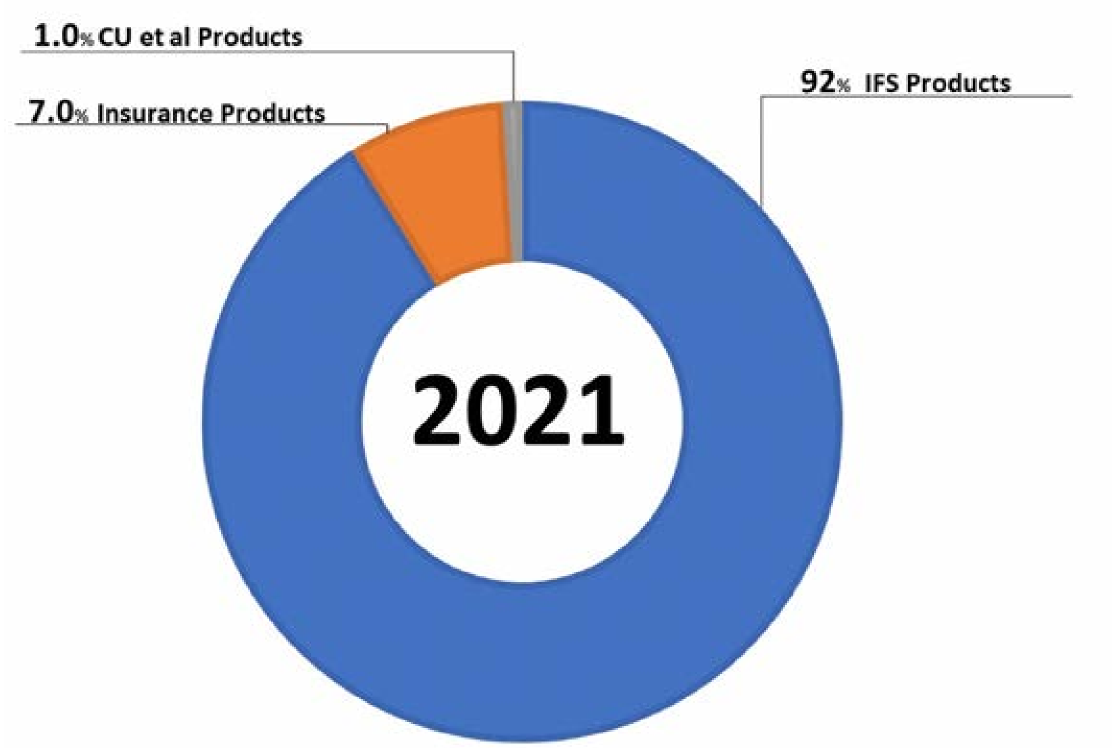


(Source: Audited financial statements for 2021)

1.The 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.

The Authority's BCs contributed 65.7% to fee income while the other non-BC sector products accounted for 34.3%. The IFS sector continued to be the dominant revenue generator for 2021, contributing EC$2.9M or 92.0% to fee income (and 70.6% to total revenue), while the other sectors represented EC$253K or 8.0% as reflected in Chart 2 below.

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



(Source: Audited financial statements 2021

Expenditure

Total expenditure for the review period was EC$2.4M and reflected a decrease of EC$69.9 (2.8%) when compared to 2020. This movement was driven largely by a reduction of 6.2% or EC$118K in staff costs as pension costs of the same amount for public servants seconded to the Authority were absorbed by the Government of St. Vincent and the Grenadines (GOSVG), (*Reference Liabilities section, below*). Staff costs are the Authority's largest expense representing 74.2% (2020:76.9%) of total expenses for the reporting period. The FSA employed twenty-one (21) full-time staff as at December 31, 2021.

Chart 3: Expenditure Analysis for the Years 2021 and 2020

(Source: Audited financial statements for 2020)

The reduction in staff costs was offset by an increase of EC$29K (5.4%), in other operating expenses due mainly to costs associated with conducting due diligence in 2021 on FSA's clients. Depreciation expenses also increased by EC$18K or 61.5%, due to the acquisition of a major asset during the year.

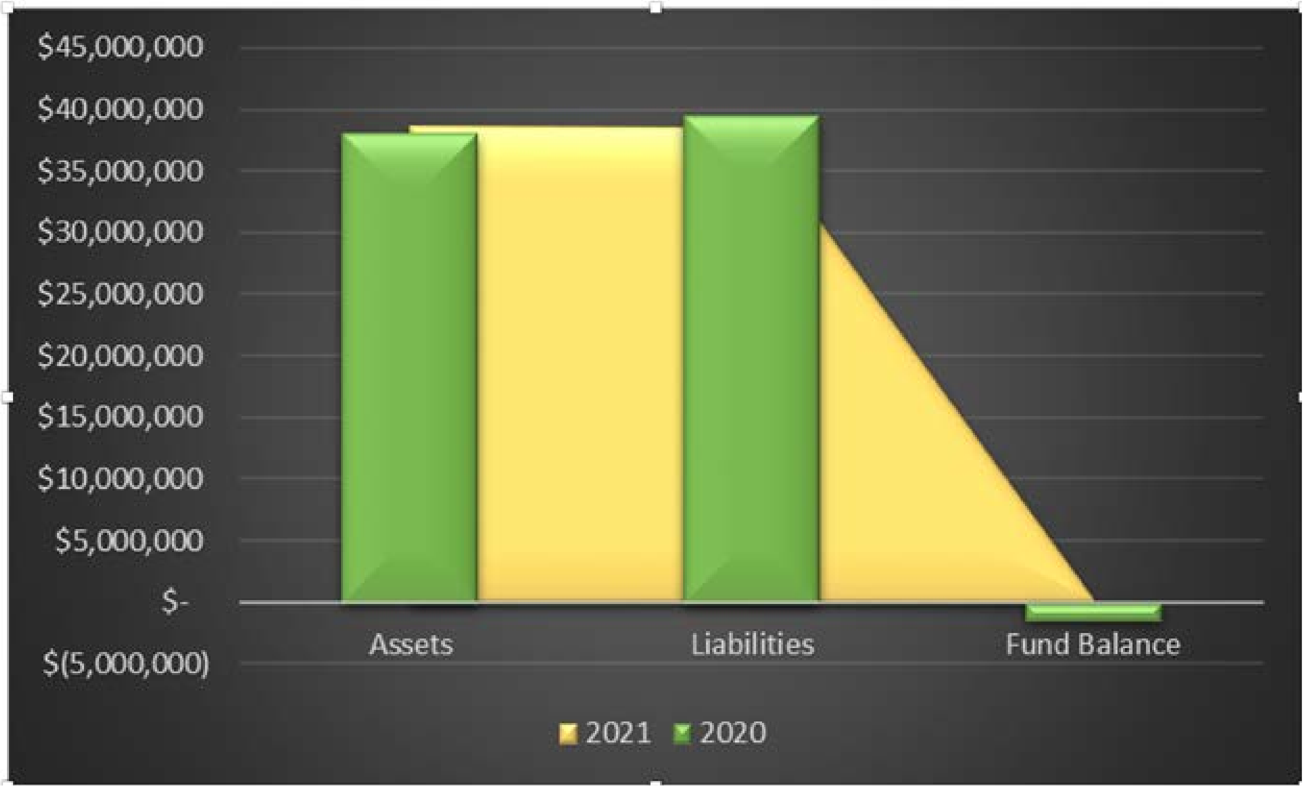
Assets and Liabilities

Assets

In the year 2021, total assets increased by EC$622K or 1.6% when compared to the 2020 financial year. This movement was reflected mainly in cash and cash equivalent balances following net cash and cash equivalents of $611K inflows from operating activities. A substantial portion of the FSA's cash and cash equivalents are interest-bearing statutory deposits held by the Authority on behalf of the entities it regulates.

Plant and equipment increased by EC$74K as a result of net-off between fixed assets acquired and depreciation charges during the year.

Chart 4: Comparative Analysis of Total Assets, Total Liabilities and Fund Balance for the Years 2021 and 2020



(Source: Audited financial statements for 2021)

Liabilities

Total liabilities declined by EC$1.1M or 2.7% when compared to 2020 which occurred largely in the trade and payables category. This decrease in 2021 was mainly attributed to a reduction of EC$0.8M in pension contributions as the GOSVG reduced FSA's indebtedness thereto, *also see explanation in Expenditure section above.*

Trade payables also declined by EC$0.4M given that the Authority settled its debt with a longstanding vendor. Deferred revenue was also reduced by EC$83K, due to a reduction in receipts relating to annual fees and capital grants, while due to statutory depositors increased by EC$0.2M primarily as a result of the receipt of cash statutory deposit requirement for the establishment of a new Money Service Business and additional statutory funds received from an insurance entity.

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

Grant Thornton

Financial Services Authority

Financial Statements
Year Ended December 31, 2021
(in Eastern Caribbean dollars)

Contents

Corporate Information

REGISTERED OFFICE

Reigate Building
Granby Street
Kingstown
St. Vincent and the Grenadines

NON-EXECUTIVE DIRECTORS

Present
Mr. Leon Snagg – Chairman
Mrs. Alma Dougan – Deputy Chair
Mr. Stewart Haynes – Director
Ms. Elritha Miguel – Director
Ms. Karen Duncan – Director
Mr. Edmond Jackson – Director
Ms. Susan Samuel - Director

EXECUTIVE DIRECTOR

Ms. Carla A. James

SECRETARY TO THE BOARD

Ms. Deirdre Adams

BANKERS

Bank of St. Vincent and the Grenadines Ltd.

AUDITORS

Grant Thornton
Chartered Accountants
Sergeant-Jack Drive
Arnos Vale
St. Vincent

Grant Thornton

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Financial Services Authority

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Sergeant-Jack Drive, Arnos Vale
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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Financial Services Authority**, which comprise the statement of financial position as at December 31, 2021, and the statement of changes in fund balance, statement of profit or loss, and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Financial Services Authority** as at December 31, 2021, and its financial performance and cash flows for the year then ended in accordance with the 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 Auditors' 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 the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, and we have fulfilled our ethical responsibilities in accordance with these requirements and 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 the 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 misstatements, 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.

Grant Thornton

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement 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 purposes 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, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The Engagement Partner on the audit resulting in this independent auditors' report is Mr. Floyd A. Patterson.

Grant Thornton

June 16, 2022

Financial Services Authority

Statement of Financial Position

As of December 31, 2021

(in Eastern Caribbean dollars)

	Notes	2021 $	2020 $
ASSETS			
Cash and cash equivalents	4	**15,963,309**	15,352,558
Trade and other receivables	5	**44,699**	117,160
Prepaid expenses		**18,407**	7,376
Due from Government of St. Vincent and the Grenadines	6	**22,221,210**	22,222,466
Plant and Equipment	7	**294,653**	220,759
		38,542,278	37,920,319
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Trade and other payables	8	**492,024**	1,703,222
Deferred revenue	9	**454,082**	537,717
Due to Government of St. Vincent and the Grenadines	10	**123,794**	123,794
Due to statutory depositors	11	**37,277,846**	37,056,259
Total Liabilities		**38,347,746**	39,420,992
Fund Balance		**194,532**	(1,500,673)
Total Liabilities and Fund Balance		**38,542,278**	37,920,319

APPROVED BY THE BOARD OF DIRECTORS ON JUNE 16, 2022.

Leon Snagg
Chairman

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

Financial Services Authority

Statement of Changes in Fund Balance

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	General Fund $	Total $
Balance as of December 31, 2019	(1,649,172)	(1,649,172)
Profit for the year	472,896	472,896
Net distribution to the Government's consolidated fund	(324,397)	(324,397)
Balance as of December 31, 2020	(1,500,673)	(1,500,673)
Profit for the year	1,713,165	1,713,165
Net distribution to the Government's consolidated fund	(17,960)	(17,960)
Balance as of December 31, 2021	**194,532**	**194,532**

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

Financial Services Authority

Statement of Profit or Loss

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Notes	**2021** **$**	2020 $
Income			
Fee income	12	**3,163,954**	2,718,999
Statutory deposit income	20	**68,150**	132,086
Interest income	20	**1,806**	1,672
Other income	20	**890,287**	101,084
		4,124,197	2,953,841
Operating Expenses			
Depreciation	7	**48,474**	30,019
Staff costs	13	**1,789,972**	1,907,681
Other operating expenses	14	**572,586**	543,245
Total Expenses		**2,411,032**	2,480,945
Profit for the Year		**1,713,165**	472,896

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

Financial Services Authority

Statement of Cash Flows

For the Year Ended December 31, 2021

(in Eastern Caribbean dollars)

	Note	2021 $	2020 $
Cash Flows from Operating Activities			
Profit for the year		**1,713,165**	472,896
Adjustments for			
Depreciation		**48,474**	30,019
Interest earned		**(1,806)**	(1,672)
Profit before Working Capital Changes		**1,759,833**	501,243
Change in trade and other receivables		**72,461**	49,990
Change in prepaid expenses		**(11,031)**	2,936
Change in due to Government of St. Vincent and the Grenadines		**-**	646
Change in due from Government of St. Vincent and the Grenadines		**1,256**	722,691
Change in trade and other payables		**(1,211,198)**	(99,533)
Change in deferred revenue		**(83,635)**	124,943
Change in due to statutory depositors		**221,587**	1,157,537
Cash Generated from Operations		**749,273**	2,460,453
Interest received		**1,806**	1,672
Net Cash Generated from Operating Activities		**751,079**	2,462,125
Cash Flows from Investing Activities			
Additions to plant and equipment		**(122,368)**	(39,906)
Net Cash Used in Investing Activities		**(122,368)**	(39,906)
Cash Flows from Financing Activities			
Net distribution to the Government's consolidated fund		**(17,960)**	(324,397)
Net Cash Used in Financing Activities		**(17,960)**	(324,397)
Net Movement in Cash and Cash Equivalents		**610,751**	2,097,822
Net Cash and Cash Equivalents – Beginning of year		**15,352,558**	13,254,736
Net Cash and Cash Equivalents – End of year	4	**15,963,309**	15,352,558

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

(in Eastern Caribbean dollars)

1. Incorporation and Principal Activity

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. Summary of 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 the 'International Financial Reporting Standard 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 3.**

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 and Other Receivables

Trade and other receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective rate method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivable.

d. Plant and Equipment

(i) Recognition and measurement

Items of 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 plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the statement of comprehensive income.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies ……*Cont'd*

d. Plant and Equipment ……*Cont'd*

(ii) Subsequent costs

The cost of replacing part of an item of plant and equipment is recognized 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.

(iii) Depreciation

Depreciation has been provided on all assets on a straight line 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 the 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 cost.

f. Foreign Currencies

These financial statements are expressed in Eastern Caribbean dollars, which is the Authority's functional currency. Transactions involving currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items are converted to the functional currency at the spot rate at the reporting date. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end of monetary assets and liabilities are recognized in the statement of 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

(i) Annual fees

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.

(ii) Registration and application fees

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

(iii) Late fees

Late fees are recognized in revenue in the year received.

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies ……*Cont'd*

g. Revenue Recognition ……*Cont'd*

(iv) Grants

Government grants are recognized at fair value. A grant that imposes specified future performance conditions is recognized 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.

Government grants that affect revenue consist of two types:

(a) Capital grants

Capital grants 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

Income grants are taken to income in the year in which the performance conditions are met.

(v) Statutory deposit income

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 recognized on an accrual's basis.

h. Deferred Revenue

Receipts relating to annual fees for future periods are shown within trade 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. When 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized 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.

(i) Fair value through profit or loss

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 recognized in the statement of comprehensive income within "Net changes in fair value on financial assets at fair value through comprehensive income".

(in Eastern Caribbean dollars)

2. Summary of Significant Accounting Policies ……*Cont'd*

j. Financial Assets ……*Cont'd*

(ii) *Receivables*

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

Impairment allowance provisions are recognized 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 an allowance 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 receivables comprise cash and cash equivalents, trade and other receivables and due from Government. Cash and cash equivalents are a defined in **Note 4 (b).**

(iii) *Investments at amortized cost*

Investments at amortized cost 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, investments are measured at amortized cost using the effective interest method.

k. Financial Liabilities

Financial liabilities include trade and other payables, due to Government and due to statutory depositors.

Financial liabilities are recognized 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 recognized initially at their fair values and subsequently measured at amortized cost less settlement payments.

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

(in Eastern Caribbean dollars)

3. 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 next 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 2** "Significant Accounting Policies". The recoverable amounts of some assets have been determined based on value-in-use calculations. The calculations require the use of estimates.

b. Trade and Other Receivables

The Authority determines its trade and other receivable balances 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 and other receivables and hence it's reported assets and profit or losses.

4. Cash and Cash Equivalents

	2021 **$**	2020 $
Cash on hand and at bank	**459,118**	130,335
Interest bearing deposits	**15,504,191**	15,222,223
	15,963,309	15,352,558

As of reporting date, cash and cash equivalent include cash is held in trust, in accordance with statutory prudential provisions, for certain regulated entities amounted to $15,378,559 (2020: $15,217,996).

5. Trade and Other Receivables

	2021 **$**	2020 $
Annual fees - International Business Companies	**23,925**	12,366
Other receivables	**20,774**	104,794
Total Trade and Other Receivables	**44,699**	117,160

(in Eastern Caribbean dollars)

5. Trade and Other Receivables …..*Cont'd*

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

The aging of trade receivable is as follows: -

	2021 $	2020 $
0 - 60 days	**23,925**	12,366

Trade and other receivables are denominated as follows:

	2021 $	2020 $
United States dollars	**23,925**	12,366
Eastern Caribbean dollars	**20,774**	104,794
	44,699	117,160

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

The amount of $22,221,210 (2020: $22,222,466) 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 currency.

7. Plant and Equipment

	Furniture & Equipment $	Motor Vehicles $	Computer Hardware & Software $	Office Equipment $	Books $	Total $
At January 1, 2020						
Cost of valuation	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
Year Ended December 31, 2020						
Opening net book amount	56,205	1	149,207	5,458	1	210,872
Additions	4,038	-	26,075	9,793	-	39,906
Depreciation charge	(17,598)	-	(5,079)	(7,342)	-	(30,019)
Closing net book amount	42,645	1	170,203	7,909	1	220,759
At December 31, 2020						
Cost of valuation	170,113	76,975	229,651	24,847	7,629	509,215
Accumulated depreciation	(127,468)	(76,974)	(59,448)	(16,938)	(7,628)	(288,456)
Net book Amount	42,645	1	170,203	7,909	1	220,759
Year Ended December 31, 2021						
Opening net book amount	**42,645**	**1**	**170,203**	**7,909**	**1**	**220,759**
Additions	**2,629**	**105,905**	**10,313**	**3,521**	**-**	**122,368**
Depreciation charge	**(17,015)**	**(19,857)**	**(6,418)**	**(5,184)**	**-**	**(48,474)**
Closing net book amount	**28,259**	**86,049**	**174,098**	**6,246**	**1**	**294,653**
At December 31, 2021						
Cost of valuation	**172,743**	**105,905**	**239,964**	**28,368**	**7,629**	**554,609**
Accumulated depreciation	**(144,484)**	**(19,856)**	**(65,866)**	**(22,122)**	**(7,628)**	**(259,956)**
Net book Amount	**28,259**	**86,049**	**174,098**	**6,246**	**1**	**294,653**

Depreciation expense amounting to $48,474 (2020: $30,019) is included in the operating expenses.

(in Eastern Caribbean dollars)

8. Trade and Other Payables

	2021	2020
	$	$
Trade and other payables	**381,451**	760,588
Payroll related liabilities	**-**	9,783
Pension contributions payable to the consolidated fund	**-**	805,931
Other payables	**110,573**	126,920
	492,024	1,703,222

Trade and other payables are denominated as follows: -

	2021	2020
	$	$
Pound sterling	**-**	2,721
United States dollars	**41,718**	13,989
Eastern Caribbean dollars	**450,306**	1,686,512
	492,024	1,703,222

9. Deferred Revenue

Fees in Advance

	2021	2020
	$	$
Annual fees	**374,448**	444,132
Due diligence fees	**30,833**	30,833
	405,281	474,965
Grant Income		
Beginning of the year	**62,752**	76,703
Transfer to income for the year	**(13,951)**	(13,951)
	48,801	62,752
	454,082	537,717

Deferred revenue is denominated as follows: -

	2021	2020
	$	$
United States dollars	**405,281**	437,797
Eastern Caribbean dollars	**48,801**	99,920
	454,082	537,717

10. 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 currency.

(in Eastern Caribbean dollars)

11. Due to Statutory Depositors

The amount due to statutory depositors is held as follows:

	2021	2020
	$	$
Deposits with - the Authority	**15,056,636**	14,833,793
- the Government of St. Vincent	**22,221,210**	22,222,466
	37,277,846	37,056,259

Deposits with the Authority includes accrued interest amounting to $1,456,751 ($1,398,909).

Statutory deposits are denominated as follows: -

	2021	2020
	$	$
United States dollars	**6,624,655**	9,234,362
Eastern Caribbean dollars	**30,653,191**	27,821,897
	37,277,846	37,056,259

12. Fee Income

Registration and Application Fees

	2021	2020
	$	$
Business Companies	**233,808**	193,865
Banks	**-**	6,721
Trusts	**7,258**	12,097
Mutual Funds	**1,344**	2,688
Limited Liability Companies	**416,293**	236,877
Registered Agents	**1,344**	1,344
Insurance Companies - Local	**4,165**	1,600
	664,212	455,192

Annual License Fees

Business Companies	**901,354**	1,086,741
Trusts	**27,420**	25,471
Mutual Funds	**91,085**	81,990
Limited Liability Companies	**109,544**	29,516
Banks	**53,764**	53,764
Registered Agents	**45,431**	41,936
Insurance Companies - International	**9,409**	19,355
- Local	**198,514**	201,663
Money Service Businesses	**38,450**	20,000
Credit Unions	**50**	-
Friendly Societies	**600**	1,350
	1,475,621	1,561,786

(in Eastern Caribbean dollars)

12. Fee Income ……*Cont'd*

Other Fee Income

	2021 $	2020 $
Filing, Certification and Late Fees		
- Business Companies	**943,182**	671,562
- Trusts	**1,310**	2,957
- Mutual Funds	**7,750**	13,575
- Limited Liability Companies	**56,613**	7,097
- Banks	**11,694**	2,554
- Registered Agents	**2,150**	2,419
- Insurance Companies - Local	**100**	-
- International	**784**	
- Money Service Businesses	**-**	100
- Due Diligence	**538**	1,757
	1,024,121	702,021
	3,163,954	2,718,999

13. Staff Costs

	2021 $	2020 $
National Insurance Services contributions	**54,562**	56,652
Pension contributions	**-**	108,813
Salaries, allowances and bonuses	**1,725,781**	1,734,502
Training	**2,073**	3,185
Staff appreciation	**7,556**	4,529
	1,789,972	1,907,681
Number of employees at reporting date	**22**	22

(in Eastern Caribbean dollars)

14. Other Operating Expenses

	2021	2020
	$	$
Advertising and promotion	**5,887**	3,703
Audit fees	**17,400**	17,400
Bank charges	**3,636**	5,188
Board meeting expenses	**10,099**	7,598
Consultancy fees	**42,216**	64,586
Customs and brokerage	**2,362**	2,907
Directors' fees	**84,000**	84,000
Donations	**220**	666
Due diligence	**27,850**	-
Electricity	**54,142**	54,750
Foreign exchange loss	**268**	391
Insurance	**11,599**	9,196
Meeting and interviews	**1,247**	-
Miscellaneous	**1,121**	1,582
Office supplies	**5,427**	5,846
On-site inspection	**1,690**	-
Overdraft interest	**458**	3,916
Postage and delivery	**50**	631
Rent	**149,280**	146,280
Repairs and maintenance - equipment	**30,035**	23,758
- plant	**5,336**	396
- vehicle	**4,375**	9,343
- other	**-**	3,870
Seminars and conferences	**-**	67
Stationery and printing	**53,604**	46,921
Subscription and dues	**17,142**	9,177
Technical support	**27,600**	27,600
Telephone and fax	**15,542**	13,473
	572,586	543,245

(in Eastern Caribbean dollars)

15. 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 party and the other entity is an associate of the third party.

(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 Authority has related party relationships with the directors, secretary to the Board, key management personnel and Government.

(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:

	2021	2020
	$	$
Chairman and non-executive directors' emoluments	**84,000**	84,000
Key management salaries and allowances	**377,640**	377,640
	461,640	461,640

(in Eastern Caribbean dollars)

15. Related Party Transactions ……*Cont'd*

(c) Related Party Transactions and Balances ……*Cont'd*

(ii) Net Distribution to Government

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:

	2021	2020
	$	$
Distribution to consolidated fund	**3,049,293**	2,861,730
Subvention from Government	**(3,031,333)**	(2,537,333)
Net distribution to consolidated fund	**17,960**	324,397

16. 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 is 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.

17. Pension Obligations

Effective January 1, 2021, the Government of St. Vincent and the Grenadines elected to absorb the pension cost of those employees that were seconded to the Authority from the public service. In accordance with that decision, the pension liability, as of January 1, 2021, which amounted to $805,931 was recognized as a grant income.

18. Contingent Assets

As of reporting date, the Authority, as regulator, holds charges over securities and cash balances, which vest in certain regulated entities and held by an independent depository as statutory deposits, having a nominal or face value of $20,297,176 (2020: $21,597,461).

19. 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 minimize 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, and due from Government. Financial liabilities include borrowings, trade and other payables, deferred revenue, due to the Government and statutory deposits of licenced 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 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.

(in Eastern Caribbean dollars)

19. Financial Risk Management ……*Cont'd*

a. Market Risk ……*Cont'd*

Market risk arises from the Authority's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument. 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).

(i) Foreign currency risk

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

(ii) Interest rate risk

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 is receives on these deposits is changed, however the interest rate spread is not fixed.

The Authority's bank borrowings 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.

b. Credit Risk

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

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

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

(in Eastern Caribbean dollars)

19. Financial Risk Management ……*Cont'd*

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

The Authority's aging of its contractual repayment period of its financial assets and liabilities as of December 31, 2021, is as follows: -

	Within 12 Months	1 – 5 Years	Over 5 Years	Total
Assets	**$**	**$**	**$**	**$**
Cash and cash equivalents	**15,963,309**	**-**	**-**	**15,963,309**
Trade and other receivables	**44,699**	**-**	**-**	**44,699**
Due from Government	**-**	**-**	**22,221,210**	**22,221,210**
Total	**16,008,008**	**-**	**22,221,210**	**38,229,218**
Liabilities				
Trade and other payables	**492,024**	**-**	**-**	**492,024**
Due to Government	**123,794**	**-**	**-**	**123,794**
Due to statutory depositors	**-**	**-**	**37,277,846**	**37,277,846**
Total	**615,818**	**-**	**37,277,846**	**37,893,664**
Net	**15,392,190**	**-**	**(15,056,636)**	**335,554**

(in Eastern Caribbean dollars)

19. Financial Risk Management ......*Cont'd*

d. Liquidity Risk ......*Cont'd*

The Authority's aging of its contractual repayment period of its financial assets and liabilities as of December 31, 2020, is as follows: -

	Within 12 Months $	1 – 5 Years $	Over 5 Years $	Total $
Assets				
Cash and cash equivalents	15,352,558	-	-	15,352,558
Trade and other receivables	117,160	-	-	117,160
Due from Government	-	-	22,222,466	22,222,466
Total	15,469,718	-	22,222,466	37,692,184
Liabilities				
Trade and other payables	1,703,222	-	-	1,703,222
Due to Government	123,794	-	-	123,794
Due to statutory depositors	-	-	37,056,259	37,056,259
Total	1,827,016	-	37,056,259	38,883,275
Net	13,642,702	-	(14,833,793)	(1,191,091)

20. Excess of Subvention over Expenses

	2021 **$**	2020 $
Income		
Government's subvention	**3,031,333**	2,537,333
Statutory deposit income	**68,150**	132,086
Interest income	**1,806**	1,672
Other income	**890,287**	101,084
Total Income	**3,991,576**	2,772,175
Operating Expenses		
Staff costs (**Note 13**)	**1,789,972**	1,907,681
Other operating expenses (**Note 14**)	**572,586**	544,145
Total Expenses	**2,362,558**	2,451,826
Excess of Subvention over Expenses	**1,629,618**	320,349

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.