FINANCIAL SERVICES AUTHORITY SVG

2023

ANNUAL REPORT

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FINANCIAL SERVICES AUTHORITY SVG

OUR MISSION

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

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BOARD OF DIRECTORS

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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.

Jan - Oct 2023

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.

SUSAN M. SAMUEL, is a native Vincentian and a Qualified Accountant with over twenty-five (25) 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.

KOZEL FRASER, Kozel Fraser is the Country Manager of the Eastern Caribbean Central Bank. She holds a BSc. in Economics from the University of Cienfuegos and a MSc. in Sustainable Development from the University of London. Mrs. Fraser has worked in Senior management for over 10 years. She is the former Coordinator of WINFA and the former President of the Board of Directors of the Caribbean Policy Development Centre. She has extensive knowledge in Project Management and is actively involved in community development through her work with the Avenues United sports, educational and cultural organization.

BOARD OF DIRECTORS

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 rom 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.

Appointed October 2023.

KENNETH YOUNG, was appointed as Chairman of the FSA in October 2023. Mr. Young is a Qualified Accountant with over forty (40) years of experience in Auditing and Accounting. Mr. Young brings vast professional experience to the Board, having served in various capacities in the public and private sector for many years.

He was the first Financial Controller of the St. Vincent Brewery Limited and served as the Financial Controller of SVG Air Limited for over twenty (20) years. He has also lectured in Accounting for over twenty years at the University of the West Indies and in a private capacity.

Appointed October 2023.

HANCE JOHN, holds a BSC in Accounting (Special) from the University of the West Indies Cave Hill Campus Barbados. He has worked as an Auditor with BDO Eastern Caribbean for four years and is currently Project Officer/ Accountant in the Ministry of Finance, Economic Planning and Information Technology. Mr. John is a current Director of the Farmers Support Company and a Committee Member on the Prime Ministerial Advisory Council on Youth for the Agricultural Sector. He also serves as a Consultant to the Pan American health organization/ World Health Organization.

Mr. John is also a Cultural Ambassador of St. Vincent and the Grenadines.

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 29 years of experience in financial services regulation and supervision 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). He also holds the Certified Anti-Money Laundering Specialist (CAMS) and Accredited Director (Acc. Dir.) designations from the Association of Certified Anti-Money Laundering Specialist (ACAMS) and Chartered Governance Institute of Canada (CGIC), respectively.

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.

MRS. 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.

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 is a Certified Ant-Money Laundering Specialist (CAMS) and Certified Risk and Compliance Management Professional (CRCMP).

Over the period 2010-2014 Mrs. Rose-Providence served as Secretary of the Caribbean Association of Insurance Regulators (CAIR).

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 – *Jimmy Black, Ival Jack, Leslieanna Joseph, Kalique Peters, Shaquille Williams, Vasilca Cato-Morgan, Keisha Bynoe, Karen Jackson, Courtney Lewis, Farique Daniel, Yolande Balcombe, Carla James, Mintrue Rose-Providence, Nyasha Browne, Osrick James (SET Intern), Daphne Scott, Derek St. Rose, Debon Moses, Laffa Francois*

Seated from left to right – *Roxanne Durham, Dennis Gurley, Geshell Peters, Dejante Simmons (SET Intern)*

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:

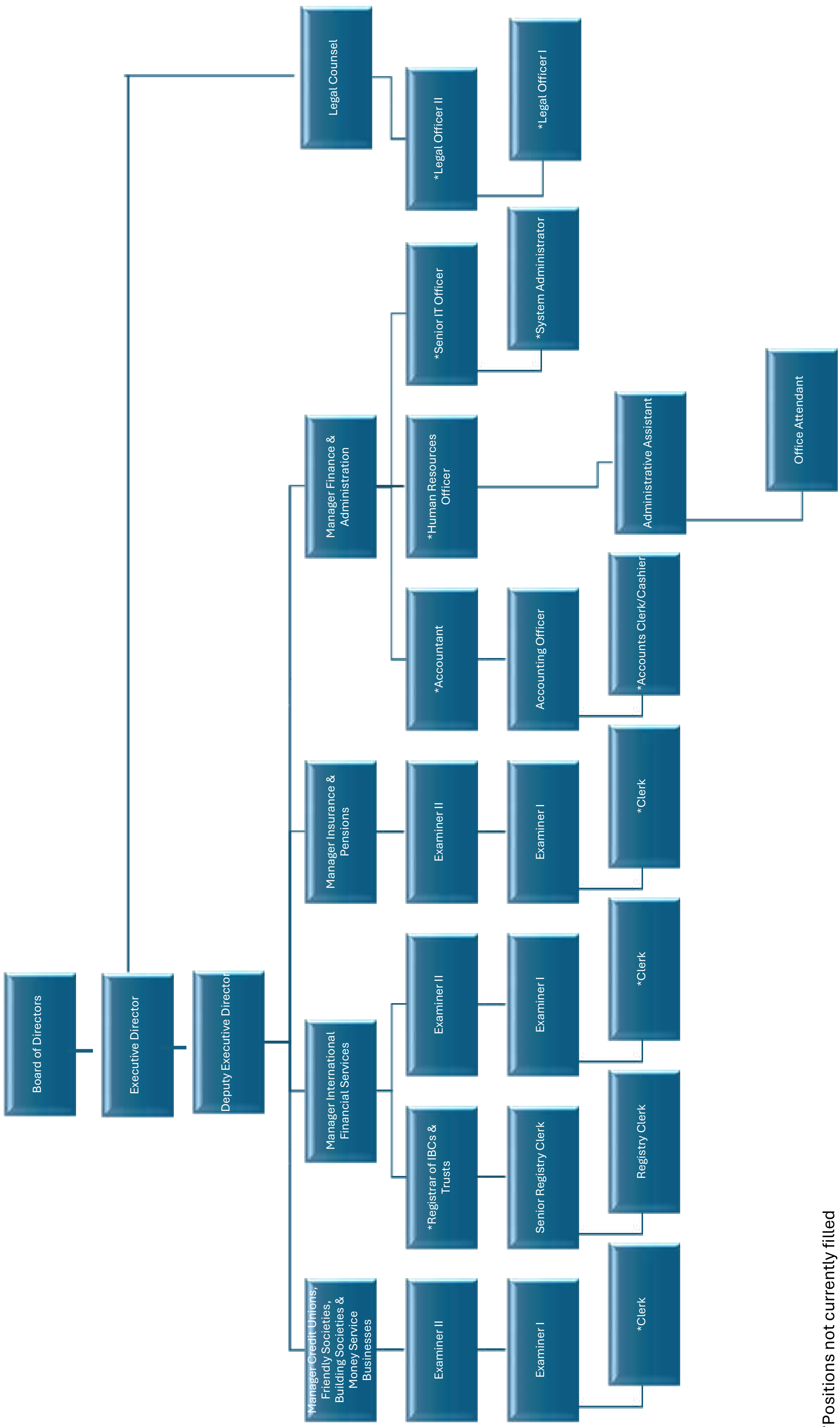
- Business Companies (IBCs);
- Limited Liability Companies (LLCs)
- Mutual Funds;
- International Banks;
- Trusts;
- International Insurance Companies;
- Domestic Insurance Companies
- Insurance Intermediaries;
- Pension Fund Plans;
- Credit Unions;
- Building Societies;
- Friendly Societies; and
- Money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



*Positions not currently filled

Chairman's Message 2023

It is with distinct pleasure and gratitude that I present once again, on behalf of the Board of Directors, the Annual Report of the Financial Services Authority (FSA) for the financial year 2023.

The year 2023 marked the beginning of a new decade within the life of the FSA, having celebrated its 10th anniversary in November 2022.

As the lingering effects of the Covid-19 pandemic and the challenges it presented subside, financial regulators must prepare for new prospects of growth and innovation driven by the industry. This is a time when regulators are being tested on their ability to safeguard consumer confidence and ensure the stability of the financial sector, which remain the fundamental objectives of financial regulation. Ongoing innovation in financial products has presented new challenges for regulators in balancing the demand for and supply of new products and services and the potential risks they present. With these evolutionary changes in mind, the FSA commenced the new year with renewed vigor and optimism to navigate the many challenges as it continued to execute its mandate.

To this end, the FSA remains committed to advancing the work initiated on the establishment of a Stabilization Fund for credit unions operating in St. Vincent and the Grenadines (SVG) as well as regional efforts towards the development of a deposit insurance system, inclusive of a Deposit Insurance Corporation (DIC), Deposit Insurance Legislation and Deposit Insurance Fund (DIF).

Mutual Evaluation

The year commenced with SVG undergoing its 4th round of the Caribbean Financial Action Task Force's (CFATF) Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) Mutual Evaluation; a cornerstone of the international framework to combat financial crime. The country's legal and regulatory infrastructure were scrutinized to analyse the implementation and effectiveness of measures to combat money laundering, terrorist and proliferation financing. The robustness of the country's AML/CFT framework was analysed for both technical compliance with Financial Action Task Force (FATF) Standards and its overall effectiveness at combating financial crime. That is, whether the necessary laws, regulations or other required measures are in force and effect in SVG, and whether the supporting AML/CFT institutional framework is in place. The effectiveness component assessed whether the AML/CFT systems are working, and the extent to which the country is achieving the defined set of outcomes. It is no longer merely good enough to have the laws, but they must be consistently applied and adhered to.

This exercise, though extensive and resource intensive, provided SVG with the opportunity to audit and strengthen its response to financial crime.

Climate- related Financial Risks

One of the notable trends in the financial sector was the increased interest in climate-related financial risk. Currently, the Eastern Caribbean Central Bank (ECCB) is leading efforts to assist national regulators in the Eastern Caribbean Currency Union (ECCU) with integrating climate-related financial risk management in their supervision tools.

The FSA has been actively involved in this initiative and has participated in workshops and other engagements in this regard. Ultimately, the goal is to incorporate climate-related financial risks in prudential regulation and supervision through the development of a framework for managing climate-related financial risks for the regional financial sector. Furthermore, we note that regulated entities are increasingly incorporating Environmental, Social and Governance (ESG) considerations into their risk assessment processes, underwriting practices and investment strategies, recognizing the potential long-term impacts of climate change and social factors on their businesses.

Virtual Assets and the Existing Regulatory Framework

Digital assets have gained immense popularity over the last few years, despite their volatile nature. The exponential growth of virtual assets globally therefore necessitates an understanding of the surrounding regulatory landscape.

The FSA recognises the importance of embracing innovation and digitalization while ensuring that risks are appropriately managed. As the digital asset ecosystem continues to expand, it has become imperative for regulators such as the FSA to develop the necessary framework and regulations that protect the vast consumer base from market manipulation and fraud, while allowing for reasonable growth of the industry. The FSA along with other regional regulators continued to collaborate to develop a supervisory framework for digital/virtual assets business. It is anticipated that such a framework would supplement the already enacted Virtual Asset Business Act 2022 and the soon to be passed, Virtual Asset Business Regulations. This overall legal regulatory structure will not serve to stifle the sector but would strike a balance between allowing innovation to thrive and restricting some of the risky or challenging aspects of this new frontier of finance.

Industry Collaboration

As a regulator, engagement with our licensees and other key stakeholders is an integral part of the regulatory process and a key element of the FSA's mandate. Staying ahead of change in consumer markets is essential to our operations. By engaging with industry participants on a regular basis, we can respond quickly to new technologies, rules and consumer trends, ensuring the integrity and growth of our regulated sectors.

One of the FSA's mandates is to protect consumers and enable innovation in the sectors we regulate. Our goal is to engage and listen to our sector partners and strive for continuous improvement. To achieve this, we facilitated several engagements with the sectors throughout the year and conducted an annual stakeholder survey which allows us to track our performance and identify any emerging trends.

The FSA is cognizant that regular dialogue with industry players, through various sector engagements, fosters collective action for the betterment and growth of the sector. Accordingly, we will continue to actively consult and engage with our stakeholders on a variety of issues.

Conclusion

The accomplishments of the Authority during 2023 would not have been possible without the direction provided by the Board of Directors, together with the excellent work and steadfast dedication of Executive Management. I would also like to take this opportunity to express my sincere appreciation to the staff for their hard work and unwavering commitment towards reaching the Authority's objectives. Finally, I say thank you to our industry stakeholders, and partners for their continued support and collaboration throughout the year. I firmly believe that, together, we can continue to build a stronger and more resilient financial services industry for SVG.

Executive Director's Report 2023

It is my pleasure to report on the work and activities of the FSA over the period January 01- December 31, 2023.

As St. Vincent and the Grenadines' (SVG) financial services regulator for the non-bank and international financial services sectors, the FSA's primary focus is on protecting consumers, reducing financial crime, and maintaining confidence in the financial services sector through effective regulation.

Delivering our Strategy

The supervisory tasks of the FSA are derived from its statutory mandate and the legislation governing the supervised entities, as well as the current developments and growth of the international, regional and local financial services sectors. In addition to this legal basis, the Strategic Plan seeks to define the longer-term focus of the FSA's work in line with its strategic goals. Within the FSA's strategic framework, there are two (2) strategic anchors underpinned by broader strategic objectives which provide the lens through which the FSA delivers its overall mandate. These objectives include the effective management of risks to the international and non-bank financial system, the design and implementation of an operating framework for financial stability in SVG, collaboration with strategic partners, financial supervisory authorities, and other relevant bodies on common interests, and continuously enhancing human resource capacity and competencies.

Effective Management of Risks-Risk-Based Supervision

2023 marks a full year of the FSA's trajectory towards the application and implementation of the principles of Risk-Based Supervision (RBS), having published its Framework in 2022. Supervisory activities have become more aligned with and proportionate to a supervised entity's risk and impact, as determined by its size, the type of activities it conducts, and its potential to cause disruption to the financial system (systemic importance).

In parallel, Anti-Money Laundering/Counter-Financing of terrorism (AML/CFT) supervision for all supervised entities are aligned with the level of money laundering or terrorist financing risks to which an entity is exposed. This is in keeping with the FSA's AML/CFT RBS Framework which formally outlines the methodology the FSA applies for determining its AML/CFT RBS approach, also published in 2022.

The FSA has actively participated in the project on Integrating Climate-related Financial Risks in Financial Supervision since its inception in 2021, led by the ECCB and facilitated by a Consulting firm[1]. The goal of the program is geared toward the full integration of climate risks in financial supervision. The FSA is a member of the steering committee and will continue to actively participate in all phases of the project with a view to assess, monitor, and supervise climate-related risks effectively just as other risks facing financial institutions.

1 Agence Française de Développement (AFD)

Collaboration With Strategic Partners, Financial Supervisory Authorities, And Other Relevant Bodies:

I. **OECD Exchange of Information-2nd Round Peer Review**

In 2023 SVG completed an intensive two-phased evaluation conducted by the Organization for Economic Cooperation and Development's Global Forum on Tax Transparency and the Exchange of Information for Tax Purposes ('the OECD Global Forum'), which was established by the OECD, to ensure the effective implementation of tax transparency and exchange of information for tax purposes globally. The first phase of this evaluation assessed the quality of the country's legal and regulatory framework for the exchange of information and the second phase, the effectiveness of the practical implementation of such framework. SVG's entire exchange of information regime was examined by the OECD Global Forum, including but not restricted to tax, regulatory, financial, corporate and AML/CFT laws, systems and procedures. The evaluation spanned a period of one year, commencing in 2022, and culminated with the adoption of SVG's report in July 2023.

The country maintained its overall 'Largely Compliant' rating in this round as had been its rating overall since 2011 and 2014, which was a positive outcome for the country. It importantly signifies that appropriate legislative and regulatory framework is in place in SVG, which facilitates the efficient exchange of information for tax purposes, and that the practical application of this framework is largely effective, in keeping with the main requirements of international standards. This present high rating for SVG enhances the reputation and integrity of the country as a sound international financial center and contributes to preserving its financial soundness and stability.

II. Caribbean Financial Action Task Force Mutual Evaluation (CFATF MEV)

In 2022/23, the FSA increased its resources dedicated to AML/CFT in preparation for the Fourth Round MEV Assessment[2] of the country's AML/CFT regime, a period of intense scrutiny of both technical compliance and effectiveness, by the CFATF. With that in mind, the FSA continued to build on its focused delivery of AML/CFT supervision and oversight by ensuring that its supervised entities have strong AML/CFT preventive measures in place. The FSA also reviewed and gave input on the amendment of various pieces of legislation, thereby ensuring the jurisdiction maintains strong AML/CFT legislation that aligns with global standards, places legal obligations on financial and other relevant institutions, and requires effective oversight and supervision of core and other financial institutions.

The FSA engaged in AML/CFT targeted outreach with the Money Service Businesses and Registered Agents to address specific areas of high risk noted from its AML/CFT offsite and on-site supervision. These outreach sessions were jointly facilitated by the FSA and FIU.

The FSA further strengthened its internal supervisory policies and procedures by drafting and adopting its AML/CFT Risk-Based Supervision Manual. AML/CFT risk profiles of supervised entities were updated following desk-based reviews, in which thorough analysis of responses and accompanying submissions to the 2023 AML/CFT Questionnaire was undertaken. The FSA accordingly formulated its AML/CFT supervisory plan for 2023 to incorporate focused on-site examinations driven wholly by risk.

The FSA utilized the findings of its offsite surveillance and on-site examinations as well as the findings of the AML/CFT Questionnaires and risk ratings of entities for the period 2021-2022 to prepare and document a sectoral risk assessment of its supervised entities. This sectoral risk assessment was shared with the CFATF Assessment team during the on-site assessment period and the FSA intends to share its findings with the various sectors and publish same on its website in 2024.

Following the MEV assessment, which spanned over one (1) year, the MEV report of SVG was approved and adopted at the Fifty Seventh (57th) Plenary of the CFATF in Aruba in November 2023. SVG has been placed in Enhanced Follow-Up based on its overall Technical Compliance and Effectiveness ratings and will be required to undertake recommended actions and report to the May 2025 Plenary on its progress in meeting these actions.

Overall, supervisors (including the FSA) were deemed to have established strong AML/CFT frameworks for the supervision of FIs and DNFBPs following a risk-based approach, notwithstanding that some sectors, considered immaterial, were not yet risk assessed. The demonstration by SVG of its compliance and effectiveness of its AML/CFT regime with global standards was as a result of a strong collective effort in preparation for the MEV by the members of the National Anti-Money Laundering Committee (NAMLC), industry stakeholders and staff of the FSA.

Enhancing Human Resource Capacity and Competencies

Building on the aforementioned strategic objective, in 2023 the staff of the Authority were provided with opportunities for awareness raising and capacity building on key regulatory, AML/CFT and other relevant issues.

Staff participated in virtual workshops and seminars hosted by the ECCB, the Caribbean Association of Insurance Regulators (CAIR), Caribbean Regional Technical Assistance Centre (CARTAC), the Digital Frontiers Institute, the Financial Action Task Force (FATF) and the Caribbean Association of Pension Supervisors (CAPS). The FSA also continued to participate in Regulatory Oversight Committee (ROC) Meetings, hosted by the ECCB, in which matters of mutual interest that may affect the financial stability of the region were discussed.

2 The two (2) week on-site visit by the Assessment Team was held from March 20th to 31st, 2023.

Continued focus was placed on building staff capacity in AML/CFT to ensure staff are appropriately qualified and trained. To that end, the FSA now has on staff nine (9) AML Specialists, having all completed the Certified Anti-money Laundering Specialist (CAMS) designation.

Cognizant of the widening of its supervisory scope to include Virtual Assets Service Providers (VASPs), the FSA continued to source training for relevant staff, to build competence and capacity in Virtual Assets and VASPs supervision. To that end, technical assistance was provided by regional and international organizations such as the World Bank and PricewaterhouseCoopers via an engagement with the ECCB.

Given the intended application of the International Financial Reporting Standard (IFRS) 17 standard for Insurance Contracts from financial year 2023, the FSA continued to engage in various capacity building initiatives to enhance its knowledge and competence. Technical assistance was provided via CAIR and CARTAC and the FSA also collaborated with ECCU and other regional regulators to develop a harmonized approach to the implementation of the standard. To this end Working Groups were established to draft harmonized reporting forms and guidance to the sector.

Standards for Institutional Strengthening

The FSA continued to issue Industry Guidelines to bolster the regulatory framework and promote compliance with legal requirements and best practice.

In 2023 a Guidance Note on Financial Reporting and Related Matters was issued to the Insurance Sector and sets out the framework needed for the FSA to adjust its regulatory reporting regime to align with the audited IFRS financial statements prepared by insurers for shareholders and other users. This approach is in keeping with the guidance of the International Association of Insurance Supervisors (IAIS).

Additionally, the FSA updated its previously existing Guidelines on Investments to the Credit Union Sector to incorporate project assessments. The purpose of the updated Guidelines is to assist Credit Unions and their advisers in the prudent and proper management of investments, in the best interests of the institution and members.

Shaping the Legislative Framework

Legislative reform for 2023 entailed substantive review of the Draft Virtual Assets Business Regulations, through the FSA's own internal review and via technical assistance provided by the World Bank. The final draft of these Regulations was circulated by the ECCB in December 2023 for approval by the respective Ministries of Finance in the Eastern Caribbean Currency Union (ECCU). The Regulations, like the Virtual Asset Business Act[3], is a harmonized model legislation, drafted by the ECCB. It includes key provisions which supplement the main provisions within the Act, which provide for the registration and supervision of virtual asset business from and with persons in SVG.

3 Act No. 9 of 2022

The FSA also participated as a member of a Working Group developed by the ECCB ROC tasked with the development of a digital assets' supervisory framework for the ECCU. The document was also subject to review by the United Nations Capital Development Fund (UNCDF), which provided technical assistance and support to the Working Group.

As the FSA embraces its role as the regulator of these new and innovative products and services, it is committed to ensuring that there is a robust legislative regime in which they operate.

In December 2023, the Cooperatives Societies Regulations[4] were approved and came into effect. These Regulations serve to strengthen and supplement various critical regulatory provisions, including, inter alia, the revision of fees, the proper conduct of Annual General Meetings and investments. The FSA will engage in outreach and sensitization of the sector to discuss the new requirements as per the amendments and supervisory expectations in 2024.

The FSA also continued to participate as a member of the ECCB's Electronic Retail Payments Working Group and provided input on the Payment System and Services Bill as well as Regulations through its attendance at an in-country consultation, together with other relevant stakeholders.

Conclusion

Our achievements are only possible as we all work collaboratively. I am grateful to our Board of Directors for their support and guidance throughout the year, as well as the Management and staff for their continued dedication and diligence. I express sincerest gratitude to the regulated sector and our other stakeholders, without whose support and cooperation our mandate and strategies could not have been achieved. I thank, in particular, the Honourable Prime Minister, Honourable Minister of Finance and the Honourable Attorney General for their invaluable cooperation and support.

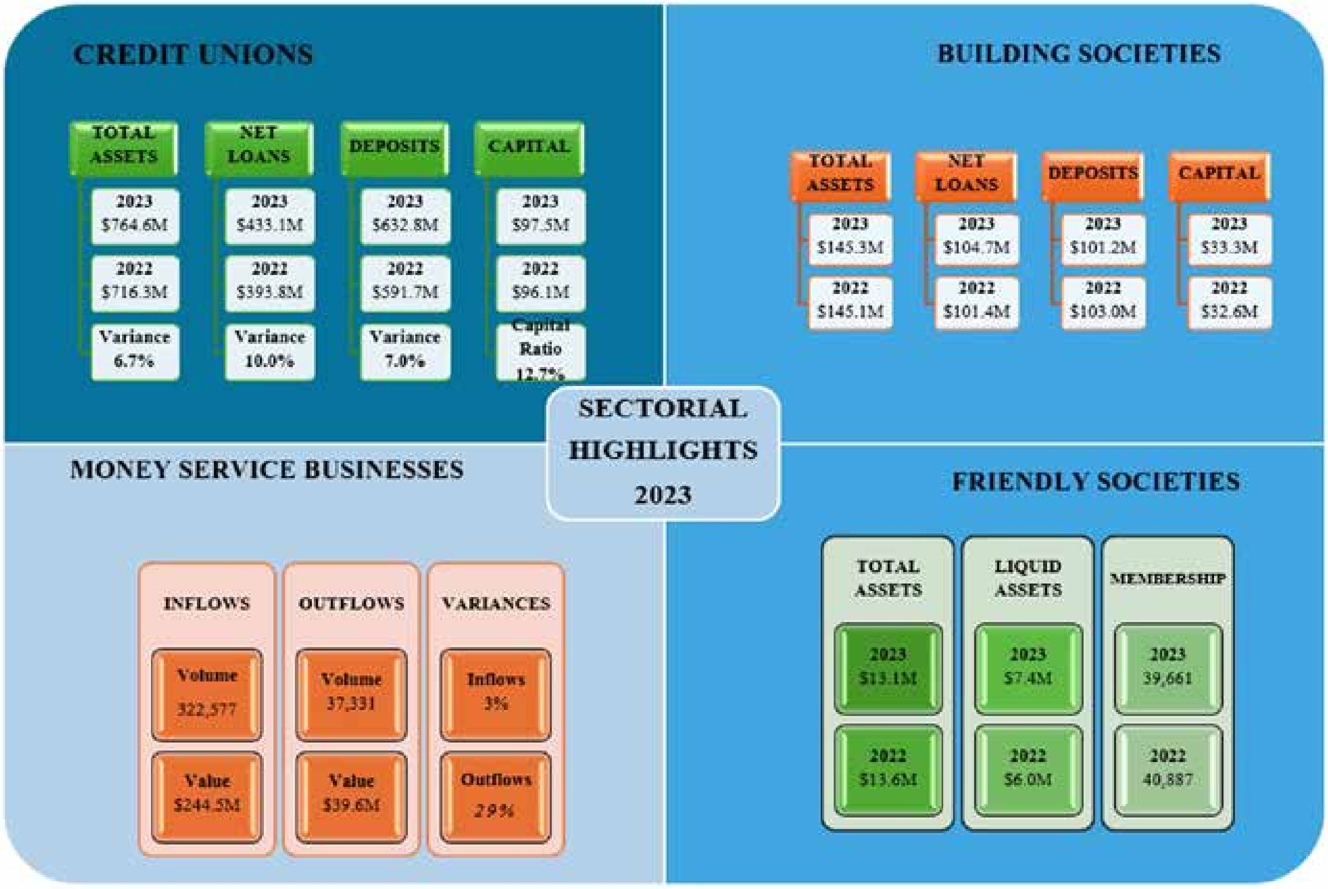
The end of 2023 saw the completion of long-standing service by the Authority's Chairman and Deputy Chairperson. They have made a considerable and valued contribution to the growth and success of the organization, having both served on the Board since the FSA's inception. On behalf of Executive Management, Management and staff I would like to acknowledge their contribution and thank them for their service, sound stewardship and guidance.

Carla James
Executive Director

4 Statutory Rules and Order, 2023 No. 45

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

Key Highlights for the Year ended December 31, 2023, with comparison to 2022



1.0 Credit Unions

As at December 31, 2023, four (4) credit unions and the apex body, St. Vincent and the Grenadines Cooperative Credit Union League Ltd. remained active in St. Vincent and the Grenadines. The credit union sector continued to provide affordable access to financial services to the population and saw sustained growth in key performance indicators (See Chart 1). The sector's delinquency management practices were improved in the reporting period, resulting in an overall decline in delinquency compared with prior years, 2021 and 2022 (See Table 1: Synopsis of Financial Performance 2021-2023).

Chart 1: A graphical representation of the sector's growth in Total Assets, Net Loans, and Total Deposits 2021-2023

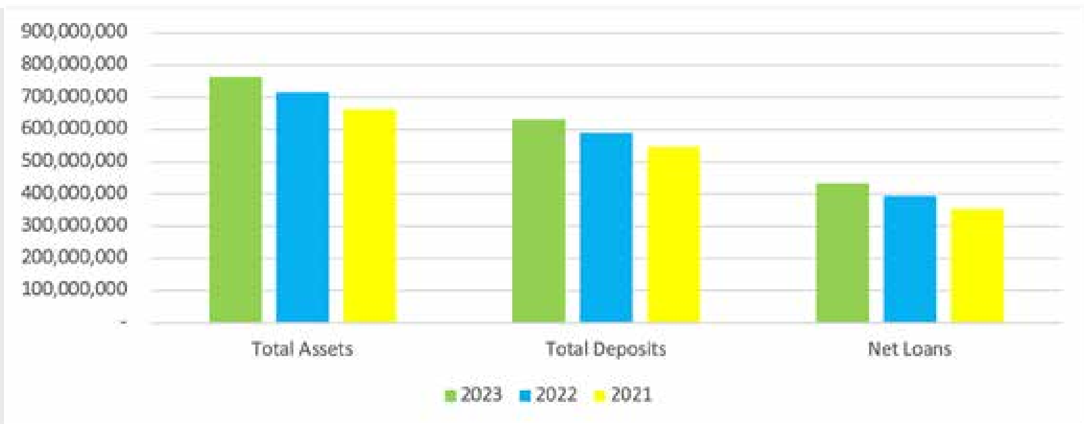


Table 1 provides a synopsis of the current financial performance with comparative information for the prior two years.

Table 1 – Synopsis of Financial Performance 2021-2023

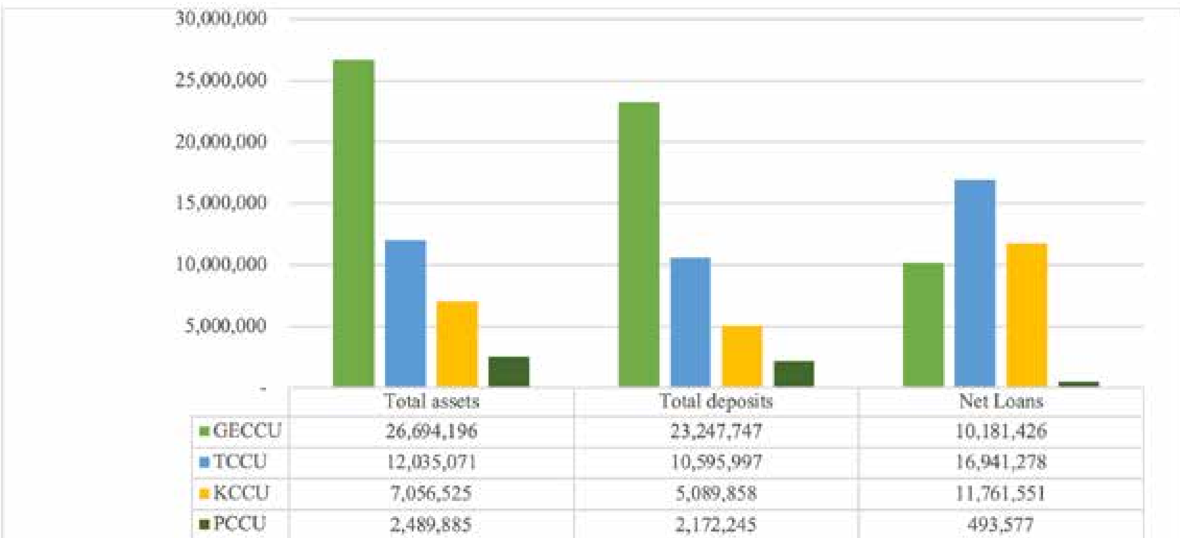
Categories	December 2023 *(Unaudited)	December 2022 (Audited)	December 2021 (Audited)
Total Assets	EC$764,614,541	EC$ 716,338,864	EC$ 662,308,587
Net Loans	EC$433,135,435	EC$ 393,757,603	EC$ 354,253,331
Total Deposits	EC$632,791,849	EC$ 591,686,002	EC$ 546,940,539
Total Liabilities	EC$644,479,007	EC$ 603,806,167	EC$ 557,057,278
Regulatory Capital	12.8%	13.4%	12.3%
Delinquency Rate	7.1%	7.96%	8.0%
Total Membership	79,718	75,661	79,089
Total Staff	216	216	182

***Figures reported for the year ended December 2023 are unaudited and are expected to change.**

The sector's performance was within expectation; the unaudited reports showed that all credit unions generated a surplus from core business activities for the year ended December 31, 2023; the surplus was an improvement of approximately 0.5% from the prior year's position. The sector remains liquid, as most credit unions maintained a liquidity ratio above 15%; notwithstanding this, the average liquidity in the sector declined to 29.0% in the year.

The sector's asset base increased by $48.3M, or 6.7%, compared to the prior year. This change corresponds with a 7.0% increase in the total deposits, which stood at $632.8M at year-end. Further growth was noted in the sector's capital base; the nominal value increased by 2.1% and stood at $97.5M at December 31, 2023 compared to $95.5M in in the prior year. However, the capital ratio for 2023 declined marginally at 12.8% compared to the prior year when it stood at 13.4%. This change was resultant of a greater than proportionate change in the total asset in 2023. Chart 2 outlines the monetary value of changes in Assets, Loans, and Deposits held by each credit union year to year.

Chart 2. Changes in Assets, Loans, and Deposits as at 2023/2022



Other notable changes were as follows:

- The delinquency rate declined to 7.1%. However, it remained above the prudential limit, by approximately two (2) percentage points;
- Credit unions' membership grew by 4,057 or 5.4%.

Governance

The sector maintained relatively stable governance structures by way of the board of directors, statutory committees and management teams, which performed their duties in accordance with the Cooperative Societies Act, No. 12 of 2012, and its amendments. The governance teams engaged in various professional development activities to enhance their contribution to the sector. Of note, training activities included investigations into the relationship between climate-related risk and core business performed by the sector. Generally, the strategies employed by sector participants positively impacted the overall performance of the financial services sector in the jurisdiction.

Regulation and Supervision

The legislative framework of the credit union sector was enhanced in 2023 with the passage of the Co-operative Societies (Amendment) Act, No.7 of 2023, and the enforcement of Statutory Rules and Order, 2023 No. 45, Co-operative Societies Regulations, which replaces the Co-operative Societies Regulations, 2006.

Supervisory activities for the year included Risk-based AML/CFT and prudential on-site examinations, desk reviews, training, sectorial risk assessments, and participation in the national AML/CFT Mutual Evaluation On-site Assessment.

2.0 Building Societies

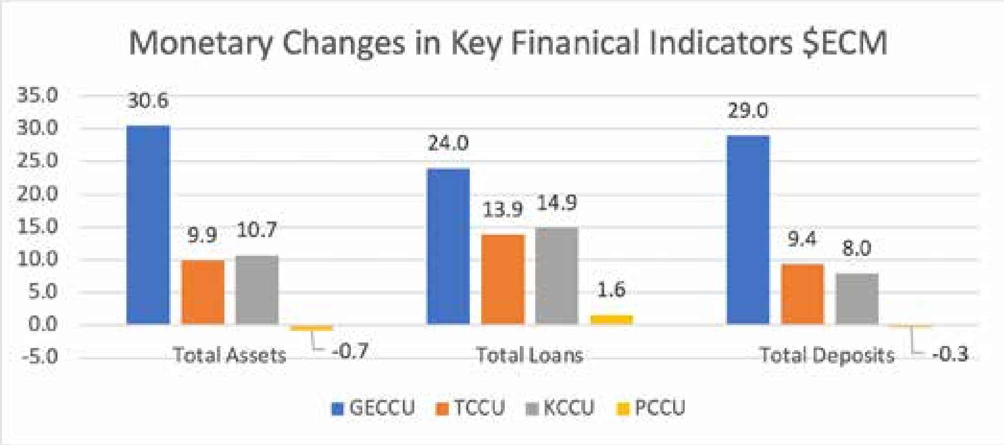
The St. Vincent Building and Loan Association (SVBLA or the Association) remained the sole registered building society in St. Vincent and the Grenadines. As at December 2023, its total assets stood at EC$145.3M, an increase of 0.14% year-on-year. Similarly, the loan portfolio increased by $3.3M (%) to $104.7M. Members' deposits declined by $1.8M (%) to $101.2M in the year. The Association's full membership as of December 2023 was 10,074.

3.0 Money Service Business (MSB)

At the end of December 31, 2023, the sector consisted of three (3) money remitters with approximately eight (8) sub-agents, and four (4) micro-financing entities. The sector remained a reliable and viable conduit through which remittances were circulated in the jurisdiction. The sector saw increased flows in all business activities, as displayed in Chart 3 below. Remittances for both inbound and outbound activities in 2023 increased.

Chart 3: Remittance Trends 2018-2023

Chart 1. Changes in Assets, Loans, and Deposits as at 2022/2021



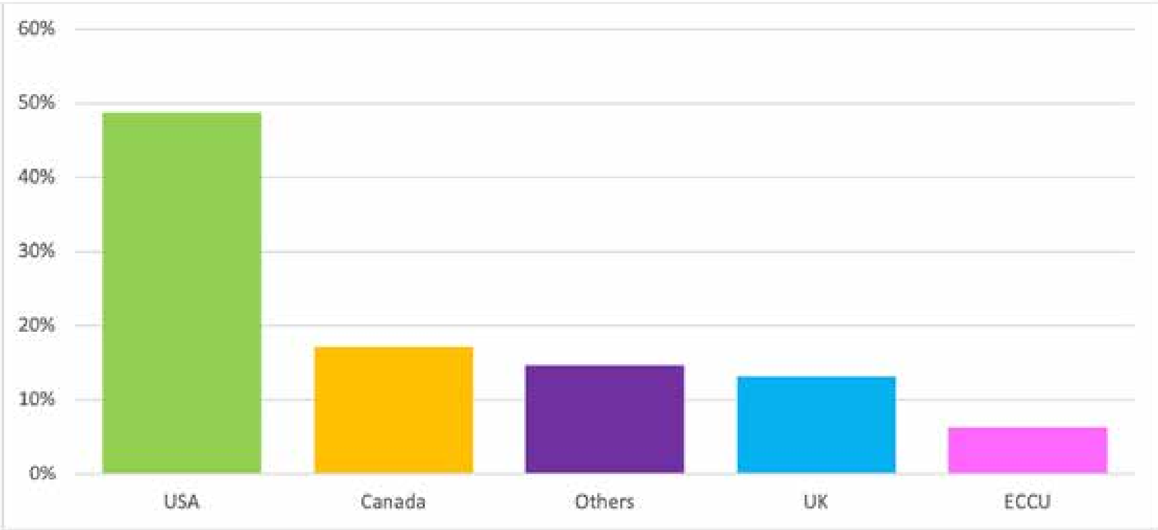
Analysis of Remittance Flows

Inbound remittances increased by 3.5%, or $8.2M, to $244.5M compared to the prior year. Chart 3 shows the impact of remittance on the economy for the last six years. Increased access to service outlets also contributed to this continued increase in inbound flows as more remittance channels are available.

Chart 4: Waterfall chart for the value Inbound Remittances for the last six years.

As seen in chart 5 below, most inbound transactions originated in the United States. Inflows from that jurisdiction account for 49% and show that money remitters therefrom are important and reliable participants in cross-border transaction systems.

Chart 5: Inbound Remittance Based on Country of Origin



Outflow Remittances:

Similar positive trends were noted for outbound remittances post-pandemic, i.e., over the last two years. The outbound trend increased sharply in 2022 and continued in 2023. Outflows for the year were valued at $39.6M and represented an increase of 28.8% or $8.9M compared to the prior year. Chart 6 below provides a pictorial representation of total outbound remittances for 2018-2023. A more precise comparison for the years 2022 and 2023 is shown in Figure 1 below.

Chart 6: Outbound Remittance Trends 2018-2023

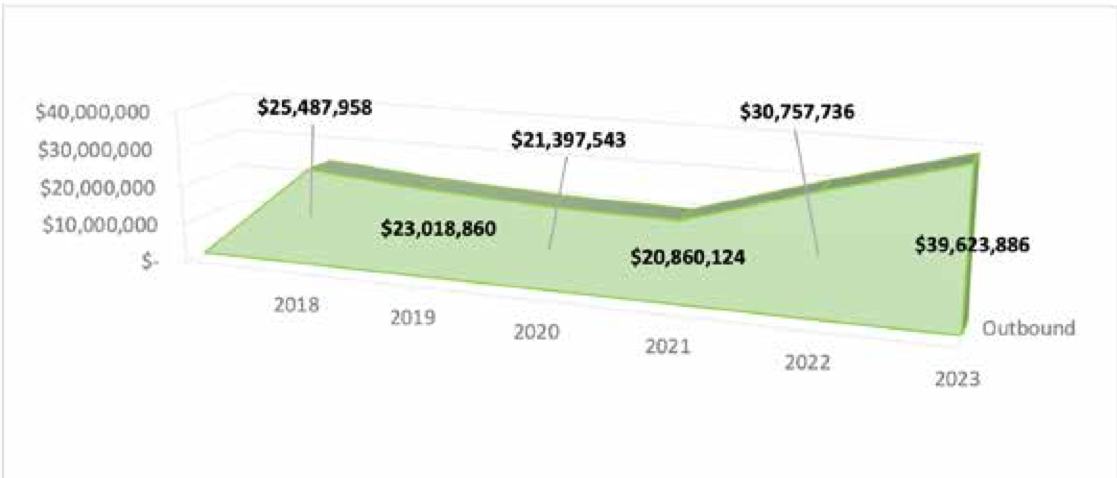
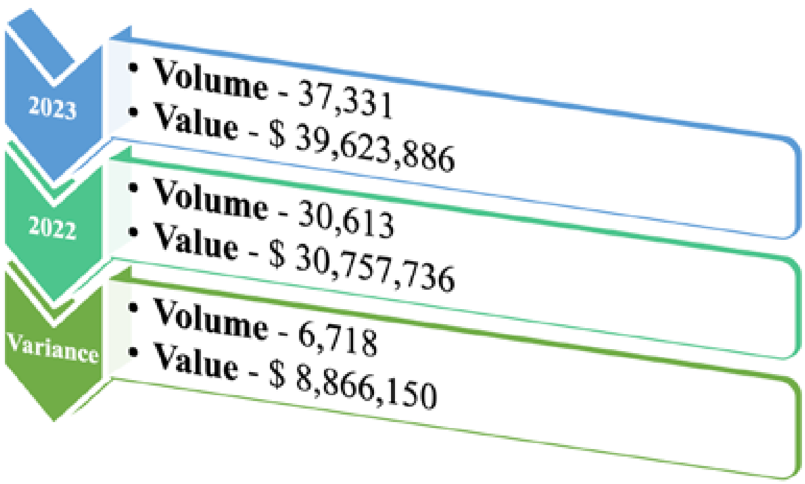


Figure 1: Total Outbound Remittances 2023-2022 with Variance



4.0 Micro-Financing

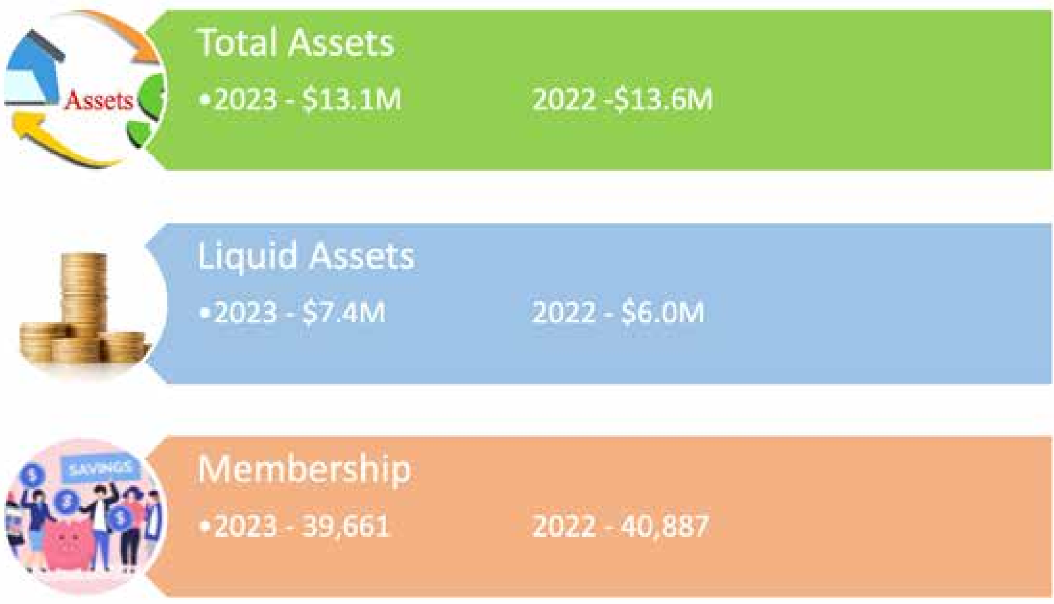
With the passage of the Money Services Business Amendment Act in March 2022, the FSA assumed supervisory and regulatory responsibility for micro-financing institutions and mobile payment services. The Amendment Act came into effect in December 2022 and provided for a six-month transitional period, during which the FSA engaged with the micro-financing sector and provided guidance on the licensing process. Of the four (4) micro-financing entities identified, one successfully obtained a license in 2023, and three remain pending.

5.0 Friendly Societies

At the end of December 31, 2023, the total number of regulated entities stood at fifteen (15). The sector's total assets for this period were $13.1M, decreasing by 3.7% compared to the prior year. Notwithstanding the decline in total assets, collectively, friendly societies held 23.3% or $1.4M more liquid assets than the prior year. The combined membership in the sector fell by 1,226 members and was approximately 39,661 at year-end.

The sector supported thrift activities for rural communities reliably throughout the year. The FSA continued to engage the sector to ensure compliance with the governing legislation and facilitated governance training for the board and management during the year.

Figure 2: Summary of Financial Position Friendly Societies



Developments:

In 2023, the regulatory team received specialized training to enhance its Anti-Money Laundering, Terrorist Financing, and Proliferation Financing (AML/TF/PF) skills. 75% of the Department became certified anti-money laundering specialists accredited by the Association of Certified Money Laundering Specialists (ACAMS). Other capacity enhancement activities undertaken over the year included training in climate-related risk, asset quality reviews, and virtual assets supervision.

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 Unit, regulates and supervises all insurance entities operating in and from within St. Vincent and the Grenadines.

Domestic Insurance Sector

The domestic insurance industry is comprised of insurance companies and intermediaries and pension fund plans. Insurance 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.

As at December 31, 2023, there were twenty-three (23) 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/general (also referred to as property and casualty) insurance business. Four (4) of these companies were locally incorporated while the other ten (10) were branches of Caricom-based/foreign-owned companies. 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.

Nine (9) companies were registered to undertake long-term insurance business. Of these, two (2) companies, namely: British American Life Insurance Company Limited ("BAICO") and CLICO International Life Insurance Company Limited ("CLICO") remained under judicial management. Two (2) companies were registered to write life business only, while the other five (5) were registered to conduct business in both segments of the market. Long-term insurance policies exceed one (1) year and comprise ordinary long-term, creditor life, group life and annuity business.

There were ninety-seven (97) Insurance Sales Representatives, seven (7) Insurance Brokers, fifteen (15) Insurance Agents, two (2) Insurance Adjusters and one (1) Association of Underwriters recorded for the review period.

The sector has contributed substantially to the local economy and thus plays a vital role in contributing to economic development. In 2023, the sector contributed $6.9M in insurance premium taxes to the government, an increase of $1.3M or 24.1% compared with the previous year's figure of $5.5M. The sector also generated $0.1M in registration and licence fees in 2023 and 2022.

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, 2023, there were thirty-three (33) Defined Contribution (DC) plans and one (1) hybrid of DC and Defined Benefit (DB) registered. One of the DC plans is a multi-employer plan. Of these, three (3) plans are operated by insurance companies that are currently under judicial management, and one plan was wound-up and de-registered during the year, 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 over four hundred members, while assets range from $100K to $8M.

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 2019-2023

As at December 31	2023	2022	2021	2020	2019
Insurance companies	23	23	24	24	24
Brokers	7	6	6	8	8
Agents	15	15	17	15	16
Sales Representatives	97	99	114	116	127
Association of Underwriters	1	1	1	1	1
Insurance adjusters	2	3	3	1	2
Total Insurance Licences	**145**	**147**	**165**	**165**	**178**
Pension Fund Plans	34	31	30	28	28

Statutory Deposit and Insurance Fund

It is a statutory obligation that all general insurance companies which conduct motor vehicle insurance business maintain/establish a deposit with the FSA 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, all insurers must establish an insurance fund equal to their liabilities and contingency reserves, less amounts held as statutory deposit. In the case of motor vehicle and long-term insurance, this fund must be held in trust to the order of the FSA for the protection of policyholders.

As at December 31, 2023, all companies were in compliance with the Statutory Deposit and Insurance Fund obligations. 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.

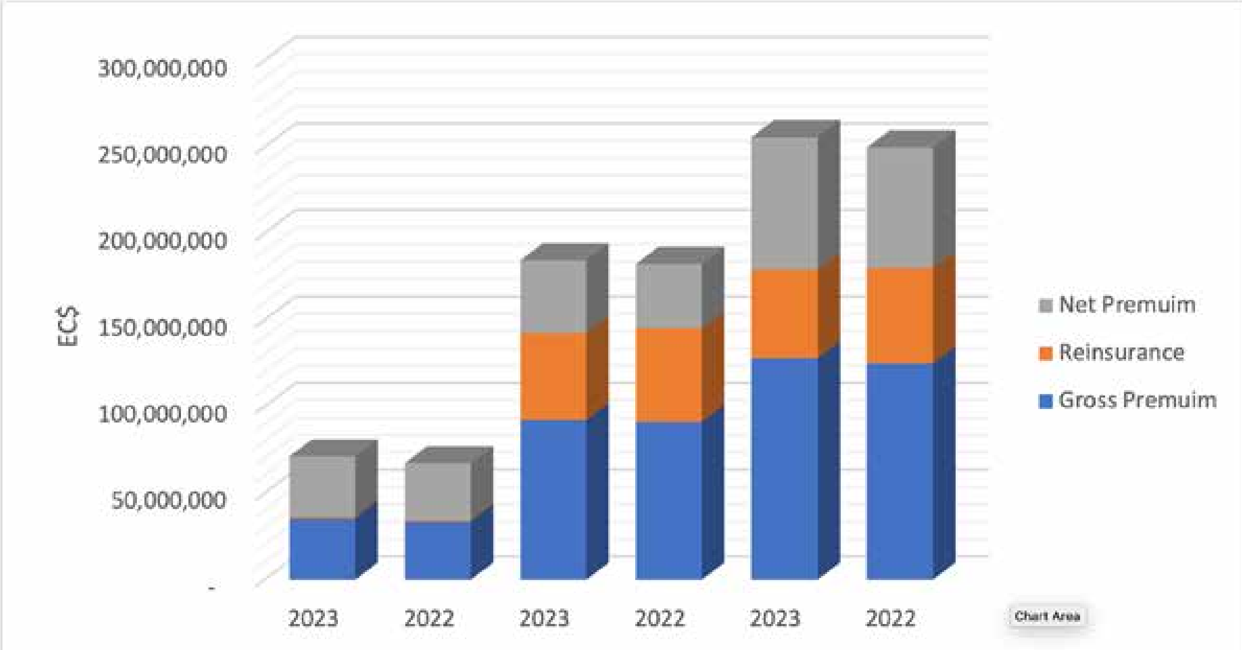
The FSA monitors the solvency position of each company quarterly and annually based on the returns for the respective periods. As at December 31, 2023, all companies satisfied the solvency standards. The quality and quantity quantum of capital of each company was adequate as most companies' capital tends to be permanent and include share capital.

Gross Premium Analysis

In 2023, Gross Premium income in the insurance industry totaled approximately $127.9M[1]. This represented roughly 4.5% of Gross Domestic Product[2] at market prices and an increase of 2.4% when compared with gross premium income of $124.9M reported in 2022. More specifically, the gross premiums written for the long-term insurance sector increased by 5.7% to $35.6M (2022-$33.7M). The leading long-term insurer held approximately 64.2% of total premiums written. Similarly, gross premiums written for the general insurance segment of the market exhibited a slight increase of 1.2% and amounted to $92.3M (2022 - $91.2M).

1. All figures for 2023 are preliminary, while 2022 figures have been restated based on the annual returns.
2. GDP at market price for St. Vincent and the Grenadines for 2023 was forecasted at EC$2.9b. Source: Ministry of Finance and Economic Planning.

Figure 1. Gross Premium Income for 2022-2023



Source: FSA Records

Analysis of Financial Position

Total assets for the domestic insurance sector stood at $322.8M as at December 31, 2023, an increase of 1.4% when compared with $318.3M for the previous year. Additionally, there was a 5.2% increase in total investment assets over the previous year.

Total liabilities amounted to $210.9M, which resulted in net assets of $111.9M. Total insurance liabilities as well as total liabilities declined by 3.5% and 9.0% respectively in 2023.

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. Insurance Industry Balance Sheet 2019-2023

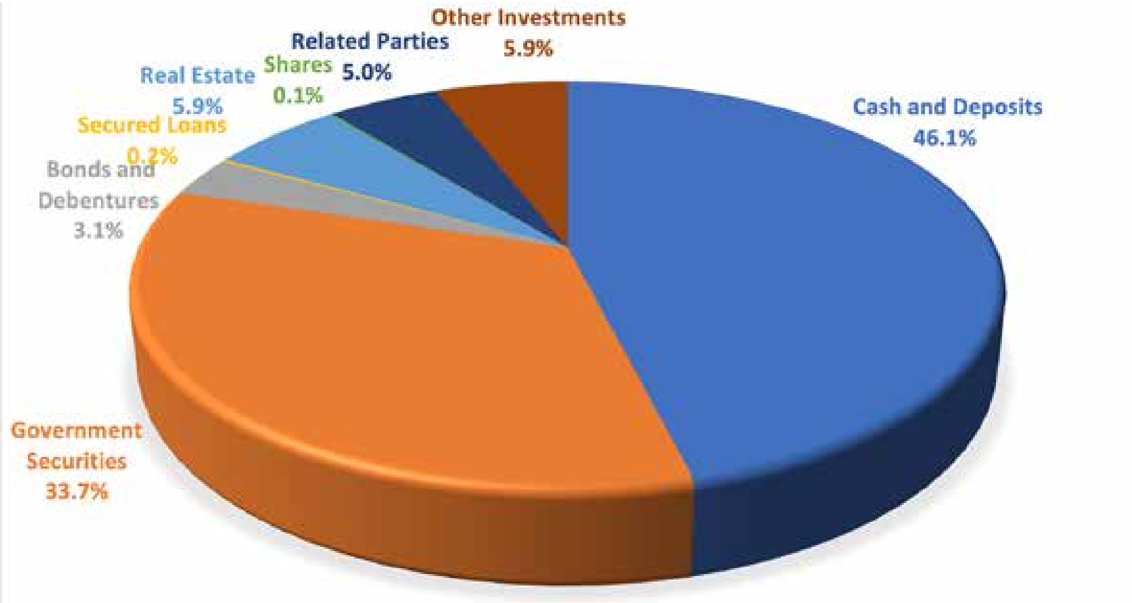
Account	2023	2022	2021	2020	2019	Percentage Change 2023/2022
Total Investment Assets	262,005,526	249,156,469	231,489,925	216,040,956	72,184,923	5.2%
Total Assets	322,798,972	318,327,818	308,706,572	295,268,998	280,959,838	1.4%
Toal Insurance Liabilities	183,873,362	190,639,953	179,551,107	166,418,551	159,431,454	-3.5%
Total Liabilities	210,875,252	231,727,017	218,467,160	202,355,532	184,095,655	-9.0%
Total Capital & Reserves	111,923,720	86,600,801	90,239,412	92,913,466	96,864,183	29.2%

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 41.4% (2022 – 36.2%) and 23.8% (2022 – 25.7%) of total assets respectively.

For the short-term segment of the industry, total assets amounted to $123.2M. Investment assets represented 63.4% of total assets. As depicted in Figure 2, cash and deposits (46.1%) and government securities (33.7%) accounted for the majority of investment assets.

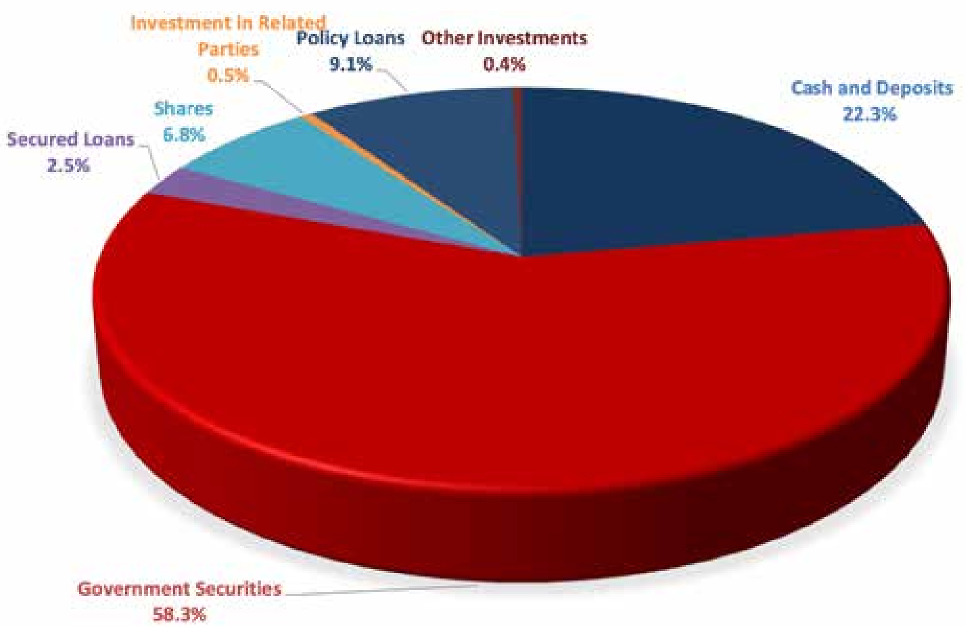
Figure 2. General Insurance Investment Assets Composition 2023



Source: FSA Records

Total assets, including statutory deposits for companies registered to conduct long-term insurance business, stood at $199.6M, an increase of 2.4%, when compared with the previous year's figure of $194.9M. Investment assets accounted for 92.1% of total assets. As depicted in Figure 3 below, government securities accounted for 58.3% of total cash and investments, while cash and deposits accounted for 22.3%.

Figure 3. Life Insurance Investment Assets Composition 2023



Source: FSA Records

Underwriting Performance

Profitability

The profitability of the insurance sector as measured by the combined ratio indicates that both segments of the market are profitable. The combined ratio represents, as a percentage, incurred losses plus expenses to net premiums earned. A ratio below 100 percent indicates that the company is making an underwriting profit, while a ratio above 100 percent means that it is paying out more money in claims that it is receiving from premiums.

Table 3: Combined Ratio 2019-2023

Combined Ratio (%)	Prudential Limits	2023	2022	2021	2020	2019
Short-Term Insurers	< 100%	75.9	79.3	65.7	83.3	83.1
Long-Term Insurers	< 100%	62.7	59.9	69.1	75.6	47.4

Source: Insurance Companies and Financial Services Authority

Loss/Claims Ratio

In the insurance industry, claims have historically been the largest component of insurance expenditure. The claims ratio is a very reliable indicator of underwriting performance particularly for general insurers. The claims/loss ratio represents, as a percentage, the proportion of annual claims paid by an insurer in comparison to the premiums received. While there is no set standard of an acceptable range, lower loss ratios indicate better underwriting performance.

In the short-term insurance segment of the market, the claims/loss ratios are typically higher, given the nature of the business and the levels of claims. The loss ratio has fluctuated over the 2019-2023 period and ranged from as low as 47.1% to 58.2%. The table below provides details.

Table 4: Short-term Insurers Loss/Claims Ratio (2019-2023)

Account	2023	2022	2021	2020	2019
Net Claims Incurred	19,656,694	20,920,640	19,111,590	15,442,818	18,029,171
Net Premiums Earned	39,496,927	35,949,390	40,539,115	31,123,157	32,063,814
Loss Ratio (%)	**49.8**	**58.2**	**47.1**	**49.6**	**56.2**

Source: Insurance Companies and Financial Services Authority

As at December 31, 2023, several companies reported loss ratios above the sector average of 49.8%, however, these companies are heavily involved in the motor vehicle class of business which tends to be more volatile and have a higher volume of claims in the normal course of business.

Table 5: Long-term Insurers Loss Ratio (2019-2023)

Account	2023	2022	2021	2020	2019
Claims	5,894,000	6,032,000	6,234,000	7,984,000	4,331,000
Net Premiums Written	34,566,000	32,690,000	29,208,000	28,305,000	36,567,000
Loss Ratio (%)	**17.1**	**18.5**	**21.3**	**28.2**	**11.8**

Source: Insurance Companies and Financial Services Authority

In the long-term segment of the market, the same factors are relevant to the interpretation of the loss ratio as for the short-term segment. Claims costs are influenced by both the number and size of claims and the extent that they are less (or more) than was anticipated in the premiums charged. 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.

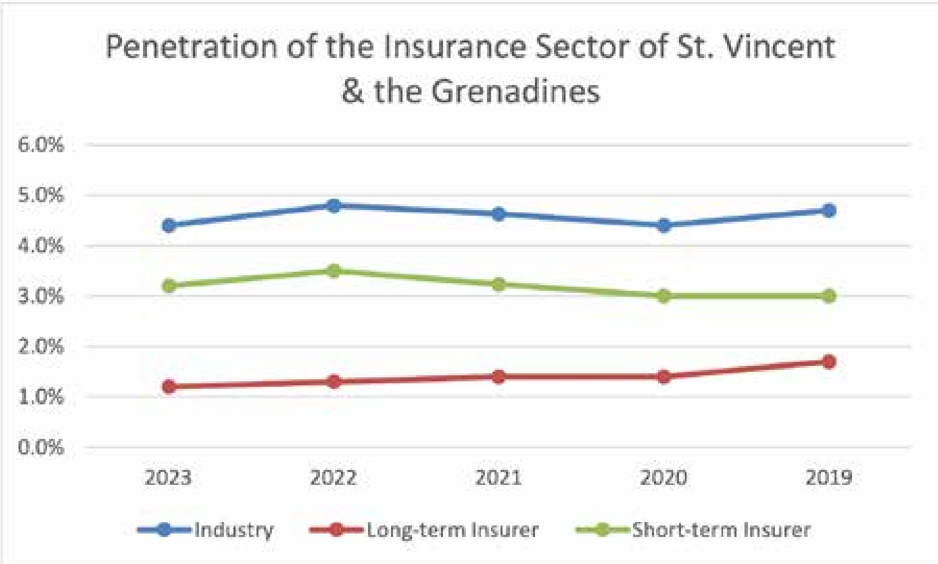
The loss ratio for the long-term insurance segment of the market also fluctuated over the review period. As at December 31, 2023, the loss ratio stood at 17.1% compared with 18.5% for the previous year. This represented a modest decrease and was the result of a 2.3% decline in claims while Net Premiums Written increased by 5.7% as at the end of the reporting period compared with the prior year.

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, 2023, the average penetration of insurance as a percentage of GDP for the industry as a whole was 4.5%, 0.3 percentage points lower than that of 2022.

Dissecting the ratio into long-term and short-term shows an average penetration ratio of 1.4% and 3.2% respectively over the five-year period 2019-2023. 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 4: Penetration of the Insurance Sector (2019-2023)



Source: Insurance Companies and Financial Services Authority

International Insurance Sector

The number of international insurance sector participants has remained relatively stable since 2007. As at December 31, 2023, 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.

One (1) company is currently in the process of voluntary liquidation. The FSA continues to monitor this sector to ensure effective supervision and compliance with applicable legislation and guidelines.

INTERNATIONAL FINANCIAL SERVICES SECTOR REPORT

Introduction

The St. Vincent and the Grenadines International Financial Services ('IFS') sector continued to be comprised of six (6) main types of financial services entities namely, ***Business Companies (BCs), Limited Liability Companies ('LLCs'), International Banks, Mutual Funds (including Mutual Fund Managers and Administrators), Trusts, and International Insurance***[1] entities. These IFS entities are similar to those available at the major international financial centers and are governed by various legislation for administering and overseeing the registration and licensing of each of the aforementioned products.

In addition, Registered Agents and Trustees, which play a significant role as gate keepers of the St. Vincent and the Grenadines IFS sector, also fall within the supervisory scope of the IFS department. Registered Agents provide registered agent, trustee and/or fiduciary services to persons who are seeking to establish business in St. Vincent and the Grenadines in the IFS sector.

The new and emerging Virtual Asset Service Providers (VASPs) sector will soon be available under the IFS Sector. While the Virtual Asset Businesses Act was passed in St. Vincent and the Grenadines in 2022, the accompanying Regulations are not yet approved and enacted hence, the legislation is not yet implemented in the jurisdiction. Nonetheless, the IFS department has commenced preparatory work in 2023 in the development of an Action Plan for this new sector. Other preparatory work is required and is ongoing.

Developments – the Global Financial Condition

SVG's IFS sector has experienced a notable decline which can be attributed to the changing global financial system, market prices and inflation issues, in addition to, tax exemption removal, economic substance requirements and the tightening of AML/CFT compliance and other tax compliance measures, globally.

IFS Entities: 2019 - 2023

The total number of active entities for all IFS products has generally trended downwards since 2019. The exception to this was the growth recorded in the LLC product over the same review period, however in 2023, there was a sharp decline of 283 or 14.5% active LLCs. In 2023 the number of active BCs and Trusts decreased by 30.5% and 16.9% respectively.

Notwithstanding the adverse trend in the 2022/2023 period, the decline in active mutual funds was marginal at 5.1%. Of note, is that the number of active registered agents has been stable since 2019 at 14 and the number of active international banks remained at 2 in 2023. Table I below, provides information on the number of active IFS entities.

TABLE I - NUMBER OF ACTIVE ENTITIES 2019 – 2023

Type of International Financial Services Product	2019	2020	2021	2022	2023
Business Companies (IBCs/BCs)	5,368	4,245	2,809	3,125	2,172
Limited Liability Companies (LLCs)	163	653	905	1,951	1,668
Trusts	82	74	60	59	49
International Banks	3	3	3	2	2
Mutual Funds	79	76	66	59	56
Registered Agents	14	14	14	14	14

1 Reference the "Insurance Sector Report for more details"

The trend in increased formations of LLCs, observed from 2020 to 2022, ended in 2023, with a significant decline of 49.0% noted. The increases in LLC formations in 2022 were 15.5%, in 2021:74.7% and 295.6% in 2020. This adverse trend may be attributed to the effects of the tightening financial conditions globally. However, in light of its tax-exempt feature, the LLC still appears to be a more attractive product in the sector. Notwithstanding the decline (57.8%) in incorporations of BCs in 2023, it was still a sought after product.

Trust registrations and renewals also generally trended downwards. In 2023, there were no new licensed/registered, international banks, international insurances, or mutual fund entities. An approval was granted in 2023 for a new registered agent/trustee/financial fiduciary, however the license was granted in early 2024, upon satisfaction of all licensing requirements. The number of licensed banks remained constant for 2022 and 2023 whilst the number of BCs and Mutual Fund entities declined as compared to 2022. By contrast, LLCs' renewals increased in 2023.

Of note, is that there were cancellations in all products for 2023, except international banks and registered agents and this was most apparent with BCs.

Total income generated from IFS products decreased in 2023 when compared to 2022. This decline was reflected in income from all IFS products, except income from banks and mutual funds. Also, in 2023, income generated from BC activity saw the largest decline.

The IFS sector continued to face challenges in 2023. However, the marketing efforts of a few Registered Agents continued to impact favorably on the industry and yielded positive results. These efforts, inter alia, have ensured that SVG remains an attractive IFS center.

(i) International Banks

International Banks are licensed and regulated by the Authority under 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.

As at December 31st, 2023 two (2) licensed international banks, as shown in Table II below, continued to be licensed to operate in SVG.

TABLE II - INTERNATIONAL BANKS YEAR 2023

NAME OF BANK	CLASS
RBC Royal Bank Holdings (EC) Limited	B
MPB Bank Limited	B

These licensed international banks have generally maintained adequate capital and met the minimum paid-up capital requirement of 8.0% and US$0.5M respectively. One of the banks established a new correspondent banking relationship in 2023 which is expected to assist in the generation of new opportunities for the overall growth of the bank and ultimately its operations and profit margins overtime.

(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 various mutual fund entities governed by 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.

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 2023 there were fifty-six (56) (2022: 59) active entities registered/recognized/licensed pursuant to the Mutual Funds Act.

Several Public and Private mutual funds structures have utilized the segregated cell company (SCC) structure which was introduced under the Business Companies Act.

Ongoing Matters – governing legislation proposed for supervision/regulation of the Mutual Funds and Mutual Fund Entities:

The Eastern Caribbean Securities Regulatory Commission, designated Regulator/Supervisor to assume the responsibility of supervising all investment funds (including mutual funds) in the region, continued work to prepare for assuming this responsibility.

The following updates/developments occurred during the reporting period:

- Work continued towards the finalization and enactment of the new Investment Funds Act, in the jurisdictions of Anguilla, Dominica, St. Kitts and Nevis and St. Lucia, which had not passed the legislation. The said Act has been enacted in all other Eastern Caribbean Currency Union jurisdictions as at 31st December 2023.
- The finalization of the Regulations to the Investment Fund Act is outstanding.
- The implementation of the actions planned for the commencement of the laws will be contingent on the simultaneous approval and implementation of the Regulations to support both pieces of legislation in St. Vincent and the Grenadines as the Regulations are an integral component of the Investment Funds Act and redrafted Securities Act.

(iii) Trusts

At 31st December 2023, there were forty- nine (49) active trusts (2022: 59). There were no new trust registrations during the reporting period.

(iv) Business Companies

BCs continued to be the main income generator for the IFS sector and maintained the record for the most active entities and renewals for the reporting period, notwithstanding the significant decline in new registrations for the year. However, it is important to note that BCs registrations has generally been declining; in year 2023 a decline of 57.8% was recorded and a decrease of 30.7% was recorded in 2022.

(v) Limited Liability Companies

There was a significant decrease in the number of new formations during the reporting period. There were only 554 new formations in 2023, which is a 49.0% decrease from the previous year's 1,086 new formations. It is worth noting that the number of new LLC formations far surpassed the number of new BC registrations, with only 141 new BC registrations in 2023.

(vi) Registered Agents

As at December 31st, 2023 there were fourteen (14) licensed registered agents in the jurisdiction. In 2023, an additional license was approved for a new Registered Agent, subject to the submission of outstanding documents, as mentioned previously.

Monitoring of the international financial sector

The Authority continued to monitor the IFS licensed entities: operating in/from within SVG. This entailed off-site supervisory activities involving robust follow up with these entities on legislative non-compliance and outstanding matters emanating from previous on-site examinations.

Of note is that prudential and AML/CFT risk-based supervision principles were further implemented in the reporting period.

Other supervisory activities for the year included training, conducting outreach sessions with the sector, preparing sectorial risk assessments, and participation in the national AML/CFT Mutual Evaluation On-site Assessment.

FINANCIAL PERFORMANCE ANALYSIS

Overview

The Financial Services Authority's ("The FSA/ The Authority") operations are funded by the Government of St. Vincent and the Grenadines through subvention. Revenue earned is remitted to the Consolidated Fund .

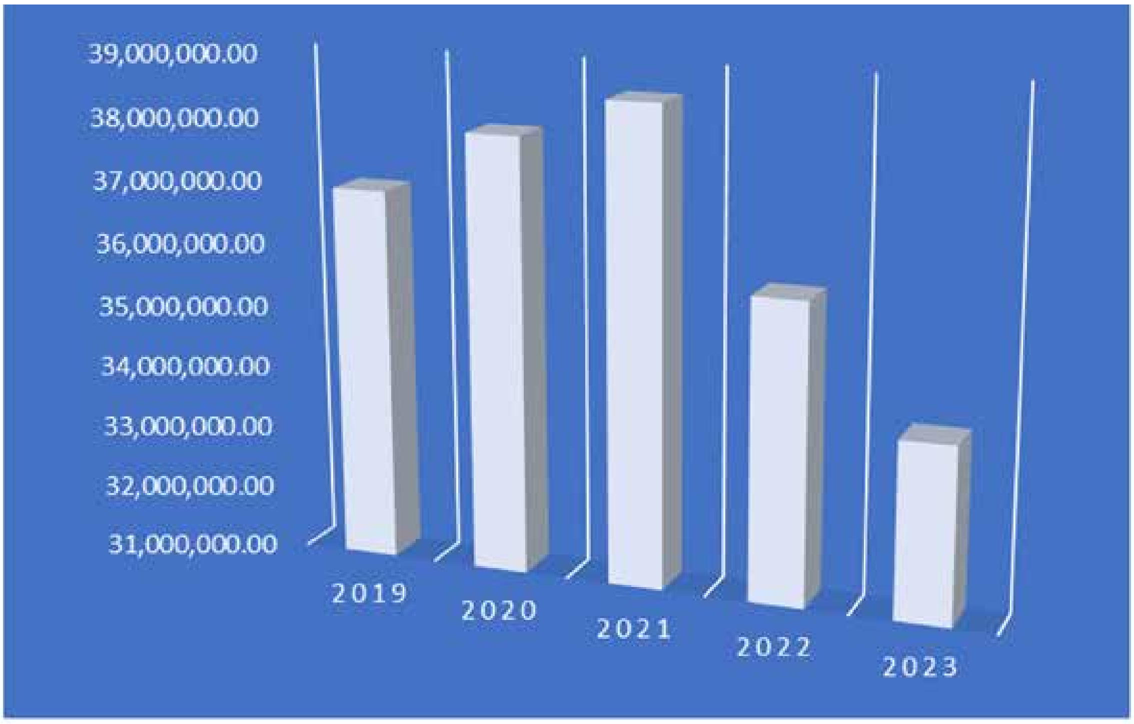
Fee Income remitted to the Consolidated Fund for 2023 was EC$2.9M compared to EC$3.3M for 2022. This represents a decrease of EC$0.4M or 12.1%.

During the year, the Authority's performance declined by EC$499K; a notable fall of 59.9% when compared to the year 2022. The information below provides a further analysis of the Authority's 2023 statement of financial position and profit &loss.

Statement of Financial Position

The FSA's total assets fell by EC$2.0M or 5.5% as of 31 December 2023 (See Chart 1 below). Over the year, the decline in total assets was largely reflected in decreases in cash and cash equivalents and due from Government of St. Vincent and the Grenadines, offset by an increase in plant and equipment.

Chart 1 – Total Assets over five (5) years



(Source: Audited financial statements for 2023)

At the reporting date the Authority's net cash and cash equivalents position was $14.7M. This was as a result of a net movement of EC$1.4M, offset against the opening cash position of EC$16.1M. The net cash movement during the reporting period was due to an unfavorable working capital movement of EC$1.0M, cash consumption for investing activities of EC$0.2M, which relates to assets acquired for the period and cash consumption for financing activities of EC$0.2M. The cash and cash equivalents held by the Authority on behalf of the entities it regulates was $14.4M or 97.6% for the current financial year.

Due from Government of St. Vincent and the Grenadines fell by EC$617K owing to the repayment of statutory deposits to insurance depositors for the period, while Plant and Equipment increased by EC$ 120K or 49.7% due to the acquisition of furniture and fittings, computer hardware and office equipment, particularly for FSA's new office space.

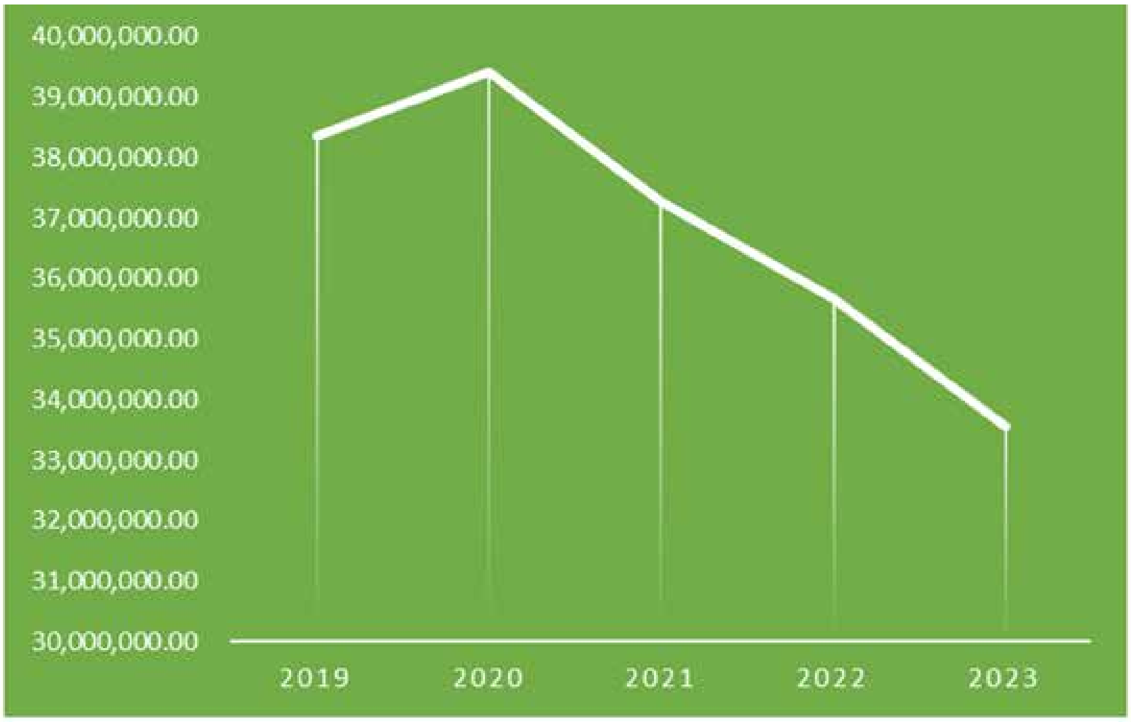
When compared to prior period 2022 other asset balances also decreased as follows: Trade and other receivables by 56.8% owing to the reduction of entities restored for the non-payment of fees to the Authority and prepayments by 27.1%.

Liabilities

At the end of the 2023 financial year the Authority's total liabilities stood at EC$33.6M and declined by 5.9% or EC$2.1M since the 2022 financial year (See Chart 2 below). This decrease was principally due to a reduction of the same amount in the due to statutory depositors' balance, as there were disbursements to depositors of EC$2.2M which were offset with a receipt of EC$0.1M from a new money services business entity.

During the year the Authority held 42.3% of the deposits due to statutory depositors while 57.7% is held with the Government of St. Vincent and the Grenadines. Overall, due to statutory depositors represented 96.7% of total liabilities while 3.3% of total liabilities were short term.

Chart 2: Total Liabilities over Five (5) Years



(Source: Audited financial statements for 2023)

Trade and other payables rose by 17.8% and this was primarily driven by interest payable to depositors for the period. Fund Balance increased by 142K primarily as a result of profit for the year exceeding the net distribution to the Government's consolidated fund.

Statement of Profit or Loss

The FSA recorded a profit of EC$334K for the year ended 31 December 2023, a significant decline of EC$499K or 59.9% when compared with the previous financial year. In 2023, total income was EC$3.0M, or (11.5%) lower and expenses increased by EC$110K (4.3%) when compared to 2022. This performance was largely driven by a significant decline in fee income of EC$366K (11.1%) and increases in staff costs, EC$71K (3.9%) and other operating expenses of EC$43K. These changes were offset by a marginal decrease of EC$3.9K (4.8%) in depreciation costs.

The decrease in fee income was primarily due to less registrations for the period moving from 1,422 entities in the prior year to 696 in the current financial year and was mainly evident in the BC and LLC products whose new registrations were down by 61.0% and 48.8% respectively. Moreover, the total registered entities also declined by 24.0% moving from 5,210 entities in 2022 to 3,961 in 2023. Overall, the Authority's fee income from Business Companies (BCs) continued to trend downwards and contributed 49.0% to fee income while the other IFS products contributed 29.9% and the non-IFS sector accounted for 21.1%.

Conversely, filing fees et al increased slightly by EC$28K or 2.6%, primarily as a result of the increase in the number of filings made on behalf of LLCs when compared to the prior period.

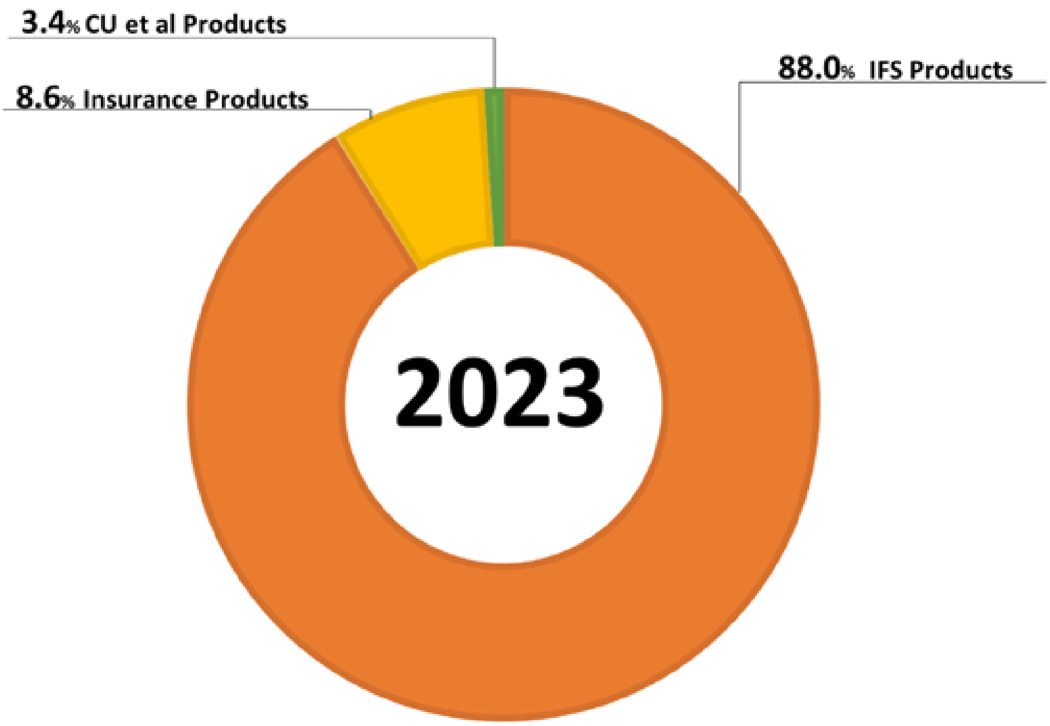
Other income decline of 27.5% was related to a decrease in grant income earned for the period.

Chart 3: Total Revenue over Five (5) Years

(Source: Audited financial statements for 2023)

The IFS sector continued to be the dominant revenue generator for 2023, contributing EC$2.6M or 88.0% to fee income (and 86.2% to total revenue), while the other sectors represented EC$0.4M or 12.0% of total fee income as reflected in Chart 4 below.

Chart 4: FSA's Products as a Percentage of Fee Income

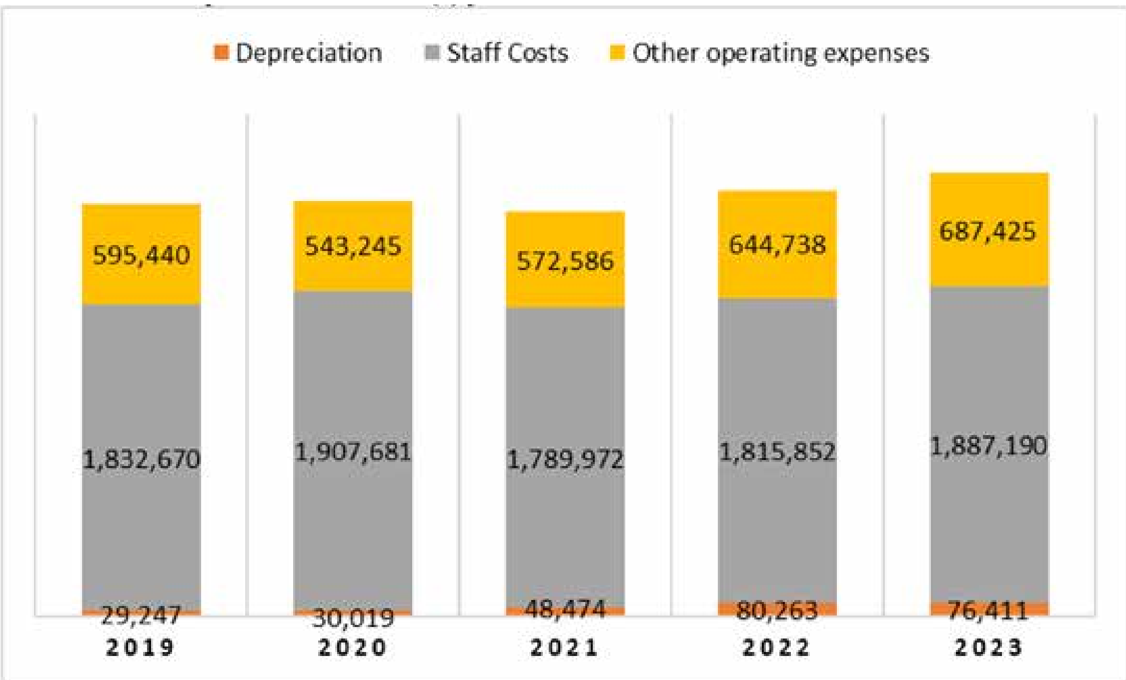


(Source: Audited financial statements 2023)

Total operating expenses for the year ended 31 December 2023 totalled EC$2.7M, an increase of EC$110K (4.3%) from EC$2.5M in the previous year. The increase in operating expenses was primarily due to increases of EC$71K in staff costs and EC$43K in other operating expenses, offset by a decrease in depreciation of EC$3.9K. The increase in staff costs is attributed to the expenses related to the recruitment of one (1) employee and an overall enhancement in staff salaries; the latter triggered by the Government of St. Vincent and the Grenadines 2023 fiscal budget that approved the payment of a 7% salary increase over a three-year period (2023-2025). This fiscal initiative was approved by the Authority's Board of Directors in 2023. Over the same period, the increase in other operating expenses was largely attributable to the relocation of the FSA's office.

Staff costs represented the Authority's largest expense, accounting for 71.2% (2022:71.5%) of total expenses for the reporting period. The FSA's full-time staff complement was twenty-three (23) as at December 31, 2023.

Chart 5: Total Liabilities over Five (5) Years



(Source: Audited financial statements for 2023)

FSA DEPARTMENTS AND MANAGEMENT TEAM


Executive Management & Managers


Credit Union et al Department


Registry Department


International Financial Services Department


Insurance and Pensions Department


Finance and Administration Department

Grant Thornton

Financial Services Authority

Financial Statements
Year Ended December 31, 2023
(in Eastern Caribbean dollars)

Contents

Corporate Information

REGISTERED OFFICE

2nd Floor Inland Revenue Building
Grenville Street
Kingstown
St. Vincent and the Grenadines

NON-EXECUTIVE DIRECTORS

Present
Mr. Kenneth Young - Chairman
Mr. Stewart K. Haynes – Director
Mrs. Kozel S. Fraser – Director
Ms. Karen L. Duncan – Director
Mr. Edmond A. Jackson – Director
Ms. Susan M. Samuel - Director
Mr. Hance John - 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

INDEPENDENT AUDITORS' REPORT

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Sergeant-Jack Drive, Arnos Vale
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To the Minister of Finance, Economic Planning and Information Technology

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, 2023, 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, 2023, 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 the 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.

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.

Grant Thornton

June 3, 2024

Financial Services Authority

Statement of Financial Position
As of December 31, 2023

(in Eastern Caribbean dollars)

	Notes	2023 $	2022 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	**14,712,061**	16,149,782
Trade and other receivables	5	**13,941**	32,297
Prepayment		**12,748**	17,486
Total Current Assets		**14,738,750**	16,199,565
Non-Current Assets			
Due from Government of St. Vincent and the Grenadines	6	**18,716,078**	19,333,337
Plant and equipment	7	**361,026**	241,174
Total Non-Current Assets		**19,077,104**	19,574,511
TOTAL ASSETS		**33,815,854**	35,774,076
LIABILITIES			
Current Liabilities			
Trade and other payables	8	**392,682**	333,429
Deferred revenue	9	**528,048**	544,151
Due to Government of St. Vincent and the Grenadines	10	**179,589**	179,589
Total Current Liabilities		**1,100,319**	1,057,169
Non-Current Liability			
Due to statutory depositors	11	**32,460,684**	34,603,774
Total Non-Current Liability		**32,460,684**	34,603,774
TOTAL LIABILITIES		**33,561,003**	35,660,943
FUND BALANCE		**254,851**	113,133
TOTAL LIABILITIES AND FUND BALANCE		**33,815,854**	35,774,076

These financial statements were approved by the Board of Directors and authorized for issue on June 3, 2024, and signed on its behalf by:

Kenneth Young
Chairman

Stewart Haynes
Audit Committee Chair

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, 2023

(in Eastern Caribbean dollars)

	General Fund $	Total $
Balance as of December 31, 2021	194,532	194,532
Profit for the year	832,226	832,226
Net distribution to the Government's consolidated fund	(913,625)	(913,625)
Balance as of December 31, 2022	113,133	113,133
Profit for the year	333,509	333,509
Net distribution to the Government's consolidated fund	(191,791)	(191,791)
Balance as of December 31, 2023	**254,851**	**254,851**

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, 2023

(in Eastern Caribbean dollars)

	Notes	**2023** **$**	2022 $
Income			
Fee income	12	**2,922,801**	3,288,218
Statutory deposit income	19	**-**	1,126
Interest income	19	**2,302**	1,773
Other income	19	**59,432**	81,962
		2,984,535	3,373,079
Operating Expenses			
Depreciation	7	**76,411**	80,263
Staff costs	13	**1,887,190**	1,815,852
Other operating expenses	14	**687,425**	644,738
Total Expenses		**2,651,026**	2,540,853
Profit for the Year		**333,509**	832,226

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

Financial Services Authority

Statement of Cash Flows

For the Year Ended December 31, 2023

(in Eastern Caribbean dollars)

	Note	2023 $	2022 $
Cash Flows from Operating Activities			
Profit for the year		**333,509**	832,226
Adjustments for			
Depreciation		**71,483**	80,263
Disposal of Plant and Equipment		**7,445**	-
Interest earned		**(2,302)**	(1,773)
Profit before Working Capital Changes		**410,135**	910,716
Change in trade and other receivables		**18,356**	12,402
Change in prepayment		**4,738**	921
Change in due to Government of St. Vincent and the Grenadines		**617,259**	2,887,873
Change in due from Government of St. Vincent and the Grenadines		**-**	55,795
Change in trade and other payables		**59,253**	(158,595)
Change in deferred revenue		**(16,103)**	90,069
Change in due to statutory depositors		**(2,143,090)**	(2,674,072)
Cash (Used in) Generated from Operations		**(1,049,452)**	1,125,109
Interest received		**2,302**	1,773
Net Cash (Used in) Generated from Operating Activities		**(1,047,150)**	1,126,882
Cash Flows from Investing Activity			
Additions to plant and equipment		**(198,780)**	(26,784)
Net Cash Used in Investing Activity		**(198,780)**	(26,784)
Cash Flows from Financing Activity			
Net distribution to the Government's consolidated fund		**(191,791)**	(913,625)
Net Cash Used in Financing Activity		**(191,791)**	(913,625)
Net Movement in Cash and Cash Equivalents		**(1,437,721)**	186,473
Net Cash and Cash Equivalents – Beginning of year		**16,149,782**	15,963,309
Net Cash and Cash Equivalents – End of year	4	**14,712,061**	16,149,782

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

Financial Services Authority

Index to Notes to the Financial Statements

(in Eastern Caribbean dollars)

1. Incorporation and Principal Activities

The Authority is a statutory body of the Government of St. Vincent and the Grenadines (the Government). It was established by the Financial Services Authority Act, No. 33 of 2011.

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

2. 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	-	20%
Office 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 as defined in **Note 4.**

(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 its reported assets and profit or losses.

4. Cash and Cash Equivalents

	2023	2022 $
Cash on hand and at bank	**5,543,287**	6,430,528
Interest bearing bank deposits	**9,168,774**	9,719,254
	14,712,061	16,149,782

As of reporting date, cash and cash equivalents, include cash held in trust, in accordance with statutory prudential provisions, for certain regulated entities amounting to $14,356,166 (2022: $15,681,692).

5. Trade and Other Receivables

	2023 **$**	2022 $
Annual fees - International Business Companies	**13,441**	13,979
Other receivables	**500**	18,318
Total Trade and Other Receivables	**13,941**	32,297

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

The aging of trade receivable is as follows: -

	2023 **$**	2022 $
0 - 90 days	**13,441**	13,979

(in Eastern Caribbean dollars)

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

Trade and other receivables are denominated as follows:

	2023	2022
	$	$
United States dollars	**13,441**	13,979
Eastern Caribbean dollars	**500**	18,318
	13,941	32,297

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

The amount of $18,716,078 (2022: $19,333,337) 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 & Fittings	Motor Vehicles	Computer Hardware & Software	Office Equipment	Books	Total
	$	$	$	$	$	$
At January 1, 2022						
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
Year Ended December 31, 2022						
Opening net book amount	28,259	86,049	174,098	6,246	1	294,653
Additions	-	-	13,578	13,206	-	26,784
Depreciation charge	(16,768)	(21,181)	(38,707)	(3,607)	-	(80,263)
Closing net book amount	11,491	64,868	148,969	15,845	1	241,174
At December 31, 2022						
Cost of valuation	172,743	105,905	253,544	41,573	7,629	581,394
Accumulated depreciation	(161,253)	(41,038)	(104,572)	(25,729)	(7,628)	(340,220)
Net book amount	11,490	64,867	148,972	15,844	1	241,174
Year Ended December 31, 2023						
Opening net book amount	**11,490**	**64,867**	**148,972**	**15,844**	**1**	**241,174**
Additions	**158,310**	**-**	**25,048**	**15,422**	**-**	**198,780**
Disposals	**(2,517)**	**-**	**-**	**-**	**-**	**(2,517)**
Depreciation charge	**(11,172)**	**(21,181)**	**(40,316)**	**(3,742)**	**-**	**(76,411)**
Closing net book amount	**156,111**	**43,686**	**133,704**	**27,524**	**1**	**361,026**
At December 31, 2023						
Cost of valuation	**323,607**	**105,905**	**279,277**	**56,311**	**7,629**	**772,729**
Accumulated depreciation	**(166,169)**	**(62,219)**	**(144,877)**	**(30,810)**	**(7,628)**	**(411,703)**
Net book amount	**157,438**	**43,686**	**134,400**	**25,501**	**1**	**361,026**

Depreciation expense amounting to $76,411 (2022: $80,263) is included in the operating expenses.

(in Eastern Caribbean dollars)

8. Trade and Other Payables

	2023	2022
	$	$
Trade payables	**104,130**	121,514
Payroll related liabilities	**360**	1,139
Other payables	**288,192**	210,776
	392,682	333,429

Trade and other payables are denominated as follows: -

	2023	2022
	$	$
Pound sterling	**3,437**	905
United States dollars	**40,210**	53,197
Eastern Caribbean dollars	**349,035**	279,327
	392,682	333,429

9. Deferred Revenue

Fees in Advance

	2023	2022
	$	$
Annual fees	**478,733**	453,933
Due diligence fees	**28,659**	57,203
	507,392	511,136
Grant Income		
Beginning of the year	**33,015**	48,801
Transfer to income for the year	**(12,359)**	(15,786)
	20,656	33,015
	528,048	544,151

Deferred revenue is denominated as follows: -

	2023	2022
	$	$
United States dollars	**507,392**	511,136
Eastern Caribbean dollars	**20,656**	33,015
	528,048	544,151

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

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

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

(in Eastern Caribbean dollars)

11. Due to Statutory Depositors

The amount due to statutory depositors is held as follows:

	2023 $	2022 $
Deposits with - the Authority	**13,744,606**	15,270,437
- the Government of St. Vincent	**18,716,078**	19,333,337
	32,460,684	34,603,774

Deposits with the Authority includes accrued interest amounting to $1,682,930 (2022: $1,356,099).

Statutory deposits are denominated as follows: -

	2023 $	2022 $
United States dollars	**5,108,360**	5,865,157
Eastern Caribbean dollars	**27,352,324**	28,738,617
	32,460,684	34,603,774

12. Fee Income

Registration and Application Fees

	2023 $	2022 $
Business Companies	**64,472**	165,303
Banks	**5,376**	100
Trusts	**806**	1,613
Mutual Funds	**-**	1,344
Money Service Businesses	**18,600**	-
Limited Liability Companies	**265,171**	517,886
Insurance Companies - Local	**2,000**	5,713
	356,425	691,959

Annual License Fees

	2023	2022
Business Companies	**680,921**	845,439
Trusts	**21,002**	25,403
Mutual Funds	**68,493**	79,616
Limited Liability Companies	**326,294**	256,992
Banks	**26,882**	26,882
Registered Agents	**45,162**	45,912
Insurance Companies - International	**9,409**	17,473
- Local	**175,478**	162,337
Money Service Businesses	**72,525**	30,000
Credit Unions	**50**	100
Friendly Societies	**7,500**	2,700
	1,433,716	1,492,854

(in Eastern Caribbean dollars)

12. Fee Income ……*Cont'd*

Other Fee Income

	2023 $	2022 $
Filing, Certification and Late Fees		
- Business Companies	**687,841**	897,460
- Trusts	**739**	2,957
- Mutual Funds	**26,143**	4,570
- Limited Liability Companies	**348,257**	188,375
- Banks	**2,061**	672
- Registered Agents	**1,882**	2,688
- Insurance Companies - Local	**64,255**	4,040
- International	**-**	1,971
- Due Diligence	**1,482**	672
	1,132,660	1,103,405
	2,922,801	3,288,218

13. Staff Costs

	2023 $	2022 $
National Insurance Services contributions	**57,531**	53,982
Salaries and allowances	**1,787,778**	1,664,248
Medical Insurance	**10,239**	-
Gratuity	**9,071**	1,109
Training	**10,985**	48,209
Staff appreciation	**11,586**	48,304
	1,887,190	1,815,852
Number of employees at reporting date	**23**	22

(in Eastern Caribbean dollars)

14. Other Operating Expenses

	2023	2022
	$	$
Advertising and promotion	**14,515**	12,100
Audit fees	**27,840**	17,400
Bank charges	**10,316**	3,620
Board meeting expenses	**8,336**	8,488
Consultancy fees	**4,600**	3,547
Customs and brokerage	**6,564**	6,121
Directors' fees	**84,000**	84,000
Donations	**15,674**	11,476
Due diligence	**8,151**	-
Electricity	**73,437**	71,214
Foreign exchange loss	**-**	174
Insurance	**12,329**	12,725
Loss on asset disposal	**2,518**	-
Meeting and interviews	**145**	1,187
Miscellaneous	**1,020**	2,717
New office space	**37,627**	-
Office supplies	**8,347**	7,427
On-site inspection	**790**	1,588
Overdraft interest	**80**	938
Postage and delivery	**401**	363
Rent	**143,060**	149,280
Repairs and maintenance – equipment	**11,558**	1,659
- vehicle	**7,475**	5,459
- other	**32,153**	32,967
Seminars and conferences	**30,940**	44,827
Stationery and printing	**79,667**	107,064
Subscription and dues	**23,830**	17,303
Technical support	**28,469**	27,600
Telephone, fax and internet	**13,583**	13,494
	687,425	644,738

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.

(in Eastern Caribbean dollars)

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

(a) Definition of Related Party .....*Cont'd*

(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:

	2023	2022
	$	$
Chairman and non-executive directors' emoluments	**84,000**	84,000
Key management salaries and allowances	**386,504**	377,450
	470,504	461,450

(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:

	2023	2022
	$	$
Distribution to consolidated fund	**(2,946,791)**	(3,463,625)
Subvention from Government **(Note 19)**	**2,755,000**	2,550,000
Net distribution to consolidated fund	**(191,791)**	(913,625)

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.

(in Eastern Caribbean dollars)

17. 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 $22,268,772 (2022: $25,487,865).

18. 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.

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.

(in Eastern Caribbean dollars)

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

Financial Risk Factors

a. Market Risk ……*Cont'd*

(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 evidence payment a reasonable period after year-end.

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

c. Liquidity Risk

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

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

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

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

(in Eastern Caribbean dollars)

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

c. Liquidity Risk ……*Cont'd*

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 schedule of its contractual repayment period of its financial assets and liabilities as of December 31, 2023, is as follows: -

	Within 12 Months $	**1 – 5 Years $**	**Over 5 Years $**	**Total $**
Assets				
Cash and cash equivalents	**14,712,061**	**-**	**-**	**14,712,061**
Trade and other receivables	**13,941**	**-**	**-**	**13,941**
Due from Government	**-**	**-**	**18,716,078**	**18,716,078**
Total	**14,726,002**	**-**	**18,716,078**	**33,442,080**
Liabilities				
Trade and other payables	**392,682**	**-**	**-**	**392,682**
Due to Government	**179,589**	**-**	**-**	**179,589**
Due to statutory depositors	**-**	**-**	**32,460,684**	**32,460,684**
Total	**572,271**	**-**	**32,460,684**	**33,032,955**
Net	**14,153,731**	**-**	**(13,744,606)**	**409,125**

The Authority's schedule of its contractual repayment period of its financial assets and liabilities as of December 31, 2022, is as follows: -

	Within 12 Months $	1 – 5 Years $	Over 5 Years $	Total $
Assets				
Cash and cash equivalents	16,149,782	-	-	16,149,782
Trade and other receivables	32,297	-	-	32,297
Due from Government	-	-	19,333,337	19,333,337
Total	16,182,079	-	19,333,337	35,515,416
Liabilities				
Trade and other payables	333,429	-	-	333,429
Due to Government	179,589	-	-	179,589
Due to statutory depositors	-	-	34,603,774	34,603,774
Total	513,018	-	34,603,774	35,116,792
Net	15,669,061	-	(15,270,437)	398,624

(in Eastern Caribbean dollars)

19. Excess of Subvention over Expenses

	2023 $	2022 $
Income		
Government's subvention **(Note 15)**	**2,755,000**	2,550,000
Statutory deposit income	**-**	1,126
Interest income	**2,302**	1,773
Other income	**59,432**	81,962
Total Income	**2,816,734**	2,634,861
Operating Expenses		
Staff costs **(Note 13)**	**1,887,190**	1,815,852
Other operating expenses **(Note 14)**	**687,425**	644,738
Total Expenses	**2,574,615**	2,460,590
Excess of Subvention over Expenses	**242,119**	174,271

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.