



**FINANCIAL SERVICES  
AUTHORITY SVG**

**ANNUAL  
REPORT**  

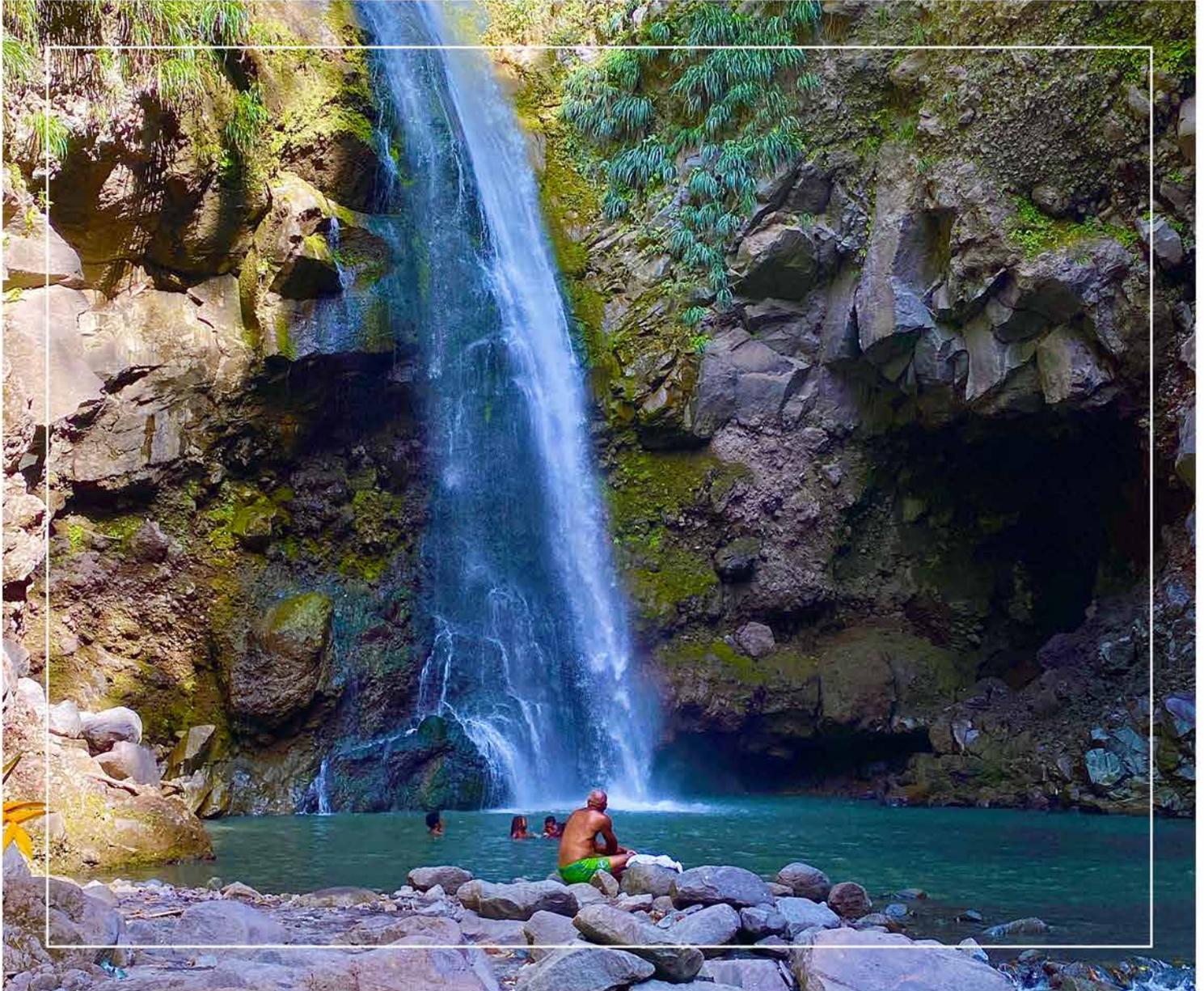
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**2022**





# FINANCIAL SERVICES AUTHORITY SVG



## **OUR MISSION**

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

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

Over the period 2004-2010, Mr. Snagg held the position of Permanent Secretary in the Ministry of Transport, Works and Housing and more recently as the Director of Audit, with responsibility for the audit of the public accounts of the Government of St. Vincent and the Grenadines. He has successfully completed the Association of Accounting Technician (AAT) membership examination in 1998.

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



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

**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.

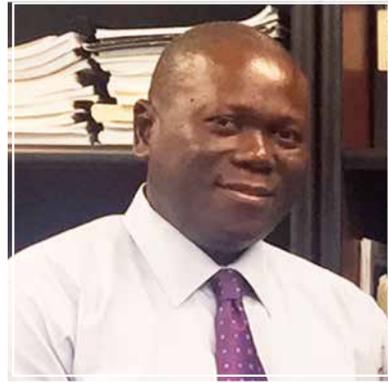
Mrs. Dougan holds a degree in Economics and Accounting and is a certified accountant with the FCCA designation. She has also served as President of the Caribbean Organization of Tax Administrators (COTA). Her continued active involvement in community affairs involves volunteer service as a member of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



**STEWART HAYNES**, is a Chartered Financial Analyst (CFA) and a Fellow of the Faculty and Institute of Actuaries (FIA). Mr. Haynes holds a Master's Degree in Actuarial Management from the Cass Business School-City University, London and a BSC in Actuarial Science from the London School of Economics and Political Science. He has served on the Board of Directors of the International Financial Services Authority prior to the establishment of its successor, the Financial Services Authority, for several years.

Mr. Haynes currently holds the post of Executive Director of the National Insurance Services. He is a current Director on the Board of Directors of Eastern Caribbean Financial Holdings, St. Lucia.

**BOARD OF DIRECTORS**



**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.

**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.

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.

**KAREN DUNCAN**, is the Solicitor General in the Attorney General's Chambers, Ministry of Legal Affairs. She holds a BSc. in Management Studies from the University of the West Indies (U.W.I), Mona; a LLB from U.W.I, Cave Hill; a MSc. in Global Affairs from New York University; and a LLM in Legislative Drafting from U.W.I., Cave Hill.

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

## EXECUTIVE MANAGEMENT



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

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

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



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

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

## MANAGEMENT AND LEGAL TEAM



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

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



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

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



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

Mrs. Rose-Providence has wide range of experience and training in the areas of financial sector supervision and regulation, financial programming and policies, monetary and financial statistics. She also received training from the Small Countries Financial Management Centre in the Isle of Man and training in Negotiations at the Said International School of Business, Oxford University.

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

Mrs. Rose-Providence holds an MSc in Economics, Finance and Management from the University of Bristol, United Kingdom, a BSc in Economics from University of the West Indies, Cave Hill, Barbados and a Diploma in Trade Policy from the World Trade Organisation. She recently completed the certificate as a Certified Risk and Compliance Management Professional (CRCMP) from the International Association of Risk and Compliance Professionals (IARCP).

## MANAGEMENT AND LEGAL TEAM



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

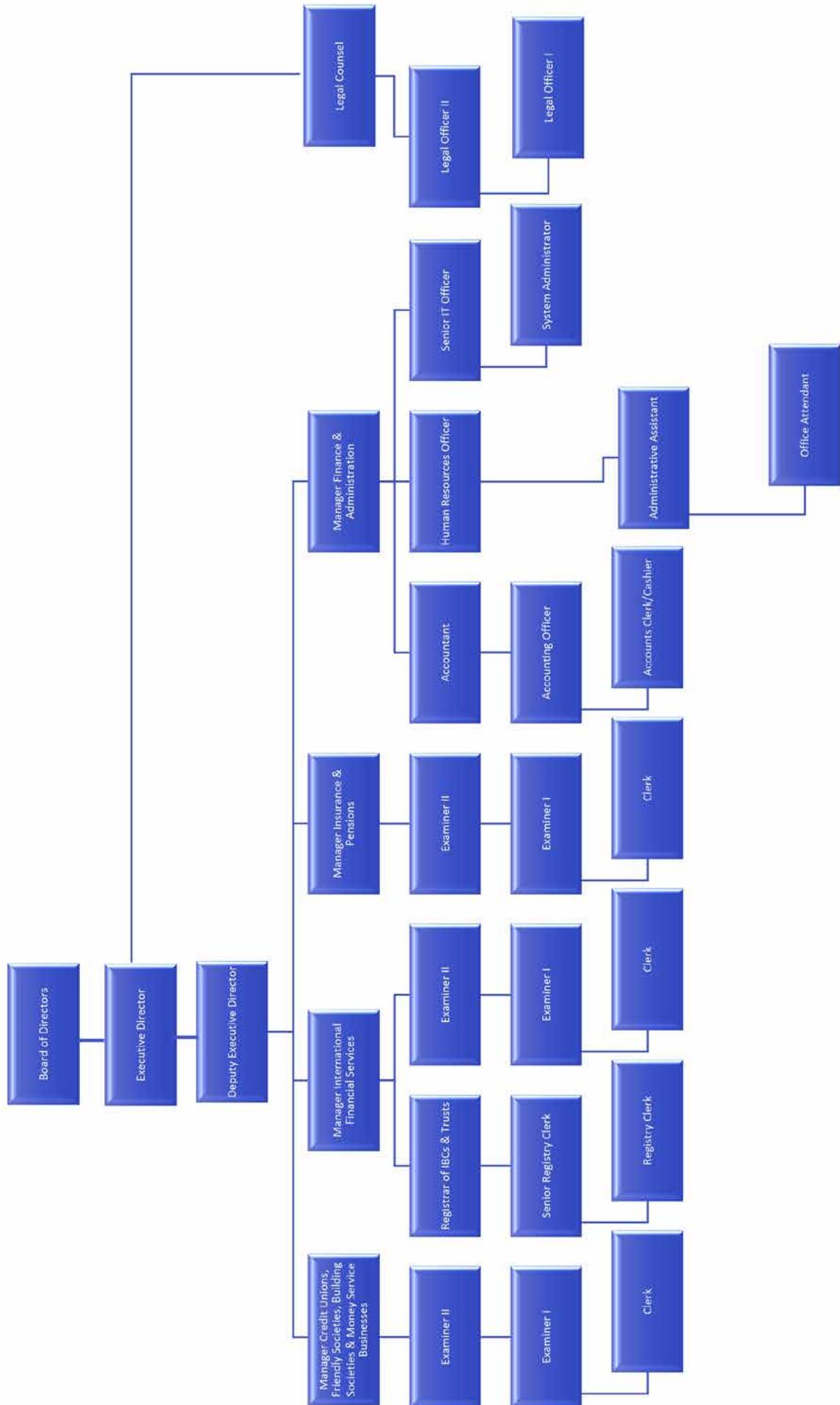
- Business Companies (IBCs);
- Limited Liability Companies (LLCs)
- Mutual Funds;
- International Banks;
- Trusts;
- International Insurance Companies;
- Domestic Insurance Companies
- Insurance Intermediaries;
- Pension Fund Plans;
- Credit Unions;
- Building Societies;
- Friendly Societies; and
- Money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



## CHAIRMAN'S MESSAGE 2022



This year the Financial Services Authority ("FSA"/ "Authority") celebrated its 10th anniversary under the theme "Building Resilience through effective Regulation and Collaboration". It is my privilege as Chairman of the Board of Directors to present the Annual Report for the year-ending December 31, 2022.

### 10-Year Review

The attainment of a decade of existence is an important milestone in the history of any organisation. For a regulatory organisation, it is even more important because it is a known fact that mortality risk for a financial services regulator is highest during its first ten years. For an institution established with high expectations, such a milestone becomes even more important as it provides an opportunity for all stakeholders to assess the extent to which their aspirations may have been met.

The global financial community was presented with some extreme challenges over the last decade and every jurisdiction, and their respective regulatory bodies, have had to be nimble to navigate and address these challenges. Comparable to the preceding year, the year under review remained one of recovery and resilience as we continue to strive to maintain the stability of the financial services sector in St. Vincent and the Grenadines.

The first five years of the FSA's existence were focused on the building of the relevant infrastructure that would facilitate the development of an operational and governance framework which would allow for sustained supervision of the non-bank financial sector. During the past five years, the FSA intensified its efforts towards

enhancing its supervisory capabilities to ensure emerging risks are identified in a timely manner and appropriate measures taken towards building financial sector resilience. Although still considered to be in its early stages of operation, we are encouraged by the substantial achievements recorded.

The achievements thus far augur well for the development of the Authority into an efficient and effective regulator. The solid performance is a demonstration of the dedicated staff working in tandem with a committed Board of Directors. While the financial services industry will continue to face significant challenges, the FSA will continue to build resilience through effective regulation and collaboration by keeping pace with emerging risks and industry trends.

### Legal Framework

Developing enabling legislation and regulatory frameworks for emerging sectors and technologies for niche and innovative segments of financial services remains one of the key objectives of the FSA. Over the past year, the FSA has amended and enacted a number of laws and regulations to continue building a financial environment characterized by stability, resilience, diversity, and innovativeness. During the year under review, the following initiatives were undertaken:

- **Virtual Assets Act**

Whilst Virtual Assets (VAs) and Virtual Assets Service Providers (VASPs) have been in existence for the past

fifteen (15) years, these products are still deemed new and emerging in the global financial services industry. As a digital product, VAs are inherently high risk and present a myriad of issues and challenges to the financial services sector globally. As a first step in implementing an appropriate risk-based supervisory regime for VAs/VASPs and as part of a harmonised regional approach, the Virtual Assets Business Act was enacted in May 2022.

- **Microfinancing**

In an effort to fill the gap in relation to prudential regulation of micro financing companies and Mobile Payment Service Providers (MPSPs) currently operating in St. Vincent and the Grenadines, an amendment was made to the Money Services Business Act in December 2022 to inter alia: provide some legitimacy to the business operations of the companies which carry on these activities; promote the stable expansion of the industry while protecting customers; ensure the viability of the industry and encourage the relevant entities to operate efficiently and promote fair market pricing, particularly in relation to issues such as onerous contractual terms, excessive interest rates and over-indebtedness; and finally to streamline the operations of micro-finance institutions in conformity with international best practices.

- **Mobile Payment Service Providers (MPSPs)**

The growing use of MPSPs globally has created challenges for countries and private sector institutions to ensure that these products and services are not misused for money laundering and terrorist financing purposes. MPSPs are considered to be new and innovative products which offer an alternative to traditional financial services. The introduction of these products to the marketplace, given that they are not fully understood or fully regulated, has made it quite difficult to track transactions, lending itself to the misuse of these technologies. As a result, they can become attractive for criminal behavior such as money laundering and terrorist financing. Consequently, the FSA sought to close the regulatory loopholes with the enactment of the amendments. The FSA will now have close oversight of these entities which should offer some level of assurance to the market participants.

### IFRS 17

With the impending implementation of the IFRS 17 accounting standard for insurance contracts, the FSA along with its regional counterparts have been collaborating to develop a harmonised approach for the effective implementation of the standard. Technical assistance was sought to address key issues such as legislative review, revisions to the reporting forms as well as regulatory guidance. This collaborative approach allows for consistency in application given the cross-border nature of operations of the insurance entities within the region.

### Industry Collaboration

The FSA's success does not reside only in the fulfillment of the regulator's mandate, which itself is important, but also in what is achievable with the will and collaborative effort of all stakeholders. As a regulator, our engagement with our licensees remains essential. Underpinning the FSA's success over the years is a long-standing

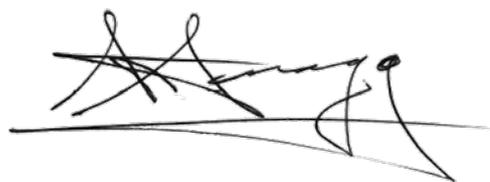
partnership between the regulator, government and industry. During the past year, we conducted an industry/customer satisfaction survey to garner the feedback of our stakeholders in an effort to improve our service, and with a view to incorporating same into the 2022-2024 Strategic Plan. While the feedback has been by and large positive, we are cognizant of the need for greater collaboration.

### The Way Forward

With the ever-changing financial services landscape and the unrivalled impact of the COVID-19 pandemic, the FSA remains committed to fostering growth and stability within the financial services sector in St. Vincent and the Grenadines. During the year under review, the FSA commenced implementation of its 2022-2024 Strategic Plan defining the clear direction the Authority endeavours to take within the next three years. The year under review focused primarily on strengthening the Risk Based Supervision regime for both prudential and AML/CFT supervision. Looking ahead, 2023 will leverage on the achievements thus far in the development of an effective framework for assessing and managing climate-related financial risks and a crisis management plan geared toward safeguarding the stability and integrity of the financial system.

### Conclusion

To conclude, I seize this opportunity to express my sincere gratitude to my fellow members of the Board and Executive Management for their unfaltering support, commitment and dedication to the FSA. I wish to thank the Honourable Minister of Finance for his guidance and support and also all our valued staff members for their hard work and dedication during what can be described as a decade of arduous endeavours and unprecedented challenges. I urge our team to continue to remain focused and mindful of our obligations and commitments as well as keep striving for the betterment of the industry.



## EXECUTIVE DIRECTOR'S REPORT 2022



It is my pleasure to report on the work and activities of the FSA over the period January 01- December 31, 2022.

The year 2022 marks a decade of existence for the Financial Services Authority (FSA), a milestone which warrants a reflection on the past as well as a look towards future prospects for growth, development and an overall positive trajectory for the organization.

### Strategic Outlook 2022-2024

In the first quarter of 2022, the FSA drafted and adopted its Fourth Strategic Plan for the years 2022-2024 with two broad strategic goals being of primary focus:

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

These goals are underpinned by narrower strategic objectives which form the basis of the longer- term focus of the FSA's work programme for the next three years. 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 St. Vincent and the Grenadines (SVG), collaboration with strategic partners, financial supervisory authorities, and other relevant bodies on common interests, and continuously enhancing human resource capacity and competencies.

The FSA's 2022-2024 Strategic Plan was developed after careful assessment of the progress and strategy of the organization over its ten-year lifespan and was drafted with the intent of enhancing already established areas and strengthening areas which require greater focus and

development. The FSA has sought throughout its existence to review and consistently strengthen the regulatory framework, so that it is better equipped to supervise and respond to financial sector developments and emerging systemic risks. To this end, the FSA has sought to pivot to incorporate and implement climate resilience and disaster risk management measures as well as the digitization of financial services into its regulatory framework.

### Risk-Based Supervision

In executing its objective of effectively managing risks in the financial system, in 2022 the FSA continued on its path to the full application and implementation of the principles of risk-based supervision (RBS). A risk-based approach to supervision includes systemic, forward-looking assessments within a formalized framework, allowance for early identification and intervention leading to a reduction in resolution costs, encouraging strong risk management practices and devotion of supervisory attention on a proportionate basis, in line with the risk profiles of the institutions and their systemic importance.

The FSA strengthened its institutional structure and operational procedures for RBS implementation through further technical assistance from the Caribbean Regional Technical Assistance Centre (CARTAC) via a virtual mission, wherein greater clarity was provided on the fundamental concepts of the RBS methodology and approach. With further guidance proffered on the Risk-Based Supervisory Framework and internal Guidance, the FSA moved towards adoption and implementation, publishing the Framework on its website in 2022. The FSA also engaged the non-bank financial sector to discuss

and advise on this supervisory methodology. Further, the FSA has undertaken internal capacity building exercises to ensure that its supervisory staff have sufficient capacity to effectively implement risk-based supervision and other supervisory processes.

The FSA's adoption of RBS has resulted in more efficient use of supervisory resources to better oversee key risks in the non-bank and international financial sector. On-site inspection scope and frequency is performed based on risk and impact and are guided by off-site risk analysis.

### Regulatory Capacity

Due to the dynamic nature of the financial services sector, focus is consistently geared towards enhancing human resource capacity and technical competencies. Participation in regulatory workshops and conferences in 2022 provided opportunities for awareness raising and capacity building for staff on key regulatory, Anti-Money Laundering, Counter-Financing of Terrorism (AML/CFT) and other relevant issues.

Staff participated in virtual workshops and seminars hosted by the World Bank, Caribbean Association of Insurance Regulators (CAIR), Caribbean Regional Technical Assistance Centre (CARTAC), PricewaterhouseCoopers (PwC)/Eastern Caribbean Central Bank (ECCB) and the Caribbean Association of Pension Supervisors (CAPS). With the resumption of in-person participation in some fora, staff attended the International Credit Union Regulatory Network (ICURN) annual conference and a Workshop facilitated by the World Bank and the ECCB, the culmination of the Risk-Based Approach to AML/CFT Supervision series. This series was comprised of seven modules, which commenced in 2020 in which the World Bank, with the support of the European Commission, engaged with participants to utilize the World Bank Toolkit towards every aspect of risk-based AML/CFT supervision and monitoring, built upon the findings of risk assessments of financial institutions.

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.

Given the expansion of the FSA's supervisory scope to include Virtual Assets Service Providers (VASPs) in the near future, heavy focus was placed on training, competence and capacity building in the area of Virtual Assets and VASPs supervision. Technical assistance was therefore sourced and provided by regional and international organizations such as the Caribbean Financial Action Task Force (CFATF), the Asset Recovery Network of the Caribbean (ARIN-CARIB) and the World Bank on

cryptocurrencies, the dark web and other related topics.

The FSA also continued to engage in various capacity building initiatives on International Financial Reporting Standard (IFRS) 17, which will be applicable to financial reporting periods from 2023 and will be used by the majority of global insurers for general purpose financial reporting and, in some cases, for prudential reporting. Additionally, the FSA commenced its own engagement with the local insurance sector to discuss implementation timelines and to assess the likely impact of the standard on insurers' operations, assets and liabilities via a Quantity Impact study.

### 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 2022 a Code of Conduct for Insurance Brokers was issued pursuant to section 10 of the FSA's governing legislation<sup>1</sup>. The Code establishes duties, requirements and standards to be complied with by registered insurance brokers. The Code has been developed taking into consideration the international standards as set out by the International Association of Insurance Supervisors ("IAIS").

In addition, the FSA drafted and implemented Guidelines on Simplified Due Diligence and Guidance in conducting an AML/CFT Institutional Risk Assessment. A consultation session was held with all financial entities in November 2022 prior to the adoption of same. These Guidelines were drafted to address gaps noted during the National Risk Assessment (NRA) exercise of the AML/CFT regime of SVG conducted in 2020 and as identified in the National Action Plan.

### Legislative Reform

The FSA periodically reviews and updates its legislative framework to ensure that it is fit for purpose, meets international standards, is appropriately flexible and supports ethical business practices. Focus on the revision of the FSA Act will intensify in 2023. The proposed amendments will strengthen the FSA's enforcement powers and enhance its crisis management preparedness and recovery and resolution framework.

The Virtual Asset Business Act<sup>2</sup> was passed in Parliament in May 2022. The Act, while not yet proclaimed, provides for the registration and supervision of virtual asset business from SVG and with persons in SVG and is a harmonized model legislation, drafted by the ECCB, which provides

1 Financial Services Authority Act, No. 33 of 2011  
2 Act No. 9 of 2022

for the regulation of virtual asset business in the ECCU. The FSA has sought technical assistance to implement this legislation and will continue to work with the ECCB in its finalization of the legislative<sup>3</sup> and supervisory framework for VASPs in the ECCU.

In August 2022, the Money Services Business Amendment Act<sup>4</sup> was passed in Parliament and later proclaimed in December 2022. The amended Act widens the scope of the original Act to provide for the regulation of micro-financing entities and the inclusion of various consumer protection measures. Following the passage of the Act, the FSA engaged in outreach and sensitization of the sector to discuss the new requirements as per the amendments and supervisory expectations. AML/CFT training was simultaneously undertaken by the Financial Intelligence Unit (FIU).

The FSA further advanced the amendments drafted to strengthen various critical regulatory provisions in the existing Cooperative Societies legislation, with a view to ensuring the proper conduct of business by Co-operative Societies. The FSA also continued to participate as a member of the ECCB's Electronic Retail Payments Working Group and provided input on a third draft of the Payment System and Services Bill as well as Regulations.

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

SVG is scheduled to undergo the Fourth Round Mutual Evaluation (MEV) Assessment of its AML/CFT regime by the CFATF in 2023, culminating with a two (2) week on-site visit by the Assessment Team from March 20th to 31st, 2023. SVG's report will be presented at the CFATF Plenary in November 2023.

#### i. Mutual Evaluation Preparation.

As a statutory member of the National Anti-Money Laundering Committee (NAMLC), the FSA was actively involved in the country's preparations for the MEV, including participation on the NAMLC MEV Sub-Committee. As a competent authority with responsibility for AML/CFT supervision, the FSA also engaged in internal preparatory exercises to ensure that its level of effectiveness as a Supervisor was enhanced. The FSA strengthened its internal supervisory policies and procedures by documenting Standard Operating Procedures on various critical areas such as the conduct of AML/CFT on-site examinations, confidentiality, and fit and proper assessments. The FSA also drafted and will soon adopt an AML/CFT Risk-Based Supervision Manual. While these processes and practices were implemented, in some instances, since the FSA's inception, the formalization of same is critical as the Fourth Round

MEV Assessment places great emphasis on weighting effectiveness, which is evidence based.

#### ii. Risk-Based Approach to Supervision.

The FSA developed and implemented its AML/CFT Risk-Based Supervisory (RBS) Framework which formally outlines the methodology the FSA applies for determining its AML/CFT risk-based supervisory approach. Based on this methodology, a ML/TF risk profile is compiled (and periodically updated) of the sectors and institutions supervised by the FSA. The methodology is also used for determining the AML/CFT supervisory plans or actions and outlines the supervisory strategy of the FSA. Sectors and institutions which are considered to have a lower ML/TF risk will be subject to less intensive supervision than sectors and institutions with a higher ML/TF risk. A minimum level of supervision is however conducted in all sectors and institutions.

In 2022, the FSA also devised and implemented an AML/CFT desk-based questionnaire, which was utilized, together with data from on-site reviews, to formulate risk ratings of the supervised entities. The conduct of AML/CFT focused on-site examinations were then conducted, driven wholly by risk.

#### iii. Training and Outreach

The facilitation and provision of regular and appropriate AML/CFT training for staff was a top priority in 2022. A large portion of this training was garnered through the technical assistance of ECCB, including the participation of two Examiners in the Association of Certified Anti-Money Laundering Specialists (ACAMS) Program as recipients of scholarships offered through the ECCB for the building of technical capacity of individuals responsible for AML/CFT across the ECCU. In addition, the ECCB extended the opportunity for the participation of five (5) regulatory staff in the ACAMS Enterprise Program. The FSA also enrolled an additional seven (7) regulatory staff in the ACAMS program. The FSA had the benefit of participating as observers in a targeted remote AML/CFT/CPF examination conducted by the ECCB of one of its licensed financial institutions, and was provided with mentorship from the latter in conducting an AML/CFT focused on-site examination of one of its financial entities.

The FSA also engaged in AML/CFT targeted outreach to the regulated sector to increase awareness of the risks identified in the NRA as well as to address specific areas of high risk noted from its AML/CFT offsite and on-site supervision. To this end, several joint training and outreach sessions were facilitated by the FSA and FIU on various critical areas of focus with the regulated sectors.

3 Virtual Asset Business Regulations

4 Act No. 25 Of 2022

## Exchange of Information-2nd Round Peer Review

The Global Forum of the Organization for Economic Co-operation and Development (OECD), the leading global organization in setting and promoting high standards of transparency and exchange of information for tax purposes, launched SVG's Round 2 Peer Review in June 2022. The purpose of the review was to assess the country's Exchange of Information Upon Request (EOIR) regime and in so doing, gauge its progress in advancing recommendations of the Round 1 Peer review in 2011 (Phase 1) and 2014 (Phase 2).

The 2nd round Peer Review Exchange of Information on-site visit by the OECD Assessment team was held in November 2022. Interviews were conducted with relevant public and private sector Stakeholders on the Exchange of Information regime, inclusive of major aspects of the regulatory and (AML/CFT) regimes in SVG.

The Peer Review process covered SVG's legal and regulatory framework for transparency and exchange of information on request for tax purposes, as well as the practical implementation of that framework, as it did in Round 1. SVG's Final (Draft) Report prepared by its Assessors is being presented at a meeting of the OECD Peer Review Group (PRG) in June 2023.

### Celebrating a Milestone

The FSA celebrated its tenth anniversary with a week of activities from November 6-12, 2022 under the theme "Building Resilience Through Effective Regulation and Collaboration". The FSA commemorated the occasion by engaging in a period of reflection and celebration of our

milestone achievements. The efforts of local stakeholders were recognized on our customer appreciation day. The importance and contribution of staff and Board of Directors, current and former, were memorialized and celebrated at a cocktail reception and awards ceremony. The organization used the opportunity to reach out to the community by distributing care packages during a charitable drive and engaged the second year Business students at the Community College Division of Arts and Science in an inaugural lecture. Most importantly, the FSA commenced the week with a thanksgiving service where honour and glory were given to Him from whom all blessings flow.

### Conclusion

Despite the challenges and complexities which the organization has faced throughout its short lifespan, the FSA is humbled by its successes and committed to its mandate of promoting macroeconomic stability and safeguarding the soundness and integrity of the financial system in SVG.

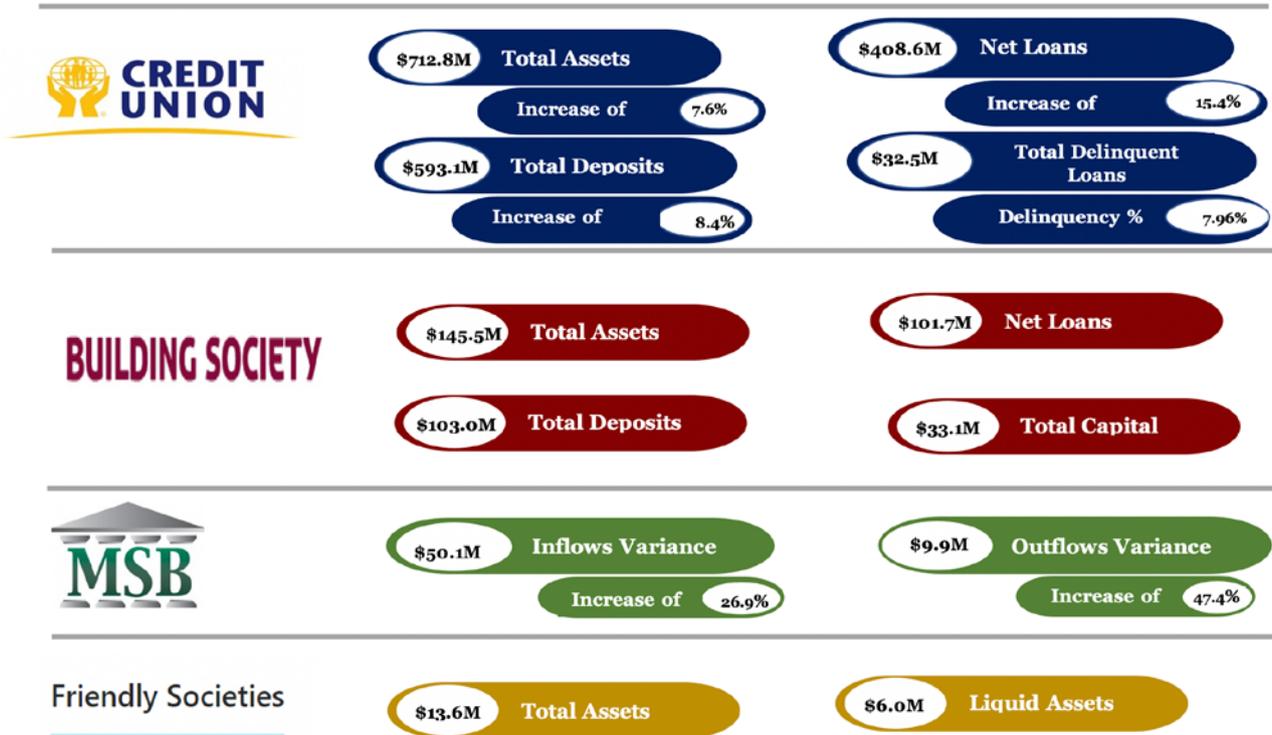
The progress and results of the FSA over the past ten years would not have been accomplished without the sound stewardship and guidance of the FSA's Board of Directors and the dedication and hard work of its management and staff. The achievements of the FSA could not have been accomplished without the valuable support and cooperation of stakeholders such as the Hon. Prime Minister, the Hon. Minister of Finance, as well as the Hon. Attorney General. I herein express my deepest appreciation and thanks to the industry and stakeholders for the cooperation and support received throughout the past few years, without which the FSA would not be able to effectively discharge its mandate.



Carla James  
Executive Director

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

Key Highlights for the Year ended December 31, 2022, with variances from 2021.



## 1.0 Credit Unions

As at December 31, 2022, there were four (4) active credit unions in St. Vincent and the Grenadines, along with the apex body, the St. Vincent Cooperative League Limited. Credit Unions worked congruently with the core philosophy to advance financial stability, resilience, and inclusivity through the cooperative model. Despite giving members formal loan payment deferrals because of various economic challenges over the past two years, the sector grew in the majority of all core business areas (See Figure 1) and managed to keep loan delinquency in line with prior years, (See 'Delinquency Rate,' Table 1).

**Figure 1: A graphical representation of the sector's growth in Total Assets, Net Loans, and Total Deposits 2020-2022**



## Governance

The governance structure for credit unions includes a member-based Board of Directors, statutory committees, and management teams. The sector maintained relatively stable governance structures for the year ended December 31, 2022. The governance teams performed their duties in accordance with the Cooperative Societies Act, No. 12 of 2012, and made significant strides to improve online and virtual services to support the growing needs of its members. They provided their members with sound financial products and sustained growth in loans, deposits, and liquidity, as seen in Table 1 below.

## Socio-economic Impact

Credit unions pursue a financially inclusive agenda and collectively serve approximately 68.2% of the population (110.9k) or 75,661 members. Compared to the productive sector of the national population (75,190), the credit union penetration rate was 100.7%.

Table 1 below shows a synopsis of the credit union sector's financial position as at December 31, 2022, along with some key financial indicators and comparative data for the years ended December 31, 2020, 2021, and 2022.

**Table 1 – Synopsis of Financial Performance 2020-2022**

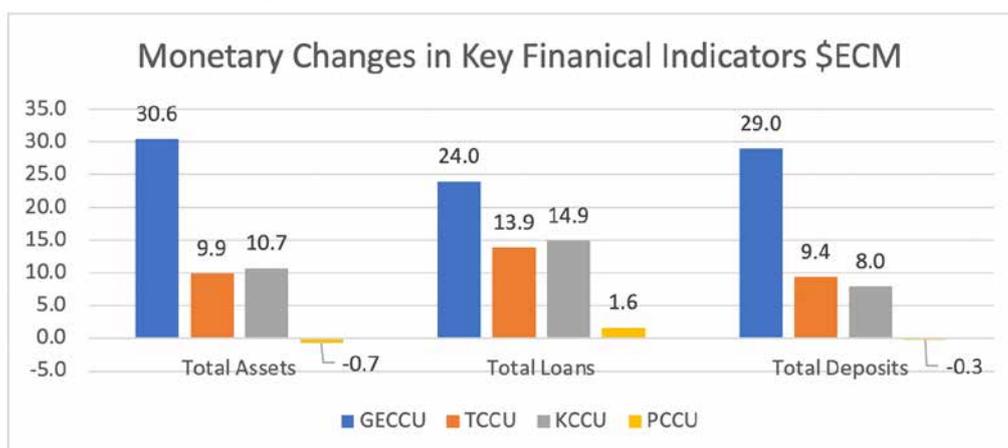
| Categories                | December 2022<br><i>*(Unaudited)</i> | December 2021<br><i>(Audited)</i> | December 2020<br><i>(Audited)</i> |
|---------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| <b>Total Assets</b>       | EC\$ 712,835,937                     | EC\$ 662,308,587                  | EC\$609,642,005                   |
| <b>Net Loans</b>          | EC\$ 408,659,782                     | EC\$ 354,253,331                  | EC\$348,534,868                   |
| <b>Total Deposits</b>     | EC\$ 593,101,279                     | EC\$ 546,940,539                  | EC\$ 496,508,021                  |
| <b>Total Liabilities</b>  | EC\$ 601,776,344                     | EC\$ 557,057,278                  | EC\$ 514,124,012                  |
| <b>Regulatory Capital</b> | 12.8%                                | 12.3%                             | 13.2%                             |
| <b>Delinquency Rate</b>   | 7.96%                                | 8.0%                              | 8.1%                              |
| <b>Total Membership</b>   | 75,661                               | 79,089                            | 75,896                            |
| <b>Total Staff</b>        | 216                                  | 182                               | 176                               |

**\*Figures reported for the year ended December 2022 are unaudited and are expected to change.**

The credit union sector maintained positive key financial indicators in 2022, including regulatory capital of 12.8%, liquidity of 31.7%, and positive earnings. The sector's total assets increased by \$50.5M during 2022. This growth was mainly driven by increases above 6.0% at the three largest credit unions. Similarly, total deposits in the sector grew by 8.4%. The sector continues to experience growth in the key performance areas as it emerges from the COVID-19 pandemic.

Chart 1: outlines the monetary value of changes in Assets, Loans, and Deposits held by each credit union year on year.

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



- Other notable variances as at year-end 2022 when compared to year end 2021 were:
- Regulatory capital continued to trend above the prudential benchmark of 10%, at 12.8%;
- Delinquency remained at approximately 8.0%, which is three (3) percentage points above the 5.0% benchmark;
- Credit unions' membership declined by 3,428 or 4.3%; and
- The total staff complement increased by 34.

### Loan Moratoria:

The loan moratoria programme concluded in the second quarter of 2022, and about 179 loans from the programme migrated to Non-Performing Loan (NPL) status. The value amounted to \$8.6M or 26.5%, approximately one-quarter, of the total NPL portfolio. Monitoring of loans previously on the moratorium programme is ongoing, and 43 loans, amounting to \$3.6M, remained on a watch list. Total delinquency in the sector amounted to \$32.5M, or approximately 7.96% of total loans. A total of 1,495 credit union members were reported to have loans that are not performing as per their loan agreement.

### Regulation and Supervision

The Credit Unions et al. department continued to strengthen the capacity of the team to effectively enforce a risk-based supervisory framework for AML/CFT and prudential supervision. To this end, AML/CFT on-site examinations were the department's focus. Additionally, comprehensive offsite monitoring was conducted utilizing the risk-based methodology.

The sector has maintained hybrid Annual General Meetings to reach members constrained to attend in person. As a result, there was a noted increase in attendance and participation in all the said meetings of credit unions.

### 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 2022, its total assets stood at EC\$145.5M, a \$2.8M (2%) increase year-on-year. Its total members' deposits also increased by \$2.1M up to EC\$103.0M. However, the loan portfolio declined by \$0.3M to EC\$101.7M. The Association's full membership as at December 2022 was 9,930.

### 3.0 Money Service Business

The Money Services Business (Amendment) Act No. 25 of 2022, was proclaimed on December 20, 2022. The Amendments to the Act seek to:

1. Extend the scope of the legislation to include Micro-Financing/lending businesses (MFLBs) and Mobile Payment Service Providers (MPSP) under the FSA's regulatory and supervisory remit; and
2. Introduce classes of licenses for entities in this sector and amend the capital and statutory deposit requirements.

Additionally, the FSA's regulatory purview was expanded to include the SVG Postal Corporation Money Gram operations. This was undertaken to ensure adequate AML/CFT/PF safeguards are implemented at all money remittance service providers and to enhance the effectiveness of the AML/CFT/PF framework in the jurisdiction.

Effective December 20, 2022, MFLBs and MPSPs continued operations under a transitional provision for six (6) months. All MFLBs and MPSPs operating in the jurisdiction must formally register with the Authority by June 30, 2023. The portfolio of the Money Services Business (MSB) sector since the amendment of the Act can be seen in Table 2 below.

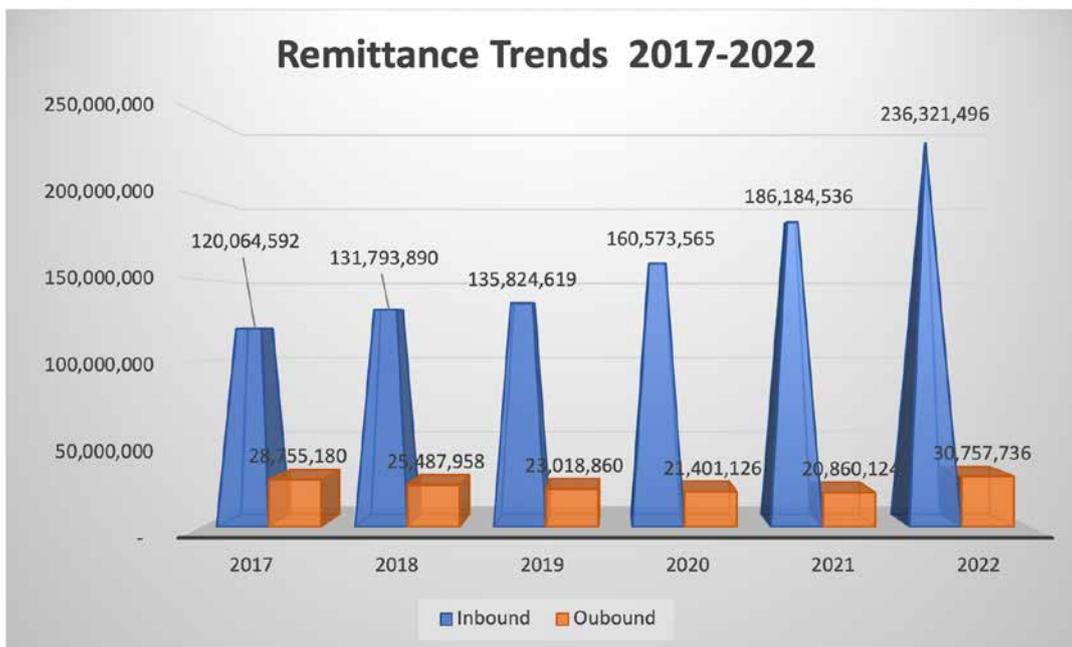
**Table 2: Money Services Business Sector Portfolio by Class of Licence 2**

|  |  |
|--|--|
| <b>CLASS A</b>   | <i>The licence holder may carry on the business of transmitting money in any form</i>              |
| <ul style="list-style-type: none"> <li>• Three (3) Licensed</li> <li>• One (1) Registered</li> </ul> |  |
| <b>CLASS B</b>   | <i>The licence holder may carry on the business of electronic and mobile transmission of money</i> |
| <ul style="list-style-type: none"> <li>• One (1) Transitional Licencee</li> </ul>                    |  |
| <b>CLASS D</b>   | <i>The licence holder may engage in micro financing and lending business</i>                       |
| <ul style="list-style-type: none"> <li>• Five (5) Transitional Licencees</li> </ul>                  |  |

••There are six (6) classes of licence under which money services businesses can obtain a licence.

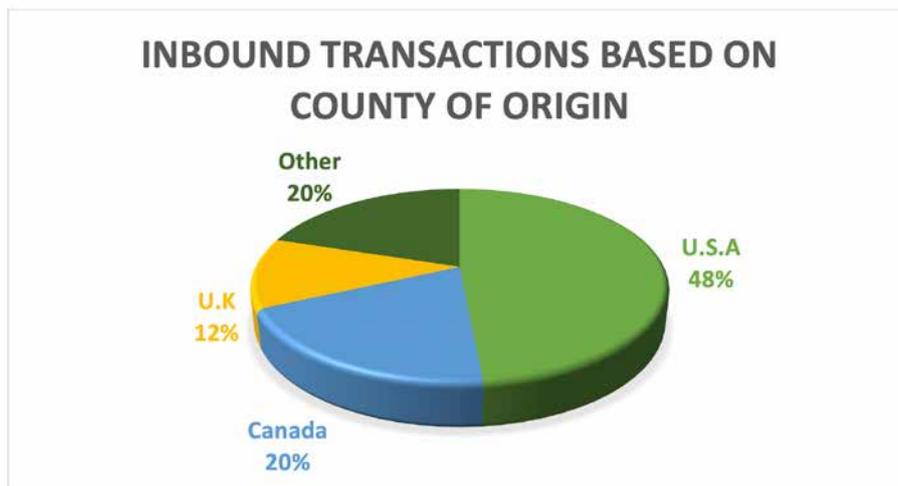
Due to the expansion of its regulatory purview, the Authority has captured all information about transaction flows for this segment of the MSBs sector. As such, marked increases would be evident in transaction flows reported for the year 2022 when compared to 2021.

**Figure 2: Remittance Trends 2017-2022**



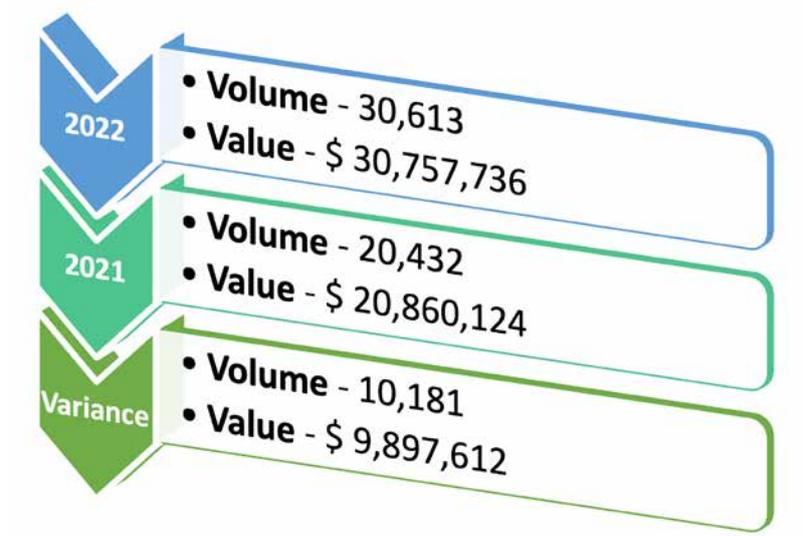
During 2022 inbound remittances amounted to \$236.3M, an increase of \$50.1M or 26.9% compared to the prior year. Most inbound transactions originated in the United States, Canada, and the United Kingdom, as seen in Figure 3 below. A 23% increase in the volume of inbound transactions was recorded in 2022, increasing from 261K to 321K, which was 60K higher.

Figure 3: Inbound Remittance Value based on Country of Origin



Outbound activities also showed significant increases in the reporting period. Transaction values were greater by \$9.9M or 47.4% over the 2021 outflows. The total outbound for 2022 was \$30.8M compared to the \$20.9M in the prior year. The movement in transaction volume (49.8%) was generally in line with the changes noted in value. The trends for total outbound remittances can be seen in Figure 5 below.

Figure 5: Total Outbound Remittances 2022-2021 with Variance



#### 4.0 Friendly Societies

Sixteen (16) registered friendly societies remained on record as at December 31, 2022. The total assets for the sector for this period was \$13.6M, with a combined membership of 40,887. While the reported membership improved by 535 members, the assets declined slightly by \$0.4M. The assets consisted primarily of property and cash and cash equivalents.

The FSA continued to conduct awareness-raising sessions with the sector on critical aspects of the legislation, including amalgamation. Outreach sessions were also conducted to improve the basic AML/CFT knowledge among the executives of these entities. The Authority developed AML/CFT Simplified Due Diligence guidance to assist the sector in effectively mitigating Money Laundering and Terrorist Financing risks.

# 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, 2022, 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-nine (99) Insurance Sales Representatives, six (6) Insurance Brokers, fifteen (15) Insurance Agents, three (3) 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 2022, the sector contributed roughly \$7.5M in insurance premium taxes to the government (2021 – \$5.9M) and generated \$0.1M in registration and licence fees (2021 - \$0.1M).

## 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, 2022, there were thirty (30) Defined Contribution (DC) plans and one (1) hybrid of DC and Defined Benefit (DB). 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 four hundred and seventy-nine (479) members, while assets range from \$95K to \$7.8M. The larger pension plans include statutory bodies, a commercial bank and a well-established private entity.

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 2018-2022**

| <b>As at December 31</b>        | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Insurance companies             | 23          | 24          | 24          | 24          | 24          |
| Brokers                         | 6           | 6           | 8           | 8           | 8           |
| Agents                          | 15          | 17          | 15          | 16          | 16          |
| Sales Representatives           | 99          | 114         | 116         | 127         | 127         |
| Association of Underwriters     | 1           | 1           | 1           | 1           | 1           |
| Insurance adjusters             | 3           | 3           | 1           | 2           | 2           |
| <b>Total Insurance Licences</b> | <b>147</b>  | <b>165</b>  | <b>165</b>  | <b>178</b>  | <b>178</b>  |
| Pension Fund Plans              | 31          | 30          | 28          | 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, 2022, all companies were in compliance with the Statutory Deposit and Insurance Fund obligations. By the end of 2022, total liabilities and contingency reserves of all insurance companies (excluding those under judicial management) less statutory deposit required, amounted to approximately \$115.9M. Total assets pledged or identified by those companies for inclusion in their Insurance Fund as at December 31, 2022 was approximately \$138.5M or 119.5% of insurance liabilities. The Insurance Fund provides access to assets in the event of failure of an insurance company and is used as regulatory capital to provide a buffer for insurance liabilities and to support the overall quality of assets on the insurers' balance sheet. These funds are monitored on a regular basis and where shortfalls exist, companies are required to satisfy the deficiency within the shortest possible time.

### Capital Adequacy & Solvency

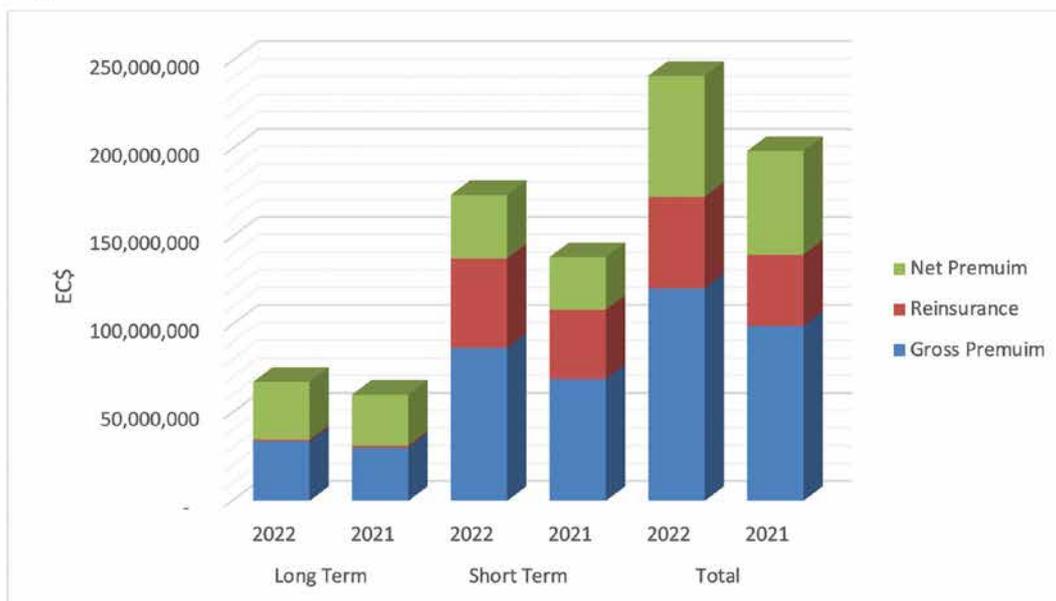
Solvency, both as an economic requirement in the market and as a regulatory and supervisory tool, is critical to the insurance sector and underpins the prospect for insurers to contribute effectively to financial sector development. One of the principal aims of insurance supervision is the protection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

The FSA monitors the solvency position of each company quarterly and annually based on the returns for the same periods. As at December 31, 2022, all companies satisfied the solvency standards. The quality and quantity of capital of each company was adequate as most companies' capital tend to be permanent and include share capital.

### Gross Premium Analysis

In 2022, Gross Premium income in the insurance industry totaled \$120.8M. This represented approximately 4.8% of Gross Domestic Product at market prices and an increase of 11.7% when compared with gross premium income of \$108.2M reported in 2021. More specifically, the gross premiums written for the long-term insurance sector increased by 11.5% to \$33.9M (2021-\$30.4M). The leading long-term insurer held approximately 63.2% of total premiums written. Similarly, gross premiums written for the general insurance segment of the market exhibited an increase of 11.7% and amounted to \$86.9M (2021 - \$77.8M).

Figure 1. Gross Premium Income for 2021-2022



Source: FSA Records

### Analysis of Financial Position

Total assets for the domestic insurance sector stood at \$314.5M as at December 31, 2022, an increase of 6.7% when compared with \$294.7M for the previous year.

Total liabilities amounted to \$217.7M, which resulted in net assets of \$ 96.8M. 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 2018-2022

| Account                     | 2022        | 2021        | 2020        | 2019        | 2018        | Percentage Change<br>2022/2021 |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|--------------------------------|
| Total Investment Assets     | 251,428,203 | 231,489,925 | 216,040,956 | 200,175,077 | 186,987,724 | 8.6%                           |
| Total Assets                | 314,548,926 | 294,740,478 | 295,268,998 | 280,959,838 | 244,911,789 | 6.7%                           |
| Total Insurance Liabilities | 188,031,405 | 179,551,107 | 166,418,551 | 159,431,454 | 135,573,902 | 4.7%                           |
| Total Liabilities           | 217,733,308 | 218,390,160 | 202,354,532 | 188,656,742 | 169,493,633 | -0.3%                          |
| Total Capital & Reserves    | 96,815,618  | 76,350,318  | 92,914,466  | 92,303,096  | 75,418,156  | 26.8%                          |

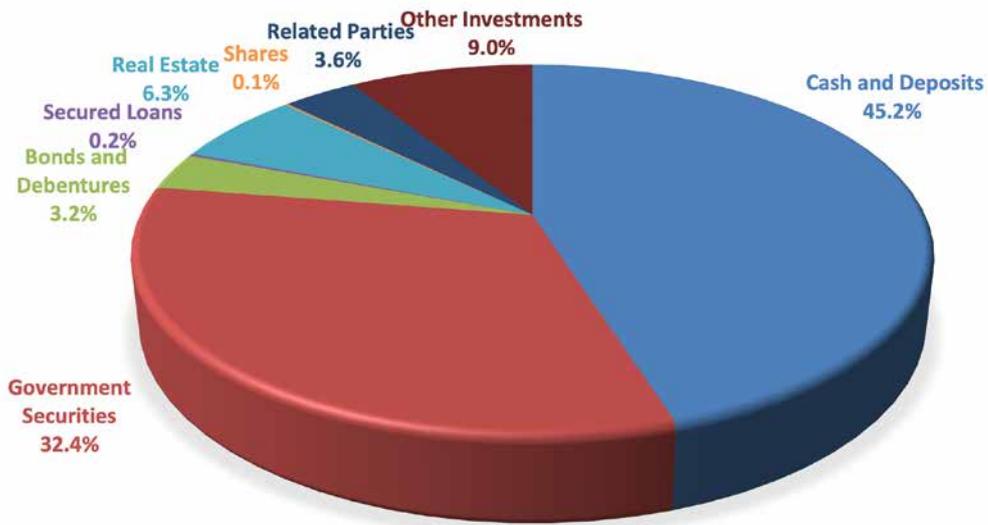
Source: FSA Records

Total liabilities declined marginally by 0.3% in 2022. However, there was an increase of 4.7% in total insurance liabilities. As insurance liabilities must be backed by prescribed assets, largely comprised of investment assets, the related balance sheet line items recorded increases. Consequently, investment assets increased by 8.6%, resulting in a 6.7% increase in total assets.

For the industry as a whole, government securities and cash and deposits continue to be the largest components of assets and accounted for 36.5% (2021 – 36.0%) and 26.8% (2021 – 26.0%) of total assets respectively.

For the short-term segment of the industry, total assets amounted to \$119.3M. Investment assets represented 59.7% of total assets. As depicted in Figure 2, cash and deposits (45.2%) and government securities (32.4%) accounted for the majority of investment assets.

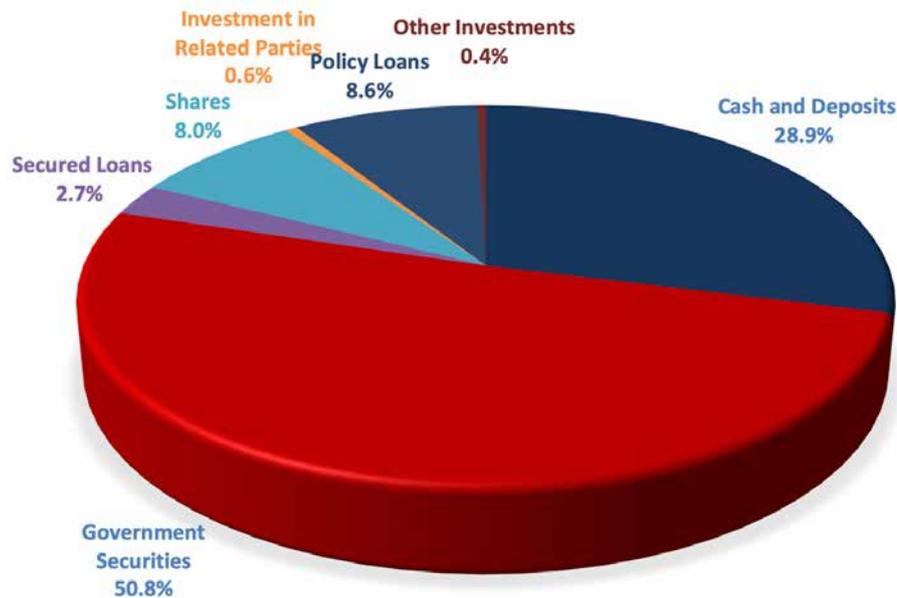
Figure 2. General Insurance Investment Assets Composition 2022



Source: FSA Records

Total assets, including statutory deposits for companies registered to conduct long-term insurance business, stood at \$195.3M, an increase of 9.0%, when compared with the previous year's figure of \$179.3M. Investment assets accounted for 92.3% of total assets. As depicted in Figure 3 below, government securities accounted for 50.8% of total cash and investments, while cash and deposits accounted for 28.9%.

Figure 3. Life Insurance Investment Assets Composition



Source: FSA Records

### Underwriting Performance: 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 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 2018-2022 period and ranged from as low as 47.1% to 56.6%. The table below provides details.

**Table 3: Short-term Insurers Loss/Claims Ratio (2018-2022)**

| <b>Account</b>        | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Net Claims Incurred   | 19,375,525  | 19,111,590  | 15,442,818  | 18,029,171  | 16,474,926  |
| Net Premiums Earned   | 34,252,988  | 40,539,115  | 31,123,157  | 32,063,814  | 30,262,116  |
| <b>Loss Ratio (%)</b> | <b>56.6</b> | <b>47.1</b> | <b>49.6</b> | <b>56.2</b> | <b>54.4</b> |

Source: Insurance Companies and Financial Services Authority

As at December 31, 2022, several companies reported loss ratios above the sector average of 56.6%, however, these companies are heavily involved in the motor vehicle class of business which tends to be more volatile and has a higher volume of claims in the normal course of business.

**Table 4: Long-term Insurers Loss Ratio (2018-2022)**

| <b>Account</b>        | <b>2022</b> | <b>2021</b> | <b>2020</b> | <b>2019</b> | <b>2018</b> |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Claims                | 3,425,000   | 6,234,000   | 7,984,000   | 4,331,000   | 3,520,000   |
| Net Premiums Written  | 21,377,000  | 29,208,000  | 28,305,000  | 36,567,000  | 21,943,000  |
| <b>Loss Ratio (%)</b> | <b>16.0</b> | <b>21.3</b> | <b>28.2</b> | <b>11.8</b> | <b>16.0</b> |

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.

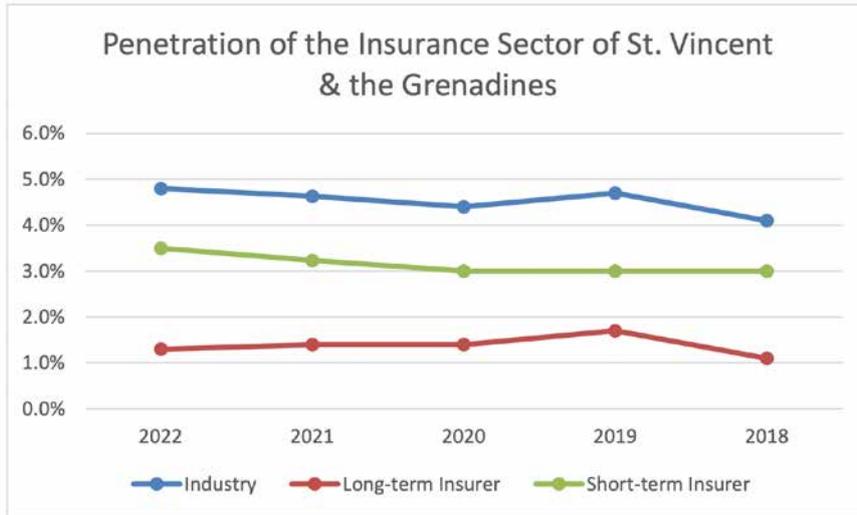
The loss ratio for the long-term insurance segment of the market also fluctuated over the review period. As at December 31, 2022, the loss ratio stood at 16.0% compared with 21.3% for the previous year. This represented a moderate reduction and was a result of a 45.1% and 26.8% decrease in claims and Net Premiums Written respectively, recorded 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, 2022, the average penetration of insurance as a percentage of GDP for the industry as a whole was 4.8%, 0.2 percentage points higher than that of 2021.

Dissecting the ratio into long-term and short-term shows an average penetration ratio of 1.3% and 3.5% respectively. Lower insurance penetration ratios are characteristic of lower levels of economic development, which may have resulted in a lower demand for insurance cover. Also, the higher penetration in the short-term segment of the market may be attributable to the compulsory nature of certain classes of general insurance products such as motor insurance and to a lesser extent property insurance, in cases where it is a requirement for a mortgage loan. The result, however, suggests that the insurance sector still has significant room for expansion.

**Figure 4: Penetration of the Insurance Sector (2018-2022)**



Source: FSA Records

### International Insurance Sector

The number of international insurance sector participants has remained relatively stable since 2007. As at December 31, 2022, 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 company did not renew its license for 2022 and 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 International Financial Services ('IFS') sector maintained its composition in the offering of six (6) financial products, namely, **International Banks, Mutual Funds and Mutual Fund entities, Trusts, Business Companies (BCs), Limited Liability Companies ('LLCs') and also International Insurance<sup>1</sup> entities**. These IFS product offerings 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, Service Providers or Registered Agents continued to be an integral part of the IFS operations and are also licensed by the FSA. Registered Agents provide registered agent, trustee and/or fiduciary services to those who desire to utilize the FSA's IFS product. The Registered Agent's main role is engaging in the business of international representation. They are trust registration, company incorporation/formation agents and are therefore critical players in bringing sound business to the jurisdiction. They are the "gatekeepers" to the IFS industry and are crucial to ensuring the suitability of IFS business that is channeled to the jurisdiction.

## Developments – the Global Financial Condition

IMF Global Stability Report<sup>2</sup>, October 2022 reported that the risks of financial stability had increased with inflation higher than seen in several decades for that year. Also, the ongoing spillovers from Russia's war in Ukraine and the ongoing effects of the COVID-19 pandemic all weighted in on the global markets and have led to poor market liquidity. This added to the risk that a sudden tightening in financial conditions in most regions would have interacted negatively with pre-existing vulnerabilities. It is likely that the foregoing conditions resulted in the noted decline in investments in the sector.

## IFS Entities: 2018 - 2022

The total number of active entities for all IFS products has generally trended downwards since 2018. The exception to this was the growth recorded in the LLC product over the same review period. Of note, is that the number of active registered agents has been stable since 2019 at 14. TABLE I below, provides information on the number of active IFS entities licensed/registered/formed from year 2018 up to December, 2022

Notwithstanding the adverse trend, in the 2021/2022 period, the decline in active trusts and mutual funds was marginal. Over the same period the number of active BCs and LLCs increased by 11.2% and 115.6% respectively.

There were cancellations noted in all products for 2022, however this was most apparent with BCs.

**TABLE I  
NUMBER OF ACTIVE ENTITIES  
YEARS 2018 – 2022**

| Type of International Financial Services Product | 2018  | 2019  | 2020  | 2021  | 2022  |
|--|-------|-------|-------|-------|-------|
| Business Companies (IBCs/BCs)                    | 5,548 | 5,368 | 4,245 | 2,809 | 3,125 |
| Limited Liability Companies (LLCs)               | 47    | 163   | 653   | 905   | 1,951 |
| Trusts   | 82    | 82    | 74    | 60    | 59    |
| International Banks                              | 4     | 3     | 3     | 3     | 2     |
| Mutual Funds                                     | 90    | 79    | 76    | 66    | 59    |
| Registered Agents                                | 13    | 14    | 14    | 14    | 14    |

1 A report on International Insurance activity is included within the "Insurance Sector Report."

2 Global Financial Stability Report (imf.org)

The increase in formations of LLCs, observed since 2019, slowed significantly in 2022. Increases in LLC formations in 2022 were 15.5%, 2021/2020:74.7% and 2020/2019: 295.6%. 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. The BC product, though generally declining, continues to be sought-after. The trend in renewals and new registrations of all IFS products was generally downwards except in the case of LLCs.

Income generated from LLCs increased in 2022 when compared to 2021, whereas income generated from BCs declined in 2022 when compared to 2021, and was at its lowest since 2018. Notwithstanding, over the 2021-2022 period, there was a general increase in total income generated from IFS products overall.

The IFS sector, while facing challenges, remained relatively competitive, and the marketing efforts of a few Registered Agents continued to impact favorably on the industry and yielded positive results in 2022. These efforts, inter alia, have ensured that SVG remain an attractive IFS center.

### **(i) International Banks**

This sector is licensed and regulated by the Authority under a regime set out by the International Banks Act, Chapter 99 of the Revised laws of St. Vincent and the Grenadines, 2009 (the International Banks Act) and its Regulations, the FSA Act, 2011, the Proceeds of Crime Act, 2013 and the Anti-Money Laundering and Terrorist Financing Regulations, 2014.

The sole class A<sup>3</sup> bank initiated winding up proceedings and liquidation of its operations in early February 2022. The rationale for the winding up of the bank's operations was cited as commercial as their bid to make the bank operational failed and it was not anticipated that fortunes would change in the future.

The FSA's remaining two (2) licensed international banks continued to operate in SVG in 2022, Reference: TABLE II below.

**TABLE II**  
**NAME AND CLASS OF INTERNATIONAL BANKS**  
**YEAR 2022**

| <b>NAME OF BANK</b>                  | <b>CLASS</b> |
|--------------------------------------|--------------|
| RBC Royal Bank Holdings (EC) Limited | <b>B</b>     |
| MPB Bank Limited                     | <b>B</b>     |

These licensed international banks have maintained adequate capital and met the minimum paid-up capital requirement of 8.0% and US\$0.5M respectively.

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

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

The Mutual Funds Act and its Regulations Chapter 154 of the Revised laws of St. Vincent and the Grenadines, 2009 are the governing legislation for this sector. At 31st December 2022 there were fifty-nine (59) (2021: 66) active entities registered/recognized/licensed pursuant to the Mutual Funds legislation. 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

<sup>3</sup> The FSA issues two categories of international banking licenses, namely Class A or B, the differences are (i) in the nature of international banking business that can be conducted, general or restricted respectively, reference section 9 of the International Banks Act Chapter 99 of the Revised Laws of St. Vincent and the Grenadines, 2009 ('the International Banks Act'); and (ii) their capital requirements, reference section 10 of the said International Banks Act.

- Mutual Fund Administrators; and
- Mutual Fund Managers/Administrators.

Several Public and Private mutual funds structures have utilized the segregated cell company (SCC) construct which was introduced under the IBC Act and which is an attractive initiative to the investor.

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

The Securities Bill, and a new Eastern Caribbean Currency Union ('ECCU') Investment Funds Bill, which were approved by the Monetary Council in October 2019 to govern the Mutual Funds subsector had been passed into law in four (4) ECCU Jurisdictions, namely Antigua and Barbuda, Grenada, Montserrat and St. Vincent and the Grenadines.

#### **(iii) Trusts**

At 31st December 2022, there were fifty-nine (59) active trusts (2021: 60). There were two (2) [2021: eight (8)] new trust registrations in total during the reporting period.

#### **(iv) Business Companies**

BCs continued to dominate the IFS sector products with respect to the number of active entities and renewals. BCs new registrations for the year amounted to 334 however it is important to note that BCs registrations have been fluctuating and has generally been declining; in year 2022 a decline of 30.7% was recorded. However, an increase of 20.5% was recorded in 2021 whilst in 2020 there was a decrease of 15.3%. On the positive side, income generated from this product's annual license and other fee activity remained the highest over the period.

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

The number of new formations amounted to 1,086 (2021:940) during the reporting period, exceeding the number of new BC registrations of 334. There were also increases in renewals observed in LLCs in the 2018-2022 period which was positive. LLC formations have exceeded all new IFS registrations.

#### **(vi) Registered Agents**

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

### **Monitoring of the international financial sector**

Monitoring the supervision and regulation of IFS' licensed entities, the banks, mutual fund entities and registered agents operating in/from SVG continued. This entailed following up with these entities as it relates to legislative non-compliance and outstanding matters emanating from on-site examinations and offsite supervision. Of note is that prudential and AML/CFT risk-based supervision principles have been adopted and were further enhanced in the reporting period.

# 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 and revenue earned is remitted to the Consolidated Fund<sup>1</sup>.

The Fee Income remitted to the Consolidated Fund for 2022 was EC\$3.3M compared to EC\$3.2M for 2021. This represents an increase of EC\$0.1M or 3.1%.

During the year, higher inflation and the war in Ukraine left an imprint on financial markets as financial conditions tightened sharply during the review period, with the Authority realizing a profit of EC\$0.8M; a notable decline of 51.4% when compared to the year 2021. The information below puts in perspective the movement in revenue and expenses.

## Revenue

In 2022, total revenue was EC\$3.4M; (18.2%) lower when compared to 2021. The decline is largely owing to the decrease in statutory deposit income and other income of EC\$67K (98.3%) and EC\$808K (90.8%) respectively. This amount is offset by an increase in fee income of EC\$124K (3.9%).

This increase in fee income was primarily due to the increase in Limited Liability Companies (LLCs) registrations and filing fees. LLCs continue to expand, albeit at a slower rate in 2022, with LLC registrations increasing by 24.4%, attributed to an increase in the number of formations for the period, moving from 940 in the prior year to 1086 in the current period. In addition, filing fees increased significantly by EC\$132K or 232.7% for LLCs when compared to the prior period, given the increased number of LLCs registered with the Authority.

Overall, the Authority's fee income from BCs continues to trend downwards, contributing 58.0% to fee income while the other non-BC sector products accounted for 42.0%.

Conversely, statutory deposit income decreased substantially by 98.3% as a result of the curtailment of interest for the International Bank & Insurance Statutory deposits held with the Authority's Bankers. In addition, other income declined significantly, by 90.8%, relative to the one-off recognition of pension obligations of EC\$806K recognized in the prior year.

**Chart 1 – Total Revenue over five (5) years**

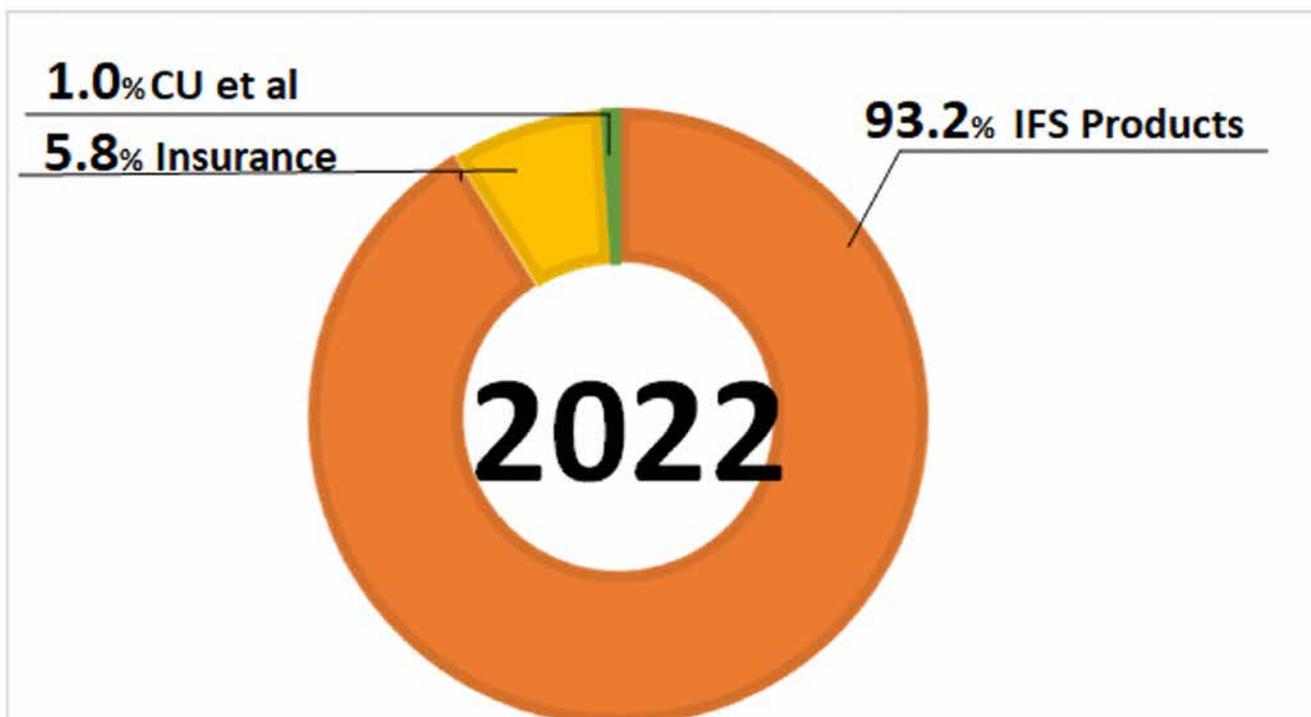


*(Source: Audited financial statements for 2022)*

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

The IFS sector continued to be the dominant revenue generator for 2022, contributing EC\$3.1M or 93.2% to fee income (and 90.8% to total revenue), while the other sectors represented EC\$0.2M or 6.8% as reflected in Chart 3 below.

**Chart 3: FSA's Products as a Percentage of Fee Income**

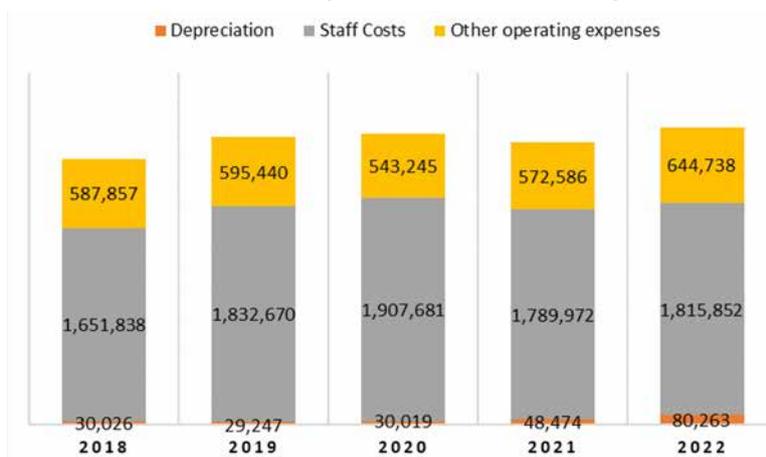


(Source: Audited financial statements 2022)

### Expenditure

Total operational expenses rose by EC\$130K or 5.4% owing to an increase in all of the expense categories. Depreciation increased significantly by 65.6% as a result of recognizing a full-year effect of depreciation on a major asset purchased in the prior year. Also, staff costs increased marginally by 1.4% primarily as a result of training and staff appreciation costs. Training costs increased as the Authority continues to build technical capacity. During the year, seven (7) of its staff were enrolled in the Association of Certified Anti-Money Laundering Specialists (ACAMS) program. In addition, staff appreciation rose sharply as a result of expenditure incurred in the celebration of the FSA's tenth anniversary. Staff costs was the Authority's largest expense, representing 71.5% (2021:74.2%) of total expenses for the reporting period. The FSA's full-time staff complement was twenty-two (22) as at December 31, 2022.

**Chart 4: Total Expenditure over five (5) years**



(Source: Audited financial statements for 2022)

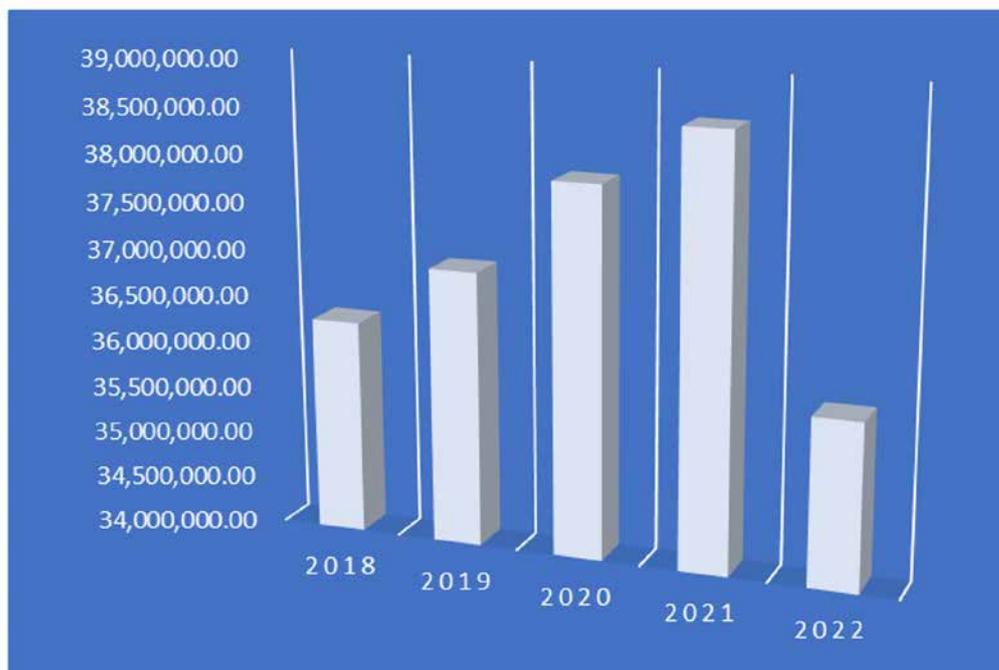
## Assets and Liabilities

### Assets

Total assets fell by 7.2% or EC\$2.8M when compared with the previous financial year. This downward movement in total assets reflects the impact of several asset balances decreasing over the year, with the exception of cash and cash equivalents.

During the year, due from government of St. Vincent and the Grenadines declined by 13% as a result of the government disbursing a cash statutory deposit to an insurance depositor. Other asset balances also decreased as follows: Trade and other receivables by 27.7%, prepayments by 5.0%, and plant and equipment by 18.1%.

Chart 4: Total Assets over Five (5) Years



(Source: Audited financial statements for 2022)

The Authority's net cash and cash equivalents position was \$16.1M. This was as a result of a favorable working capital movement of EC\$1.1M, offset by cash consumption for investing activities of EC\$27K, which relates to assets acquired for the period and cash consumption for financing activities of EC\$0.9M. This resulted in a net movement of EC\$0.1M, which when combined with the opening cash position of EC\$16M, resulted in an ending cash position of EC\$16.1M.

The cash and cash equivalents interest-bearing deposits represent 60.2% (2021:97.1) for the current financial year held by the Authority on behalf of the entities it regulates.

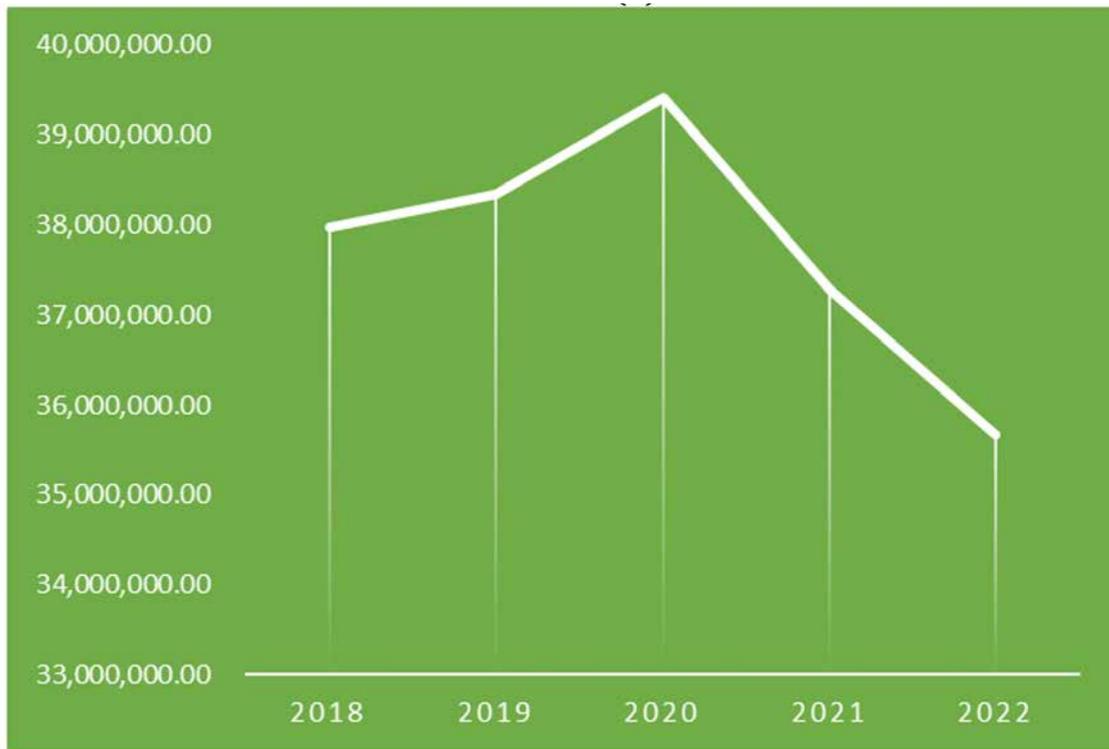
Plant and equipment decreased by EC\$53K as a result of depreciation charges exceeding asset additions during the year.

### Liabilities

The Authority's total liabilities at the end of the 2022 financial year stood at EC\$35.7M, representing a decline of 7% or EC\$2.7M over the 2021 financial year. For the period, 97.0% of these liabilities were long term and owed to depositors while 3% were short term.

The major contributor to the decrease in liabilities is the change in due to statutory depositors, which declined by 7.2%. This is attributed to the disbursement of cash statutory balances of EC\$3.5M to depositors, partially reduced by the receipt of cash statutory deposits of EC\$0.8M.

Chart 5: Total Liabilities over Five (5) Years



Trade and other payables also declined by 32.2% and this was primarily driven by the settlement of a longstanding debt offset against increases in deferred revenue and due to government of St. Vincent & the Grenadines..

# FSA DEPARTMENTS AND MANAGEMENT TEAM



Executive Management & Managers



Credit Union et al Department



Registry Department



International Financial Services Department



Insurance and Pensions Department



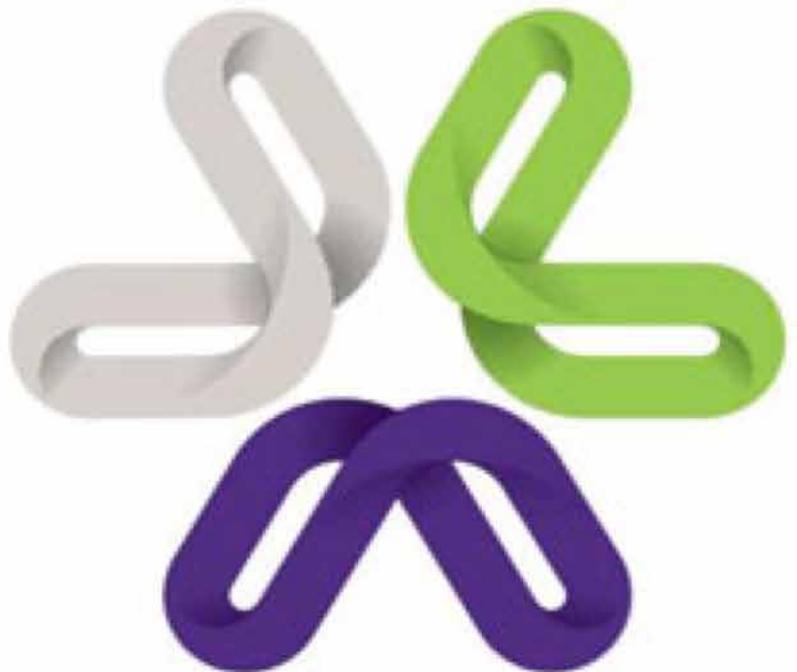
Finance and Administration Department

# 10TH ANNIVERSARY HIGHLIGHTS



# Financial Services Authority

Financial Statements  
**Year Ended December 31, 2022**  
(in Eastern Caribbean dollars)



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# Corporate Information

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## **REGISTERED OFFICE**

Reigate Building  
Granby Street  
Kingstown  
St. Vincent and the Grenadines

## **NON-EXECUTIVE DIRECTORS**

### **Present**

Mr. Leon A. Snagg – Chairman  
Mrs. Alma A. Dougan – Deputy Chair  
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

## **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

To the Minister of Finance, Economic Planning and Information Technology

**Grant Thornton**  
Sergeant-Jack Drive, Arnos Vale  
P.O. Box 35  
Kingstown, St. Vincent  
West Indies  
T +1 784 456 2300  
F +1 784 456 2184  
[www.grantthornton.lc](http://www.grantthornton.lc)

### 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, 2022, 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, 2022, 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.

June 29, 2023

# Financial Services Authority

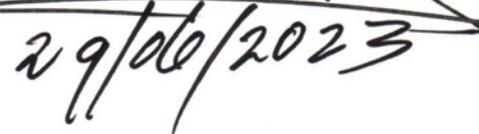
## Statement of Financial Position

As of December 31, 2022

(in Eastern Caribbean dollars)

|   | Notes | 2022<br>\$        | 2021<br>\$        |
|---|-------|-------------------|-------------------|
| <b>ASSETS</b>   |       |                   |                   |
| <b>Current Assets</b>                                 |       |                   |                   |
| Cash and cash equivalents                             | 4     | 16,149,782        | 15,963,309        |
| Trade and other receivables                           | 5     | 32,297            | 44,699            |
| Prepaid expenses                                      |       | 17,486            | 18,407            |
| <b>Total Current Assets</b>                           |       | <b>16,199,565</b> | <b>16,026,415</b> |
| <b>Non-Current Assets</b>                             |       |                   |                   |
| Due from Government of St. Vincent and the Grenadines | 6     | 19,333,337        | 22,221,210        |
| Plant and equipment                                   | 7     | 241,174           | 294,653           |
| <b>Total Non-Current Assets</b>                       |       | <b>19,574,511</b> | <b>22,515,863</b> |
| <b>Total Assets</b>                                   |       | <b>35,774,076</b> | <b>38,542,278</b> |
| <b>LIABILITIES</b>                                    |       |                   |                   |
| <b>Current Liabilities</b>                            |       |                   |                   |
| Trade and other payables                              | 8     | 333,429           | 492,024           |
| Deferred revenue                                      | 9     | 544,151           | 454,082           |
| Due to Government of St. Vincent and the Grenadines   | 10    | 179,589           | 123,794           |
| <b>Total Current Liabilities</b>                      |       | <b>1,057,169</b>  | <b>1,069,900</b>  |
| <b>Non-Current Liabilities</b>                        |       |                   |                   |
| Due to statutory depositors                           | 11    | 34,603,774        | 37,277,846        |
| <b>Total Non-Current Liabilities</b>                  |       | <b>34,603,774</b> | <b>37,277,846</b> |
| <b>Total Liabilities</b>                              |       | <b>35,660,943</b> | <b>38,347,746</b> |
| <b>FUND BALANCE</b>                                   |       | <b>113,133</b>    | <b>194,532</b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>             |       | <b>35,774,076</b> | <b>38,542,278</b> |

These financial statements were approved by the Board of Directors and authorized for issue on June 29, 2023, and signed on its behalf by:

  
Leon A. Snagg  
Chairman  


  
Alma A. Dougan  
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, 2022

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(in Eastern Caribbean dollars)

|  | General<br>Fund<br>\$ | Total<br>\$    |
|--|-----------------------|----------------|
| <b>Balance as of December 31, 2020</b>                 | (1,500,673)           | (1,500,673)    |
| Profit for the year                                    | 1,713,165             | 1,713,165      |
| Net distribution to the Government's consolidated fund | (17,960)              | (17,960)       |
| <b>Balance as of December 31, 2021</b>                 | 194,532               | 194,532        |
| Profit for the year                                    | 832,226               | 832,226        |
| Net distribution to the Government's consolidated fund | (913,625)             | (913,625)      |
| <b>Balance as of December 31, 2022</b>                 | <b>113,133</b>        | <b>113,133</b> |

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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, 2022

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(in Eastern Caribbean dollars)

|                            | Notes | 2022<br>\$       | 2021<br>\$       |
|----------------------------|-------|------------------|------------------|
| <b>Income</b>              |       |                  |                  |
| Fee income                 | 12    | 3,288,218        | 3,163,954        |
| Statutory deposit income   | 19    | 1,126            | 68,150           |
| Interest income            | 19    | 1,773            | 1,806            |
| Other income               | 19    | 81,962           | 890,287          |
|                            |       | <u>3,373,079</u> | <u>4,124,197</u> |
| <b>Operating Expenses</b>  |       |                  |                  |
| Depreciation               | 7     | 80,263           | 48,474           |
| Staff costs                | 13    | 1,815,852        | 1,789,972        |
| Other operating expenses   | 14    | 644,738          | 572,586          |
| <b>Total Expenses</b>      |       | <u>2,540,853</u> | <u>2,411,032</u> |
| <b>Profit for the Year</b> |       | <u>832,226</u>   | <u>1,713,165</u> |

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

# Financial Services Authority

## Statement of Cash Flows

For the Year Ended December 31, 2022

(in Eastern Caribbean dollars)

|   | 2022         | 2021        |
|---|--------------|-------------|
| Note  | \$           | \$          |
| <b>Cash Flows from Operating Activities</b>                     |              |             |
| Profit for the year   | 832,226      | 1,713,165   |
| <b>Adjustments for</b>  |              |             |
| Depreciation  | 80,263       | 48,474      |
| Interest earned   | (1,773)      | (1,806)     |
| <b>Profit before Working Capital Changes</b>                    | 910,716      | 1,759,833   |
| Change in trade and other receivables                           | 12,402       | 72,461      |
| Change in prepaid expenses                                      | 921          | (11,031)    |
| Change in due to Government of St. Vincent and the Grenadines   | 2,887,873    | -           |
| Change in due from Government of St. Vincent and the Grenadines | 55,795       | 1,256       |
| Change in trade and other payables                              | (158,595)    | (1,211,198) |
| Change in deferred revenue                                      | 90,069       | (83,635)    |
| Change in due to statutory depositors                           | (2,674,072)  | 221,587     |
| <b>Cash Generated from Operations</b>                           | 1,125,109    | 749,273     |
| Interest received   | 1,773        | 1,806       |
| <b>Net Cash Generated from Operating Activities</b>             | 1,126,882    | 751,079     |
| <b>Cash Flows from Investing Activities</b>                     |              |             |
| Additions to plant and equipment                                | (26,784)     | (122,368)   |
| <b>Net Cash Used in Investing Activities</b>                    | (26,784)     | (122,368)   |
| <b>Cash Flows from Financing Activities</b>                     |              |             |
| Net distribution to the Government's consolidated fund          | (913,625)    | (17,960)    |
| <b>Net Cash Used in Financing Activities</b>                    | (913,625)    | (17,960)    |
| <b>Net Movement in Cash and Cash Equivalents</b>                | 186,473      | 610,751     |
| <b>Net Cash and Cash Equivalents – Beginning of year</b>        | 15,963,309   | 15,352,558  |
| <b>Net Cash and Cash Equivalents – End of year</b>              | 4 16,149,782 | 15,963,309  |

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

# Financial Services Authority

## Index to Notes to the Financial Statements

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|                |   |
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| <b>Note 2</b>  | Summary of Significant Accounting Policies            |
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# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

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(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.

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

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(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% |
| Furniture and equipment        | - | 20% |
| Books                          | - | 20% |

##### e. Borrowings

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

##### f. Foreign Currencies

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

##### g. Revenue Recognition

###### (i) Annual fees

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

###### (ii) Registration and application fees

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

###### (iii) Late fees

Late fees are recognized in revenue in the year received.

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

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(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".

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

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(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.

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

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(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

|                                | 2022              | 2021              |
|--------------------------------|-------------------|-------------------|
|                                | \$                | \$                |
| Cash on hand and at bank       | 6,430,528         | 459,118           |
| Interest bearing bank deposits | 9,719,254         | 15,504,191        |
|                                | <b>16,149,782</b> | <b>15,963,309</b> |

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 \$15,681,692 (2021: \$15,378,559).

#### 5. Trade and Other Receivables

|  | 2022          | 2021          |
|--|---------------|---------------|
|  | \$            | \$            |
| Annual fees - International Business Companies | 13,979        | 23,925        |
| Other receivables                              | 18,318        | 20,774        |
| <b>Total Trade and Other Receivables</b>       | <b>32,297</b> | <b>44,699</b> |

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

(in Eastern Caribbean dollars)

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

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

The aging of trade receivable is as follows: -

|             | 2022          | 2021   |
|-------------|---------------|--------|
|             | \$            | \$     |
| 0 - 90 days | <b>13,979</b> | 23,925 |

Trade and other receivables are denominated as follows:

|                           | 2022          | 2021   |
|---------------------------|---------------|--------|
|                           | \$            | \$     |
| United States dollars     | <b>13,979</b> | 23,925 |
| Eastern Caribbean dollars | <b>18,318</b> | 20,774 |
|                           | <b>32,297</b> | 44,699 |

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

The amount of \$19,333,337 (2021: \$22,221,210) 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<br>&<br>Equipment<br>\$ | Motor<br>Vehicles<br>\$ | Computer<br>Hardware &<br>Software<br>\$ | Office<br>Equipment<br>\$ | Books<br>\$    | Total<br>\$      |
|-------------------------------------|-----------------------------------|-------------------------|--|---------------------------|----------------|------------------|
| <b>At January 1, 2021</b>           |                                   |                         |  |                           |                |                  |
| Cost of valuation                   | 170,113                           | 76,975                  | 229,651                                  | 24,847                    | 7,629          | 509,215          |
| Accumulated depreciation            | (127,468)                         | (76,974)                | (59,448)                                 | (16,938)                  | (7,628)        | (288,456)        |
| Net book amount                     | 42,645                            | 1                       | 170,203                                  | 7,909                     | 1              | 220,759          |
| <b>Year Ended December 31, 2021</b> |                                   |                         |  |                           |                |                  |
| Opening net book amount             | 42,645                            | 1                       | 170,203                                  | 7,909                     | 1              | 220,759          |
| Additions                           | 2,629                             | 105,905                 | 10,313                                   | 3,521                     | -              | 122,368          |
| Depreciation charge                 | (17,015)                          | (19,857)                | (6,418)                                  | (5,184)                   | -              | (48,474)         |
| Closing net book amount             | 28,259                            | 86,049                  | 174,098                                  | 6,246                     | 1              | 294,653          |
| <b>At December 31, 2021</b>         |                                   |                         |  |                           |                |                  |
| 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          |
| <b>Year Ended December 31, 2022</b> |                                   |                         |  |                           |                |                  |
| Opening net book amount             | <b>28,259</b>                     | <b>86,049</b>           | <b>174,098</b>                           | <b>6,246</b>              | <b>1</b>       | <b>294,653</b>   |
| Additions                           | -                                 | -                       | 13,578                                   | 13,206                    | -              | 26,784           |
| Depreciation charge                 | <b>(16,768)</b>                   | <b>(21,181)</b>         | <b>(38,707)</b>                          | <b>(3,607)</b>            | -              | <b>(80,263)</b>  |
| Closing net book amount             | <b>11,491</b>                     | <b>64,868</b>           | <b>148,969</b>                           | <b>15,845</b>             | <b>1</b>       | <b>241,174</b>   |
| <b>At December 31, 2022</b>         |                                   |                         |  |                           |                |                  |
| Cost of valuation                   | <b>172,743</b>                    | <b>105,905</b>          | <b>253,544</b>                           | <b>41,573</b>             | <b>7,629</b>   | <b>581,394</b>   |
| Accumulated depreciation            | <b>(161,253)</b>                  | <b>(41,038)</b>         | <b>(104,572)</b>                         | <b>(25,729)</b>           | <b>(7,628)</b> | <b>(340,220)</b> |
| Net book amount                     | <b>11,490</b>                     | <b>64,867</b>           | <b>148,972</b>                           | <b>15,844</b>             | <b>1</b>       | <b>241,174</b>   |

Depreciation expense amounting to \$80,263 (2021: \$48,474) is included in the operating expenses.

# Financial Services Authority

## Notes to the Financial Statements

For the Year Ended December 31, 2022

---

(in Eastern Caribbean dollars)

### 8. Trade and Other Payables

|                             | 2022           | 2021           |
|-----------------------------|----------------|----------------|
|                             | \$             | \$             |
| Trade payables              | 121,514        | 381,451        |
| Payroll related liabilities | 1,139          | -              |
| Other payables              | 210,776        | 110,573        |
|                             | <b>333,429</b> | <b>492,024</b> |

Trade and other payables are denominated as follows: -

|                           | 2022           | 2021           |
|---------------------------|----------------|----------------|
|                           | \$             | \$             |
| Pound sterling            | 905            | -              |
| United States dollars     | 53,197         | 41,718         |
| Eastern Caribbean dollars | 279,327        | 450,306        |
|                           | <b>333,429</b> | <b>492,024</b> |

### 9. Deferred Revenue

#### Fees in Advance

|                    | 2022           | 2021           |
|--------------------|----------------|----------------|
|                    | \$             | \$             |
| Annual fees        | 453,933        | 374,448        |
| Due diligence fees | 57,203         | 30,833         |
|                    | <b>511,136</b> | <b>405,281</b> |

#### Grant Income

|                                 |                |                |
|---------------------------------|----------------|----------------|
| Beginning of the year           | 48,801         | 62,752         |
| Transfer to income for the year | (15,786)       | (13,951)       |
|                                 | <b>33,015</b>  | <b>48,801</b>  |
|                                 | <b>544,151</b> | <b>454,082</b> |

Deferred revenue is denominated as follows: -

|                           | 2022           | 2021           |
|---------------------------|----------------|----------------|
|                           | \$             | \$             |
| United States dollars     | 511,136        | 405,281        |
| Eastern Caribbean dollars | 33,015         | 48,801         |
|                           | <b>544,151</b> | <b>454,082</b> |

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

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

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

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

---

(in Eastern Caribbean dollars)

#### 11. Due to Statutory Depositors

The amount due to statutory depositors is held as follows:

|                                 | 2022              | 2021              |
|---------------------------------|-------------------|-------------------|
|                                 | \$                | \$                |
| Deposits with - the Authority   | 15,270,437        | 15,056,636        |
| - the Government of St. Vincent | 19,333,337        | 22,221,210        |
|                                 | <u>34,603,774</u> | <u>37,277,846</u> |

Deposits with the Authority includes accrued interest amounting to \$1,356,099 (2021: \$1,456,751).

Statutory deposits are denominated as follows: -

|                           | 2022              | 2021              |
|---------------------------|-------------------|-------------------|
|                           | \$                | \$                |
| United States dollars     | 5,865,157         | 6,624,655         |
| Eastern Caribbean dollars | 28,738,617        | 30,653,191        |
|                           | <u>34,603,774</u> | <u>37,277,846</u> |

#### 12. Fee Income

##### Registration and Application Fees

|                             | 2022           | 2021           |
|-----------------------------|----------------|----------------|
|                             | \$             | \$             |
| Business Companies          | 165,303        | 233,808        |
| Banks                       | 100            | -              |
| Trusts                      | 1,613          | 7,258          |
| Mutual Funds                | 1,344          | 1,344          |
| Limited Liability Companies | 517,886        | 416,293        |
| Registered Agents           | -              | 1,344          |
| Insurance Companies - Local | 5,713          | 4,165          |
|                             | <u>691,959</u> | <u>664,212</u> |

##### Annual License Fees

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| Business Companies                  | 845,439          | 901,354          |
| Trusts                              | 25,403           | 27,420           |
| Mutual Funds                        | 79,616           | 91,085           |
| Limited Liability Companies         | 256,992          | 109,544          |
| Banks                               | 26,882           | 53,764           |
| Registered Agents                   | 45,912           | 45,431           |
| Insurance Companies - International | 17,473           | 9,409            |
| - Local                             | 162,337          | 198,514          |
| Money Service Businesses            | 30,000           | 38,450           |
| Credit Unions                       | 100              | 50               |
| Friendly Societies                  | 2,700            | 600              |
|                                     | <u>1,492,854</u> | <u>1,475,621</u> |

# Financial Services Authority

## Notes to the Financial Statements

For the Year Ended December 31, 2022

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(in Eastern Caribbean dollars)

### 12. Fee Income .....*Cont'd*

#### Other Fee Income

|  | 2022             | 2021             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>Filing, Certification and Late Fees</b> |                  |                  |
| - Business Companies                       | 897,460          | 943,182          |
| - Trusts                                   | 2,957            | 1,310            |
| - Mutual Funds                             | 4,570            | 7,750            |
| - Limited Liability Companies              | 188,375          | 56,613           |
| - Banks                                    | 672              | 11,694           |
| - Registered Agents                        | 2,688            | 2,150            |
| - Insurance Companies - Local              | 4,040            | 100              |
| - International                            | 1,971            | 784              |
| - Money Service Businesses                 | -                | -                |
| - Due Diligence                            | 672              | 538              |
|  | <b>1,103,405</b> | <b>1,024,121</b> |
|  | <b>3,288,218</b> | <b>3,163,954</b> |

### 13. Staff Costs

|   | 2022             | 2021             |
|---|------------------|------------------|
|   | \$               | \$               |
| National Insurance Services contributions | 53,982           | 54,562           |
| Salaries and allowances                   | 1,664,248        | 1,725,781        |
| Gratuity                                  | 1,109            | -                |
| Training                                  | 48,209           | 2,073            |
| Staff appreciation                        | 48,304           | 7,556            |
|   | <b>1,815,852</b> | <b>1,789,972</b> |
| <br>                                      |                  |                  |
| Number of employees at reporting date     | <b>22</b>        | <b>22</b>        |

# Financial Services Authority

## Notes to the Financial Statements

For the Year Ended December 31, 2022

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(in Eastern Caribbean dollars)

### 14. Other Operating Expenses

|                                     | 2022           | 2021           |
|-------------------------------------|----------------|----------------|
|                                     | \$             | \$             |
| Advertising and promotion           | 12,100         | 5,887          |
| Audit fees                          | 17,400         | 17,400         |
| Bank charges                        | 3,620          | 3,636          |
| Board meeting expenses              | 8,488          | 10,099         |
| Consultancy fees                    | 3,547          | 42,216         |
| Customs and brokerage               | 6,121          | 2,362          |
| Directors' fees                     | 84,000         | 84,000         |
| Donations                           | 11,476         | 220            |
| Due diligence                       | -              | 27,850         |
| Electricity                         | 71,214         | 54,142         |
| Foreign exchange loss               | 174            | 268            |
| Insurance                           | 12,725         | 11,599         |
| Meeting and interviews              | 1,187          | 1,247          |
| Miscellaneous                       | 2,717          | 1,121          |
| Office supplies                     | 7,427          | 5,427          |
| On-site inspection                  | 1,588          | 1,690          |
| Overdraft interest                  | 938            | 458            |
| Postage and delivery                | 363            | 50             |
| Rent                                | 149,280        | 149,280        |
| Repairs and maintenance – equipment | 1,659          | 4,375          |
| - vehicle                           | 5,459          | 5,336          |
| - other                             | 32,967         | 30,035         |
| Seminars and conferences            | 44,827         | -              |
| Stationery and printing             | 107,064        | 53,604         |
| Subscription and dues               | 17,303         | 17,142         |
| Technical support                   | 27,600         | 27,600         |
| Telephone, fax and internet         | 13,494         | 15,542         |
|                                     | <b>644,738</b> | <b>572,586</b> |

### 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.

# Financial Services Authority

## Notes to the Financial Statements

For the Year Ended December 31, 2022

(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:

|  | 2022           | 2021           |
|--|----------------|----------------|
|  | \$             | \$             |
| Chairman and non-executive directors' emoluments | 84,000         | 84,000         |
| Key management salaries and allowances           | 377,450        | 377,640        |
|  | <b>461,450</b> | <b>461,640</b> |

##### (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:

|                                       | 2022           | 2021          |
|---------------------------------------|----------------|---------------|
|                                       | \$             | \$            |
| Distribution to consolidated fund     | 3,463,625      | 3,049,293     |
| Subvention from Government (Note 19)  | (2,550,000)    | (3,031,333)   |
| Net distribution to consolidated fund | <b>913,625</b> | <b>17,960</b> |

### 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 its functions.

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

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

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(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 \$25,487,865 (2021: \$23,771,068).

#### 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.

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

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

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

##### Fair Value Interest Rate Risk

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

##### b. Credit Risk

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

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

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.

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

(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, 2022, is as follows: -

|                             | Within 12<br>Months<br>\$ | 1 – 5<br>Years<br>\$ | Over 5<br>Years<br>\$ | Total<br>\$       |
|-----------------------------|---------------------------|----------------------|-----------------------|-------------------|
| <b>Assets</b>               |                           |                      |                       |                   |
| 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        |
| <b>Total</b>                | <b>16,182,079</b>         | <b>-</b>             | <b>19,333,337</b>     | <b>35,515,416</b> |
| <b>Liabilities</b>          |                           |                      |                       |                   |
| 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        |
| <b>Total</b>                | <b>513,018</b>            | <b>-</b>             | <b>34,603,774</b>     | <b>35,116,792</b> |
| <b>Net</b>                  | <b>15,669,061</b>         | <b>-</b>             | <b>(15,270,437)</b>   | <b>398,624</b>    |

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

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

# Financial Services Authority

## Notes to the Financial Statements

### For the Year Ended December 31, 2022

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(in Eastern Caribbean dollars)

**19. Excess of Subvention over Expenses**

|   | 2022             | 2021             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Income</b>                             |                  |                  |
| Government's subvention (Note 15)         | 2,550,000        | 3,031,333        |
| Statutory deposit income                  | 1,126            | 68,150           |
| Interest income                           | 1,773            | 1,806            |
| Other income                              | 81,962           | 890,287          |
| <b>Total Income</b>                       | <b>2,634,861</b> | <b>3,991,576</b> |
| <b>Operating Expenses</b>                 |                  |                  |
| Staff costs (Note 13)                     | 1,815,852        | 1,789,972        |
| Other operating expenses (Note 14)        | 644,738          | 572,586          |
| <b>Total Expenses</b>                     | <b>2,460,590</b> | <b>2,362,558</b> |
| <b>Excess of Subvention over Expenses</b> | <b>174,271</b>   | <b>1,629,018</b> |

Other income in 2021 included one-off pension costs of \$805,931, which were absorbed by the Government of St. Vincent and the Grenadines.







# 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.



