Financial Services
Regulatory Authority

2019/2020
ANNUAL REPORT

www.fsrastlucia.org

MISSION & VISION

OUR MISSION

"To maintain the integrity of the Financial Sector through efficient and effective administration of the Financial Sector laws and regulations and the application of best international practices and standards."

OUR CORE VALUES

Reduction of the risk to the public of financial loss due to dishonesty, incompetence or malpractice by or through the imprudence of persons carrying on the business of financial services in or from within Saint Lucia;

OUR CORE VALUES

Protection and enhancement of the reputation and integrity of Saint Lucia in financial matters;

- Upholding the best economic and social interests of Saint Lucia;
- The need to counter financial crime both in Saint Lucia and elsewhere;
- The protection and fair treatment for consumers;
- Stable and secure financial markets;
- Competitive and innovative financial markets (including a choice of organisational options);
- Proportionate, risk-based regulation;
- Prudential supervision and enforcement;
- Management responsibilities (including the maintenance of adequate financial and managerial resources); and
- The application of ethical conduct at all levels of thee regulated entity.
- The need to counter financial crime both in Saint Lucia and elsewhere;

OUR VISION

"To Become a World Class Financial Services Regulator"

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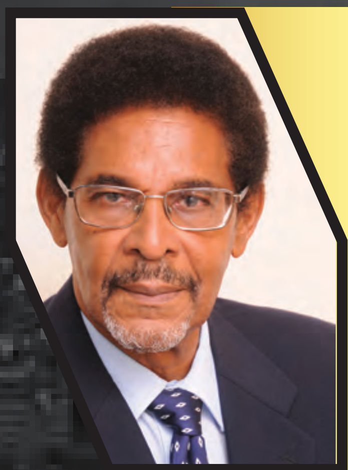
BOARD OF DIRECTORS

BOARD OF DIRECTORS

Vincent Hippolyte
Chairman

Philip Dalsou
Deputy Chairman



G. Carlton Glasgow
Director Designated by the Governor of the Eastern Caribbean Central Bank

Esther Rigobert
Permanent Secretary, Ministry of Finance

Mary Popo
Director

Paul Thompson
Executive Director of the Financial Intelligence Authority

Cyrus Charles
Director

Marcia Vite
Alternate Director to the Permanent Secretary, Ministry of Finance

NEW DIRECTORS

Esther Rigobert – Permanent Secretary, Ministry of Finance

Ms. Esther Rigobert is the Permanent Secretary and Director of Finance in the Department of Finance in Saint Lucia, a position she has held since February of 2020. Prior to being appointed to this post she served in many capacities in the Public Service Sector, including Deputy Comptroller/Inland Revenue Department and as an Educator.

Her contribution as a Public Servant has been wide-ranging and includes areas such as Education, Tax Administration, Auditing and Financial Management & Oversight. Ms. Rigobert has served on several committees including the National Anti-Money Laundering Oversight Committee (NAMLOC), the Ease of Doing Business Task Force (EODBTF) and the CARICOM European Union Blacking Working Group. She currently serves on the Board of several organizations, including the Eastern Caribbean Central Bank (ECCB).

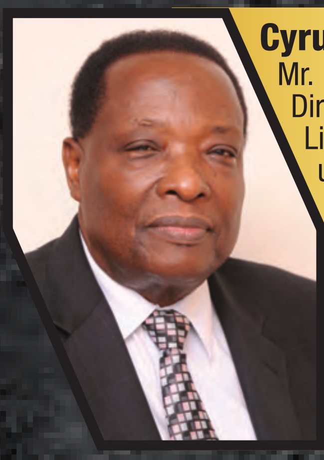
Ms. Rigobert is a holder of a Master of Business Administration with specialisation in Finance from the University of Wales Cardiff Institute. She is also an affiliate of the Association of Chartered Certified Accountants, a Chartered Director and Audit Committee Certified.

Philip Dalsou – Deputy Chairman

Philip Dalsou graduated with a Bachelor's Degree in Economics from Queen Mary College from the University of London and MPhil Degree in Development from the University of Cambridge. He is a career civil servant, having started his career as an Economist in the Ministry of Finance. He moved up the career ladder in that Ministry serving subsequently in senior positions of inter alia, Deputy Director of Research and Policy, Budget Director and also acted as the Permanent Secretary of Finance. He then moved on to serve as the Permanent Secretary, Ministry of the Public Service; a position he held for eight years and then went on to act as the Cabinet Secretary. He finally went on to serve as the Permanent Secretary of Economic Development before he retired.

Mary Popo – Director

Mrs. Popo is a qualified banker who holds a BSc in Banking and Finance and a former member of the Associate of Chartered Institute of Bankers, UK. Mrs. Popo has served the Financial Services Industry at the National and Regional level for several years. She was a former Manager of Barclays Finance Corporation (Windward & Leeward Islands), Head of Retail of First Caribbean International Bank, Country Head of RBTT Bank and General Manager of the Caribbean Association of Banks (CAB). Moreover, she has also served in various capacities, on several Boards and Board Committees in the Financial Services Sector.



Cyrus Charles – Director

Mr. Cyrus Charles retired as Managing Director of St. Lucia Insurances Limited after thirty (30) years of unbroken service. During his tenure as Managing Director of St. Lucia Insurances Limited, the Company became the largest and one of the most successful Insurance providers as a consequence of his dedication and commitment.

Mr. Charles has significant professional skills and experience in the field of Business Administration/ Insurance Management. He received specialized training in General Insurance at The Royal and Sun Alliance Insurance Group, London.

He was a recipient of a scholarship in Management Insurance by the Commonwealth Secretariat, London which was undertaken at the University of Malta. He also holds a B.Sc in Business Administration from West Indies College, Jamaica.

MANAGEMENT TEAM

John Calixte Leon
Executive Director

Nathalie Dusauzay
Senior Manager

Hubert Deligny
Insurance Manager

Hemish Lesmond
Legal Officer/ Corporate Secretary

Shemedia St. Croix
Executive Assistant/ Accountant

Cuby King
Insurance Supervisor

Sancha Victor
International Sector & Non-Bank Financial Institutions Supervisor

STAFF

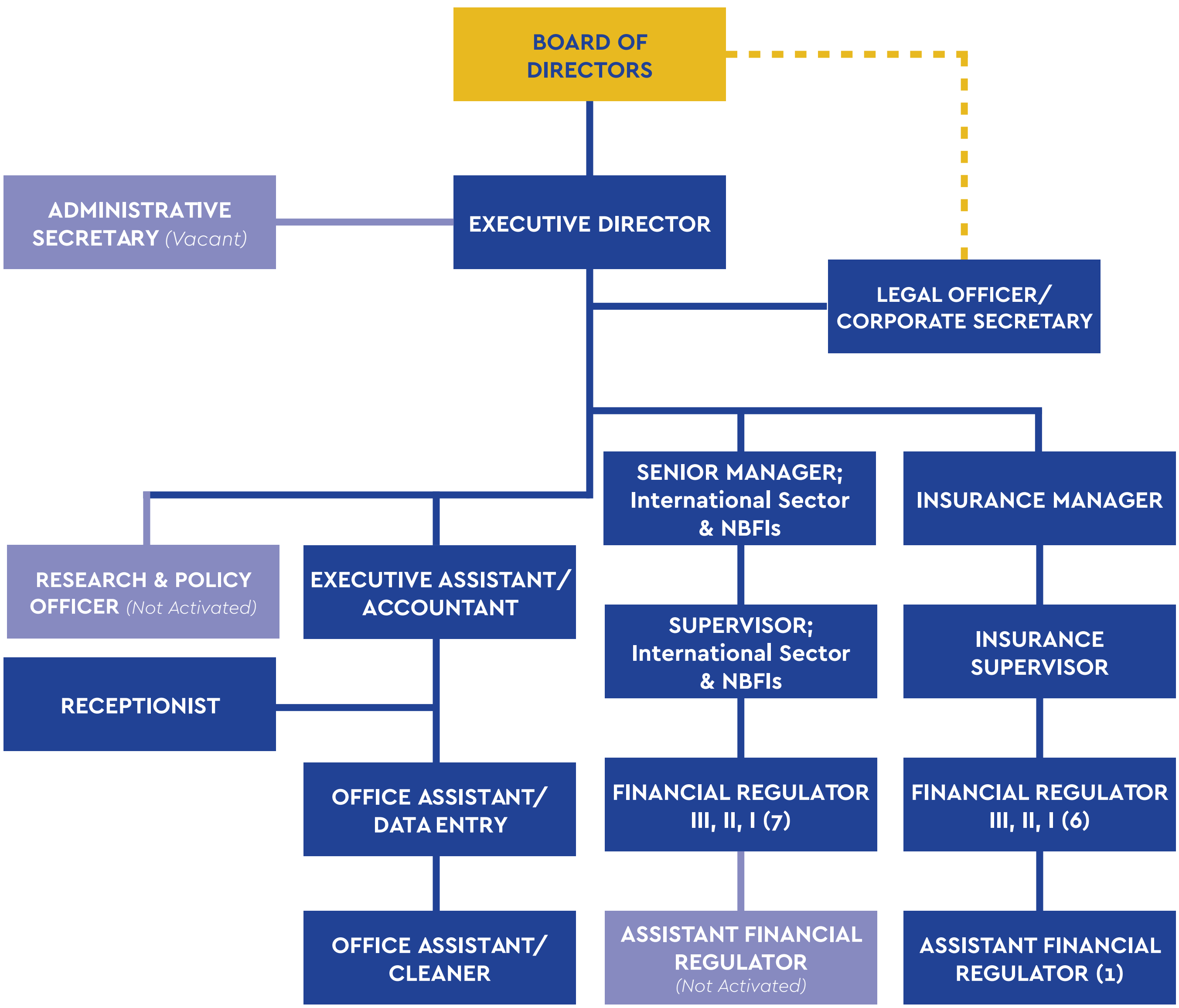
Present were:
Front row: Nathalie Dusauzay, Kerline Sylvester, Stephanie Gustave-Antoine, Roxanne Alexander, Janelle James, Tyller Jules,

Second row: Krysta Anthony, Sancha Gervais-Victor, Ruan Branch, Elva Naitram, Shelevon Louis, Shemedia St. Croix,

Third row: Hubert Deligny, Esther Francis, Cuby King, Hannah Mc Donald, Curtis Paul.

Absent were: Calixte Leon, Hemish Lesmond, Suzanne James, Krishna Jn Baptiste, Ron Leon. During the period under review the following persons demitted office: Francine Felicien, Ayanna Caesar, Astrid Augustin, Germaine Isaac.

Organisational Chart



Chairman's Message

The Board of Directors of the Financial Services Regulatory Authority (FSRA) is pleased to submit to the Minister for Finance its Annual Report on its activities and operations for the financial year ended March 31, 2020. During the period under review, the FSRA continued to discharge its mandate as set out in the Financial Services Regulatory Authority Act, Cap. 12.23 of the Revised Laws of Saint Lucia.

The Domestic Insurance Sector realized a 27% increase in gross written premiums from $231.5 million in 2018 to $293.8 million in 2019. The sector as a whole continues to show positive growth with particular vibrancy in the insurance brokers sector of the industry. This positive trend reflects an appreciation by the general public of the need to mitigate inherent risks in their day-to-day activities by acquiring insurance. Similarly, the credit union sector experienced growth with a 12% and 8.2% increase in the asset base and loans portfolio respectively. The credit union sector has been providing financial services to the sectors of the public which have been traditionally marginalized. Therefore, this positive growth indicates greater financial services inclusivity within the economy.

An area of concern for the FSRA remains the international insurance sector which continues to report a consistent decline in the number of international captive insurance companies. Saint Lucia, as a jurisdiction appears to be losing its competitive advantage in this sector, and in the ensuing period amendments to the legislation will be promulgated to seek to retain and attract new business.

Although the decline in revenue generated from the international insurance sector continues to be a challenge for the jurisdiction, the FSRA remains optimistic that changes in the upcoming period may bring new opportunities for Saint Lucia, and one such area is the interest from investors and promoters in Financial Technology also referred as FINTECH. During the period under review, several enquiries from promotors were received and this trend is expected to continue. The development of a legislative framework for the regulation and supervision of Crypto-currency or Virtual Asset providers is being spearheaded by the Eastern Caribbean Central Bank (ECCB), as it is the macroeconomic regulator in the Eastern Caribbean Currency Union (ECCU. It is therefore anticipated that with appropriate legislation in this area of FINTECH and Virtual Assets, there will be many new opportunities for the jurisdiction.

As stated in my message of 2019, Saint Lucia has commenced preparation for its 4th Round Mutual Evaluation Report (MER), undertaken by the Caribbean Financial Action Task Force (CFTAF). This exercise continued into the current period under review. A pre-cursor to the Mutual Evaluation Report exercise was the National Risk Assessment (NRA) of the AML/CFT risk factors of the jurisdiction as a whole. The onsite examination of the MER took place in September 2019, and the FSRA is pleased to report that the lessons learnt during the NRA greatly assisted it in addressing the inherent risks existing in the various sectors that it regulates and supervises. Moreover, the results of the NRA assisted in the allocation of resources in a judicious manner in the intervening period between the NRA and the MER. The amount of effort put into the NRA, and the MER by the various agencies and the FSRA who are responsible for implementation of the CFATF anti-money laundering/ Counter financial terrorism recommendations, underscores the level of importance the MER process is to Saint Lucia's economy. Indeed, a poor rating in the MER could further exacerbate the ongoing de-risking by foreign correspondent banks and limit access to foreign banking. As such, our jurisdiction was adequately prepared to host the CFATF Assessors.

The implementation of risk based supervisory practices would not be possible without a full appreciation of risk-based supervision. To that end, the risk-based supervision training effort continued during the period under review. The Caribbean Regional Technical Assistance Centre (CARTAC) provided the requisite training in risk-based supervisory practices methodology, and it was highly appreciated. It is anticipated that the risk-based methodology approach will be fully implemented in 2022. The implementation of the framework for risk-based supervision cannot be over emphasized as it will greatly assists regulators in gaining in-depth understanding of the risks landscape in relation to licensed financial entities, thereby affording regulators the opportunity to mitigate assessed risks, and protect end users of services from attendant risks

The end of period under review saw the impact of the Covid-19 pandemic being felt around the world, and in Saint Lucia. The full extent of the impact will be challenging and its ripple effect will certainly be felt in the financial sector. The FSRA remains fully committed to its mandate and will purposefully play its part to ensure the well-being of the financial services sector and by extension Saint Lucia.

In closing, and on behalf of the Board of Directors, I would like to thank the management and staff of the FSRA for their continuous commitment to the fulfilment of the mandate of the FSRA. Also, we wish to thank Messrs. Marcus Joseph and Paul Hilaire who stepped down as directors at the end of their term of appointment, and welcome directors Messrs. Philip Dalsou and Cyrus Charles, and Mmes. Esther Rigobert and Mary Popo who joined the Board of Directors during the period under review.

VINCENT HIPPOLYTE
Chairman

Executive Director's Report

It has been yet another fiscal year mixed with challenges, achievements and lessons learnt. The Financial Services Regulatory Authority (FSRA) has had to continue navigating the challenges of responding to global demands which necessitated the careful balancing of the allocation of its human resources. During the period under review, management and staff of the FSRA served on several committees including the National Anti-Money Laundering Oversight Committee (NAMLOC) and were heavily involved in a very intensive mutual evaluation process.

Despite the challenges, the FSRA continues to deliver on its core mandate of maintaining the integrity of the Financial Services Sector and preserving and promoting public confidence. In that regard, the FSRA continued with several initiatives geared at improving its regulatory and supervisory regime.

RISK-BASED SUPERVISION (RBS)

The FSRA continued the work to enhance its processes for the supervision of licensed financial institutions through the development and implementation of a risk-based methodology informed by emerging supervisory practices internationally through the assistance of the Caribbean Regional Technical Assistance Centre (CARTAC). The new approach allows for the application of supervisory procedures that are commensurate with the level of risk of the institution. The methodology is currently being piloted with the aim of being fully implemented in 2022. The key changes in the revamped regulatory supervision process are highlighted below:

- Forward-looking with a focus on both present and future risks: The regulatory supervision process will focus on inherent risks within the institution's business model and product offerings as opposed to results of past transactions. This is expected to facilitate an inclusive approach towards early corrective action;

- Optimisation of supervisory resource deployment through off-site monitoring: The supervisory process will significantly focus on the continuous collection of data from financial institutions and a robust off-site surveillance mechanism. This is expected to enhance the supervision bandwidth and move towards a risk indicator based early warning system;

- Focus of onsite supervision on targeted and thematic reviews: Onsite reviews will focus on high-risk areas. The supervisory team has been augmented with relevant specialisation to address challenges emerging from high-risk areas;

- Increased reliance on the financial institution's audit and compliance functions to provide transactional assurance to the supervisor and enable allocation of supervisory resources to high-risk areas;

- Increased engagement between the supervisor and the senior management of the financial institution to ensure good corporate governance, transparency and accuracy of information used by senior management for decision making.

Risk-Based Capital Solvency – Insurance Sector

A critical component of a RBS regime is Risk-Based Capital Solvency (RBCS). In that regard, the FSRA embarked on a project to develop and implement a suitable RBCS Regime for the insurance sector. Towards this end, the FSRA received in-country technical assistance from Access to Insurance Initiative (A2ii) in conjunction with the International Association of Insurance Supervisors (IAIS) and International Actuarial Association (IAA). The training involved indicative testing of risk factors for cross-border insurers (using comparable risk factors from regional jurisdictions) and assessing actuarial valuation reports. An Action Plan for implementation has been developed, however, with the COVID-19 pandemic outbreak in Saint Lucia in March 2020, many of the key milestones have been delayed.

Financial Health Stability Indicator (FHSI)

The staff of the FSRA received capacity building training through the assistance of CARTAC, designed to enhance efficiency and effectiveness in the assessment of the financial performance and strength of insurers using FHSIs and Stress Testing. The FSRA has incorporated this tool in its assessment kit which has tremendously improved its financial performance assessment of the sector both on a macro and micro level.

STRESS TESTING

The FSRA received technical assistance (TA) through the World Bank on credit union stress testing during the period October 21-25, 2019. As a result, stress tests conducted by the Authority revealed that the credit union sector remained largely resilient to macro prudential stress tests due to continued strong capital and liquidity levels.

In particular, stress test results showed that the average post-shock capital adequacy ratios (CARs) for the credit union sector generally remained above the 15.0 percent minimum benchmark, in response to severe but plausible credit, interest rate and liquidity shocks. Equally, stress test results revealed that post-shock liquidity ratios for sector remained above the 15.0 percent minimum benchmark.

FINANCIAL TECHONOLOGY

The FSRA recognises the changes and developments in the financial services industry, particularly the move to financial technology (FINTECH). The emergence of Fintech in the retail payment services sector is now transforming the financial and economic landscape of Saint Lucia and eventually its regulatory framework.

Digital Eastern Caribbean Dollar (DXCD)

The Eastern Caribbean Central Bank (ECCB) is at the forefront of embarking on a blockchain-based central bank digital currency (CBDC). The venture will see the issuance of a digital version of the Eastern Caribbean dollar that will be distributed and used by licensed banks and non-banks in the Eastern Caribbean Currency Union (ECCU). The ECCB CBDC pilot is the first of its kind and involves the development of a digital fiat currency, the Digital Eastern Caribbean Dollar (DXCD). The ECCB aims to enhance the current payment system innovating on operational processes, compliance and regulatory requirements to improve the effectiveness of transacting, payments and transfers and KYC / AML- CFT in the ECCU. In collaboration with Single Regulatory Units (SRUs) such as the FSRA, such a project is being piloted in Saint Lucia at some of our various licensed institutions.

The ECCB is mindful that this pioneering development poses unique opportunities and challenges, which need to be addressed in a well-thought-out manner ensuring the necessary safeguards and operational requirements, are in place to:

- Protect consumers
- Deliver value for all stakeholders
- Protect the integrity and reputation of the Central Bank and the ECCU Region

It is to be noted that the project pilot did not start during the period under review in Saint Lucia as planned.

Electronic Retail Payment Services (ERPS)

Electronic Retail Payment Services (ERPS) consist of different systems and platforms, payment products and services that allow firms, individuals, government and other economic agents to transfer money on a daily basis without having to use cash.

Over the years the FSRA has been approached by new technology promotors who are looking to operate as electronic retail payment providers. The Authority, in an effort not to stifle innovation, has since licensed one such entity under the Money Services Business Act, Chapter 12.22. Furthermore, additional pieces of legislation will be drafted to introduce specific provisions to allow a comprehensive monitoring of financial institutions in the FINTEC sector.
In addition, ECCB as the macro-prudential regulator with its legal mandate for oversight of the payment system has embarked on a project to introduce a regulatory framework for electronic retail payment services in the ECCU.

LEGISLATIVE UPDATES

Legislation

During the period under review, the FSRA recommended an amendment to the Money Services Business Act No.11 of 2010 (MSBA). It is anticipated that the recommended amendment will facilitate the licensing of non-bank financial institutions that lend money in excess of $50,000.

In addition, the Economic Substance Act, No. 33 of 2019 was enacted. This Act requires international business companies to satisfy the economic substance requirements (as set out in the Act) in order to receive tax exemptions on income accrued outside of Saint Lucia.

Guidelines

Reinsurance Guidelines

Reinsurance plays a crucial role in preserving the financial soundness of an insurer. It is one of the most important risk management tools available to an insurer and forms a vital part of an insurer's risk transfer strategy. However, reinsurance exposes the insurer to other risks including operational, legal, and counterparty risks. An insurer's financial soundness can be severely affected if its reinsurance risk management practices and procedures are inadequate. To mitigate this risk, reinsurance guidelines were developed and circulated to the industry for consultation. The full implementation of these guidelines is anticipated by 2021.

AML/CFT Guidelines

Efforts to launder money and finance terrorism have been evolving rapidly in recent years with the used of increasing sophisticated method to move illicit fund through the financial systems. As a result, financial Institutions are required to develop a robust Anti-Money Laundering program to combat money laundering/

terrorist financing. The role of supervision in the AML/CFT framework is to supervise and monitor financial institutions to ensure that they have implemented an effective assessment and management of ML/TF risk and compliance with AML/CFT preventive measures developed by the Financial Action Task Force (FATF).

The FSRA being the prudential regulator has issued guidelines in accordance with Section 15 (1) (h) of the Financial Services Regulatory Authority Act, Chapter 12.23, the Money Laundering (Prevention) Act, Chapter 12.20 and the Money Laundering (Prevention) (Guidance Notes) Regulations to its licensed entities. These guidelines are in relation to the following:

Conducting a Risk Assessment of the money laundering and the financing of terrorism risk faced by the financial institution in the course of its business.
AML/CFT program must be in writing and be based on the risk assessment undertaken.
Submission of an annual AML Audit by an independent auditor

OVERVIEW OF FINANCIAL SECTOR

Insurance Industry

The insurance sector continues to contribute significantly to the local economy. An estimated three hundred and seventy (370) individuals were employed in the insurance industry as at the end of the fiscal period . The sector also contributes towards budgetary and debt support by investing in treasury bills and bonds issued by the government. Addditionally, revenues and fees generated from the sector totalled $10.62 million (premium tax $10.4 million; License fees $221 thousand). The sector reported growth in gross written premiums for the third consecutive year (2019: $293.8 million; 2018: $231.5 million). Total investment assets also grew for the second consecutive year as the sector increased its investments in government securities, in line with increased liabilities.

Credit Union

The credit union sector consists of sixteen (16) active credit unions and one (1) credit union league (the umbrella body for advocacy and sector development). The sector employs 292 individuals and engages approximately 110 volunteers who serve on various committees (Board of Directors, Supervisory/Compliance and Credit Committee) thereby contributing to the socio-economic development of Saint Lucia. The credit unions maintained an asset base of approximately $1.1 billion representing a 12% increase over the prior year (2018: $983 million). For the year, the loans portfolio stood at approximately $729 million representing a 8.2 % increase over the prior year (2018: $674 million), thereby assisting members in achieving their self-actualisation goals and developmental objectives.

Money Services Business Sector

The Money Services Business Sector comprises eight (8) micro-lenders and four (4) money remitters. The Authority approved one (1) applications for Money Services Business in the year 2019; one (1) micro-lender.

Twenty-three thousand eight hundred seventy-nine (23, 879) loans were disbursed by micro-lenders for 2019 with a total value of $106 million. The majority of the loans disbursed by micro-lenders were below the $5,000 range.

Total remittance inflows and outflows for 2019 stood at $113.2 million and $20.1 million respectively. Noteworthy, 50% of remittance inflows came from the United States of America.

International Sector

The total number of regulated entities from the international sector decreased overall by 19% or 14 entities (73 in 2018 to 59 in 2019). This was primarily due to the surrendering of ten entities in the international insurance sector. No new international insurance licences were granted in 2019. The number of International Banking licensees reduced to (11) from the (14) reported in 2019. In addition, the licence of one international mutual fund was cancelled bringing its total on the books to 12.

Way Forward

Looking forward, the Financial Year 2020/2021 is expected to be yet another challenging one, particularly with the event of the COVID-19 pandemic which greeted our shores towards the end of the fiscal period. However, while the pandemic has introduced new challenges and uncertainties, with every threat comes opportunities and COVID-19 also brings with it some opportunities and efficiencies which the FSRA can and will seek to capitalise on.

In order to ensure that the FSRA continues to effectively and efficiently discharge its mandate in these turbulent times ahead, the FSRA will pursue key strategic objectives over the medium term. Towards this end, the FSRA will be undertaking a major revision and updating of its strategic plan, spanning the next three years, i.e. F/Y 2021-2023.

In conclusion, I take this opportunity to thank the Chairman and other board members for not only their insightful and sound advice during the period but also their commitment to effective and efficient financial regulation and the collaborative support given to the management team during the period. I also extend my sincere appreciation to the management team and the staff of the FSRA for their dedication and hard work in ensurig that the goals and objectives of the FSRA are achieved.

J. CALIXTE LEON
Executive Director

Domestic Non-Bank Financial Sector

Domestic Insurance Sector

Credit Union Sector

Money Services Business

DOMESTIC INSURANCE SECTOR

The Insurance Sector in Saint Lucia is regulated in accordance with the Insurance Act of the Laws of Saint Lucia, Cap 12.08. For the fiscal year ended March 31, 2020, the insurance industry comprised twenty-six (26) insurance companies1; twenty-one (21) insurance agents, eight (8) insurance brokers, two hundred and nine (209) insurance salesmen and thirty-two (32) registered pension plans. Figure 1 illustrates a slight movement in the Number of Insurance Entities and Pension Fund Plans during the year, with one (1) insurance company and two (2) insurance agents being registered to conduct insurance business. The number of registered insurance salesmen fluctuates annually due to the nature of their contractual arrangements with insurers. One (1) insurer has indicated its intention to amalgamate with a regional insurer and this process is being closely monitored by the Authority to ensure a smooth transition while safeguarding policyholder interests.

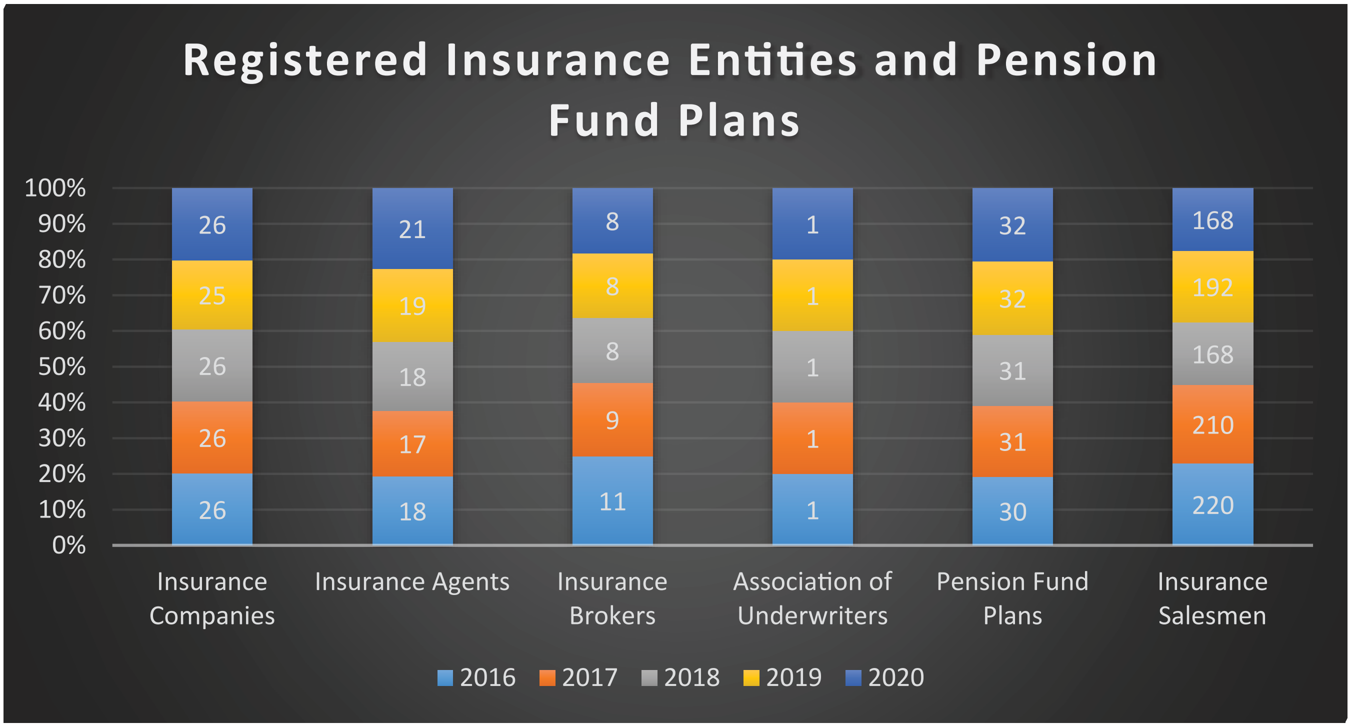


Figure 1: Insurance Sector - Number of Registered Insurance Entities and Pension Fund Plans

An estimated three hundred and seventy (370) individuals were employed in the insurance industry as at December 31, 2019. The industry's estimated premium tax contribution was $10.4 million in 20192(2018: $8.4 million) and paid $221,160 in license and penalty fees to the Authority.

1 Of the twenty six (26) registered insurance companies there are three (3) inactive insurers.

2 In accordance with the Insurance Premium Tax Act general insurance companies are required to pay premium tax of 5% of Life insurance companies are required to pay 3% of premium income.

SOLVENCY

The sector has remained solvent for the period ended December 2019. Regulatory solvency is computed by deducting total liabilities from total adjusted assets. Statute prescribes the percentage adjustment of admissible assets based on the reasonableness of collectability by the Insurer.

	16-Dec	17-Dec	18-Dec	19-Dec	Percentage Change 18/19
Total investment assets	428,447	405,724	456,035	491,021	8%
Total assets	585,952	586,942	634,018	699,855	10%
Total insurance liabilities	314,854	306,301	333,777	422,975	27%
Total Liabilities	368,007	367,009	476,118	498,907	5%
Total capital and reserves	232,887	218,101	160,216	201,822	26%

Table 1: Insurance Sector- Statistical Information and Financial Position ($'000)

Total investment assets have grown for the second consecutive year as the sector increased its investments in government securities. Liquid investments3 have continued to grow (2019 - $412.7 million; 2018 - $387.1 million) and accounted for 84% of investment assets (2018 – 85%) and 59% of total assets (2018 – 61%). The increase in investment assets is directly correlated to the rise in insurance liabilities as statute requires Insurers to have sufficient assets, pledged in trust to the order of the Authority, to match their motor and long-term insurance liabilities.

These assets, in accordance with Section 80 (Statutory Deposits) and Section 88 (Insurance Fund) of the Insurance Act serve as a reserve for any contingencies or losses which may affect policyholders. Any non-compliant Insurer would be required to inject funds to meet the aforementioned requirement. An aggregate of $344 million was pledged by Insurers as at March 31, 2020, of which $312 million was pledged to the Insurance Fund and $32 million to the Statutory Deposit. Based on the statutory requirement, the Insurance Fund and Statutory Deposit had an excess of $35 million and $10 million respectively.

INSURANCE SECTOR PERFORMANCE

The insurance industry in Saint Lucia reported growth in gross written premiums for the third consecutive year (2019: $293.8 million; 2018: $231.5 million), however, as depicted in Figure 2: Industry Gross Written Premiums, the rate of growth of the industry accelerated sharply due to a significant movement in the long-term insurance sector (2019: 26.9%; 2018: 11.7%).

3 Liquid investments are determined by how quickly these investments can be converted into cash and include cash, demand and term deposits, government securities and private sector bonds and debentures

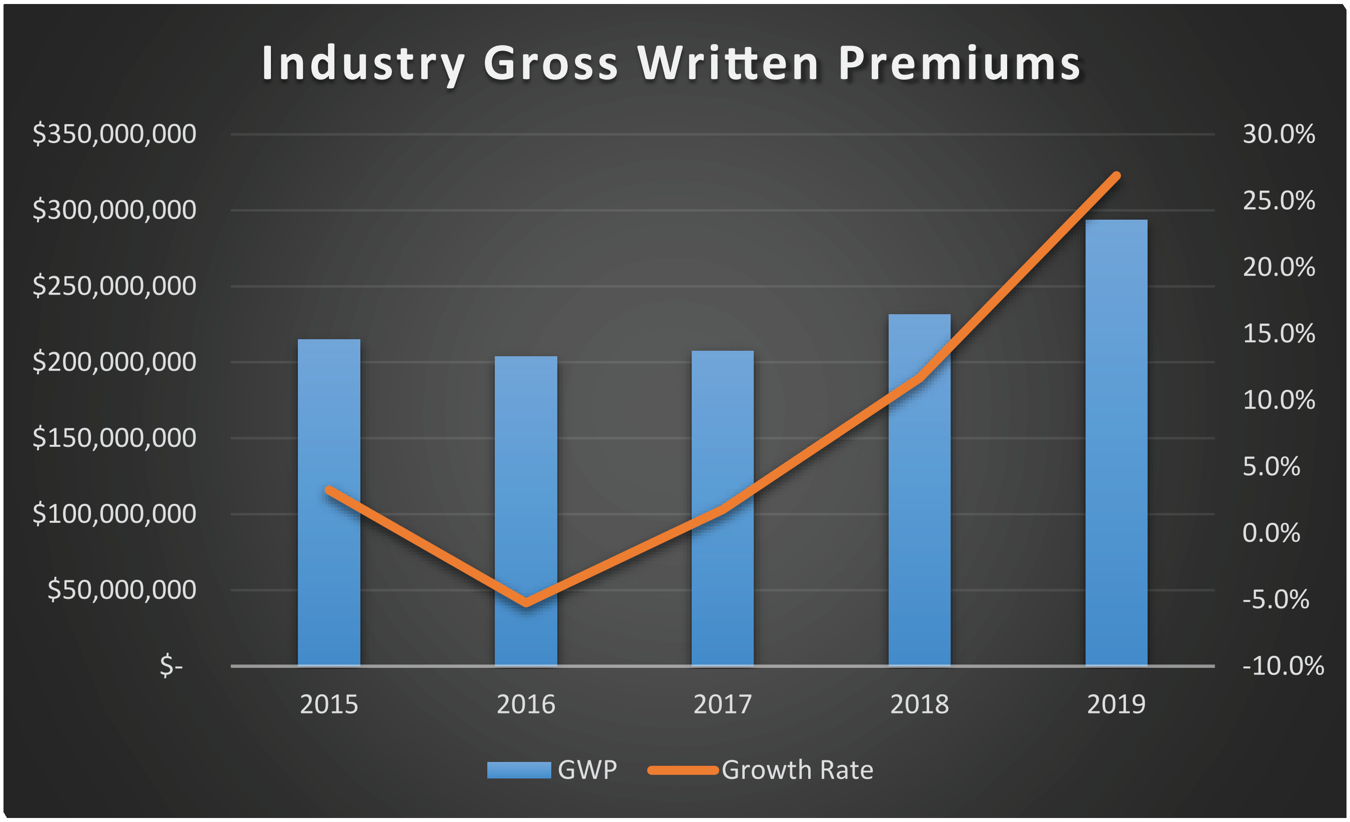


Figure 2: Insurance Sector - Industry Gross Written Premiums

The insurance penetration and density indicators confirmed the growth of the insurance industry. The Insurance penetration indicator4 increased from 4.0% to 4.4% indicating growth of the industry in keeping with the expectations of a developing nation with emerging markets (insurance penetration averages 3.3%5 but significantly lower than the average of advanced markets of 9.6%). Insurance Density6 continued its upward trend similar to the other indicators increasing from $1,273 to $1,607 which fell between that of emerging markets ($476) and that of advanced markets ($12,671). Industry incurred claims increased by 8% (2019: $95.8 million; 2018: $88.8 million) which is in line with the trend of growth in premiums written.

GENERAL INSURANCE SECTOR

Of the $293.8 million premiums written by the insurance industry, the general insurance sector contributed 62% ($180 million) and as at December 31, 2019 there were sixteen (16) active general insurers operating in Saint Lucia. As illustrated in Figure 3: General Insurance Sector general insurance business grew by 4% (2019: $180 million; 2018: $173 million) continuing its two year expansion trend though at a slower rate than the 19% growth rate recorded in the previous year. The general insurance sector reported claims payments of $61.9 million an increase of 12% over the previous year (2019: $61.9 million; 2018: $55.2 million). The motor vehicle insurance subclass accounted for 53% of the general insurance claims.

4 Insurance Penetration(which measures the contribution of the insurance industry to the whole economy by comparing the Gross Written Premiums (GWP) to the nominal Gross Domestic Product (GDP))

5 Global Insurance Penetration and Density Averages Source: World insurance: Regional review 2019, and outlook

6 Insurance Density measures the GWP to the population providing the dollar amount spent on insurance services per capita.

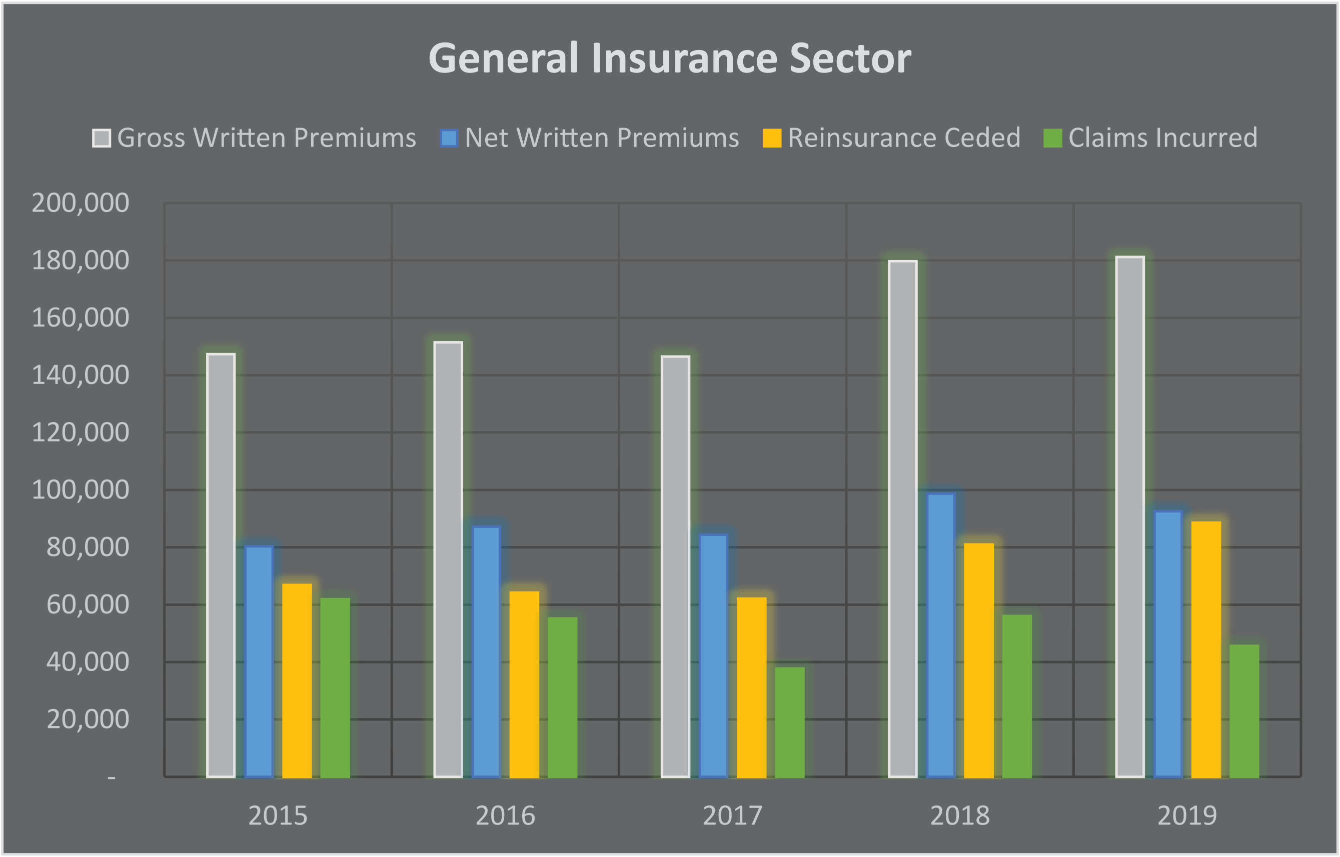


Figure 3: Insurance Sector- General Insurance Sector

Property insurance remained the dominant class of general insurance business accounting for 44% ($78.6 million) of the total general insurance premiums, however, the rate of growth of property business had decreased from 22% to 1% (2019:$78.6 million; 2018: $77.7 million) as the previous years rate of growth was influenced by a price increases resulting from increased cost of reinsurance after the active 2017 hurricane season. The slight growth in property gross premiums masks the increase in property business evidenced by an 11% increase in the number of property insurance policies written (2019: 10,676; 2018: 9,580), also suggesting a decrease in property insurance prices.

The liability insurance business was the fastest growing subclass in the general insurance sector with premiums increasing by 126% (2019: $18.4 million; 2018: $8 million).

The general insurance sector reported claims payments of $61.9 million an increase of 12% over the previous year (2019: $61.9 million; 2018: $55.2 million). The motor vehicle insurance subclass accounted for the majority (53%) of the general insurance claims.

LONG TERM INSURANCE

The seven (7) active long-term insurers contributed 38% of total gross premiums written by the industry, recording $109 million in gross written premium, an increase of 27% from the prior period. The commencement of operations from a newly licensed Insurer as well as a marginal growth in the number of policies (2019: $38.5 million; 2018: $37.8 million) resulted in the increase in premiums. Gross premiums ceded to reinsurers fell to 7% (2018: 11%), however incurred claims rose by 69% (2018: -27%) and accounted for 12% of gross written premiums (2018: 15%), as illustrated in Figure 4: Long-term Insurance Sector.

Ordinary life continues to dominate the long-term insurance class of business, contributing 56% of gross premiums written (2019: $61.5 million; 2018: $43.6 million) and almost 100% of claims incurred. Of the seven (7) licensed long-term insurance providers in the sector, three (3) Insurers account for more than 88% of gross written premiums and 85% of the ordinary life business. During the period under review, the largest insurer increased its market share from 62% to 66% as it recorded an additional $40 million in gross written premiums due to a conversion of pension plan funds to annuities.

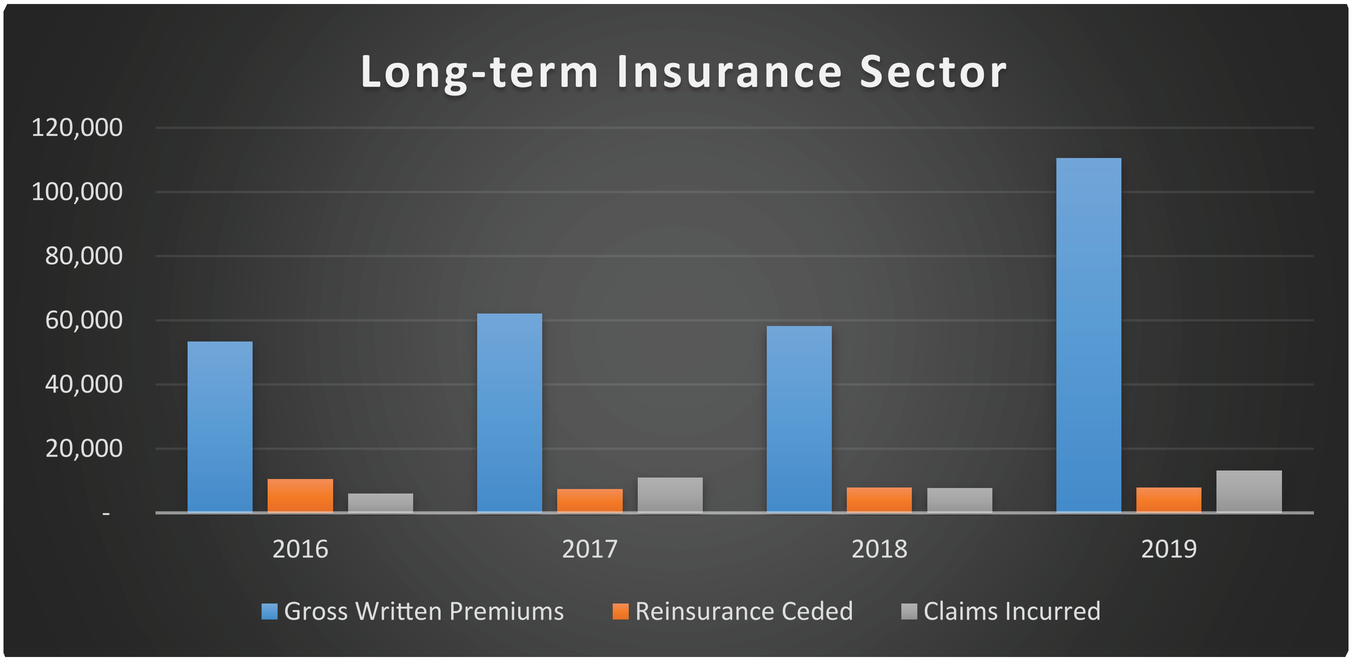


Figure 4: Insurance Sector- Long-term

Changes in actuarial liabilities resulting from changes in assumptions adopted, contributed significantly to the increase in claims incurred. Long -term insurance business also includes annuities, registered retirement plans and credit and group life.

INSURANCE BROKERS

An insurance broker is defined under the section 2 of the Insurance Act as "any individual who or any firm or company which for compensation as an independent contractor in any manner solicits, negotiates or procures insurance or the renewal or continuance of it on behalf of existing or prospective policyholders." As at March 31, 2020, there were eight insurance brokers registered and operating in Saint Lucia and two applications for registration under consideration by the FSRA.

The services of insurance brokers are widely used in Saint Lucia. In the general insurance sector, thirty-six percent (36%) or $63.6 million of insurance business was channeled through insurance brokers during 2019 and another thirty-one (31%) or $19.5 million of long-term insurance business was placed through brokers during the same period.

The degree to which brokers' services were sought, when compared to the total general insurance business underwritten by the industry in 2019, varied among the six (6) classes of business; between seventeen percent

(17%) as in the case of liability insurance and ninety-three percent (93%) for the pecuniary class of business. Fifty-two percent (52%), of all property insurance business was transacted through brokers, whereas for the motor vehicle class, marine, aviation and transport class and personal accident class, between 57% and 81% of total business was procured by insurance companies (direct sales), insurance agents and insurance salesmen. Figure 5 illustrates the value of general insurance policies transacted through insurance brokers in 2019, disaggregated by class of business, alongside industry total.

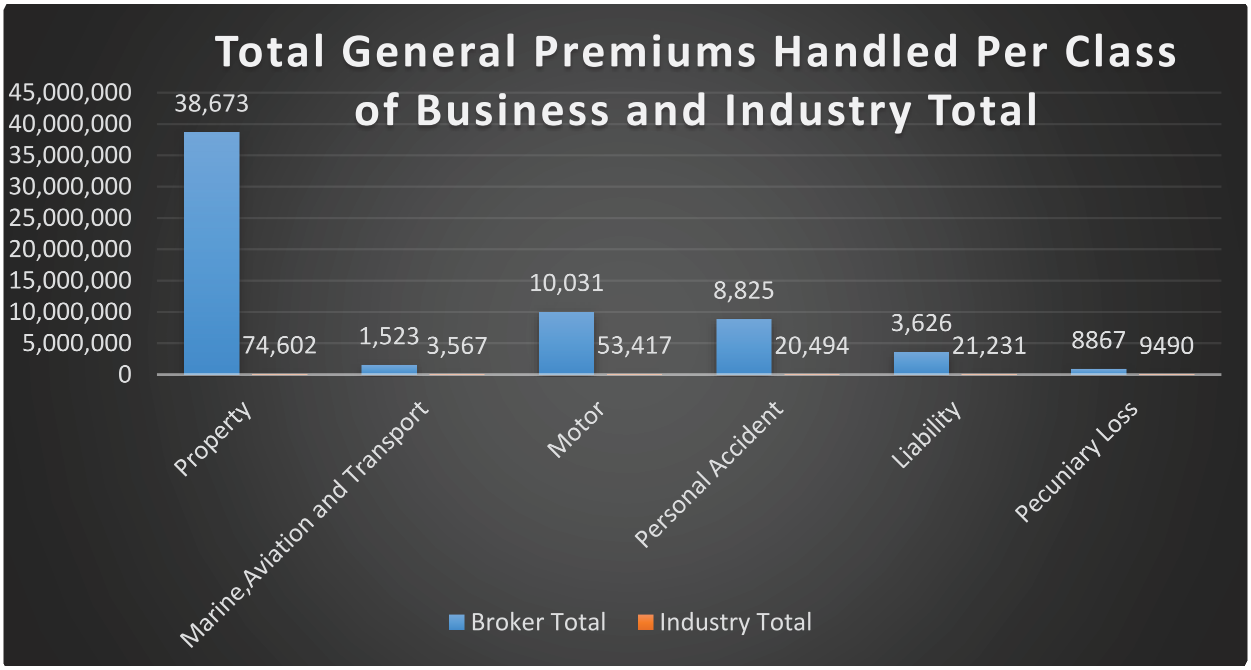


Figure 5: Insurance Sector - General Insurance Premiums in USD$'000

Of the business transacted by brokers, the top four (4) brokers combined handled eighty-nine percent (89%) of total broker business in 2019, while the other four (4) handled eleven percent (11%) of total business. Figure 6 shows the percentage of business handled by each broker.

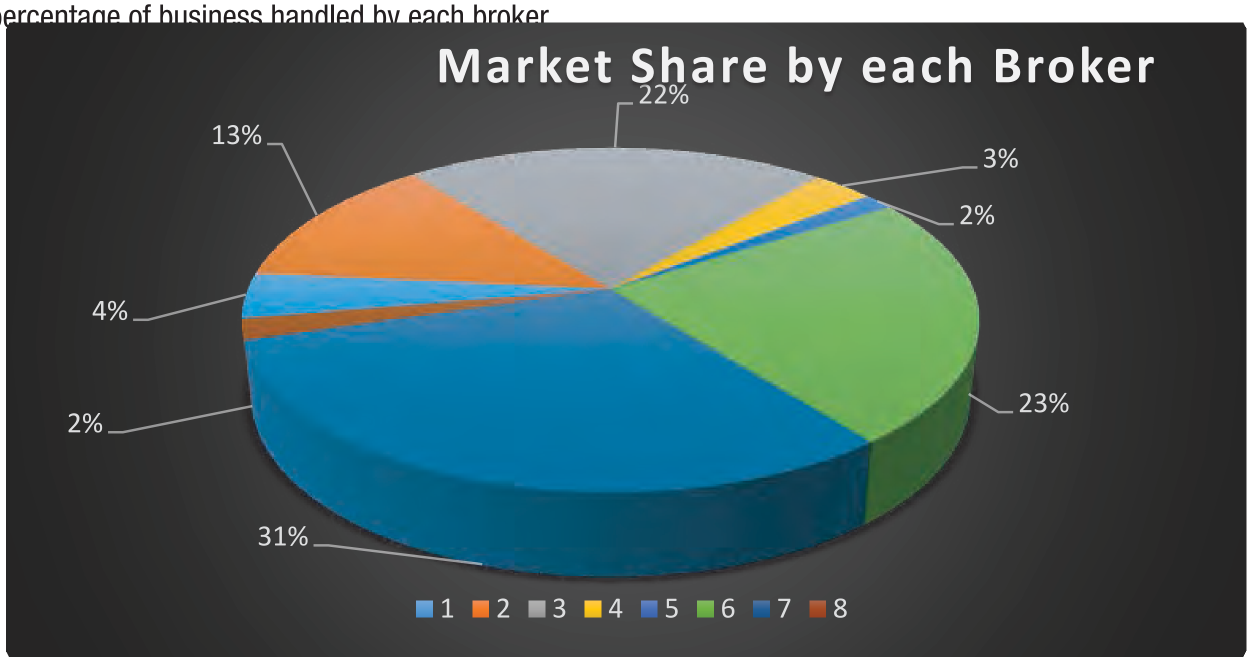
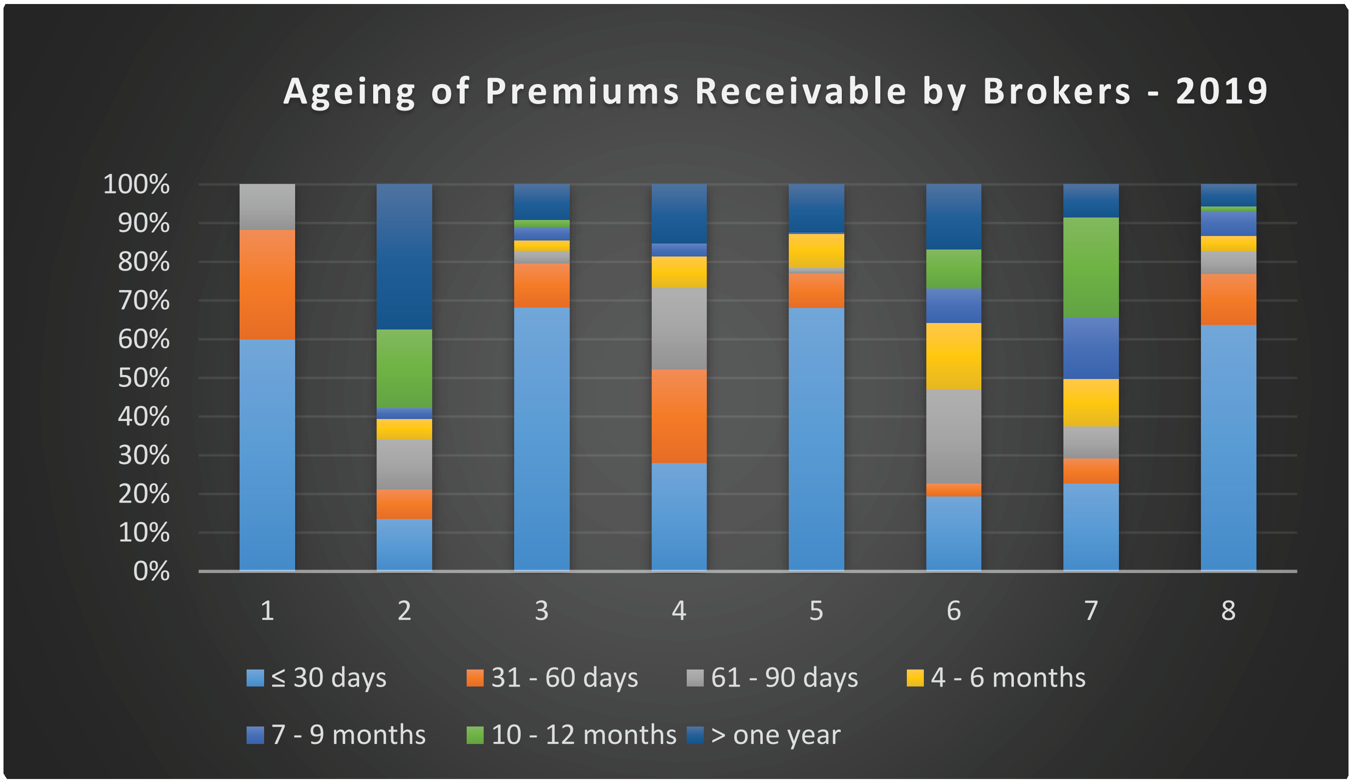


Figure 6: Insurance Sector -Market Share of Each Broker

Notwithstanding market shares of as low as two percent (2%), each broker handled insurance business valuing over $1.3 million and was solvent. Exposures to credit risk heavily impact a broker's net asset position as amounts



which may be uncollectible are not counted toward the broker's assets. Figure 7 shows the ageing of total amount owing to each broker at their 2019 financial year end.

Figure 7: Insurance Sector - Ageing of Premiums Receivables by Brokers

All eight brokers have more than 35% of premiums outstanding for less than ninety days, with five (5) having more than 50% of premiums outstanding for less than sixty days. However, the majority of the brokers have amounts owing to them for over one year; from 6% to as much as 37% of total receivables. Given the risk posed by such credit exposure, the new Covid-19 environment mandates even greater focus be put in this aspect of each brokers' risk management program.

CREDIT UNION SECTOR

Credit unions are financial co-operatives established to serve their members and the wider community by creating opportunities to encourage sustainable living, growth and development. Credit unions are governed by the Co-operatives Societies Act, Cap 12.06. The philosophy of “each one help one” and the foundation of equality of all members steer those financial co-operatives. As at March 31, 2020, there were sixteen (16) primary credit unions operating in St Lucia and one (1) secondary body serving as an umbrella body for advocacy and general development of credit unions.

Credit unions are identified through a common bond historically characterised by factors such as employment and geographic location. There has been a shift in this landscape in recent times, with some credit unions broadening their geographic base to allow membership from across the island. This strategy emanates from the recognition that to remain relevant and maintain stability necessitates adapting to the changing needs of the financial sector by reinventing themselves and revising their strategies.

Income Year	Total Assets	Total Withdraw able shares & Deposits	Total Liabilities	Institutional Capital	Percentage of Institutional Capital / Assets	Total Share Capital (Permanent)	Percentage of Permanent Shares / Assets	Total Members	Total Staff
2013	552,034	393,046	448,037	86,872	16%	18,664	3%	75,653	203
2014	604,358	480,486	493,021	98,588	16%	22,613	4%	83,397	232
2015	672,371	536,970	536,970	117,570	17%	27,340	4%	91,637	237
2016	782,988	632,332	639,847	132,577	17%	34,795	4%	99,098	255
2017	871,240	702,329	711,737	148,765	17%	41,118	5%	104,142	263
2018	983,931	791,138	801,512	174,630	18%	50,196	5%	95,420	270
2019	1,094,003	896,232	907,862	189,413	17%	56,675	5%	110,645	292

Table 2:Credit Union- Comparative Financial Performance - Key Performance Indicators (in EC$ ‘000’)

MEMBERSHIP:

The membership of credit unions stood at 110,645 members7 representing sixty-one percent (61%) of St. Lucia's population; an increase of 14% from the prior year. The operations and service to members is provided through two hundred and ninety-two (292) employees; approximately one hundred and ten (110) directors along with the supervisory and credit committees (elected volunteers); and the education committees (appointed) to serve the institution.

TOTAL ASSETS:

The Credit union sector has experienced steady growth in total assets over the past seven (7) years reporting an increase of 12% from the prior year and 98% for the period 2013 to 2019 (an almost doubling effect). Loans granted to members during the year amounted to $729 million8, which represent 67% of total assets ($1,094million). This suggests that the credit union provides relevant offerings to its members and demonstrates growth and sustainability of the sector.

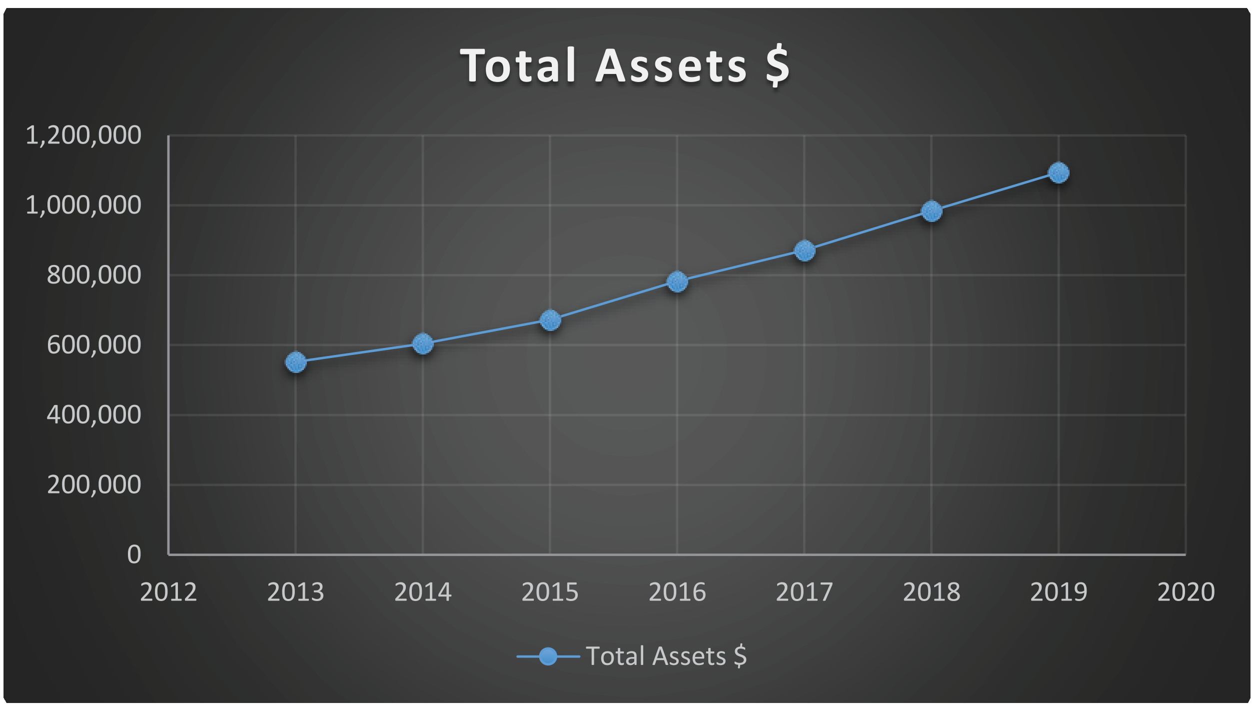


Figure 8: Credit Union Total Assets (in EC$'000'

MEMBERS SAVINGS:

Members' Savings continued to expand reaching an all-time high of $896 million representing an increase of 14% in 2019 and a rise of 128% from 2013. Members' savings constitute 82% of total assets. The growth in members' savings is indicative of the members' confidence in the credit union and demonstrates a greater propensity to save while utilizing the services of the organization to achieve their financial goals.

7 One person can be a member of multiple credit unions
8 Based on management accounts as at December 31, 2019 for the sector

The culture of savings is reinforced by factors such as increased saving requirements for members to accesse loan facilities, competitive deposit interest rates and tax incentives.

This rise in members' savings fuels the need for heightened due diligence practices by credit unions to combat money laundering and terrorist financing.

CAPITAL:

Core capital (institutional capital) as a percentage of total assets remained fairly constant over the period and stood above the minimum industry standard of 15% (inclusive of permanent shares) in each respective year. This suggests that the sector may be able to adequately withstand any adverse economic shocks. The results of stress testing concluded that the sector would be able to maintain a capital adequacy ratio above the minimum industry standard of 15%. As at December 31, 2019, eight (8) credit unions met the capital adequacy requirements as in keeping with the guidelines set out in the Cooperative Societies Bill. Given the current economic climate arising out of the COVID-19 pandemic, the need to maintain a strong capital base is more lucid, as credit unions have to navigate the shifting financial landscape.

Income Year	Total Assets ($)	Total Loans ($)	Total Delinquent Loans TDL ($)	TDL/Total Loans	Total provisions on Loans TPL ($)	TPL/TDL	Institutional Capital less Delinquent Loans	% of Institutional Capital less Delinquent Loans/Assets
2015	672,371	505,270	56,173	11%	16,028	29%	77,425	12%
2016	782,988	568,918	58,220	10%	14,693	25%	89,050	11%
2017	871,240	628,710	64,761	11%	13,832	21%	84,004	10%
2018	983,931	674,003	71,657	11%	23,485	33%	116,145	12%
2019	1,094,003	729,424	63,000	11%	24,185	38%	126,413	12%

Table 3: Credit Union -Comparative Financial Performance - Loan Performance Indicators (in EC$ '000')

MEMBERSHIP LOANS:

Loan granting remains the main income generating activity for credit unions and the credit unions are consistently seeking to expand their loan offerings to generate greater returns. Delinquency remains a challenge (industry's performance 11%; prudential requirements ideally <5%) underscoring the need for sound loan underwriting practices and enforced collection/recovery methods.

Figure 9: Credit Union -Members' Savings & Loans

PROVISIONING:

Adequate provisioning for loan losses is essential as delinquency signals that loans are at risk. The institution must set aside earnings to cover those possible losses to ensure member-client savings remain protected. It is anticipated that the implementation of the International Financial Reporting Standard IFRS9 Financial Instruments might result in more aggressive provisioning.

IFRS 9 was amended effectively for annual reporting periods beginning on or after January 1, 2018 and includes a new expected credit loss model for calculating impairment of financial assets. The credit unions will be required to make timely recognition of Expected Credit Losses. Whereas some credit unions have been successful in implementing IFRS 9, it has proven to be a challenge for some due to limitations in software and the associated costs. Given these challenges, the Authority in consultation with the Institute of Chartered Accountants of the Eastern Caribbean (St. Lucia Branch), has been working with the credit union sector to ensure the full implementation of IFRS 9.

9 Delinquent loans are net of provisions

COMPLIANCE TO REGULATION 30:

In addition to adhering to IFRS 9, credit unions are required to comply with the requirements of statute. Regulation 30 of the Co-operative Societies Regulations (the Regulations) Cap.12.06, prescribes the required provision considering the duration of overdue loans and applying a percentage to the outstanding loan balance that is deemed loss exposure. Prudence would dictate that the credit unions provide the higher of the two amounts calculated using the respective methods.

OVERALL SUPERVISION:

The FSRA continues to utilise a risk-based supervision approach for credit unions, in line with the directives of its Board of Directors. This includes stress testing of all credit unions, monitoring of periodic financial performance, communicating critical aspects of financial performance and compliance areas and meeting with the Board and management where necessary. In the daily monitoring and supervision activities of the FSRA, both detailed off-site analysis and onsite examinations of entities are conducted. Furthermore, training is provided to the industry or specific credit unions upon request in areas such as corporate governance and the role and functions of committees as well as reporting requirements. Additionally, the FSRA meets with the St. Lucia Co-operative Credit Union League Limited (the umbrella body for credit unions) periodically, to coordinate on development areas aimed at developing the credit union sector.

REGIONAL REGULATORY MATTERS:

As credit unions experience exponential growth, digitisation has become more critical in conducting their business.

The Eastern Caribbean Central Bank's (ECCB) objective is to enhance financial stability by expanding financial inclusion in payment services in the Eastern Caribbean Central Union (ECCU), particularly as it relates to the utilisation of digital EC currency (DXCD).

This means that entities such as credit unions will have access to this digital payment system. The ECCB's vision is centered on the use of digital platforms to facilitate the transformative role that the payment system can play in the development of our economies and societies. As digitisation has become paramount, credit unions need to equip themselves with the necessary resources including the technology and infrastructure to navigate this evolving environment.

Money Services Business

The money services business sector is regulated in accordance with the Money Services Business Act, Cap 12.22 of the Revised Laws of St Lucia (the Money Services Business Act). For the year 2019, the addition of one (1) Class E micro-lending business increased the portfolio from eleven (11) to twelve (12) companies. As seen in table 4 below, no new money remittance business was licensed. In addition, no applications have been submitted for Classes B-D from the inclusion of Money Services Businesses in the Authority's portfolio of licensed entities.

Type of License	Description	No of Licences 2018	No of Licences 2019
Class A	1. Transmission of money or monetary value 2. Issuance, sale or redemption of money orders or traveller's cheques 3. Cheque Cashing 4. Currency Exchange	4	4
Class B	1. Issuance, sale or redemption of money orders or traveller's cheques 2. Cheque cashing 3. Currency exchange	0	0
Class C	1. Cheque cashing	0	0
Class D	1. Currency exchange	0	0
Class E	1. Micro-lending	7	8
TOTAL		11	12

Table 4: Money Services Business - Classes of Licence

DEVELOPMENTS

Meeting the demands of an ever-changing and robust financial landscape has necessitated a review of our portfolio to incorporate a new class of licence for e-money services providers.

The European central bank has defined e-Money as:

"an electronic store of monetary value on a technological device that may be widely used for making payments to entities other than the e-money issuer. The device acts as a prepaid bearer instrument which does not necessarily involve bank accounts in transactions."

The Authority has received two applications for e-money services businesses and is in the process of drafting guidelines for the regulation of e-money service providers to ensure the inclusion of applicable regulatory requirements. Generally, the overall guidelines are coherent with what already obtains; however, new guidelines have been incorporated to ensure that proposed e-money businesses meet specific Operational Requirements (with regard to the platform being used). Guidelines to ensure that such entities maintain adequate Consumer Protection and Privacy policies have also been included.

MONEY TRANSMITTERS

GROWTH IN THE SECTOR

Total Remittance Inflows for the sector totalled XCD 113.2 million in 2019; an increase of 0.7% from 2018. In the figure below, a segment of the curve can be seen remaining flat, during the 2018-2019 period, representing this small percentage increase. For the five-year period commencing in 2014, inflows increased by 35.54%. The increasing trend of Total Remittance Inflows can be seen in Figure 10.

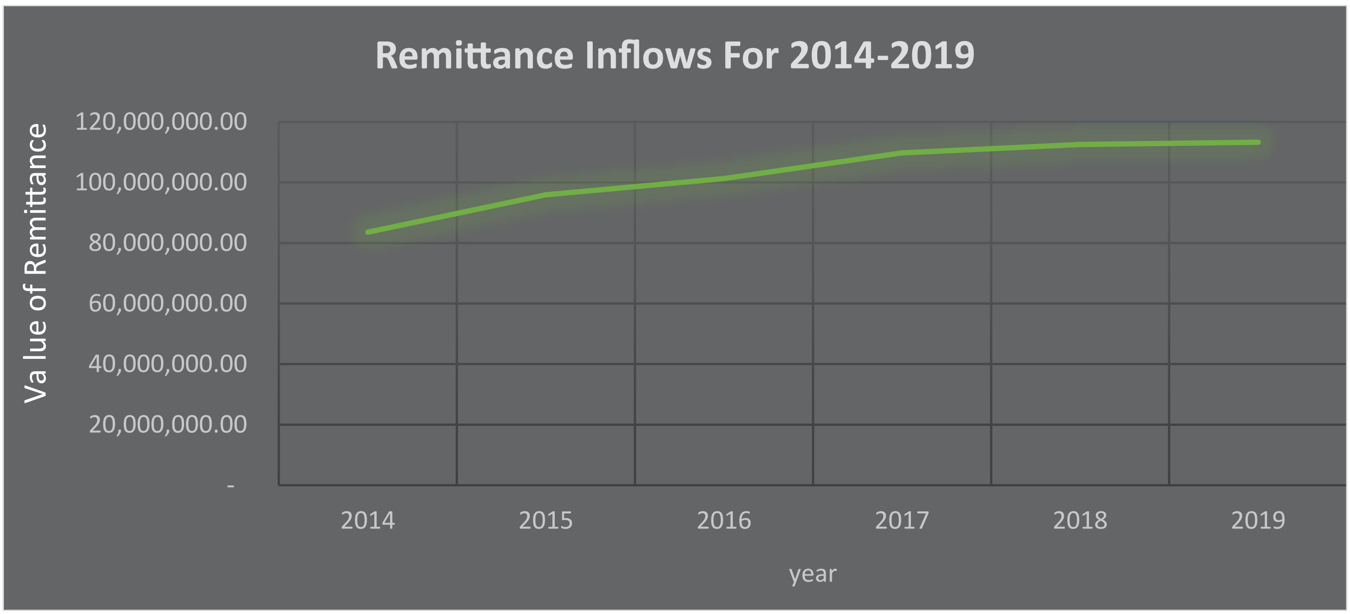


Figure 10: Money Transmitters -Trends in remittance Inflows

Total Remittance Outflows totalled XCD 20.1 million in 2019. The increasing trend during the 2014 -2016 period had been halted by a gradually descending slope for the subsequent periods. During the period a 45% increase in remittance outflows was realised as opposed to the 2017-2019 period which realised an overall decrease of 11.42%. However, the slight increase observed during 2018-2019 revealed that the flow of remittances to the country increased compared to the previous period.

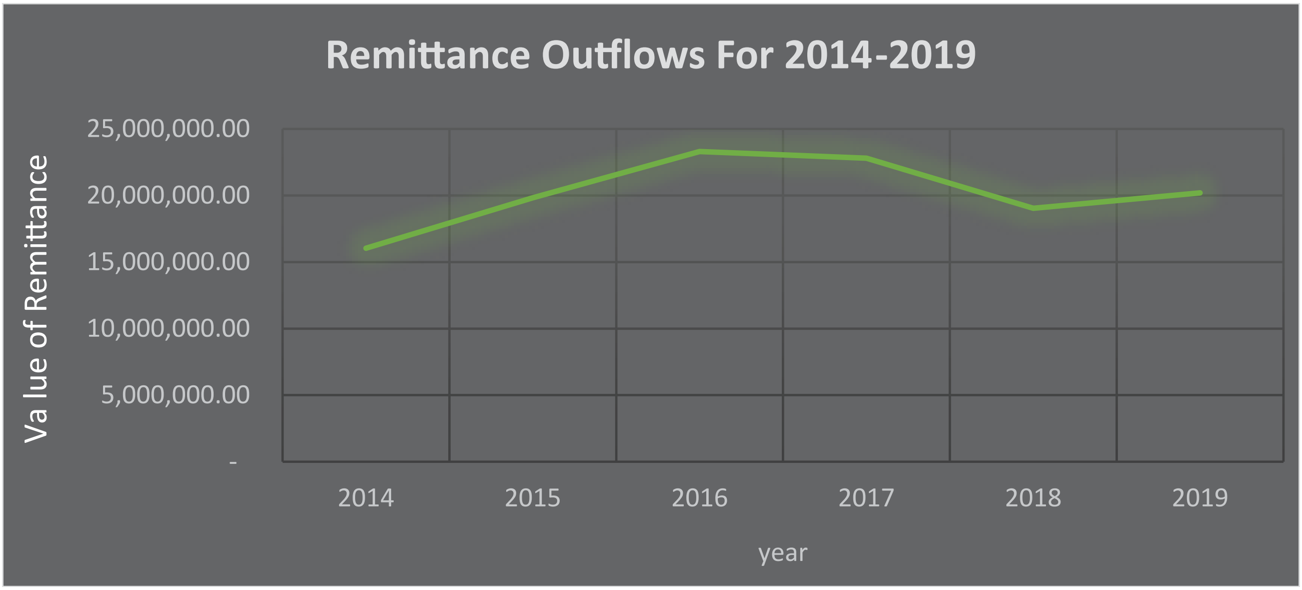


Figure 11: Money Transmitters - Trend in Remittance Outflows

COUNTRY PROPORTION

The Authority has noted that the United States of America (USA) account for the largest proportion of remittance inflows. However, this is not the same for outflows as the USA remains second to 'Other countries' not specified. Inflows from the Euro Area and Canada increased by 1 percent, while a decrease of the same was observed for Other countries. There was no change in inflows from ECCU and Non-ECCU/CARICOM countries while Outflows experienced a 1% decrease in the former. Other Countries accounted for the largest increase of outflows which was 2%.

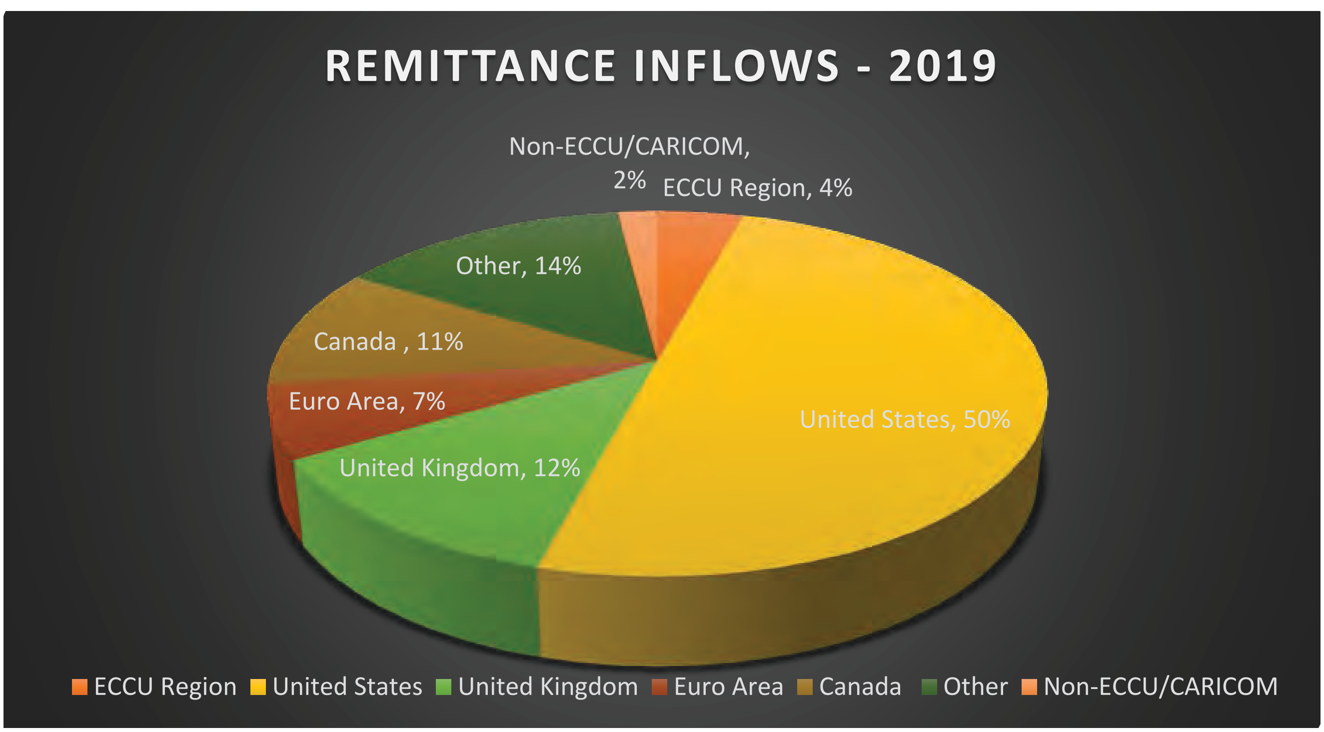


Figure 12:Money Remittance - Inflows during 2019 by Region

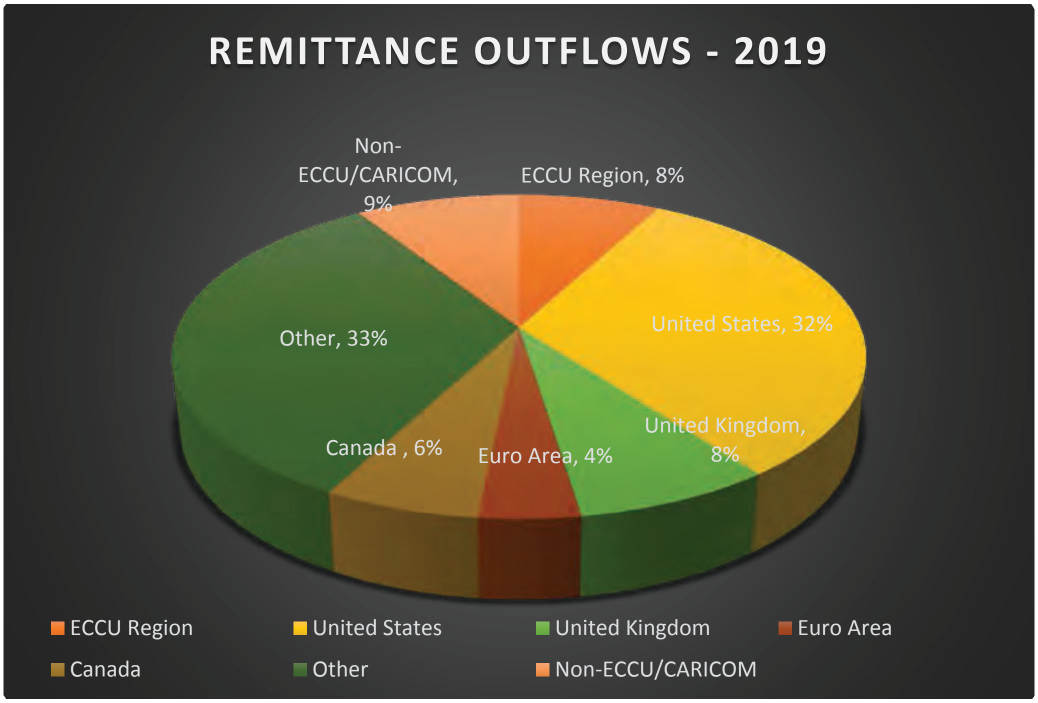


Figure 13: Money Remittance - Outflows during 2018 by Region

MICRO-LENDERS

The year 2019, saw little change in the Micro-lending sector as one (1) new entity was licensed, increasing the portfolio to eight (8) Micro-lending companies regulated by the Authority. While the Authority does not foresee an exceptionally high growth rate in this sector due to the small St. Lucian economy, there is still an expectation of more applications submitted in the years ahead.

Figure 14 below depicts a continuous trend throughout the years in loans up to XCD 20,000. Forty-one percent (41%) of total loans disbursed fall between $0 to $5,000 with a slight decrease of 3% from the previous year. One percent (1%) decline, of the prior year's thirty-one percent (31%), was realised for loans between $5,001 to $10,000. The third largest category of loans ($10,000 - $20,000) which forms 20% of total loans experienced the largest upsurge of 128% for the year 2019 (67% increase -2018)

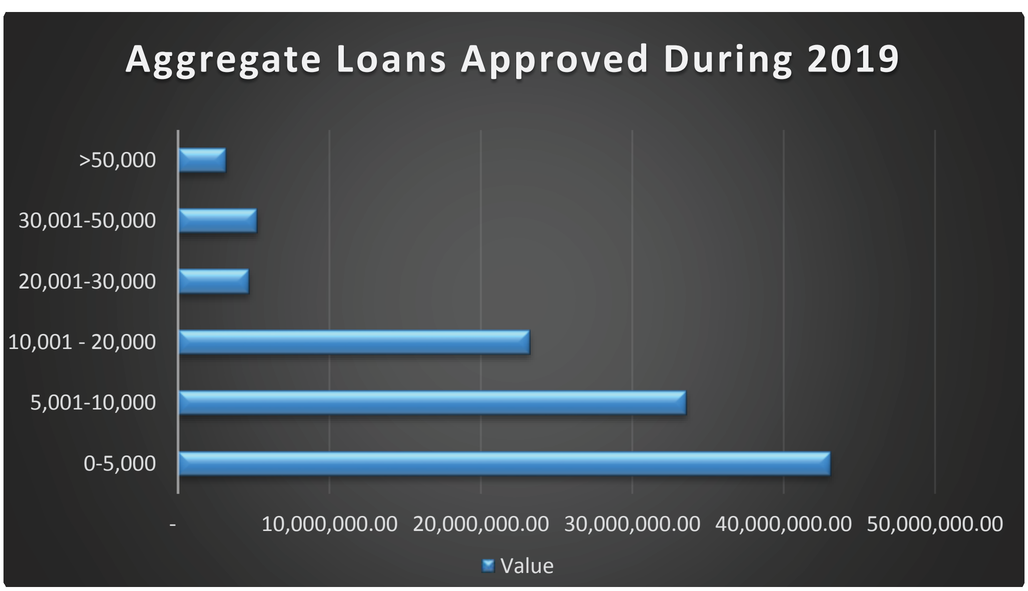


Figure 14: Micro – lenders - Aggregate Loans Approved During 2019

Figure 15 reveals that the largest portion of loans (32%) fall in the 'other" category. The industry experienced no change from the last report; however, Personal loans (28%) increased by three percent (3%). Though experiencing a decline of 8%, Motor Vehicles loans continues to remain in the third position with a 14% share of loans disbursed. Medical loans and Educational loans remain unchanged from last year's position of four percent (4%) and five percent (5%) respectively. Debt consolidation and home renovation increased by one percent (1%) while Business loans increased by two percent (2%).

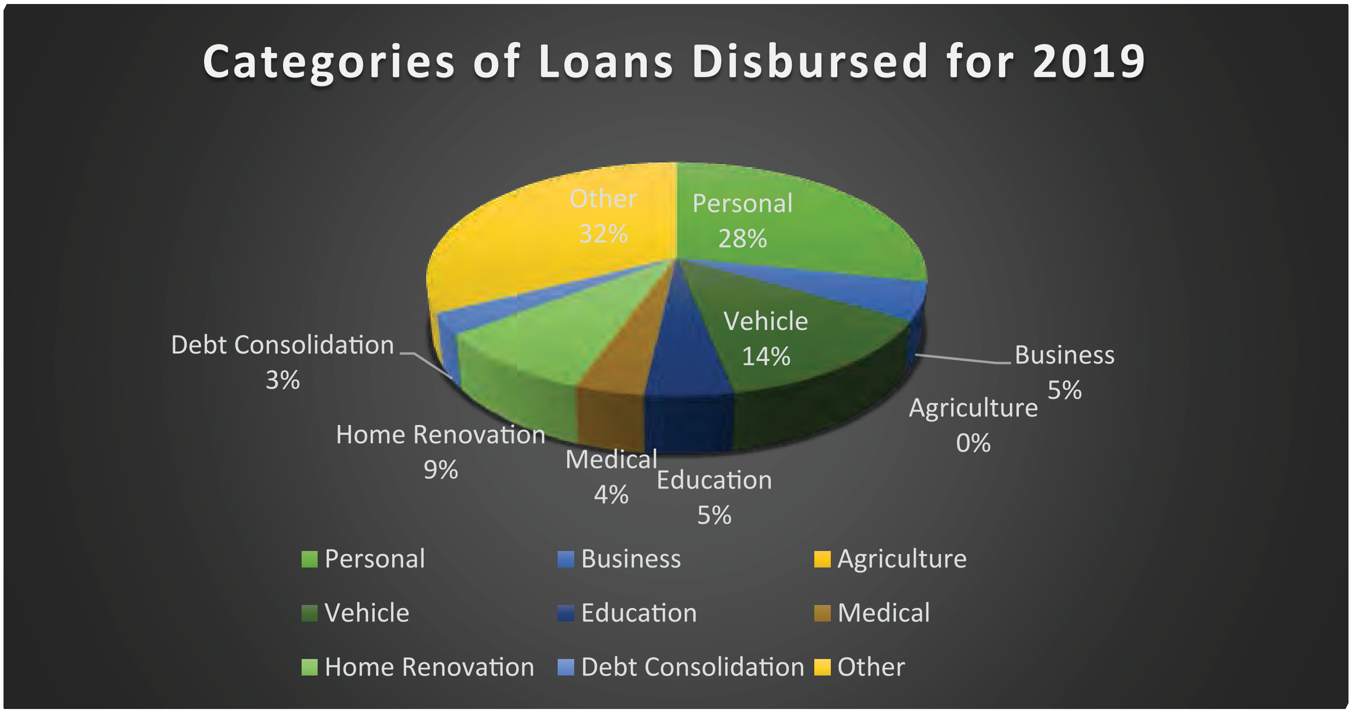


Figure 15: Micro-lenders - Percentage of Loans by Category

GROWTH

With the addition of three micro-lending institutions, the total value of loans disbursed increased by eight percent (8%), a smaller percentage than the previous period. Notably, one entity previously reported all loans from various business segments including those not pertaining to micro-lending. This entity now has a separate structure in place for micro-lending. There is an upward trend with regard to the total value of loans disbursed, with an upsurge during the five-year period of ninety-nine percent (99%).

Category	2019	2018	2017	2016	2015
Total number of loans disbursed	23,879	21,010	20,850	18,368	16,455
Total value of loans disbursed (XCD '000')	106,469	98,776	78,074	67,036	53,473
Number of employees	201	79	95	76	56

Table 5: Micro-Lenders - Total Loans and Number of Employees

An observation of the trends in loans by gender over a five year period, reveal that females have a higher propensity to access micro-loans.

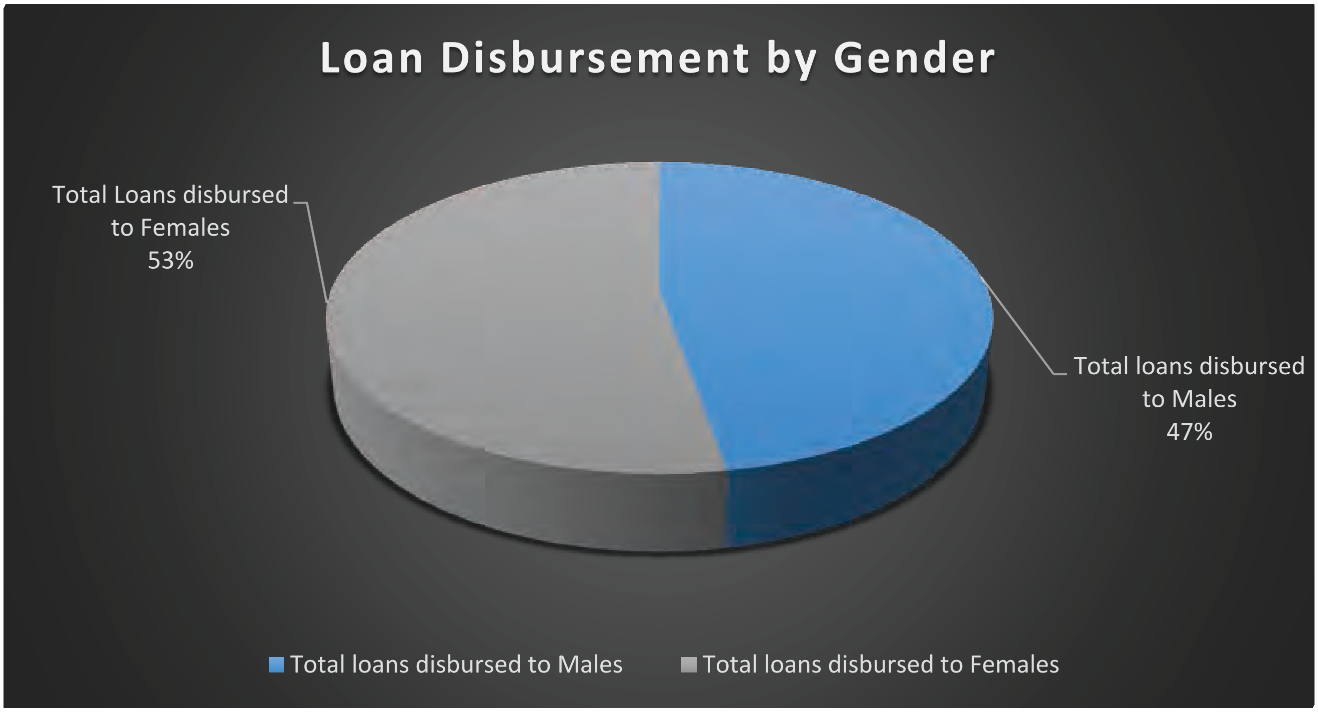


Figure 16: Micro- lenders -Loan Disbursed by Gender

International Sector

International Insurance Sector
International Banks
International Mutual Funds Sector
Registered Agents and Registered Trusts

INTERNATIONAL INSURANCE SECTOR

The International Insurance sector is regulated in accordance with the International Insurance Act, Cap 12.15 of the revised laws of St. Lucia (the Act) along with Guidance Notes (a further expansion of the legislation with regard to operational practices and policies). The Act provides for the registration / licensing of three types of entities as follows:

1. Incorporated Cell Companies (ICCs): an international business company created for the purpose of doing business using incorporated cells.
2. Incorporated Cells (ICs): an international business company linked to an incorporated cell company.
3. International Insurance Companies: All companies wishing to do business as an international Insurance Company must do so through an IBC and a registered agent, having a registered office.

CLASSES OF LICENCES

There are three classes of licenses provided for in the Act as follows:

1. Class A

   This class of Licence primarily deals with general insurance, which involves insuring anything other than human life.

0. Class B

   This class of Licence deals with long-term business, which involves the insuring of human life.

0. Class C

   This class of Licence deals with both general and long-term insurance business.

These classes can be further subdivided into subclasses relating to set requirements for the statutory deposit which is to be held, as depicted in Table 6 below (in USD '000'):

Subclass	International Insurance Company	Incorporated Cell Company	Incorporated Cell
A1	$100	$250	$50
A2	$150	$250	$50
B	$150	$250	$50
C1	$200	$250	$100
C2	$250	$250	$100

Table 6: International Insurance - Statutory Deposit and Capital (in USD '000')

As at December 2019, the Financial Services Regulatory Authority has on record twenty-four (24) International Insurance Companies, four (4) Incorporated Cell Companies and eight (8) Incorporated Cells as illustrated in Figure 17, Figure 18 and Figure 19 respectively, below, thereby leaving the total number of entities in the international insurance sector at thirty-six (36). Two (2) International Insurance Companies and two (2) Incorporated Cells were in the application phase.

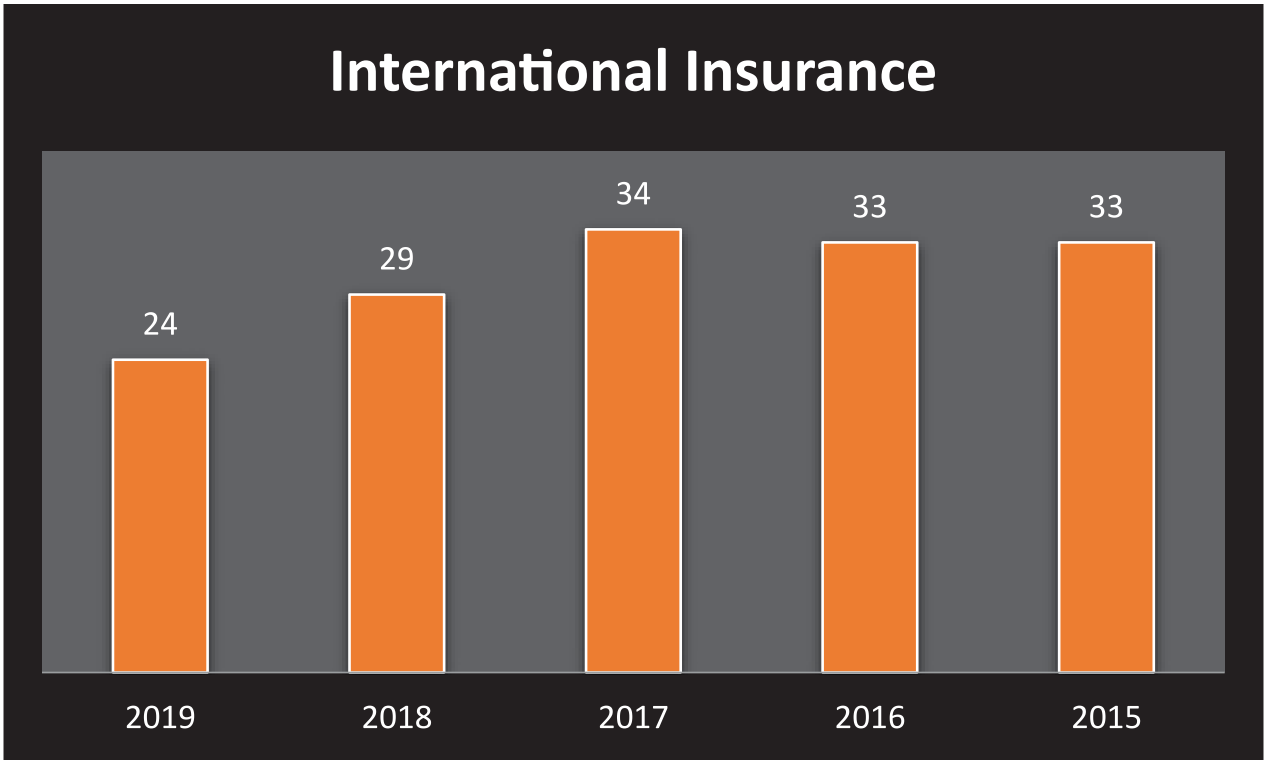


Figure 17: International Insurance - No. of Licensed Companies

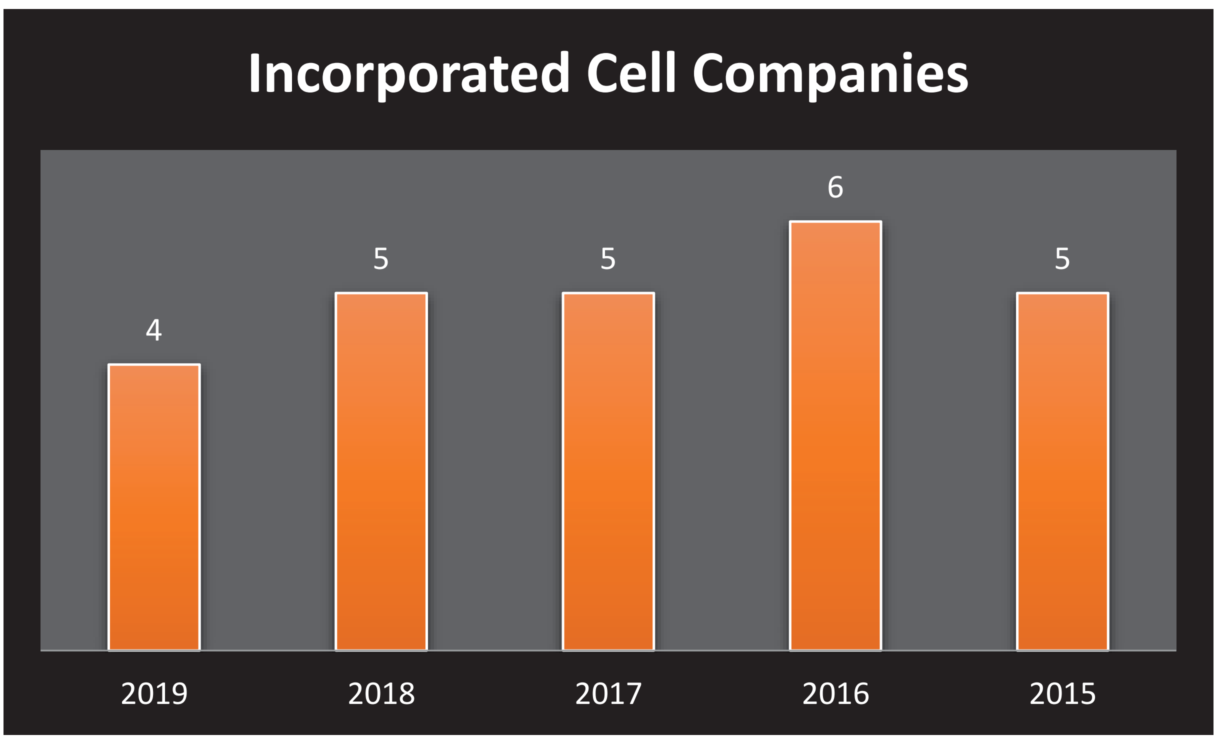


Figure 18: Incorporated Cell Companies - No. of Licensed Companies

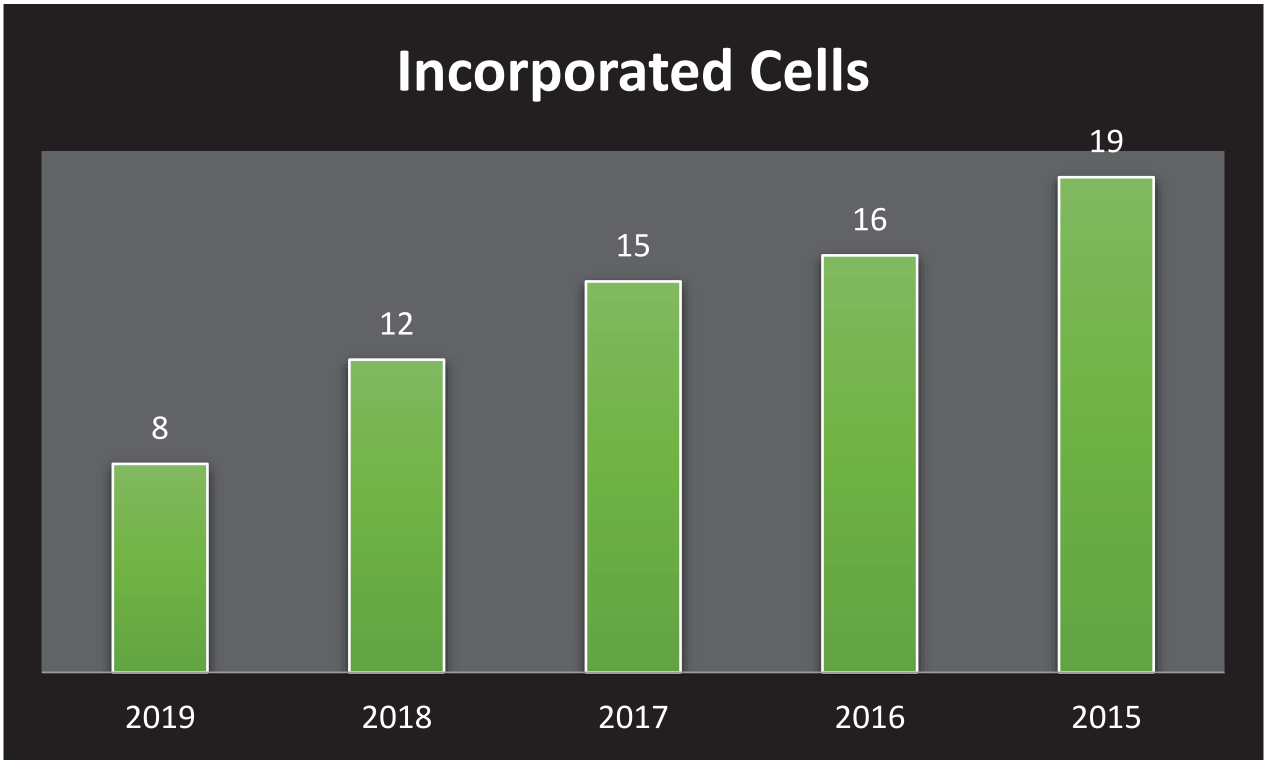


Figure 19: Incorporated Cells - No. of Licensed Companies

Ninety-six percent (96%) of the international insurance companies offer captive/general insurance business.10 Under the incorporated cell structure, the Incorporated Cell Company (ICC) acts as the core company, to which individual incorporated cells (ICs) are attached, via the enactment of an operating agreement between the two parties. Thus, Directors are under statutory obligation to keep assets and liabilities separate and maintain their corporate documentation. Moreover, only the ICC is required to obtain an insurance licence, which by extension allows the ICs to independently conduct insurance business through the issuance of a certificate of registration, thereby resulting in lower set-up and administrative costs. Under the captive structure, overall risks are more efficiently managed, in that, the adverse result of one IC does not affect the results of other IC(s) within the structure.

10 By definition, a captive insurance company is one that provides coverage to its owners, thereby providing a form of self-insurance. Thus the risks covered by these entities are not those commonly covered in the traditional insurance market. Some non-traditional risks covered by captives are: Loss of key customers, Loss of key suppliers, loss of key employees, loss of franchise, business interruption, litigation expenses, administrative actions and data breach/cyber risk

NEW DEVELOPMENTS

The European Union has mandated Caribbean territories to amend tax legislation, thereby imposing a corporate tax liability (as with resident companies) on all IBCs. This latest legislation was enacted in St. Lucia at the end of the 2018 fiscal year via an amendment to the International Business Companies Act, Cap 12.14, which required all IBCs to comply with the Income Tax Act of Saint Lucia. All newly registered IBCs were obliged by this amendment as of January 1, 2019. All previously existing IBCs who enjoyed a minimal payment of 1% tax (or no taxes) will be subjected to this latest amendment by June 30, 2021.

The effects of these amendments are already being felt throughout the sector as seven (7) entities surrendered their licences in 2019; one (1) Incorporated Cell Company, three (3) Incorporated Cells and three (3) International Insurance Companies. This is expected as IBCs are required to have economic substance, making doing business less attractive.. Table 7 below depicts key performance indicators of the sector over the past five years.

	2019	2018	2017	2016	2015
Gross Written Premiums	$48,240	$50,291	$107,642	$105,551	$141,005
Net Written Premiums	$42,667	$45,337	$95,416	$94,203	$139,041
Claims Incurred	$5,407	$2,595	$6,111	$4,836	$1,795
Allowable Assets	$240,186	$224,953	$374,423	$371,568	$341,920
Liabilities	$142,984	$141,483	$230,764	$225,733	$204,486
Revenue earned by the Authority	$205	$82	$111	$136	$231

Table 7: International Insurance – Key Performance Indicators (in USD '000')

As depicted in Table 7 above, revenue earned by the Authority from 2015-2018 continued to decline steadily, with the most significant decrease occurring between the years of 2015 and 2016, in which a forty-one percent (41%) decrease was experienced (2016 - $136 thousand; 2015 - $231 thousand). Nonetheless, the table also discloses a one hundred and fifty percent (150%) increase in total revenue earned by the Authority from 2018 to 2019 (2019 - $205 thousand; 2018 - $82 thousand). However, this is primarily due to several entities paying late fees for failure to pay within the stipulated timeframe.

Notwithstanding, it would be fair to deduce that with the constantly changing economic climate, evidenced by stricter guidelines from the European Union (EU) and the Organization of Economic Cooperation and Development (OECD) via increased economic substance requirements, the decline of companies within the international insurance sector and by default, their associated IBCs, will be further exacerbated.

INTERNATIONAL BANKS

The International Banking Sector is governed by the International Banks Act, Cap.12.17 ('International Banks Act') of the Revised Laws of Saint Lucia. Though the International Banking Sector continues to be the most vibrant international finance sub-sector during the review period, the sector shrank by 21%. The contraction of the International Banking Sector was contributed in part by the difficulty faced by some banks establishing correspondent banking relationships.

The International Banks Act provides for the issuance of two (2) classes of international bank licenses: "Class A" and "Class B" with different capital requirements for each. The "Class A" licence allows licensees to conduct business with third parties who are neither citizens nor residents of St. Lucia. In contrast, holders of a "Class B" licence are restricted to conduct business with a specific group not exceeding 10 (ten) persons.

At the end of the reporting period, the FSRA continued to report four (4) licensed Class B banks but the number of licenced Class A banks fell from ten (10) to seven (7). Three (3) international banks were closed. Two (2) because of voluntarily surrendering and the other revocation of licence.

As illustrated in Figure 20: Shareholders by Country the shareholdings in the eleven (11) licensed banks continues to be dominated by investors emanating from the Caribbean Region, followed equally by those from the United States of America and Latin-America and lastly equally shared by investors from Europe and other parts of the World.

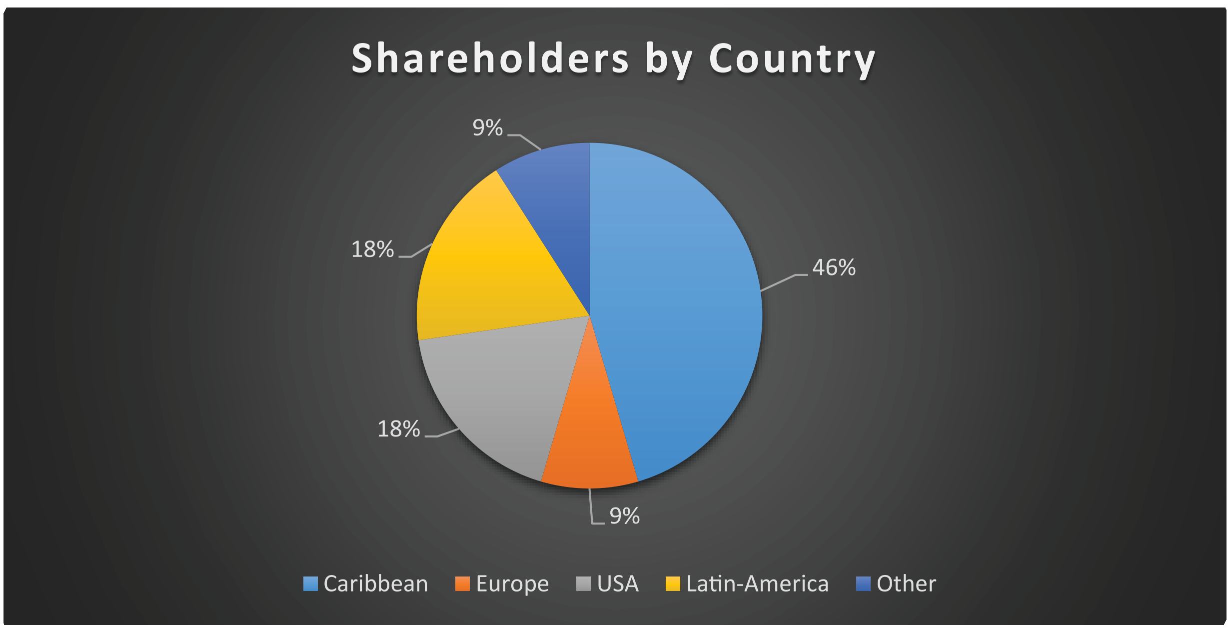


Figure 20: International Banks - Shareholders per country

In respect to amendments made to the Guidance Notes to the International Banks Act, relating to capital requirement, total equity increased by 24% to USD125.8 million representing an increase of USD24.5 million as depicted in Figure 21.

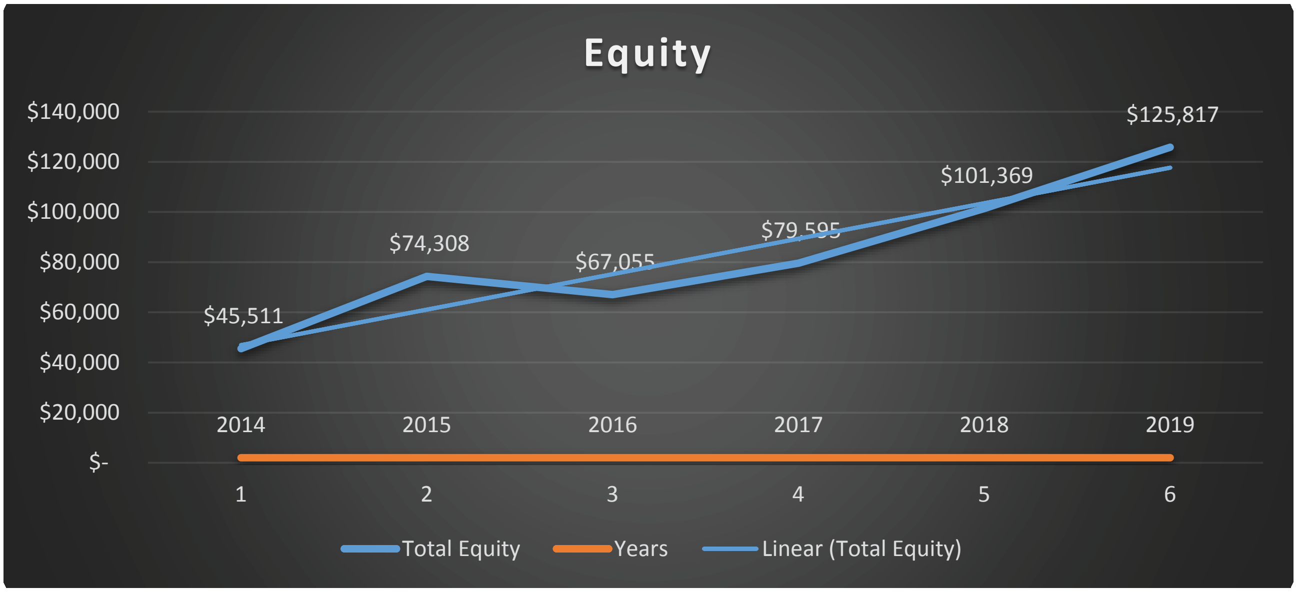


Figure 21: International Banks -Total equity (in USD$000)

Notwithstanding a reduction in the number of licensed international banks, the Sector continues to experience an upward trend in all key financial indicators highlighted in table 8. An analysis of table (8) indicates a 0.6% increase in net interest income, which was mainly driven by an increase in investments for the year. As a result of the establishment of the new capital requirements (as provided in the FSRA's Guidance Notes), total equity increased from US$101Million in 2018 to US$125.8Million (24%). The Sector's local employment impact increased from 70 to 110 persons that is a 57% growth. This figure also reflects the banks' expansion and consolidation of their operations in St. Lucia serving 2,548 global clients. The International Banks Sector boasts loans to deposits ratio of 235%, which depicts a concerning liquidity scenario if viewed in isolation.

Details	2019	2018	Diff.	Diff.%
Total Assets	565,015	546,365	18,650	3%
Total Equity	125,818	101,369	24,449	24%
Net Interest Income	20,582	20,458	124	0.6%
Total Employees	99	70	29	41%

Table 8: International Banks – Financial Performance (in USD 000)

ENFORCEMENT

Due to the FSRA's revised regulatory framework as of December 31, 2019:

1. One (1) licensee has not satisfied the conditions of its licence, as such, it has not been authorised to commence banking operations; and

2. Two (2) licenses were surrendered and one (1) was revoked.

The measures taken by the FSRA during the period under review were aimed at strengthening the financial integrity of banks operating within the jurisdiction and maintaining market discipline.

	2014	2015	2016	2017	2018	2019
Licensed International Banks	8	9	12	14	14	14
Applications received	2	3	7	1	1	2
Applications approved	1	3	2	1	1	0
Applications denied	0	0	0	0	3	0
Pending applications	2	2	7	7	4	1
Revocation or surrendering	0	0	0	1	1	3

Table 9: International Banks – Application Statistics

INTERNATIONAL MUTUAL FUNDS SECTOR

The International Mutual Funds Sector is governed by the International Mutual Funds Act, (The Act) Cap.12.16 of the revised laws of St. Lucia. The Act defines "international mutual fund business" as engaging in the business of establishing and operating or attempting to establish or operate mutual funds which does not involve—

(a) undertaking mutual fund business with any resident;

(b) investing in any asset which represents a claim on any resident, except a claim resulting from a loan to an international business company registered under the International Business Companies Act or to a company licensed under the International Banks Act, or to an international mutual fund subject to this Act, or to an international trust registered under the International Trust Act;

The Mutual Funds Act governs four (4) types of entities as follows:

- International Public Mutual funds- are licensed and regulated by the FSRA.
  These funds are marketed to the public and are managed by fund managers. These funds require an administrator as well as the submission of annual audited accounts.

- Private Mutual Funds- are registered by the FSRA and are not marketed to the public. These mutual funds are restricted to a maximum of 100 investors and the minimum total investment in the fund is $50,000 per person. There are no requirements for an administrator nor to submit annual audited accounts. The Authority, however, has the power to cancel the registration of a private mutual fund under the Act if it's of the opinion that the fund is not meeting its obligation.

- Public Mutual Funds Administrators and Managers- they provide the administrative services to international public mutual funds including the accounting, valuation and reporting services and the maintenance of any register of equity interests. Fund administrators and managers are required to submit annual audited accounts to the Authority.

THE COMPOSITION OF THE SECTOR

There has been little change to the number of entities that the FSRA regulates/registered in comparing years from thirteen (2018) to twelve (2019) entities depicted in table 10 below. There was one (1) International Mutual Fund which surrendered its licence in 2019.

International Mutual Funds Sector	2019	2018
International Private Mutual Funds	6	7
International Public Mutual Funds	3	3
International Public Mutual Fund Administrators	2	2
International Public Mutual Fund Managers	1	1
Total	12	13

Table 10: International Mutual Funds – Registered Entities

Financial overview of the industry

Table 11 below presents a snapshot of the Mutual Funds sector financial overview for 2019. Please note, there is no data for private mutual funds as these funds do not report their financial status to FSRA.

	Assets	Liabilities	Income
Public Mutual Funds	$ 264,458	$ 3,342	$ 8,995
Mutual Fund Administrators	$ 7,202	$ 239	$ 718
Mutual Fund Managers	$ 1,647	$ 90	$ 2,518

Table 11: International Funds - Assets, liabilities and Income for 2019 (in USD in 000's)

Registered Agents
and Registered Trusts

The Corporate business carried out in and from Saint Lucia is regulated pursuant to the Registered Agent and Trustee Licensing Act, Cap 12.12 of the revised laws of St. Lucia (RATLA). Registered Agents and Registered Trustees have a fiduciary duty to International Business Companies (IBCs) and International Trusts (ITs).

Registered Agents and Registered Trustees provide international financial services representation on behalf of IBCs and ITs. In keeping with the RATLA, “international financial services representation” includes—

(a) acting as registered agent or trustee under the law in force in Saint Lucia relating to international financial services;

(b) filing, preparing or otherwise doing any act preparatory to the incorporation, continuation or registration of any entity or trust under the law in force in Saint Lucia relating to international financial services;

(c) providing a registered office in Saint Lucia for a company incorporated, licensed or continued under the International Business Companies Act; and

(d) providing or arranging for the provision of directors, officers or nominee shareholders for companies incorporated or continued under the International Business Companies Act, Cap 12.14.

The Authority recorded a total of twenty-two (22) licensed Registered Agents and Trustees as at March 31, 2020, which comprised eighteen (18) Registered Agents and four (4) Registered Trustees. These Registered Trustees administered 121 private trust companies as at March 31, 2020. One private trust company surrendered during the fiscal year. Of the four (4) RTs, none held client accounts and thus mitigating overall risk.

	Registered Agents
1	Hewanorra Corporate Services
2	Adco Incorporated
3	Financial & Corporate Services Ltd
4	Corporate Services (St Lucia) 1996 Ltd.
5	McNamara Corporate Services ltd
6	Corporate Agents (St Lucia) Ltd.
7	Selbourne Trust Company Ltd.
8	Bespoke Corporate & Fiduciary Services Ltd
9	PKF Corporate Services Ltd.
10	Axis Financial Services Ltd.
11	AFCS Inc.
12	Oceanus International Inc.
13	Boslil Corporate Services Ltd
14	Fortgate Offshore Investment & legal Services Limited
15	Colonial Trust Company Ltd

16	Abacus Financial Services Limited
17	Foster Capital Inc.
18	Brickstone Corporate Services Limited
	Registered Trustees
1	Hewanorra Trustee services
2	Adco Incorporated
3	Selbourne Trust Company Ltd.
4	Colonial Trust Company Ltd.

Table 12: Registered Agents and Trustees- Registered with the Authority

To date, approximately four thousand (4,000) international business companies (IBCs), forty (40) international trusts and one (1) international partnership have been registered by RAs and RTs in Saint Lucia. RAs indicated that the primary business carried out by IBCs was that of serving as Holding Companies, while a few of them provide consultancy and financial services.

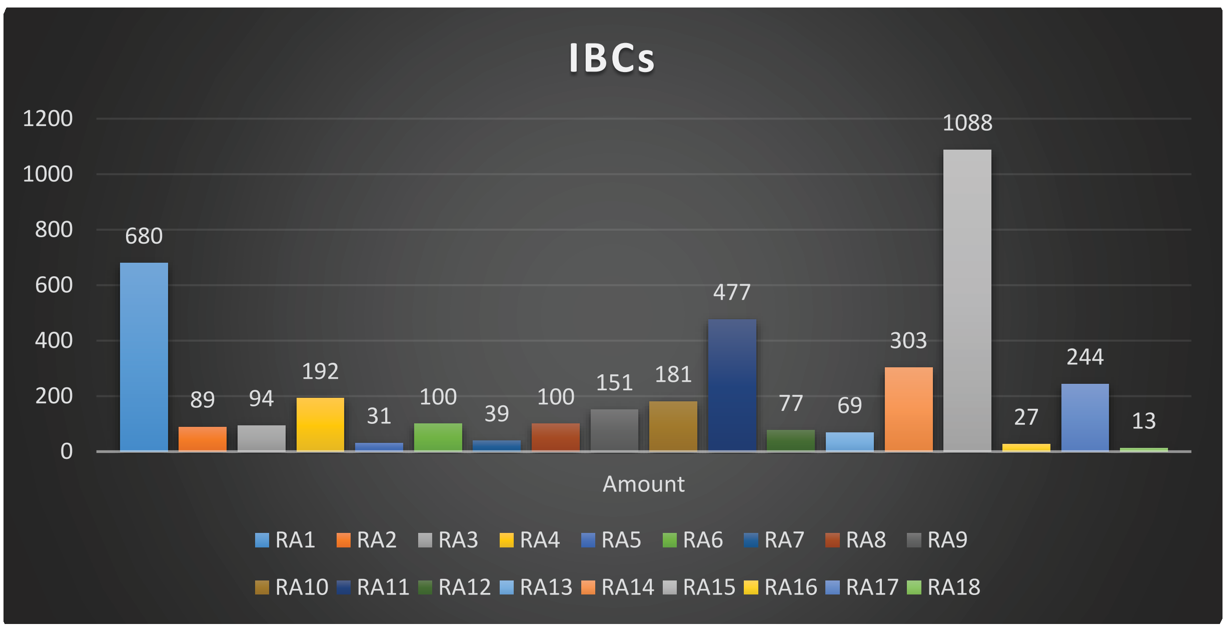


Figure 22: Registered Agents - distribution of regulated IBCs

RAs and RTs are obligated under statute to ensure that they comply with applicable laws, regulations and supervisory guidelines. New developments by the EU have resulted in more stringent requirements for Caribbean countries regarding money laundering prevention. Saint Lucia must therefore develop certain measures to establish itself as a reputable international financial centre. This means that RAs and RTs must hold themselves to high professional standards, and should inter alia:

- Report to the relevant Regulatory Authorities on whether or not an IBC or an IT is in good standing.
- observe high standards of integrity and fair dealing in the conduct of business, act with due care and diligence with their clients,

- take all reasonable measures to determine the identity of their clients and not conduct business with any person unless they have carried out due diligence checks,
- take all reasonable measures to ensure that their services are not being utilised by persons involved in criminal activities.

Consequently, RAs and RTs must have a fair understanding of the clients that they accept and the nature of the business undertaken by such clients to ensure that they are not in contravention of the laws.

Additionally, they must keep abreast with new developments and changes in legislation that impact their clients. There have been updates to the legislation governing IBCs and IBTs and therefore, (RAs) have been given deadlines for the completion and return of the instrument.

NEW DEVELOPMENTS

All IBCs are now subject to the same corporate income tax treatment as domestic companies with the exception of foreign source income, which will be exempted. IBCs could elect to remain in the current regime under a grandfathering arrangement until June 2021 and must maintain economic substance in the jurisdiction. It is anticipated that a downward movement in registration in IBCs will ensue, as new legislation enacted will make it less attractive and onerous for licence holders to continue to operate in the space. With no tax incentives, it will be less attractive to carry out business in Saint Lucia. Therefore, IBCs will seek to incorporate in jurisdictions that are more accommodating and less restrictive.

ACCOUNTANT'S REPORT

RECEIPTS

The Financial Services Regulatory Authority (FSRA) has been receiving from central government an annual subvention since 2014. The approved subvention for the fiscal year 2020 /2021 was $2,369,674, a three (3%) increase from the previous fiscal year.

RECEIPTS

The Financial Services Regulatory Authority received a total of $2,369,674 in subventions from the Central Government in the FY 2019-2020.

These funds were used to implement the work program of the Authority.

<u>SUMMARY OF SIGNIFICANT CHANGES IN THE FINANICAL STATEMENTS</u>

1. A positive increase in Current Assets - Cash and Prepayments
2. Increase in Non - Current assets by 16%- this was attributable to improvements in the Authority's Information Technology Infrastructure and work tools for Staff.
3. Increase in Liabilities by 6%- largely due to accrued liabilities of Management compensation.
4. Increase in equity- by $117,803.00
5. Increase in Administrative and General Expenses- by $101,795.00

ADMINISTRATIVE EXPENSES

Total Administrative expenses for the year was 2,251,871 resulting in a surplus of $ 117,803.00.

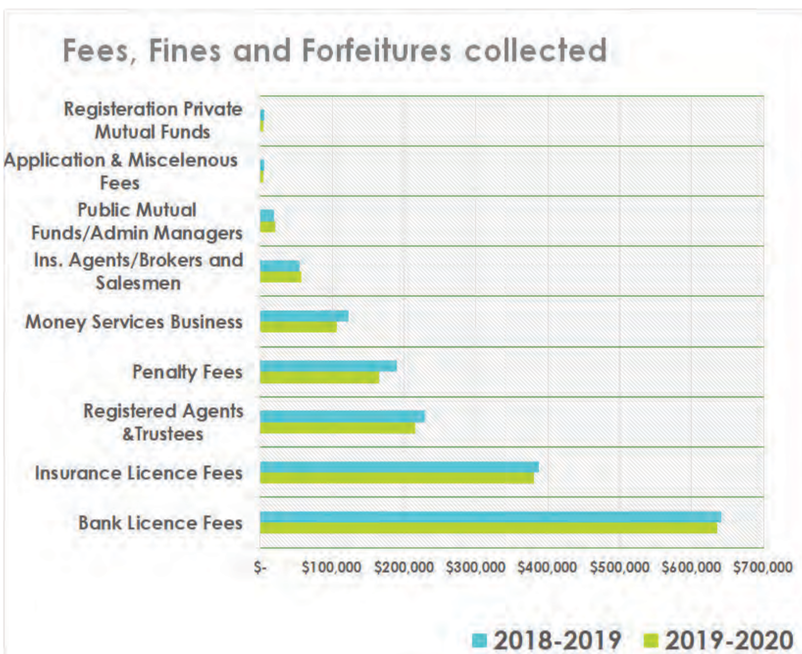
ADMINISTRATIVE EXPENSES

Our administrative cost at the Financial Services Regulatory Authority is covered entirely by the annual subvention received from the Government of Saint Lucia.

Total administrative expenses for the period April 01 2019 to March 31, 2020 totaled

$2,251,871, a 4% increase from last financial year.

FEES, FINES AND FORFEITURES COLLECTED 2018-2020



FEES COLLECTED

A total of $1,588,819 was collected by the Authority on behalf of the Government of Saint Lucia from fees, fines and forfeitures a decline of $68, 291.05 or 4% when compared to FY 2019.

There was a decline in all the revenue heads with the exception of fees collected from Public Mutual funds/ Admin Managers and Insurance Salesmen/ Brokers.

The revenue collected from the International/ Non Bank sector continues to decline into FY 2020. This is as a result of the surrendering of bank licenses and the re-domiciliation of international insurance companies to more attractive judications.

Figure 23: Bar graph showing fines, fees and forfeitures collected during the periods 2018-2020

The Financial Services collects fees, fines and forfeitures on behalf of the Government of Saint Lucia. These fees represent Annual licence fees from Regulated entities both in the Domestic and Offshore Sector.

A legal requirement of the Regulated Entities is the timely submission of Accounts and annual licence fees. If these fees are not collected in the stipulated period, the entity is fined for tardy submission and surcharges on licence fees. Those fees are paid directly to the Accountant General.
There was a decline in revenue collected on behalf of the Government of Saint Lucia by 4% when compared to last fiscal year- This was largely due to the redomiciling of entitles in the International Offshore Sector.

The Money Services Sector which includes money remitters and microlenders continue to show strong positive growth.

PROFESSIONAL DEVELOPMENT

The Financial Services Regulatory Authority prides itself in the development of its staff compliment. It is a well revered place of employment and continues to attract professionals in the areas of Accounting, Finance and Business Management.

The Management of the Authority continues to place a high value on the need for professional development and the need to remain current and knowledgeable of the financial space both domestically and internationally. Last fiscal year, a great thrust was placed on learning techniques to help with the analysis of Financial statements and stress testing. Stress testing is used to determine the stability of a given system, critical infrastructure or entity.
Also, there is a move to a more risk-based approach to supervision. The staff of the FSRA benefited extensively from technical assistance and training form CARTAC (Caribbean Regional Technical Assistance Centre) and the IMF (International Monetary Fund). The Management and staff of the FSRA remains grateful for the unwavering support provided by all the partners who provide annual training to the entity. We are always pleased with the eagerness and responsiveness provided by the facilitators.

Period	Location	Programme	Sponsor	Individuals Trained
May 2019	Grenada	Risk Based Supervision	CARTAC	2
June 2019	Guyana	Annual Conference/Wshop	CARTAC/CAIR	4
July 2019	St. Vincent & Grenadines	Implementation of Risk Based Supervision	CARTAC	4
July 2019	Saint Lucia			17
Sep 2019	Trinidad & Tobago	Supervisory College on GHL and GG	Central Bank Of Trinidad & Tobago	1
Sep 2019	Saint Lucia	CaribDEs Forum	CaribDE /FSRA	2
Sep 2019	Jamaica	consolidated Risk-Based Supervision of Banking Groups and Financial Conglomerates	CARTAC	1
October 2019	Saint Lucia	CompTIA A+	FSRA	1
October 2019	Saint Lucia	Development of a stress testing framework for the credit union sector	CARTAC/IMF	18
October 2019	Saint Lucia	CompTIA A+	FSRA	1
Jan 14, 2020	Saint Lucia	Website Content	FSRA	3

Professional Development

The Financial Services Regulatory Authority is a well respected professional body in Saint Lucia entirely in part to the compliment of qualified and capable staff and the level of dedication which is given to ensure that the financial space in Saint Lucia is protected.

The Board of Directors and Management places a high emphasis on continuous professional development. The staff is well supported through opportunities for training as evidenced in the table. During the FY 2020, the Authority invested $43,554 in professional development.

We at the FSRA remains grateful to all the sponsors who continue to provide technical assistance to our officers.

Table 13: Professeional Development for 2019-2020

APPENDIX

MONEY SERVICES BUSINESS

Type of Loan	Number of Loans	Total Amount
Personal	6584	30,388
Business	1080	5,508
Agriculture	0	0
Vehicle	1021	14,498
Education	1635	5,212
Medical	1282	4,069
Home Renovation	2638	9,806
Debt Consolidation	561	3,082
Other	9285	34,895
Total	24086	107,458

Table 14: Micro –lenders - Loan Distribution - 2019

	INFLOWS (USD 000)					
	2014	2015	2016	2017	2018	2019
ECCU Region	1,833	2,386	2,537	3,152	4,612	4,817
Non-ECCU/CARICOM	585	4,421	2,220	2,096	2,036	2,208
USA	40,812	48,459	53,840	58,802	55,992	56,523
UK	14,481	15,506	13,865	13,987	14,022	13,948
EURO AREA	6,238	6,624	7,708	6,441	7,223	7,419
Canada	8,997	9,309	10,061	11,478	11,644	11,988
Other	10,632	11,621	11,044	13,838	16,973	16,380
Total	83,578	98,327	101,275	109,792	112,502	113,283

Table 15: Remittance Inflows -2014 - 2019

	OUTFLOWS (USD 000)					
	2014	2015	2016	2017	2018	2019
ECCU Region	1,893	1,679	1,604	1,918	1,705	1,585
Non-ECCU/CARICOM	1,699	2,575	1,976	1,831	1,892	1,835
USA	4,865	5,816	6,497	7,110	6,149	6,446
UK	947	1,041	1,196	1,519	1,441	1,581
EURO AREA	314	464	632	756	666	807
Canada	912	1,038	1,201	1,152	1,222	1,242
Other	5,409	7,219	10,196	8,519	5,967	6,702
Total	16,039	19,831	23,302	22,804	19,042	20,198

Table 16: Remittance Outflows: 2014 - 2019

RETIREMENT CEREMONY

RETIREMENT CEREMONY OF MR. JOHN CALIXTE LEON

RETIREMENT CEREMONY

RETIREMENT CEREMONY OF MR. JOHN CALIXTE LEON

RETIREMENT CEREMONY

RETIREMENT CEREMONY OF MR. JOHN CALIXTE LEON

RETIREMENT CEREMONY

RETIREMENT CEREMONY OF MR. JOHN CALIXTE LEON


Aug
Sep
Oct

AUDITED FINANCIAL STATEMENTS

FINANCIAL SERVICES REGULATORY AUTHORITY
Financial Statements
For the Year Ended March 31, 2020
(Expressed in Eastern Caribbean Dollars)

FINANCIAL SERVICES REGULATORY AUTHORITY
Index to the Financial Statements
For the Year Ended March 31, 2020
(Expressed in Eastern Caribbean Dollars)

REGISTERED OFFICE

6th Floor
Francis Compton Building
Waterfront
Castries

EXECUTIVE DIRECTOR

Mr. John Calixte Leon

DIRECTORS

Mr. Vincent Hippolyte	-	Chairman
Mr. Philip Dalsou	-	Deputy Chairman (Appointed May 5, 2019)
Mr. Marcus Joseph	-	Deputy Chairman (Demitted office May 5, 2019)
Mr. Paul Thompson	-	Director of Financial Intelligence Authority
Mr. Carlton Glasgow	-	Designate of the Eastern Caribbean Central Bank
Ms. Cointha Thomas	-	Permanent Secretary, Ministry of Finance
Mr. Paul Hilaire	-	Director (Demitted office May 5, 2019)
Mr. Cyrus Charles	-	Director (Appointed May 5, 2019)
Ms. Mary Popo	-	Director (Appointed May 5, 2019)
Ms. Marcia Vité	-	Alternate for Permanent Secretary, Ministry of Finance

BANKERS

Bank of Saint Lucia Limited

AUDITORS

PKF St. Lucia

PKF St. Lucia

Tel. (758) 453 - 2340
Tel. (758) 450 - 7777
Fax (758) 451 - 3079
Email: admin@pkf.lc

Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT

To the Directors of the Financial Services Regulatory Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Financial Services Regulatory Authority** (the "Authority"), which comprise the statement of financial position as at March 31, 2020, and statement of income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of *Ethics for Professional Accountants ('IESBA Code')* together with the ethical requirements that are relevant to our audit of the financial statements in St. Lucia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Authority's financial reporting process.

PKF Professional Services Inc., P.O. Box Choc 8245, Meridian Place, Choc Estate, Castries, LC02 801, St. Lucia
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INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- 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.

PKF
Accountants &
business advisers

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

We communicate with the Audit Committee 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.

Chartered Accountants
Castries, St. Lucia
August 20, 2020

FINANCIAL SERVICES REGULATORY AUTHORITY
Statement of Financial Position
As at March 31, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	5	1,166,636	911,894
Prepayments	6	15,094	-
		1,181,730	911,894
Non-current assets			
Plant and equipment	7	52,844	26,695
Intangible assets	8	992	2,185
		53,836	28,880
Total assets		1,235,566	940,774
Liabilities and equity			
Current liability			
Accounts payable and accruals	9	342,922	165,933
Equity			
Contributed capital	10	61,431	61,431
Accumulated surplus		831,213	713,410
Total equity		892,644	774,841
Total liabilities and equity		1,235,566	940,774

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

Director

Director

FINANCIAL SERVICES REGULATORY AUTHORITY
Statement of Income
For the Year Ended March 31, 2020
(Expressed in Eastern Caribbean Dollars)

	Note	**2020** **$**	2019 $
Revenue			
Subventions		**2,369,674**	2,160,000
Administrative and general expenses	**11**	**(2,251,871)**	(2,150,076)
Surplus for the year		**117,803**	9,924

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

FINANCIAL SERVICES REGULATORY AUTHORITY
Statement of Changes in Equity
For the Year Ended March 31, 2020
(Expressed in Eastern Caribbean Dollars)

	Note	2020 $	2019 $
Contributed capital			
At beginning and end of the year	10	**61,431**	61,431
Accumulated surplus			
At beginning of the year		**713,410**	703,486
Surplus for the the year		**117,803**	9,924
At end of the year		**831,213**	713,410
Equity, end of the year		**892,644**	774,841

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

FINANCIAL SERVICES REGULATORY AUTHORITY
Statement of Cash Flows
For the Year Ended March 31, 2020
(Expressed in Eastern Caribbean Dollars)

	Notes	2020 $	2019 $
Cash flows from operating activities			
Surplus for the year		**117,803**	9,924
Adjustment for non-cash items:			
Depreciation and amortisation	**7 & 8**	**23,441**	13,628
Operating surplus before working capital changes		**141,244**	23,552
(Increase)/decrease in prepayments		**(15,094)**	5,599
Increase in accounts payable and accruals		**176,989**	18,342
Net cash generated from operating activities		**303,139**	47,493
Cash flows used in investing activity			
Purchase of plant and equipment	**7**	**(48,397)**	(5,160)
Net increase in cash and cash equivalents		**254,742**	**42,333**
Cash and cash equivalents - beginning of the year	**5**	**911,894**	869,561
Cash and cash equivalents - end of the year	**5**	**1,166,636**	911,894

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

1. Incorporation and principal activity

The **Financial Services Regulatory Authority** (the "Authority"), formerly the Financial Sector Supervision Unit, is a statutory body of the Government of Saint Lucia which was established on April 1, 2011 under the Financial Services Regulatory Authority (FSRA) Act No. 13 of 2011, and commenced operations on January 1, 2014.

The Authority is the single regulatory body which licenses, supervises and regulates financial institutions within the financial sector in Saint Lucia, with the exception of financial institutions licensed under the Banking Act Chap. 12.01 and the Securities Act Chap. 12.18

The Authority's registered office and principal place of business is located on the 6th Floor, Francis Compton Building, Waterfront, Castries, Saint Lucia.

The financial statements were approved by the Board of Directors and authorised for issue on August 20, 2020.

2. Summary of significant accounting policies

(a) Overall policy

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements of the Authority have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) New standards amendments to standards and interpretations

(i) New standards amendments to standards and interpretations effective in 2020 financial year are as follows:

IFRS 16, Leases

The adoption of this new standard did not have a material impact on the Authority's financial statements.

2. Summary of significant accounting policies (cont'd)

(b) New standards amendments to standards and interpretations (cont'd)

(ii) New standards amendments to standards and interpretations that are issued but not effective and have not been early adopted are as follows:

- Amendments to IAS 1, Presentation of Financial Statements – effective for annual periods beginning or after January 1, 2022.
- Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - effective for annual periods beginning on or after January 1, 2020.
- Amendments to IFRS 9, Financial Instruments – effective for annual periods beginning on or after January 1, 2022.

The Authority has not early adopted any of the above amendments to standards or interpretations.

(c) Cash and cash equivalents

Cash and cash equivalents are carried on the statement of financial position at cost. For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with a maturity period of three (3) months or less from the date of acquisition including cash on hand and deposits held on call with banks.

(d) Plant and equipment

Plant and equipment are stated at historical cost net of accumulated depreciation and or impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to allocate the cost of each asset to their residual values over their estimated useful lives as follows:

Furniture	5 - 10 years
Equipment	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal are determined by comparing proceeds with carrying amounts. These are included in the statement of income.

(e) Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Amortisation is calculated using the straight-line method to allocate cost less residual value over the estimated useful life of four (4) years.

2. Summary of significant accounting policies (cont'd)

(f) Impairment of non-financial assets

The carrying amounts of the Authority's plant and equipment are reviewed at each reporting date to determine whether there are any indicators of impairment. If any indicators exist, the asset's recoverable amount is estimated.

The recoverable amount of the asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(g) Accounts payable

Accounts payable are classified as current liabilities if payment is due within one (1) year or less. Accounts payable are initially recognised at fair value and subsequently measured at amortised cost.

(h) Contributed capital

Contributed capital relates to net assets acquired by the Authority at inception.

(i) Revenue recognition

Revenue is recognised on an accruals basis and comprises subvention received from the Government of Saint Lucia.

An annual subvention is approved by Parliament and is included in the Government of Saint Lucia's Estimates of Revenue & Expenditure for the given financial year.

(j) Expenses

Expenses are recognised on an accruals basis.

2. Summary of significant accounting policies (cont'd)

(k) Related party transactions

A party is related to the Authority if:

(i) Directly or indirectly the party:

a. Controls, is controlled by, or is under common control with the Authority:-

b. Has an interest in the Authority which gives it significant influence over the Authority:-

c. Has joint control over the Authority.

ii) The party is a member of the key management personnel of the Authority.

iii) The party is a close member of the family of any individual referred to in (i) or (ii).

iv) The party is a post-employment benefit plan for the benefit of employees of the Authority or anybody that is a related party to the Authority.

(l) Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

(m) Contingencies

Contingent liabilities represent possible obligations and are disclosed in the financial statements unless the possibility of the outflow of resources embodying the economic benefit is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(n) Subsequent events

Post year-end events that provide additional information about the Authority's position at the reporting date (adjusting events) are reflected in the Authority's financial statements. Material post year-end events which are not adjusting events are disclosed.

(o) Comparatives

Where necessary, comparatives have been adjusted to conform with changes in the presentation in the current year.

3. Critical accounting estimates and judgments

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses as below:

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable asset at each reporting date, based on the expected utility of the assets. The estimated useful life of each asset is updated if expectations differ significantly from previous estimates due to physical wear and tear, or other limits in the use of the asset.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indications exists, these asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use or its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

An impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount.

Impairment losses are recognised in the statement of income.

4. Financial risk management

In accordance with the provisions of International Financial Reporting Standard No. 7, disclosures are required regarding credit risk, liquidity risk, market risk, fair value of financial instruments and capital management.

(a) Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Authority. The Authority's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

The financial assets which may potentially expose the Authority to concentrations of credit risk consist of cash and cash equivalents. The Authority places its deposits with a reputable financial institution and as such, management does not believe that significant credit risk exists as at March 31, 2020.

4. Financial risk management (cont'd)

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet contractual obligations. Management reviews cash flow forecasts on a regular basis to determine whether the Authority has sufficient cash reserves to meet future working capital requirements. The Authority has sufficient cash resources to meet all contractual obligations which are expected to be settled within the next year. As such, management does not believe that significant liquidity risk exists as a March 31, 2020.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest and foreign exchange rates will affect the value of the Authority's assets, the amount of its liabilities and/or the Authority's income. The Authority has minimal exposure to interest rate risk as it has no significant interest-bearing financial assets or liabilities. The Authority also has minimal exposure to foreign exchange risk as the majority of its foreign transactions are undertaken in its functional currency, the Eastern Caribbean Dollar.

(d) Fair value of financial instruments

Fair values represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and are best evidenced by quoted market values, if they exist. None of the Authority's financial assets or liabilities are publicly trading and management believes their carrying amounts approximate their fair values.

(e) Capital management

The Authority's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to collect funds on behalf of the Government of Saint Lucia. In order to maintain or adjust its capital structure, the Authority may adjust its levels of expenditure.

5. Cash and cash equivalents

	2020	2019
	$	$
Cash on hand	**500**	500
Cash at bank	**1,166,136**	911,394
	1,166,636	911,894

6. Prepayments

	2020	2019
	$	$
Prepaid expenses	**15,904**	-

7. Plant and equipment

	Furniture	**Equipment**	**Total**
	$	**$**	**$**
As at March 31, 2018			
Cost	77,483	81,911	159,394
Accumulated depreciation	(59,471)	(66,075)	(125,546)
Net book values	18,012	15,836	33,848
For the year ended March 31, 2019			
Opening net book value	18,012	15,836	33,848
Additions during the year	2,210	2,950	5,160
Depreciation charge for the year	(5,073)	(7,240)	(12,313)
Closing net book values	15,149	11,546	26,695
As at March 31, 2019			
Cost	79,693	84,861	164,554
Accumulated depreciation	(64,544)	(73,315)	(137,859)
Net book values	15,149	11,546	26,695
For the year ended March 31, 2020			
Opening net book value	**15,149**	**11,546**	**26,695**
Additions during the year	**-**	**48,397**	**48,397**
Depreciation charge for the year	**(5,364)**	**(16,884)**	**(22,248)**
Closing net book values	**9,785**	**43,059**	**52,844**
As at March 31, 2020			
Cost	**79,693**	**133,258**	**212,951**
Accumulated depreciation	**(69,908)**	**(90,199)**	**(160,107)**
Net book values	**9,785**	**43,059**	**52,844**

8. Intangible assets

	Computer software $
As at March 31, 2018	
Cost	8,326
Accumulated amortisation	(4,826)
Net book values	3,500
For the year ended March 31, 2019	
Opening net book value	3,500
Amortisation charge for the year	(1,315)
Closing net book values	2,185
As at March 31, 2019	
Cost	8,326
Accumulated amortisation	(6,141)
Net book values	2,185
For the year ended March 31, 2020	
Opening net book value	**2,185**
Amortisation charge for the year	**(1,193)**
Closing net book values	**992**
As at March 31, 2020	
Cost	**8,326**
Accumulated amortisation	**(7,334)**
Net book values	**992**

9. Accounts payable and accruals

	2020	2019
	$	$
Gratuity payable	**228,031**	108,031
Vacation accrual	**71,859**	-
Accounts payable	**34,782**	49,152
Other payables	**8,250**	8,750
	342,922	165,933

The accounts payable amount represents outstanding utility payments, audit fees and other payments due to suppliers.

10. Contributed capital

	2020	2019
	$	$
Plant and equipment	**87,093**	87,093
Gratuity payable	**(25,662)**	(25,662)
	61,431	61,431

These amounts represent balances assumed by the Authority from the Financial Sector Supervision Unit on the assumption of the corresponding responsibilities.

11. Administrative and general expenses

	Notes	2020 $	2019 $
Salaries and benefits		**1,793,409**	1,663,592
Gratuity		**120,000**	120,000
Utilities		**107,922**	116,342
Board stipends and appeals tribunal		**48,750**	48,466
Office and general expenses		**47,240**	55,819
Travel and subsistence		**26,114**	35,472
Depreciation and amortisation	7,8	**23,441**	13,628
Grants and contributions (subscriptions)		**21,125**	16,436
Training		**17,440**	26,801
Communications		**10,950**	10,622
Hosting and entertainment		**9,322**	6,354
Public relations		**9,018**	10,668
Audit fees		**8,375**	8,225
Bank charges		**2,787**	1,501
Board expenses		**2,424**	3,383
Maintenance		**1,866**	1,391
Legal and professional expenses		**1,688**	6,889
Advertisements		**-**	4,487
		2,251,871	2,150,076

12. Related party transactions

Key management compensation

	2020 $	2019 $
Salaries and other benefits	**533,903**	665,904
Board stipends	**48,750**	43,250
	582,653	709,154

During the year, the Authority collected funds totaling $1,588,707 (2019 - $1,657,110) on behalf of the Government of Saint Lucia for license fees, fines and forfeitures from the financial services sector, in keeping with Section 39 of the FSRA Act No. 13 of 2011.

13. Taxation

In accordance with Section 32 of the Financial Services Regulatory Authority Act No. 13 of 2011, the Authority is exempt from the payment of taxes, levies, duties and fees on income, property and documents.

14. Subsequent events

The COVID-19 pandemic was on-going at the time the financial statements were authorised for issue. As a result, management is unable to make a conclusive assessment of the overall impact of the pandemic on the Authority's operations.

NOTES

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