



# ANNUAL REPORT

# 2015



## **OUR VISION**

“To become a world class financial services regulator.”

## **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**

The following comprise its value proposition:

- 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;
- 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;
  - The stable and secure financial markets;
- The competitive and innovative financial markets (including a choice of organizational options);
  - Proportionate, risk-based regulations;
  - Prudential supervision and enforcement;
- The management responsibilities (including the maintenance of adequate financial and managerial resources); and
- The application of ethical conduct at all levels of the regulated entity.

# TABLE OF CONTENTS

<i>BOARD OF DIRECTORS</i>	<i>04</i>
<i>MANAGEMENT TEAM</i>	<i>07</i>
<i>ORGANIZATIONAL CHART</i>	<i>10</i>
<i>CHAIRMAN'S MESSAGE</i>	<i>11</i>
<i>EXECUTIVE DIRECTOR'S REPORT</i>	<i>13</i>
<i>SECTOR REPORTS</i>	<i>19</i>
<i>FINANCIAL PERFORMANCE ANALYSIS</i>	<i>37</i>
<i>REPORT FROM THE EXTERNAL AUDITOR</i>	<i>40</i>
<i>AUDITED FINANCIAL STATEMENTS</i>	<i>41</i>

# BOARD OF DIRECTORS

**Vincent  
Hippolyte**  
Chairman



**Marcus Joseph**  
Deputy  
Chairman



**Reginald Darius**  
Director



**Paul Hilaire**  
Director



**Paul Thompson**  
Director



**G. Carlton  
Glasgow**  
Director



# BOARD OF DIRECTORS



## VINCENT HIPPOLYTE

VINCENT HIPPOLYTE was appointed Chairman of the Financial Services Regulatory Authority (FSRA) on April 15, 2013. Mr. Hippolyte has wide experience in the management field. He started as a Business Economist and later assumed management level positions in several organisations. Besides his management career, he has held Chairmanships of boards of directors of the St. Lucia Free Zone Management Authority and the Eastern Caribbean Civil Aviation Authority. He has also held the position of director on the Boards of Directors of the St. Lucia Tourist Board; Anchorage Investments Ltd; St. Lucia Marine Terminals Ltd.; OAS Executive Board Committee on Ports, among others; and has also sat on a number of committees in Saint Lucia and in the region.

Mr. Hippolyte was the former Chief Executive Officer of St. Lucia Marine Terminals Limited, St. Lucia Air and Seaports Authority (SLASPA) and the Anguilla Air & Sea Ports Authority. He was also a consultant who has had engagements with the World Bank, UNDP, DFID financed consultancy for Montserrat, and consultancies in the islands of Dominica, St. Vincent & the Grenadines, St. Kitts, Antigua and Montserrat. Mr. Hippolyte is currently the Managing Director of the Water and Sewerage Company (WASCO), and besides being the Chairman of the FSRA, he is a director on the Board of Directors of the Caribbean Corporate Governance Institute based in Trinidad and of the Vielle Ville Development Company Inc.



## MARCUS JOSEPH

MARCUS JOSEPH was appointed as Deputy Chairman of the Financial Services Regulatory Authority on April 15, 2013. Mr. Joseph is a Certified General Accountant who served as the Group Financial Controller of the East Caribbean Financial Holding (ECFH). Mr Joseph is also a lawyer and currently holds the post of Divisional Manager – Finance of Goddard Group St Lucia which includes the M&C Group of Companies and Peter & Company Limited.



## DR. REGINALD DARIUS

DR. REGINALD DARIUS was appointed as a Director of the Financial Services Regulatory Authority on April 15, 2013. Dr. Darius assumed his current position as the Permanent Secretary, Ministry of Finance, Economic Affairs and Social Security of the Government of Saint Lucia in August 2012. Prior to his current appointment, Dr. Darius was a Senior Economist at the International Monetary Fund (IMF). During his seven year tenure at the IMF, Dr. Darius served in various capacities across a number of departments including the African, the Strategic Policy and Review (SPR), and the European departments. Dr. Darius was also previously employed as an Economist with the Eastern Caribbean Central Bank (1996-1999), Director of Budget and subsequently Director of Finance in the Ministry of Finance (2000 - 2002). Dr. Darius is an expert on macroeconomic policy issues and is a strong advocate for fiscal discipline and structural reforms. He has published in a number of international journals in the areas of, fiscal and monetary policy, exchange rate regimes and unemployment. Dr. Darius received his PHD from the University of Warwick, (2006) and Masters Degree (Economics) from University of Cambridge.

# BOARD OF DIRECTORS



## G. CARLTON GLASGOW

G. CARLTON GLASGOW was appointed a Director of the Financial Services Regulatory Authority on May 31, 2013, designated by the Eastern Caribbean Central Bank. Mr. Glasgow is a former senior manager of Barclays Bank PLC having served in that capacity in the Region, including the Regional Head Office in Barbados. He was appointed Managing Director of 1st National Bank St. Lucia Limited (formerly St. Lucia Co-operative Bank Limited) on 19th June 2000 and retired in December 2012. His tenure there, would unfold a series of 'firsts' engineered through his many years of experience and complete understanding of the local, regional and international banking environment.

Mr. Glasgow brings valuable banking experience to the Board of Directors."



## PAUL HILAIRE

PAUL HILAIRE was appointed as a Director of the Financial Services Regulatory Authority on April 15, 2013. He is a career Civil Servant who has worked with Customs, Ministry of Trade and Ministry of Finance and Economics. Mr. Hilaire holds a BSc in Economics & Management from the University of the West Indies and MSc. in Financial Economics from the University of London School of Oriental and African Studies (SOAS).

Following his tenure with government he joined the private sector as the first CEO of the Free Zone Management Authority in Saint Lucia. He later became the COO of WIBDECO – the company responsible for exporting bananas from the Windward Islands to Europe.



## PAUL THOMPSON

PAUL THOMPSON was appointed as a Director of the Financial Services Regulatory Authority on April 15, 2013. Mr. Thompson is the current Director of the Financial Intelligence Authority, and a certified professional in anti-money laundering. Before his current position, Mr. Thompson served as a Senior Crown Counsel in the Attorney General's Chamber, Legal Officer of the Ministry of Planning, Legal Officer and Prosecutor for the Development Control Authority, Deputy Registrar of Lands, and an Associate at Monplaisir and Company Chambers.

Mr. Thompson has also served on the following Boards and Committees: the CFATF Review Committee, the White Collar Crime Task Force, the National Security Council, the Development Control Authority, the Government Central Tenders Board, St. Lucia Solid Waste Management Board, the Road Transport Board, the Engineers Registration Board and the National Research Development Foundation (NRDF).



## HAROLD RUSSEL

HAROLD RUSSEL was appointed as a Director of the Financial Services Regulatory Authority on April 15, 2013. He is a former president of the Association of Trinidad and Tobago Insurance Companies, and was well known for his insurance consultancy work in Saint Lucia. He also previously worked with the Ministry of Finance, where he shared his vast insurance expertise with the Department of the Registrar of Insurance.

Mr. Russel resigned as a member of the Board of Directors with effect from September 29, 2014.

# EXECUTIVE MANAGEMENT



**JOHN CALIXTE LEON**  
Executive Director

JOHN CALIXTE LEON was appointed as Executive Director of the Financial Services Regulatory Authority on August 01, 2013. Mr. Leon joined the Ministry of Finance as an Economist in 1985. After a reasonably successful tenure there he was seconded to the Saint Lucia Air and Sea Ports Authority as Head of Economics and Promotions in 1995. In June 1996 however, he was recalled to the Ministry

of Finance as Deputy Director, Fiscal Policy Division and was instantly assigned the additional function of Registrar of Insurance which he held until January 2003. In April 1998, Mr. Leon was appointed Director of Research, Development and Policy in the Ministry of Finance and Planning, a position he held until January 2003.

After a long tenure in Finance, Mr. Leon was transferred to the Ministry of External Affairs and International Trade as External Trade Advisor. There he became Saint Lucia's lead negotiator for the Doha Development Agenda (WTO), Free Trade Area of the Americas (FTAA); The EU Economic Partnership Agreement, and the Caribbean Single Market and Economy. Mr. Leon also had the distinction of serving as Alternate Negotiator in market access for goods with the Caribbean Negotiating Machinery (CRNM) during that period.

Mr. Leon returned to the Ministry of Finance in his present position with the Financial Services Supervision Unit in August 2008. He also resumed his earlier role of Registrar of Insurance presiding over the turbulent period of the collapse of CL Financial and BAICO and CLICO International Life. He is highly respected by the Insurance Industry in Saint Lucia having been responsible for the early implementation of the Insurance Act of 1995 and now instrumental in reshaping / refining the "Harmonised Insurance Act" in Saint Lucia. His stewardship in Insurance Regulation has been characterized by strict enforcement of the Regulatory provisions and helping steer the local industry with International best practice.

Mr. Leon was awarded the Saint Lucia les Pitons Medals, silver, in 2014 for outstanding work in economics, insurance and trade.

# MANAGEMENT TEAM



## NATHALIE DUSAUZAY

NATHALIE DUSAUZAY worked with the Ministry of Finance for seven years prior to being appointed to the post of Senior Manager of the Financial Services Regulatory Authority (FSRA) on January 01, 2014. During her tenure at the Financial Services Supervision Unit (FSSU), Ministry of Finance, she served as Deputy Director. She also served as Registrar of Insurance during the transitional period of the FSSU to the FSRA. Mrs. Dusauzay gained her experience as an auditor by working with Deloitte and Touche, France and KPMG, Martinique.

Mrs. Dusauzay holds an MBA, a Master's degree in Finance (France) and is a member of the Association of Chartered Certified Accountants (ACCA), UK.



## HEMISH LESMOND

HEMISH LESMOND was appointed as the Legal Officer and Corporate Secretary of the FSRA on August 12, 2014. Prior to working at the FSRA, Mr. Lesmond worked in the International Financial Services sector with PKF Corporate Services Ltd. He also gained significant experience in Financial Services, having worked as a Financial Services Regulator for 6 years with the Financial Services Supervision Unit (FSSU). Mr. Lesmond also gained experience as a banker by working with Barclays Bank PLC. London, England.

Mr. Lesmond holds a degree in Economics with Law, and a Post Graduate Diploma in Law, as well as the Bar Vocational Course of England and Wales. Mr. Lesmond is an Attorney at law, who is registered on the Roll of Attorneys at Law, and is entitled to practise as an Attorney at Law.



## HUBERT DELIGNY

HUBERT DELIGNY was appointed as an Insurance Supervisor of FSRA on January 01, 2014. Mr. Hubert Deligny has worked in insurance supervision and regulation since 2007 when he joined the Financial Sector Supervision Unit which was then a unit under the Ministry of Finance. Presently, he supervises the Insurance and Pension Department. His overall responsibilities include supervision of Insurance companies, Brokers, Agents, Salesmen and Pension Fund Plans.

Mr. Deligny holds a Bachelor of Science in Applied Accounting and is a member of the Association of Chartered Certified Accountants (ACCA).



## GERMAINE ISAAC

GERMAINE ISAAC has been employed with the FSRA since June 2014. Prior to her engagement with the Authority, Miss Isaac was employed in the capacity of Acting Accountant at the St. Jude Hospital, Vieux-Fort, where she served as part of the Senior Management Team. She also has fifteen years of banking experience having worked with the then National Commercial Bank of Saint Lucia for eight years and RBTT Bank Caribbean for seven years.

Miss Isaac is a Certified Accounting Technician (CAT), UK, and is currently enrolled in the ACCA/MBA Finance & Financial Management Program, with the London School of Business and Finance.



# OUR STAFF

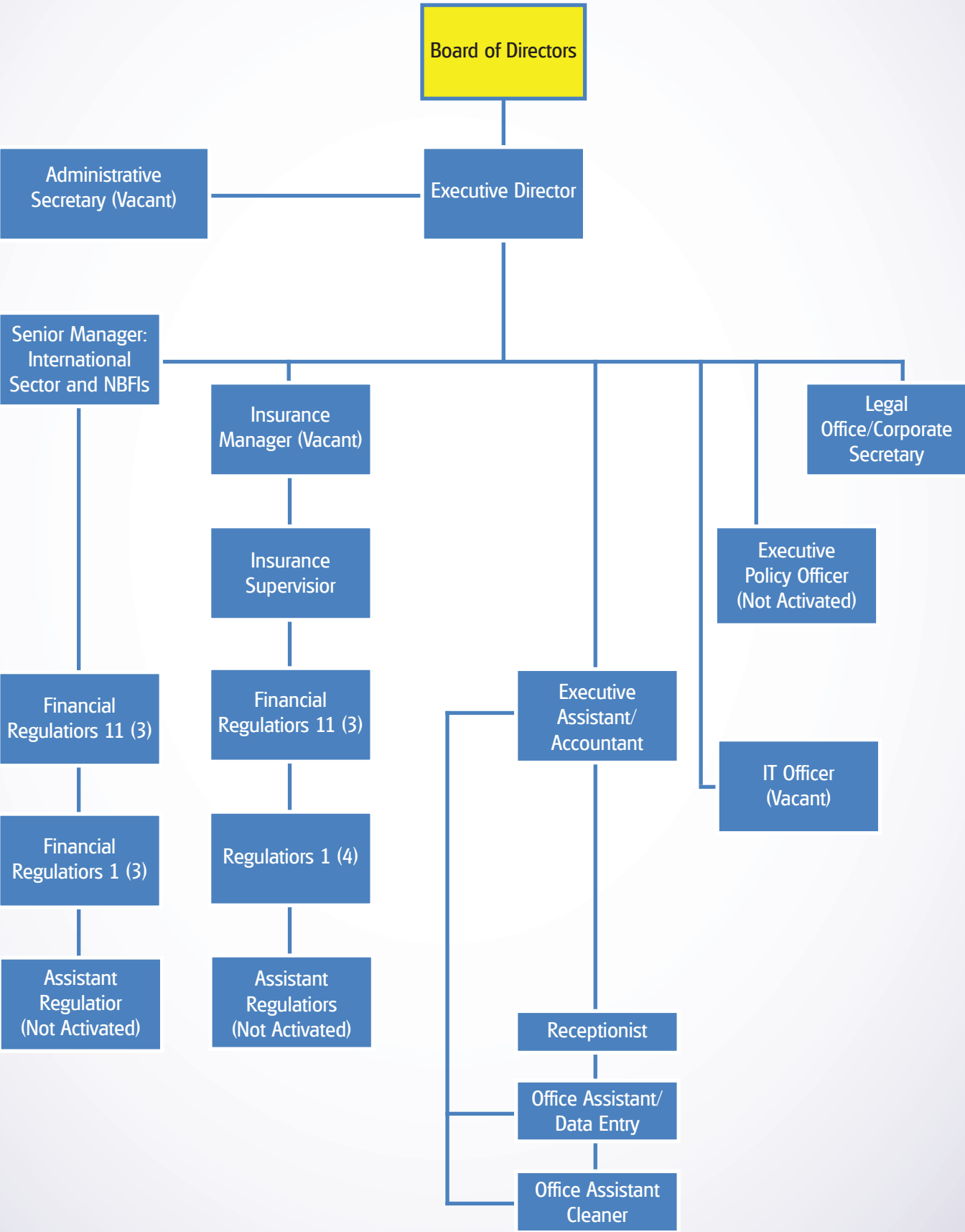


Back Row Left to right: Hubert Deligny, Curtis Paul, Shelevon Jean, Germaine Maxwell, Hannah McDonald, Hemish Lesmond, Cuby King

Middle Row Left to right: Tyller Jules, Sancha Gervais-Victor, Flavienne Smith, Astrid Augustin, Francine Felicien, Nathalie Dusauzay;  
Kerline Sylvester, Suzanne James, Ayanna Caesar

Front Row Left to right: Krysta Anthony, Germaine Isaac, Disraeli James, Stephanie Gustave

# ORGANISATIONAL CHART



# CHAIRMAN'S MESSAGE



**VINCENT HIPPOLYTE**  
Chairman

The Financial Services Regulatory Authority ("FSRA") was established by the Financial Services Regulatory Authority Act No. 13 of 2011, to regulate and supervise the international and non-bank financial services sector. The International Financial Services sector is made up primarily of the international insurance and banks sectors, and the non-bank financial services sector which comprises the domestic insurance sector, credit unions and money services business providers.

Prior to the commencement of operations of the FSRA in January 2014, the international and non-bank financial services industry was regulated and supervised by the Financial Services Supervision Unit and the Cooperatives Department of the Ministry of Finance. As such, the FSRA is effectively a merger of two units into a single regulatory authority. This merger enabled a single more efficient and effective structure for the oversight of the entire non-bank financial services sector.

In the inaugural year of the FSRA, the primary effort was towards realising the optimum complement of staff for the proper functioning of the Authority. The total staff complement was nineteen (19) of which nine (9) were new to the industry.

In the wake of the CLICO International Life Insurance Limited (CIL) and British American Insurance (BAICO) collapses, the insurance sector has seen the return to a relative state of normality in the past year. During that period, it became necessary to have cancelled the licenses of two (2) insurance brokers, in order to protect the public interest. There was the voluntary cancellation of a license by one (1) insurance company. Despite those cancellations, the general outlook for the sector is promising. The Insurance Council of Saint Lucia and the FSRA maintained a productive relationship and will continue to sustain that relationship to ensure the attainment of the industry's highest regulatory and prudential standards.

In the credit union sector, the FSRA continued the work which started with the Legislative Drafting Unit on the review of the Cooperatives Societies Bill. This regional Eastern Caribbean Currency Union (ECCU) harmonized Bill will enable efforts to achieve good corporate governance practices in the sector. Saint Lucia is now in the final

# CHAIRMAN'S MESSAGE

stages of the review of the Bill to facilitate its enactment in the near future.

Given the many challenges in the regulatory environment both locally and sub-regionally, and the external pressures for compliance with evolving world standards and best practices, the FSRA has made the necessary amendments to existing legislations, and continues to remain compliant with the ever evolving world standards and international best practices.

A prime example of the new paradigm is the United States Foreign Account Tax Compliance Act (FATCA). Saint Lucia has made the adjustments to comply with the requirements and is ready to sign the FATCA Agreement with the United States (US). Saint Lucia will in fact be the first island in the ECCU to sign a Model 1A Inter-governmental agreement with the United States. This progressive step means that the financial institutions will submit tax information through the Competent Authority (the Inland Revenue Department) rather than having to interface directly with the Internal Revenue Service of the US. The mutually beneficial provision allows Saint Lucia's Inland Revenue Department to receive tax information from the US Inland Revenue Service, automatically.

The FSRA has positioned Saint Lucia as a world class financial jurisdiction and will continue in its efforts to maintain that status. There has been several endorsements of the island's favourable status on social media websites, by International Bankers.

There continues to be steady growth in applications for licenses to establish international insurance companies and incorporated cells. There has also been growth in the number of local professionals, specifically lawyers, becoming involved in the industry by becoming Registered Agents and Trustees. The local professionals have benefitted by strategically aligning themselves with financial services intermediaries both in the CARICOM region and beyond.

As a jurisdiction, Saint Lucia will receive significant Global Exposure by positioning itself to host the Society of Trust and Estate Practitioners (STEP) conference. This conference, which will take place in 2016 has been organised by STEP, Saint Lucia Branch, and is expected to host a significant number of international and regional trust professionals such as financial advisors, lawyers and accountants. Saint Lucia will also be hosting the annual conference of the Organisation of Eastern Caribbean States (OECS) Credit Union Regulators in August 2015. There is

further consideration of Saint Lucia to be the host of the Caribbean Association of Insurance Regulators (CAIR) and the Caribbean Association of Pension Fund Supervisors (CAPS) conferences in 2017.

In the FSRA's continuing efforts to maintain Saint Lucia as a world class international financial services centre, the commitment and dedication of its highly qualified staff and the hard work of industry partners at the International Financial and World Investment Centre (Pinnacle) and Registered Agents and Trustees, remain critical.

As the FSRA completes its first year of existence, the Board of Directors wishes to thank the staff for their efforts and professionalism, and to encourage them to continue to strive to maintain Saint Lucia's status as a clean, safe and reputable jurisdiction for international financial services investors.



Vincent Hippolyte

# EXECUTIVE DIRECTOR'S REPORT



**JOHN CALIXTE LEON**  
Executive Director

I am honored to report to you on the affairs of the Financial Services Regulatory Authority (FSRA) in this inaugural annual report. The FSRA was established through the enactment of the Financial Services Regulatory Authority Act, No. 13, 2011 (FSRA Act) and commenced operations in January of 2014, ending the transitional arrangement under Section 48 of the FSRA Act. The FSRA is currently the single regulatory body which licenses, supervises and

regulates the operations of the financial sector, excluding financial institutions licensed under the Banking Act, in St Lucia. The statutory body assumed the responsibilities of the Financial Sector Supervision Unit (FSSU) and the credit union division of the Department of Co-operatives within the Ministry of Finance. Additionally, the FSRA regulates the Saint Lucia Development Bank (SLDB).

The creation of a Single Regulatory Authority is an historic achievement for St Lucia. This report is prepared in compliance with the reporting obligations under the FSRA Act and covers the period from inception to March 31, 2015. We take the opportunity also to inform our industry partners and other stakeholders of highlights of the FSRA's activities during the period under review.

The fiscal year 2014-2015 has been a transitional period for the FSRA with our attention focused on ensuring that the FSRA is fully operational, appropriately staffed, equipped, and functional, while ensuring that we maintain a high level of supervision.

Notwithstanding the less than favourable economic outturn, the financial sector for its part continues to be resilient. The financial services landscape in St Lucia and the ECCU is becoming increasingly complex. Therefore, the need for increased regulatory oversight is paramount and the role of the regulator has now taken a new dimension. It is imperative that the FSRA adapts to the challenges of the new and emerging characteristics of a modern Financial Services Industry. Consequently, the FSRA continues to review its strategies and operations to ensure that they are responding to the current global, technological and economic situation.

The establishment of the FSRA as the Single Regulatory Authority has certainly strengthened the regulatory regime

# EXECUTIVE DIRECTOR'S REPORT

in Saint Lucia. A strong supervisory agency means a stronger financial services sector, which would invariably benefit all practitioners, investors and customers.

## **Objectives of the FSRA**

The objects of the Authority are —

- the maintaining of public confidence in the financial system operating in Saint Lucia;
- the promoting of public understanding and awareness of the financial system operating in Saint Lucia including the awareness of the benefits and risks associated with different kinds of investments or other financial dealings and the provision of appropriate information and advice; and
- the securing of the appropriate degree of protection for consumers having regard to-
  - the differing degrees of risk involved in different kinds of regulated services;
  - the differing degrees of experience and expertise that different consumers may have in relation to different kinds of regulated services;
  - the needs that consumers may have for advice and accurate information; and
  - the general principle that consumers should take responsibility for their decisions.

The FSRA has responsibility for the administration of the following pieces of legislation:

- Insurance Act, Chapter 12.08
- International Insurance Act, Chapter 12.15
- International Banking Act, Chapter 12.17
- International Mutual Funds Act, Chapter 12.16
- Co-operative Societies Act, Chapter 12.06 (credit unions only)
- Registered Agent and Trustee Licencing Act, Chapter 12.12
- Money Services Business Act, No.11 of 2010
- Saint Lucia Development Bank Act No.12 of 2008

## **Strategy and Work Plan**

The FSRA's Strategic Plan was jointly developed by the board of directors and management. Management is charged with identifying and allocating the resources required to execute the strategic actions in order to achieve the mandate of the board.

The mission of the FSRA is to maintain the integrity of the financial sector through the efficient and effective

administration of the laws and regulations, application of best international standards and practices, and effective supervision of registered entities operating in the sector. Since inception the FSRA has been executing its strategy and work plan which is an evolution of the strategy and work plan for 2010–2013 of the FSSU, adjusted to take account of the recommendations by various internal and external stakeholders. The recommendations are the outcome of a strategic review initiated by the management of the FSRA during the interim transition period.

In addition, the strategy has been shaped significantly by the board's assessment of environmental challenges facing FSRA. These challenges include: Economic developments in the national and global economies; the challenges of recruiting, training and retaining human capital; rapid technological changes and Legislative / Regulatory reform.

Strategic actions for the 2014/2015 fiscal year included:

- Operationalizing the FSRA
- Pursuance of a safe and sound financial system
- Creation of a flexible, efficient and effective legal and regulatory framework
- Establishment of Corporate Governance
- Strides towards products and service excellence
- Pursuance of leveraging technologies
- Ensuring an adequate, competent & highly motivated staff
- Pursuit of reliable, accurate, and timely management information through enhanced internal controls
- Strategic Insurance Initiatives:
  - Harmonized Insurance Act
  - Uniform Insurance Reporting Forms
  - Increased On-site Inspection of Insurance Companies
  - Ensuring Compliance with the AML Act
- Strategic Credit Union Sector Initiatives:
  - Harmonized Cooperative Societies Act
  - Uniform Credit Union Reporting Forms
  - Increased On-site Inspection of Credit Unions
  - Ensuring Compliance with the AML Act

## **REGULATORY CAPACITY**

As a result of its wider mandate, the FSRA is staffed with a complement of highly qualified and experienced personnel. In 2014, the staff complement of the Authority was increased from five (5) to fourteen (14) regulators.

# EXECUTIVE DIRECTOR'S REPORT

In addition, as prescribed by the Act, qualified board members were appointed.

The FSRA continues to prioritize staff development by providing continuous training for staff members. A number of external workshop/training opportunities were afforded to staff in areas which included (but not limited to) pension supervision, insurance supervision, marketing of captive insurance and financial soundness indicators. These workshops/ trainings were provided from numerous agencies including Caribbean Regional Technical Assistance Centre, CAIR and CAPS. The FSRA also provides on-going internal training to equip staff members with the necessary competencies for the discharge of their on-going regulatory and supervisory responsibilities.

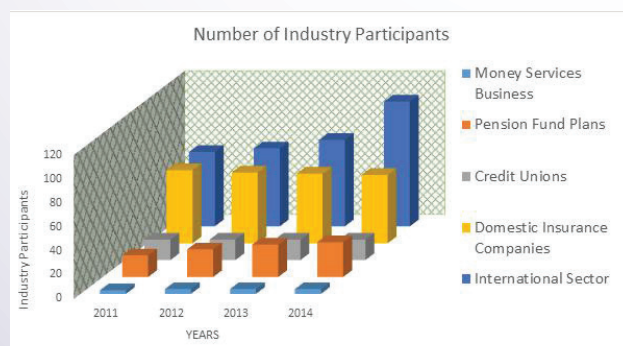
## OPERATIONAL EFFICIENCIES

Recognizing that standard procedures should be in place to effectively discharge its mandate, the FSRA worked diligently in its first year to improve its operational guidelines and procedures. Thus, regulatory guidelines already in place at the FSSU were adopted by the FSRA and updated. Additionally, the FSRA is concentrating on developing guidelines and procedures with respect to the credit union sector.

The development of a risk based supervisory framework by the FSRA began in the period under review with technical assistance from CARTAC. Additionally, the Commonwealth Secretariat will be providing technical assistance for strengthening regulatory and supervisory capacity in insurance in the upcoming financial year.

In keeping with the assumption of full accounting responsibilities by the FSRA, an accounting framework was established. Furthermore, a change in the procedure for remittance of deposits of fees and charges to the Authority, from the Treasury Department to a local bank, has been adopted. A Staff Handbook outlining the policies, procedures and practices pertaining to human resource management at the FSRA has been approved by the board.

## OVERVIEW OF INDUSTRY PARTICIPANTS



As at December 31, 2014, the total number of entities regulated by the FSRA stood at 440 representing an increase of 7.6% over the previous year.

## International Sector

The increase in the number of regulated entities by the FSRA was occasioned primarily from the outturn in the international sector. There was a more than two fold growth in registered Incorporated Cells (ICs) from twelve (12) in 2013 to thirty-two (32) in 2014. The number of International Insurance Companies (IICs) increased by 6% to thirty-five (35), the number of registered Incorporated Cell Companies (ICCs) remained at six (6), the number of International Mutual Companies increased by 58% to nineteen (19) and the number of International Banks increased by 33% to twelve (12).

## Domestic Sector

The number of licensed domestic insurance entities remained relatively stable at fifty-seven (57). The registration of one broker was cancelled as a result of unacceptable market behaviour. One insurance agent voluntarily surrendered its licence while two of the largest brokers merged and a new broker was registered. The number of licensed domestic insurance companies remained at twenty six (26).

The number of Money Service Business providers and Credit Unions remained stable, at four (4) and seventeen (17) respectively from the previous year.

## LEGISLATIVE UPDATE

In an effort to remain competitive and expand the regulatory framework of the FSRA Saint Lucia's suite of International and non-bank financial services legislation is periodically updated. Accordingly, the FSRA, was instrumental in proposing amendments to the following pieces of legislation:

- International Tax Cooperation (Amendment) Act 2013
- Insurance Premium Tax (Amendment) Act 2014
- Money Services Business (Amendment) Act 2014

In addition the FSRA is working with stakeholders on the following proposed amendments:

- Draft Cooperatives Societies Act (new regional harmonized legislation)
- Draft Insurance Appeals Tribunal Regulations

# EXECUTIVE DIRECTOR'S REPORT

(proposed Regulations to guide the Tribunal members on the Appeals process)

- Draft amendments to the Financial Services Regulatory Authority Act No. 13 of 2011 (amendments to address deficiencies in the Act).
- Draft amendments to Money Services Business Act 2014 (exemption from the payment of annual licence fees for not for profits micro lenders).

## **REGIONAL AND INTERNATIONAL CONTEXT**

The Caribbean region's interconnectedness to, and dependency on the international region has led to an increased level of exposure to the contagious effects of the global financial crisis of 2008. The demise of two of the Caribbean's largest insurance conglomerates, CLICO and BAICO was primarily due to the collapse of the mortgage/real estate market in the United States, in which these companies had invested heavily. However, many have attributed the main cause of the CLICO/BAICO debacle to the lack of appropriate and effective regulatory frameworks as it relates to conglomerates operating within the region, such as CLICO. In light of this, Saint Lucia along with the rest of the Eastern Caribbean has focused on deeper regional integration and collaboration. The various regulatory bodies have made substantial strides as it pertains to information sharing especially among interconnected financial institutions.

*Other advances made to date include:*

### **1. The establishment of Independent Financial Service Commissions/ Authorities**

Along with other regions, Saint Lucia has established the Financial Services Regulatory Authority (FSRA), a statutory body, to serve the country's entire financial sector.

### **2. Uniform Insurance Reporting Forms**

A new reporting requirement that is common to all jurisdictions, as part of a harmonised approach by the Eastern Caribbean Currency Union (ECCU) to eliminate the need for companies to prepare accounts in different formats for each jurisdiction within which they operate.

### **3. Compliance with the Anti-Money Laundering (Prevention) Act**

The legislations and guidelines governing the various sectors regulated by the FSRA have made provisions for compliance with Anti Money Laundering procedures. A new Money Laundering (Prevention) Act was enacted

in 2010. This new AML Act requires even insurance companies to be aware of and implement the various provisions of the Act and to remain fully compliant at all times.

### **4. Increased Number of On-Site Inspections**

The FSRA has taken a more proactive approach to regulation through an increase in onsite inspections. These inspections focus heavily on risk governance and management. They may be conducted after a review of submitted financial statements and cited areas of non-compliance.

It is necessary that Saint Lucia be aligned with international best practices and remain compliant with the plethora of international standards which currently exist. In this regard, the FSRA, along with other governmental agencies (i.e. the Inland Revenue Department, Financial Intelligence Authority and the Attorney General's Chambers) play a significant role in the implementation of the provisions of FATCA, and other OECD and CFATF directives.

## **FATCA**

On March 18, 2010 the US Government enacted FATCA to combat tax evasion by US persons holding investments in offshore accounts. FATCA requires Foreign Financial Institutions (FFIs) to report directly to the US Internal Revenue Service (IRS) information on assets held by:

1. US taxpayers, or
2. Foreign entities in which US taxpayers hold substantial ownership interest

The US Treasury Department has issued three model intergovernmental agreements (IGAs); Model 1A, Model 1B and Model 2. The ECCU member governments as part of ensuring regional compliance with FATCA have adopted the IGA Model 1A. The Model 1A IGA allows for two way automatic exchange of information between the governmental agency and the IRS. Thus, financial institutions must submit all FATCA-related information to their respective Inland Revenue Departments/Competent Authority for onward submission to the IRS. However, it is noteworthy that only Saint Lucia can pursue the signing of the reciprocal IGA Model 1A at this time, as it is the only island in the region who's Tax Information Exchange Agreement (TIEA) meets all the conditions for this model. The other ECCU members are currently pursuing the IGA Model 1B but working towards an IGA model 1A.



# EXECUTIVE DIRECTOR'S REPORT

A draft FATCA Bill was developed by the ECCU grouping (representatives from the AG's Chambers) to enact the provisions of the IGA. Saint Lucia is ready to sign the IGA and subsequent to the signing of the IGA, the FATCA Bill will be enacted. All financial institutions must report by September 30, 2015 data for the year 2014.

## **OECD**

The OECD Global Forum is charged with the comprehensive monitoring and peer review of the implementation of the standards of transparency and exchange of information for tax purposes. All members of the Global Forum are being reviewed and this process is undertaken in two phases. The Phase I Review assesses the quality of a jurisdiction's legal and regulatory framework for exchange of information, while the Phase II Review looks at the practical implementation of that framework.

Saint Lucia successfully completed the Phase I Review. The FSRA has been integral to the Phase II Review process as it heavily focuses on:

1. Monitoring and regulation of entities linked to the International Financial Services Sectors
2. The availability of relevant information within the jurisdiction (accounting and ownership information particularly from International Companies)
3. Ratification of the US / Saint Lucia TIEA; strategically important for signing of a Model IA Inter-governmental Agreement with the US for FATCA.

Saint Lucia was assigned a rating of partially compliant subsequent to its Phase II Review. In an attempt to improve the partially compliant rating, legislative amendments have been made to facilitate the effective Exchange of Information (EOI) and the Inland Revenue Department continues to monitor the practical implementation of its organisational processes as they relate to the EOI. In addition, the European Bank for Reconstruction and Development and the World Bank have enforced their re-domiciliation policy on Saint Lucia. In consequence, Saint Lucia will be seeking a supplementary review of its Phase II assessment by August 8, 2015.

## **CFATF**

The Caribbean Financial Action Task Force (CFATF) is a

regional body formulated in the early 1990s, after the Financial Action Task Force (FATF) model. It is charged with implementing common counter-measures against money laundering within the member states.

Saint Lucia is an active member of CFATF. In the November 2008 Mutual Evaluation Report, Saint Lucia was rated non-compliant for ten (10) of the sixteen (16) Key and Core Recommendations and received six (6) partially compliant ratings. As a result, Saint Lucia has focused on implementing the recommendations given by the examiners. A CFATF Oversight Committee was established for that purpose. The mandate of this committee is to examine and review Saint Lucia's AML/CFT infrastructure and to make the necessary recommendations for legislative changes, policy changes and doing all that is possible in moving the AML/CFT compliance regime forward. Consequently, Saint Lucia has succeeded in closing the gaps in ten (10) of the Key and Core recommendations and have been removed from the CFATF – ICRG (International Cooperative Regulatory Group) process.

To date, Saint Lucia must make every effort to prepare for the 4th Round Mutual Evaluation (2018) in respect of the revised 40 FATF Recommendations. The 2018 evaluation process begins with a pre desk review which must commence at least 18 months before the actual review. In addition, the risk based analysis must be finalised prior to the commencement of the desk review. When assessing risks and applying a risk-based approach, countries should identify, assess, and understand the money laundering and terrorist financing risks for the country, and should take action, including designating an authority or mechanism to coordinate actions to assess risks, and apply resources, aimed at ensuring the risks are mitigated effectively.

## **INITIATIVES UNDERWAY AT THE YEAR END**

### ***New Fee Structure for the Authority***

The FSRA began consultation with the Ministry of Finance and members of the insurance and credit union industries with a view to informing a new tariff structure. This initiative is based on the stated objective of having a self-financing FSRA. Currently, the Authority is awarded a subvention from Central Government (EC\$2,142,858 for the fiscal year 2014-2015 and EC\$2,145,000 for the fiscal year 2015-2016).

### ***Licensing of Micro Lenders***

The Money Services Business (Amendment) Act No. 20, 2014 was enacted in December 2014, providing for the

# EXECUTIVE DIRECTOR'S REPORT

regulation of micro lenders such as Pay Day loans service providers. Meetings were held with the micro lenders service providers and some applications were submitted at end of April 2015. The applications received are currently under review and in accordance with section 4 (2) of the Money Services Business Act, the applicants are deemed to be licenced pending approval of their applications by the FSRA.

The undertakings of the FSRA during this reporting period were only possible because of the diligence and dedication demonstrated by the board and staff of the Authority. I also acknowledge the support and cooperation of our stakeholders in particular the Ministry of Finance, the Attorney General Chambers, the Insurance Council of Saint Lucia, the Credit Union League and Saint Lucia International Financial Centre.

Calixte Leon  
Executive Director

The background of the page is a watercolor-style wash of colors, primarily in shades of blue and green. The colors are blended and layered, creating a textured, organic feel. The blue ranges from a deep, dark indigo to a bright, vibrant cyan. The green is a muted, earthy sage green. The overall effect is artistic and modern.

# SECTOR REPORTS

# INSURANCE SECTOR

One of the greatest areas of resource allocation for the FSRA is the monitoring and supervision of the insurance industry. This regulatory function is guided by the provisions of the Insurance Act, Chapter 12.08 of the 2008 Revised Laws of Saint Lucia (Insurance Act). The Insurance Act also provides for the regulation of pension fund plans.

In 2014, the insurance industry comprised twenty six (26) insurance companies, one (1) association of underwriters, seventeen (17) insurance agents, thirteen (13) insurance brokers and two hundred and ten (210) insurance salespersons. There were approximately forty (40) pension plans of which twenty-nine (29) were registered.

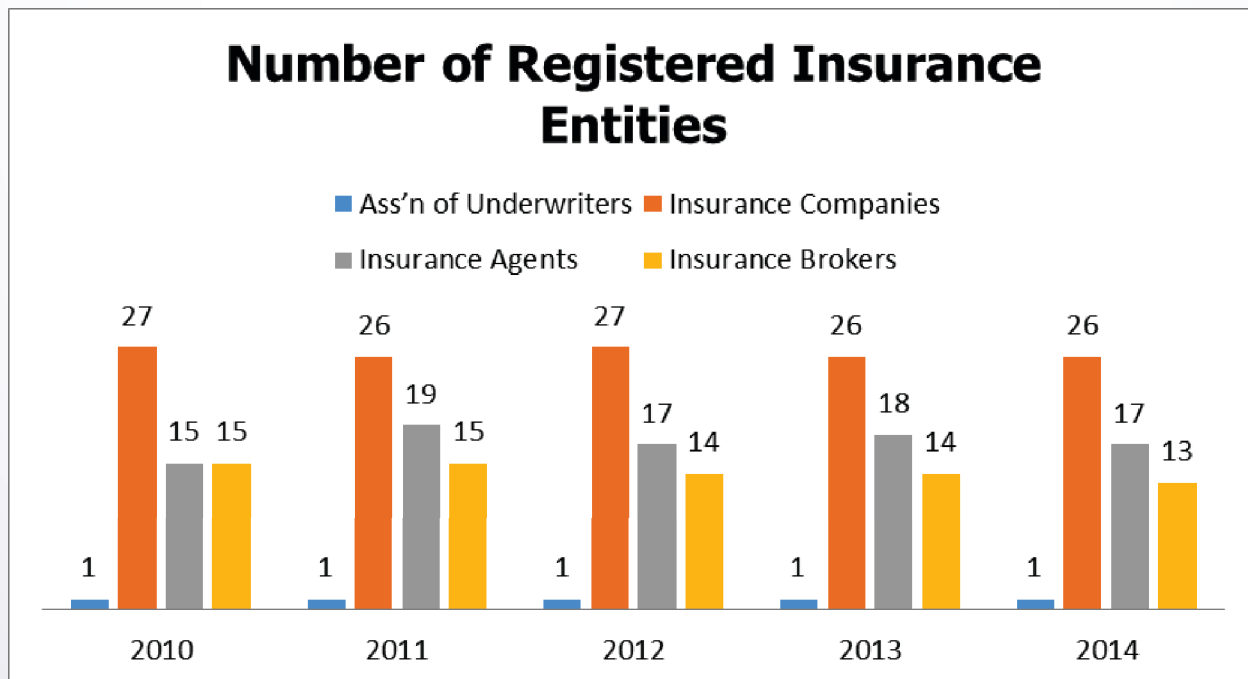
There was little movement in the number of entities

registered under the Insurance Act from the period 2013 to 2014. Significant entries into and exits from the industry included:

- Insurance Companies – Registration of Scotia Insurances Eastern Caribbean Limited (SIECL) and the amalgamation of Sagicor Capital Life Insurance Company Limited and Sagicor Life Inc.
- Insurance Agents – Deregistration of Insurance and Business Consultants Limited (Agent for The Beacon Insurance Company Limited).
- Insurance Brokers – Deregistration of S&A Insurance Brokers Limited. Registration of Risk Consultant Insurance Brokers Ltd.

20

*The graph below shows the number of insurance entities registered under the Insurance Act at the end of the years 2010 to 2014.*



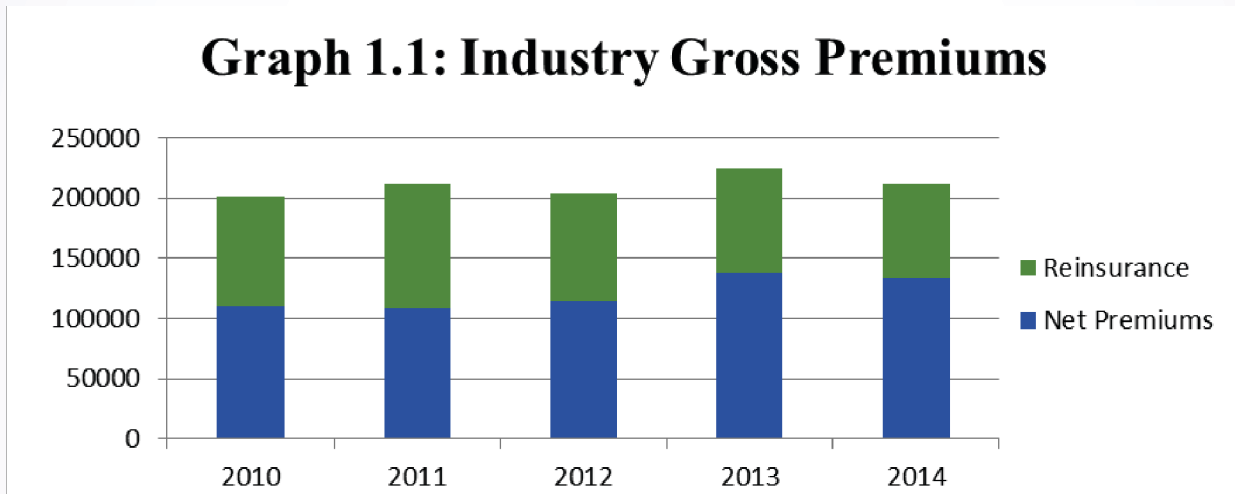
# INSURANCE SECTOR

## Insurance Sector Performance

During 2014, premium income of approximately \$211.8 million was generated, a 5.9% decrease from the previous year (2013:\$225.1 million). The decrease was primarily due to the contraction in the gross direct premiums generated from the general insurance business classes (8.3%).

Risk sharing with reinsurers remains a significant feature of the industry with approximately \$78.7 million of premiums being ceded in 2014 (37.2% of gross written premiums). A significant amount of the ceded premiums relates to general insurance business, notably property insurance.

**Graph 1.1 illustrates the movement in industry gross premiums from 2010 to 2014, detailing reinsurance ceded and amount retained by licensees (net premiums).**



At the end of 2014, eighteen (18) companies were registered to carry on general insurance business, 7 were registered to carry on long-term insurance, one (1) was registered as a composite insurer (carrying on both long-term and general insurance), and one (1) association of underwriters remained registered (Lloyds / Lloyds of London).

Lloyds does not operate through a physical location but rather through registered insurance brokers. While the association is licensed to carry on all classes of insurance, Lloyds primarily carries on general insurance business and had 8.5% of insurance business placed with them.

General insurance business placed with registered insurers in St. Lucia continued to be the prime contributor toward the industry, accounting for 68.6% of gross written premiums in 2014. The Insurance Act states that general insurance business comprises the following six (6) classes of insurance business:

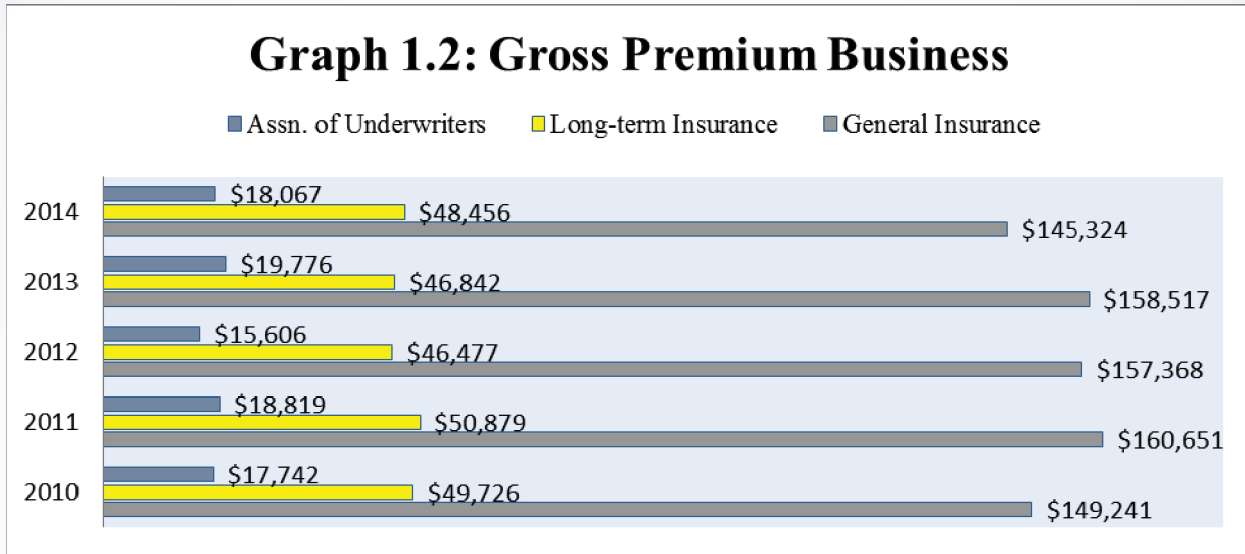
- Property
- Motor Vehicle
- Personal Accident
- Liability
- Pecuniary
- Marine, Aviation and Transport

Long-term insurance business accounted for 22.9% of gross written premiums in 2014. Long-term insurance business includes:

- Ordinary Life
- Industrial Life
- Annuities
- Retirement Plans

# INSURANCE SECTOR

**Graph 1.2 compares gross premium business under three (3) main headings: (i) Association of Underwriters, (ii) Long-term insurance, and (iii) General insurance. (figures are in thousands of dollars “EC\$000”)**

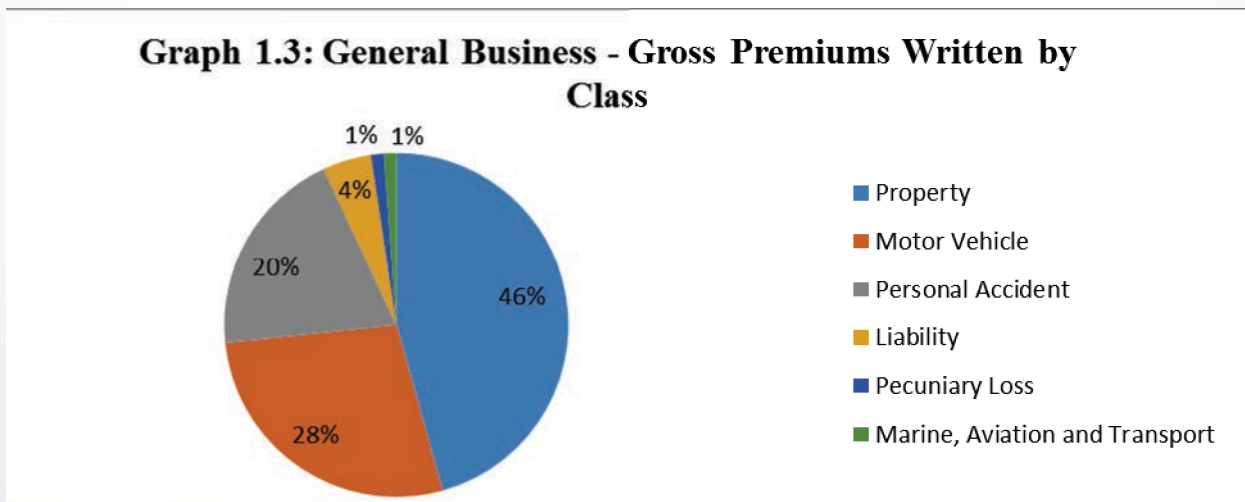


#### General Insurance Business

The general insurance sector experienced an overall 8.3% reduction in the amount of gross premiums written during 2014 in comparison to 2013 (2014: \$145.3 million; 2013: \$158.5 million). Gross premiums written decreased in all classes of general insurance, with the exception of the liability class.

Of the \$145.3 million of general insurance gross premiums generated in 2014, property accounted for \$66.4 million (45.7%), motor vehicle \$40.2 million (27.7%), personal accident \$28.6 million (19.7%), while the other three (3) classes of general business accounted for \$10.1 million collectively (7%).

**Graph 1.3 provides a detailed illustration of the gross premiums written in respect of general insurance business.**



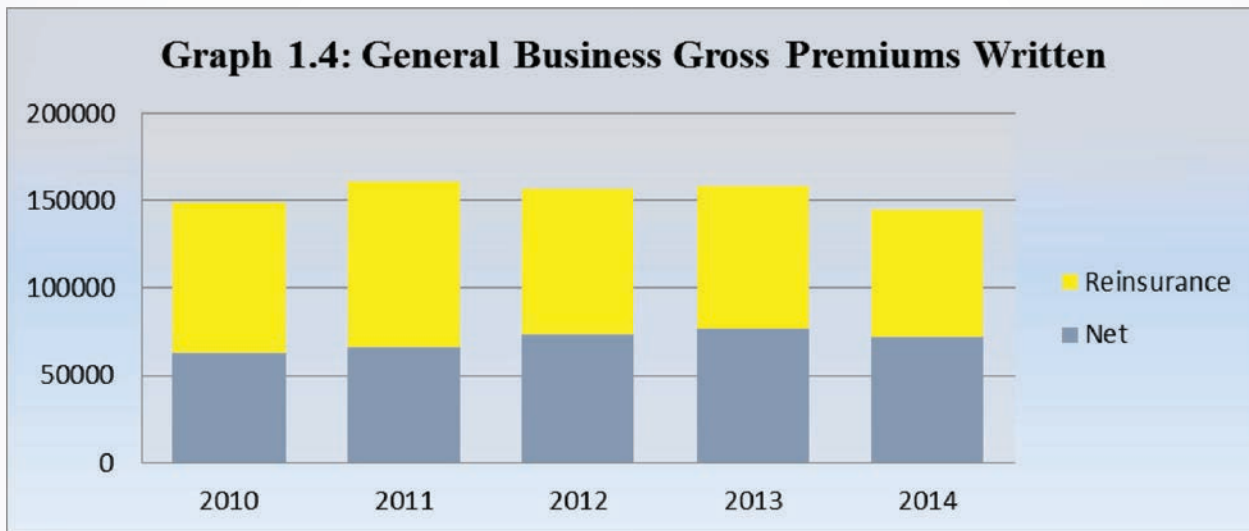
# INSURANCE SECTOR

Following the same pattern as gross premiums written, reinsurance ceded by general insurers also decreased during 2014. The amount ceded fell from \$81.7 million in 2013 to \$73.2 million in 2014; an 11.3% decrease. Premiums were ceded mostly in the property (\$56.8 million), motor vehicle (\$5.9 million), and personal accident (\$4.7 million) classes of business. As Saint Lucia is located in the hurricane belt, most insurers cede up to

80% of their property business to international reinsurers. The FSRA pays particular attention to insurers' property reinsurance treaties to ensure adequacy of coverage.

In assessing the adequacy of reinsurance coverage, the FSRA pays particular attention to Companies' net retention levels, Probable Maximum Loss (PML) and policyholders' surplus.

**Graph 1.4 shows the gross premiums generated for all classes of general insurance business from 2010 to 2014; detailing amounts ceded to reinsurers and amounts retained.**



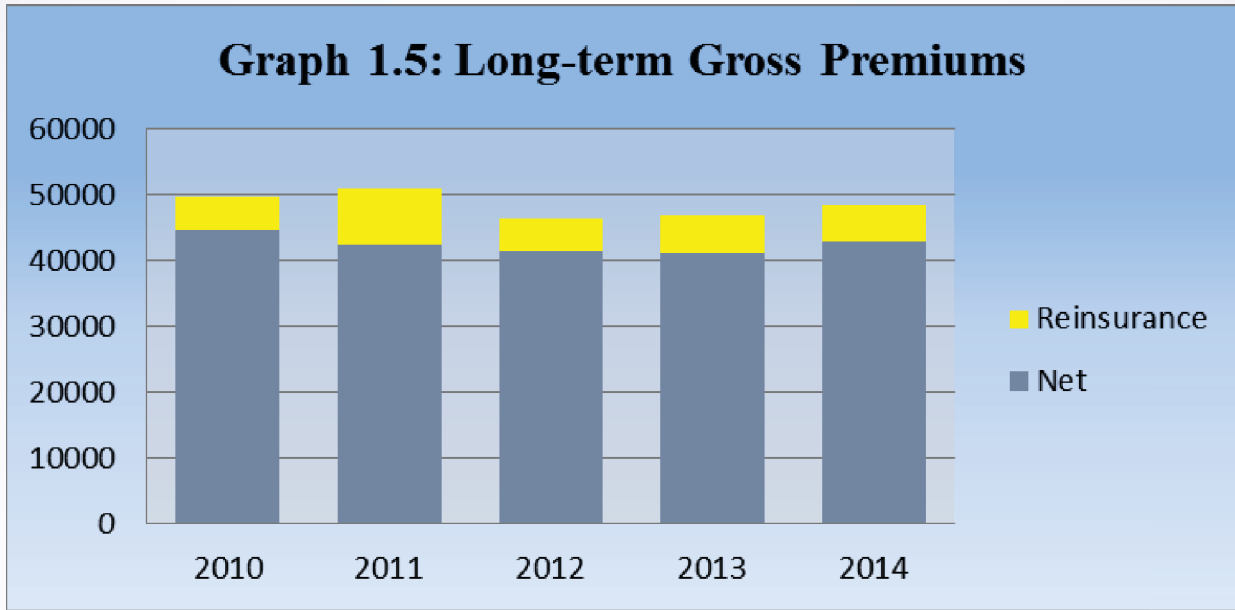
### Long-Term Insurance Business

Unlike the general insurance sector, the long-term insurance sector experienced growth in the amount of gross premiums written during 2014, when compared with 2013 (2014: \$48.5 million; 2013: \$46.8 million). The long-term insurance industry has been relatively stable over the last five (5) years, generating average gross premiums of \$48.5 million.

Low reliance on reinsurance has been characteristic of the long-term insurance sector. Amount of premiums ceded during 2014 totalled \$5.5 million, making the average premiums ceded over the last five years approximately \$6 million (12.3% of gross written premiums).

# INSURANCE SECTOR

**Graph 1.5 shows the gross premium generated by the long-term insurance sector from 2010 to 2014, detailing amounts ceded and amounts retained.**



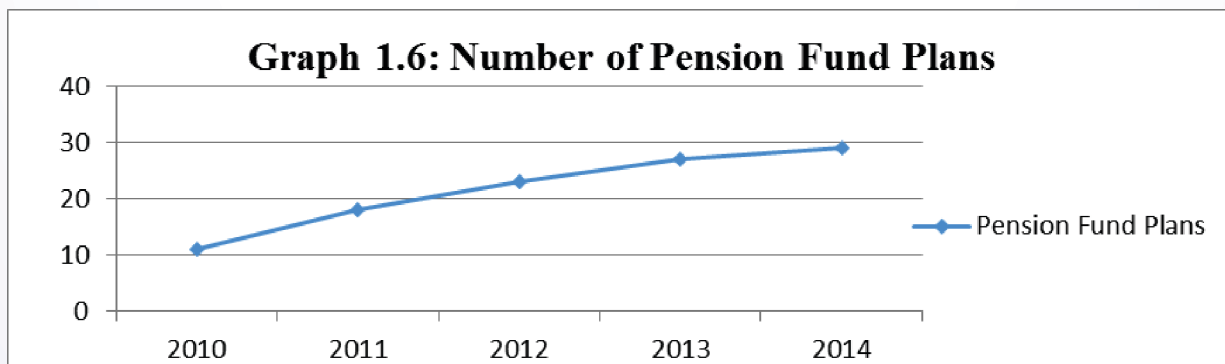
24

### **Pension Fund Plans**

Part 9 of the Insurance Act makes provision for the registration and monitoring of all pension fund plans.

During 2014, two (2) additional pension fund plans were registered by the FSRA, making the total number of registered plans twenty-nine (29).

**Graph 1.6 depicts the increase in the number of registered pension fund plans over the last five years.**



### **Developments in Regulation and Supervision**

During 2014, much focus was placed on increasing the capacity of the FSRA to regulate and supervise the insurance industry. Measures included:

- Staffing – The number of regulators assigned to monitor the domestic insurance sector

and pension fund plans increased by five (5).

- Regional collaboration
- College of Regulators- The FSRA participated in two (2) regulators' colleges with fellow regulators within the region. These colleges facilitated the sharing of information and the



# INSURANCE SECTOR

establishment of a harmonized approach in dealing with challenges raised.

Regulators of the FSRA attended the Caribbean Association of Insurance Regulators (CAIR) and Caribbean Association of Pension Supervisors (CAPS) Workshops and AGMs, which were held in Barbados. Over the past years and with the assistance of the Caribbean Technical Assistance Centre (CARTAC), the associations have brought regional supervisors together to discuss pertinent matters of common interest to the region, exchange experiences with regional and international supervisors, develop and design the way forward on regional issues, and disseminate training in other areas, for example, risk-based supervision techniques.

## **Update – Resolution efforts CLICO/BAICO**

### **BAICO**

The effects of the CL Financial collapse in 2009 which resulted in the failure of two of the largest life insurance companies in the region, CLICO and BAICO continues to linger. In the Case of BAICO, the Judicial Manager (JM) along with support from the regional governments, in particular the government of Trinidad and Tobago and advisors successfully transferred the life insurance portfolio to Sagacor Life Inc. which ensured that those policyholders suffered no loss. Annuitants with amounts of \$30,000 and under were settled in full and in 2014 payments of

\$30,000 were made to all annuitants (individual holders of EFPAs) with amounts greater than \$30,000. In addition, all employees of the branch operation in Saint Lucia have received severance pay. However, further settlements to holders of EFPAs depend largely on the availability of funding.

Saint Lucia, being the only jurisdiction in the ECCU with substantial pledged assets, has taken the position to proportionately release those assets to the central pool based on:

- (i) payments received by local annuitants; and
- (ii) the value of the transferred life insurance policies of the branch.

The decision was made on the basis that the pledged assets are for the protection of all policyholders in Saint Lucia (i.e. both traditional and annuity); and therefore, the pledged assets should be equitably distributed amongst policyholders.

### **CLICO**

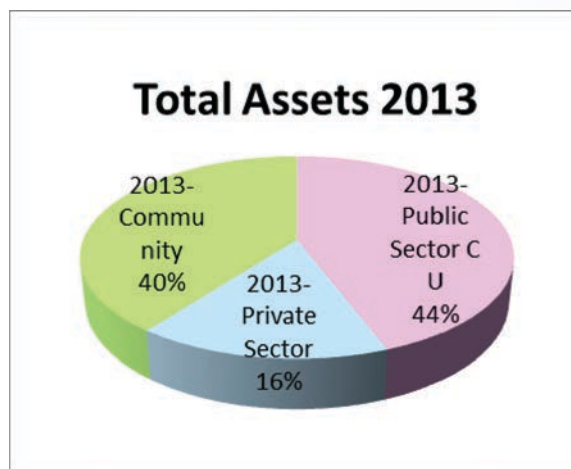
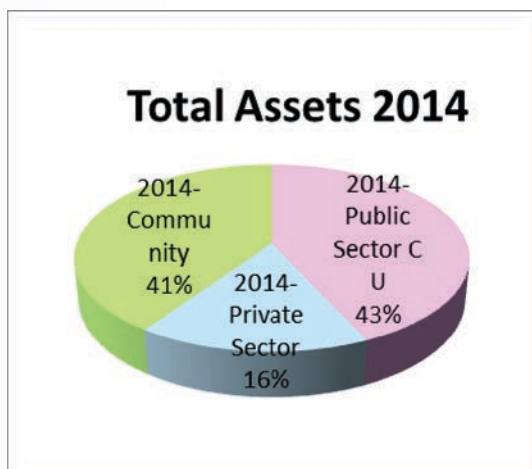
Saint Lucia was the first in the region to appoint a Judicial Manager for CLICO in an effort to safeguard the branch's assets for the benefit of policyholders in Saint Lucia. Given the systemic risk posed by the collapse of CLICO, the Saint Lucia JM has been working closely with the core committee and the Barbados JM in an effort to arrive at a resolution which is in the best interest of policyholders. However, to date any progress has been slow and the Barbados JM in December 2014 recommended that in the absence of a viable solution the company may have to be placed into liquidation.

# CREDIT UNION SECTOR

Credit Unions are non-profit co-operative financial organizations owned by their members, and which exist to serve those members. The credit union sector plays a significant role in contributing to the socio-economic development of Saint Lucia. Credit Unions provide a means of enriching members' lives, by allowing them the opportunity to provide the necessary resources to develop themselves, their families and by extension, the wider community. They offer a full range of financial services to Saint Lucians. Each credit union is independent

and operated by a management team, who is appointed by its Board of Directors. There are sixteen registered credit unions and one credit union league, operating in St. Lucia.

Credit unions in St. Lucia can be categorized into three groups: 1) public sector, (2) private sector and (3) community credit unions. In 2014 and 2013, the public sector credit unions had the largest percentage of assets in St. Lucia, followed by community and private sector credit unions. This is illustrated in Figures 1 & 2 below.



**Figures 1 & 2: Total assets per credit union category for the 2013 & 2014**

## **ECONOMIC IMPACT AND ASSESSMENT OF THE CREDIT UNION SECTOR:**

### **Membership and Staff**

As at December 31, 2014, the credit union sector comprised 83,397 members, a 5% increase in membership, over the 79,333 members, at the period ended December 31, 2013. The total members of credit unions represent 51% of the population of St Lucia.

The total number of persons employed by credit unions in St Lucia as at December 31, 2014 was two hundred and thirty-two (232) in comparison to two hundred and three (203) persons as at December 31, 2013. This represented an increase of 14 % of staff employed at credit unions.

# CREDIT UNION SECTOR

## FINANCIAL REVIEW/SNAPSHOT OF FINANCIAL PERFORMANCE

The overall percentage growth for the credit union is provided in the table below. From 2013-2014 there were significant increases realized in the areas of total deposits (+22%), total share capital (+26%), total members' equity (+15%) and total comprehensive income (+19%).

	2014-Public Sector C U	2013-Public Sector	2014-Private Sector	2013-Private Sector	2014-Community	2014-Community	2014-Total	2013-Total	% Increase
Credit Unions	3	3	5	5	7	7	15	15	
Total Assets	\$ 261,047,731	\$ 243,988,505	\$ 99,082,449	\$ 88,671,708	\$ 244,228,412	\$ 218,764,288	\$ 604,358,592	\$ 551,424,501	9.60
Total Loans	\$ 188,148,334	\$ 175,523,116	\$ 71,152,016	\$ 64,084,141	\$ 180,018,584	\$ 164,115,531	\$ 439,318,934	\$ 403,722,788	8.82
Total Deposits	\$ 187,822,172	\$ 171,575,049	\$ 84,363,012	\$ 75,291,260	\$ 208,301,429	\$ 145,941,221	\$ 480,486,613	\$ 392,807,530	22.32
Total Liabilities	\$ 193,279,830	\$ 177,451,935	\$ 86,592,659	\$ 77,452,034	\$ 213,148,980	\$ 193,133,181	\$ 493,021,469	\$ 448,037,150	10.04
Total Share Capital	\$ 13,314,580	\$ 12,281,996	\$ 2,588,250	\$ 2,073,385	\$ 6,710,853	\$ 3,654,024	\$ 22,613,683	\$ 18,009,405	25.57
Total Members' Equity	\$ 71,129,213	\$ 66,536,570	\$ 11,549,073	\$ 11,219,673	\$ 36,286,448	\$ 25,631,106	\$ 118,964,734	\$ 103,387,349	15.07
Total Income	\$ 8,419,963	\$ 6,915,880	\$ 2,530,738	\$ 699,842	\$ 3,913,390	\$ 4,917,638	\$ 14,864,091	\$ 12,533,360	18.60
Institutional Capital	\$ 60,435,393	\$ 55,833,087	\$ 10,079,737	\$ 8,877,812	\$ 28,073,660	\$ 22,161,823	\$ 98,588,790	\$ 86,872,722	13.49
Total Members	19,844	19,256	25,533	28,858	38,020	31,219	83,397	79,333	5.12
Total Staff	67	66	70	54	95	83	232	203	14.29

**Table 1: A cross section of the financial performance of credit unions per category, within St. Lucia the following words "(figures based on 15 Credit Unions for the fiscal year 2014)."**

The increase in share capital suggests that credit unions have become more sensitized to the relevance and importance of having a sound capital base. This is necessary to safeguard against any unforeseen losses that may be detrimental to survival and growth. Greater strides are being made to ensure that areas such as statutory reserves are adequately maintained. Efforts are being made by credit unions to ensure greater efficiency in performance, to safeguard members' funds and maintain profitability.

### REGULATORY OVERSIGHT AND SUPERVISION

The FSRA assumed responsibility for the regulation and supervision of credit unions from January 1, 2014. The Authority has since then held discussions with the credit unions and new reporting requirements have been imposed including the submission of monthly and quarterly reports in line with the new reporting format. This is necessary to ensure an in-depth review and assessment of the credit unions' operations and performance and also allows for the capturing of statistical information on the sector.

In addition to continuous off-site supervision, dialogue and consultation with the sector, the Authority has undertaken five (5) on-site inspections of credit unions. Primarily, inspections are conducted on a risk basis and are executed within an institutional development framework. On-site examinations are categorized according to financial exposure and other key risk factors for credit unions. These on-site examinations are necessary to build and strengthen the financial base of credit unions and encourage sound financial practices as well as good corporate governance.

The FSRA seeks to maintain and develop financial stability in the credit union sector and has focused on the enactment of legislation which is in keeping with international standards. In this regard, the Government of St. Lucia is at an advanced stage of enacting the Co-operative Societies Bill. The Bill will be the latest piece of legislation for regulating credit unions within the Eastern Caribbean Currency Union (ECCU) and as such, may serve as a model to be followed within the region, as financial regulators seek to develop regulatory soundness and harmonization within the industry.

# CREDIT UNION SECTOR REPORT

In keeping with prudential financial standards, aimed at strengthening the credit union sector, the key changes taking place with regard to the Co-operative Societies Legislation are geared towards harmonization of regulation within the OECS region. Two key changes are that of the requirements set for permanent shares and institutional capital. The Co-operative Societies Proposed Bill requires that permanent shares over total assets be at least 5% and institutional capital must no longer be less than ten (10%) percent of total assets.

While the legislation has not been enacted, based on consultations held with the credit union sector, credit unions have commenced attempts to strengthen their

capital base to protect against unforeseen financial “landslides”. Some credit unions are currently meeting various new standards while others are well on their way to doing so.

## **CONCLUSION:**

Credit unions play a major role in enriching lives and providing a higher standard of living in St Lucia, the region and the world. Financial regulators have recognized the added value of credit unions to economic growth. Thus, the OECS and other regions have come together to harmonize the Co-operative Societies legislation, regulation and financial standards, to ensure financial stability and growth of the sector.

**Table 2 below presents a snapshot of the credit union sector, in various countries, within the region:-**

<b>Country</b>	<b>2014-Total Assets</b>	<b>2013- Total Assets</b>	<b>2014-Total Members</b>	<b>2013-Total Members</b>	<b>2014-No. of Employees</b>	<b>2013-No. of Employees</b>
St Lucia	\$604.3m	\$551m	83,397	79,333	232	203
Dominica	\$623.4m	\$574m	65,201	67,092	229	231
Grenada	\$490.80	\$380m	52,659	44,928	153	141
St Vincent	\$3579m	\$331m	69,006	64,104	121	104

# MONEY SERVICES BUSINESS

In 2010, the Money Services Business Act No.11 of 2010 was enacted to provide for the licensing, registration and supervision of persons who carry on money services business in Saint Lucia. Money services businesses cater primarily for the resident domestic market.

While the Money Services Business Act provides for five (5) different classes of licences, at December 31, 2014, there were only four (4) Class A licenses in effect. All four were actively involved in the remittance business.

<i>Licence Type</i>	<i>Particulars</i>	<i>Total Licensees</i>
<b>Class A</b>	<ol style="list-style-type: none"> <li>1. Transmission of money or monetary value in any form</li> <li>2. Issuance, sale or redemption of money orders or traveller's cheques</li> <li>3. Cheque cashing</li> <li>4. Currency exchange</li> </ol>	4
<b>Class B</b>	<ol style="list-style-type: none"> <li>1. Issuance, sale or redemption of money orders or traveller's cheques</li> <li>2. Cheque cashing</li> <li>3. Currency exchange</li> </ol>	0
<b>Class C</b>	<ol style="list-style-type: none"> <li>1. Cheque Cashing</li> </ol>	0
<b>Class D</b>	<ol style="list-style-type: none"> <li>2. Currency Exchange</li> </ol>	0
<b>Total</b>		<b>4</b>

The market leader held a 40% market share for inbound activities followed by 37%, 22% and 0.40% respectively held by the other remittance service providers. The latter is a new money services business which was licensed in July 2014.

The United States remained the largest recipient of remittances from Saint Lucia for the year ended December 31, 2014; with 39% of the XCD\$63 million going to that country (see Figure 1). Remittances inflows through the money service providers totalled \$83 million with 49% of this amount coming from the United States (see Figure 2).

# MONEY SERVICES BUSINESS

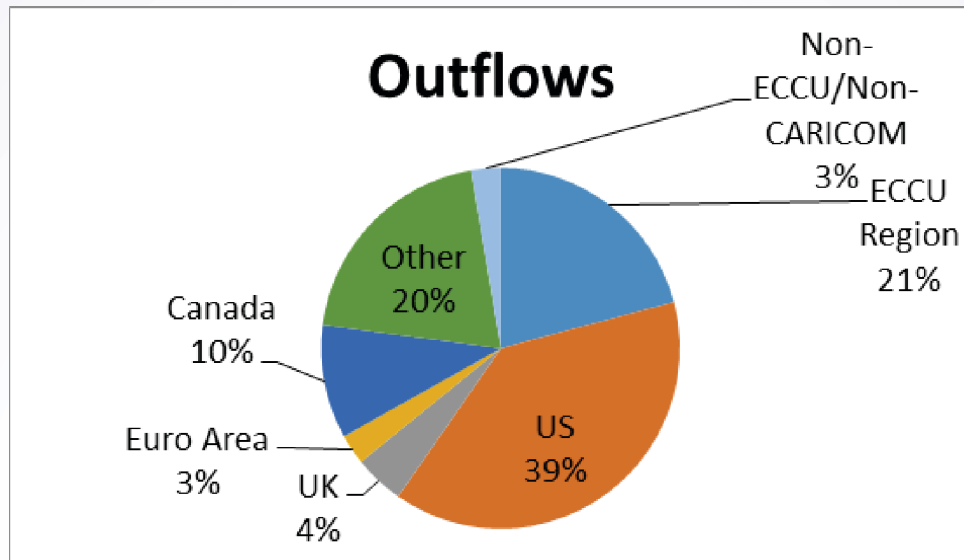


Figure 1: Proportion of Total Remittance Outflows, Year End December 2014

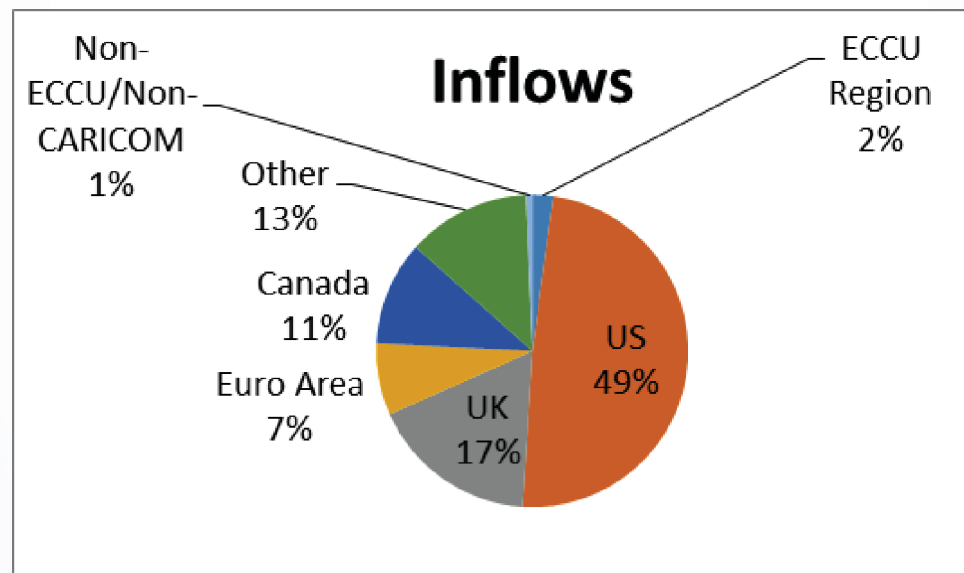


Figure 2: Proportion of Total Remittance Inflows, Year End December 2014

## Developments in Regulation

The Money Services Business Act No.11 of 2010 was amended to include a new Class of licence, namely a class E licence. A Class E licence permits a licensee to carry on the business of micro-lending. According to the Act a micro lending institution means any financial institution other than a bank whose business is that of money lending or granting of credit facilities up to a

limit of fifty thousand dollars, and which does not solicit, receive or accept monetary deposits, investments or any other financial instrument from the public to finance these loans".

As a result, all financial institutions, other than a bank, which provide micro-lending services must now be licenced under this Act.

# INTERNATIONAL FINANCIAL SERVICES SECTOR

## **International Insurance Sector**

The International Insurance sector is governed by the International Insurance Act, Chapter 12.15, of the 2008 revised laws of Saint Lucia.

There are three categories of insurance licenses which can further be divided into subclasses with varied statutory deposits requirements as shown in the table below.

A Class "A" license is granted for conducting general insurance business. A Class B licensee can conduct

long-term insurance business from St. Lucia while a Class C licence may conduct both general and long-term insurance business.

A subclass 1 license is granted to pure captives, with the sole purpose of insuring the risks of one or more persons. On the other hand, a subclass 2 license is granted to broad captives where no special relationship is required between the insurance company and the insured.

## **Classes of Licenses with Capital and Statutory Deposits**

Subclass	Statutory Deposit + Capital		
	International Insurance Company	Incorporated Cell Company	Incorporated Cell
A1	\$100,000	\$250,000	\$50,000
A2	\$150,000	\$250,000	\$50,000
B	\$150,000	\$250,000	\$50,000
C1	\$200,000	\$250,000	\$100,000
C2	\$250,000	\$250,000	\$100,000

**Table #1**

As at December 31, 2014, the FSRA registry reflected seventy three (73) International Insurance Companies as being licensed.. Out of that total fifty seven (57) are pure captives while thirteen (13) are broad captives (with a limited number of third parties) and three (3) are non-captives.

## **Incorporated Cell Companies and Incorporated Cells**

In the year 2000, the international insurance legislation

was enacted to allow for the licensing of international insurance companies. The International Insurance Regulations, Statutory Instrument No. 32 of 2007, introduced in Saint Lucia new corporate vehicles known as Incorporated Cell Companies (ICC) and Incorporated Cells (IC).

# INTERNATIONAL FINANCIAL SERVICES SECTOR

**Number of Licensed International Insurance Companies**

Type of Company	2013	2014	Increase
	Total Licensees	Total Licensees	
<b>Int'l Insurance Companies</b>	33	35	6%
<b>Incorporated Cell Companies</b>	6	6	0%
<b>Incorporated Cells</b>	12	32	166%
<b>TOTAL</b>	<b>51</b>	<b>73</b>	<b>43%</b>

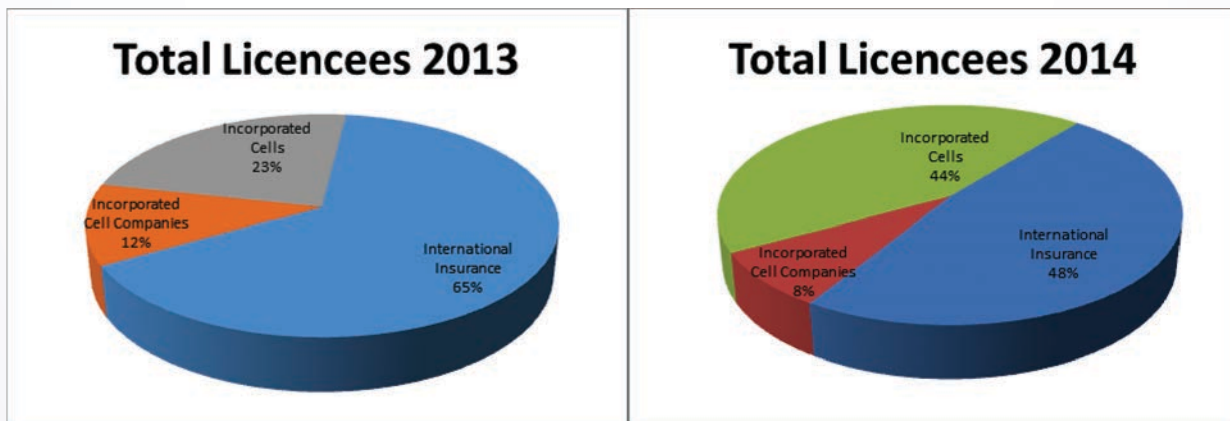
**Table #2**

An ICC is a company which has the power to establish ICs as part of its corporate structure, with each holding separate and distinct assets and liabilities. Each IC therefore, transacts separate and distinct insurance business.

The FSRA records Incorporated Cells as the fastest growing niche market. This growth is reflected in the table above which shows a 166% increase in the number

of licensed ICs from 2013 to 2014. This is in stark contrast to International Insurance Companies which only grew by 6% and ICCs which experienced no growth at all.

Overall, the International Insurance Sector expanded by 43%. Noteworthy, while ICs accounted for only 24% of the sector in 2013, by December 31, 2014, ICs represented 44% of the registry.

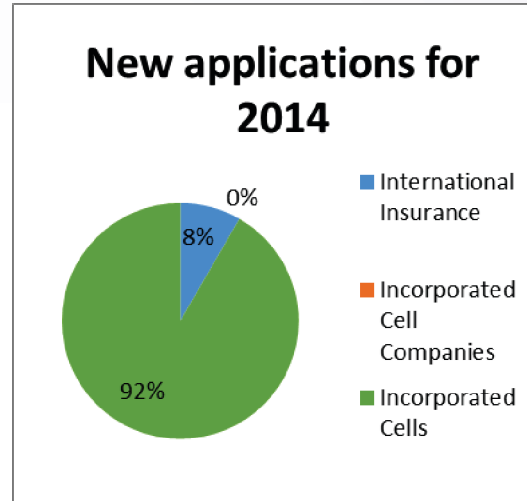
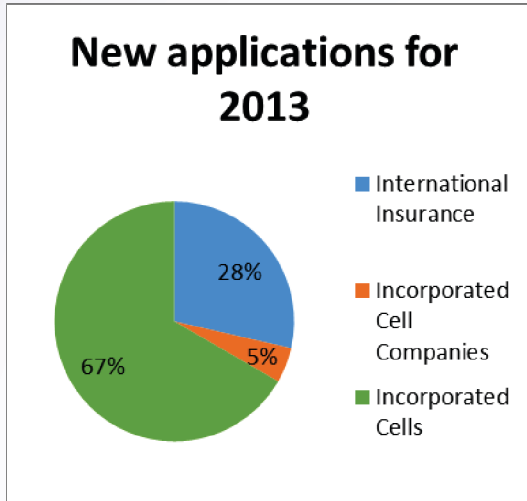




# INTERNATIONAL FINANCIAL SERVICES SECTOR

The pie charts below show, new applications for the two year period have been dominated by incorporated cells

with 67% of total applications in 2013 and 92% in 2014, an increase of 25%.



The table below shows the financial performance of the International Insurance Sector for the year 2014.

### International Insurance Financial Statistics - 2014 (USD)

<b>Gross Written Premiums</b>	<b>\$147,364,579</b>
Net Written Premiums	\$129,090,795
<b>Claims Incurred</b>	<b>\$14,074,718</b>
Allowable Assets	\$222,761,722

**Table #3**

### INTERNATIONAL BANKING SECTOR

The International Banks Act, Cap.12.17 of the 2008 Revised laws of Saint Lucia (the Banks Act), provides for the licensing and regulation of the international banking

sector. As of December 31, 2014, the FSRA registry reflected the following twelve (12) international banks as being licensed in Saint Lucia:

No.	Name	Class	Date Licensed
1.	First Citizens St. Lucia Limited	<b>A</b>	January 30, 2004
2.	Amerigo Banking Corporation	<b>B</b>	March 2, 2004
3.	Bank of St. Lucia International Limited	<b>A</b>	March 30, 2004
4.	Via Bank Ltd.	<b>A</b>	June, 18, 2006
5.	StateTrust International Bank & Trust Ltd.	<b>A</b>	July 03, 2007
6.	Atlantic Financial Limited	<b>B</b>	July 7, 2008
7.	First Citizens Financial Services (St. Lucia) Ltd.	<b>B</b>	February 15, 2010
8.	Hermes Bank Limited	<b>A</b>	April 26, 2012
9.	Sovereign Bank Inc.	<b>A</b>	October 10, 2012
10.	Mayberry West Indies Bank Limited	<b>A</b>	June 23, 2014
11.	Corom Bank Limited	<b>A</b>	June 6, 2014
12.	PLG Capital Bank Limited	<b>B</b>	July 24, 2014

# INTERNATIONAL FINANCIAL SERVICES SECTOR

The Banks Act provides for the issuance of two (2) classes of international bank licence; Class A and Class B. The Class A licence allows the holder to conduct business with third parties who are not citizens or residents of St. Lucia. Class A banks are required to maintain physical presence in St. Lucia with a complement of staff and offices from which they operate. Currently, there are seventy (70) persons employed within the five (5) fully operational Class A banks in the sector.

The Class B licensee is restricted to conducting business with a specific group of persons.

Under the Banks Act, there are different capital requirements for each class of licence; Class A US\$1m and Class B, US\$0.25m. In addition, there is a statutory deposit requirement of US\$100,000 applied to both classes of licenses.

As of December 31, 2014 total deposits and total loans within the international banking sector stood at US\$285.1m and US\$208.3m respectively. Generally, the licensed banks have been able to maintain adequate capital for the year under review.

One of the objectives of the FSRA has been to schedule more on-site inspections of licensed international banks, particularly the largest entities with higher risk profiles. Close monitoring of international banks is a priority for the FSRA for ensuring adherence to statute, and this objective became achievable with an increase in the complement of staff of the FSRA during 2014.

## **International Mutual Funds, Mutual Fund Managers and Mutual Fund Administrators Sector**

The International Mutual Funds Act, Cap.12.16 of the 2008 revised laws of Saint Lucia, (the Mutual Fund Act) allows for the licensing of International Public Mutual

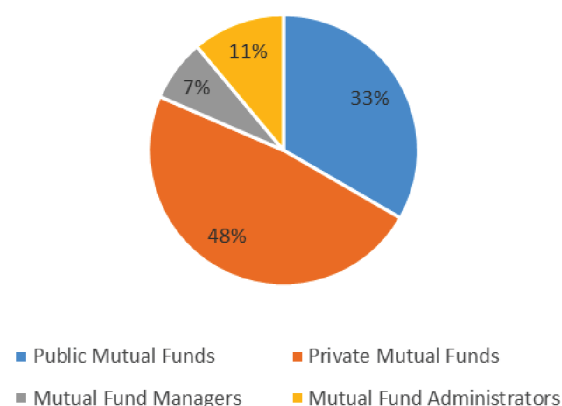
Funds, International Private Mutual Funds, Mutual Fund Managers and Mutual Fund Administrators.

A private mutual fund is established to provide mutual fund business for a specific group of individuals; in contrast public mutual funds offer mutual fund services to the general public excluding citizens and residents of St. Lucia. A public mutual fund is required to procure the services of a licensed Mutual Fund Manager and Mutual Fund Administrator.

During the year 2014, there was a significant increase in the number of licenses issued to Public Mutual Funds, whereas there was less growth among the other entities falling under the Mutual Funds Act.

**Figure 1 shows the distribution of entities under the Mutual Fund Act at December 31, 2014.**

International Mutual Fund Sector



# REGISTERED AGENTS AND TRUSTEES

## **Number of Registered Agents and Trustees**

At December 31, 2014, there were twenty one (21) licensees providing international services representation; seventeen (17) were Registered Agents and four (4) were Registered Trustees. Of the seventeen (17) Registered Agent Companies, sixteen (16) are resident companies while one (1) is a non-resident company. All the Registered Trustees are resident companies.

The table below reflects the licenced registered agents and trustees for 2014.

**Table showing total No of Licensed Registered Agents and Trustees**

	<b>Registered Agents End 2014/2015</b>
1.	Hewanorra Corporate Services
2.	Adco Incorporated
3.	Financial & Corporate Services Ltd.
4.	Corporate Services (St. Lucia) 1996 Ltd.
6.	Mc Namara Corporate Services
7.	Corporate Agents (St. Lucia) Ltd.
9.	Selbourne Trust Company Ltd.
10.	Kiom (St. Lucia) Limited
11.	BESPOKE Corporate & Fiduciary Services Ltd.
12.	PKF Corporate Services
13.	Axis Financial Services Ltd.
14.	AFCS Inc.
15.	Oceanus International Inc.
16.	Boslil Corporate Services Ltd.
15.	Fortgate Offshore Investment and Legal Services Limited
16.	Colonial Trust Company Ltd.
17.	Abacus Financial Services Limited

	<b>Registered Trustees End 2014/2015</b>
1.	Hewanorra Trustee Services
2.	Adco Incorporated
3.	Selbourne Trust Company Ltd
4.	Colonial Trust Company Ltd.

## **Registered Agents and Trustees**

Registered Agents and Trustees (RAs & RTs) are service providers and can be viewed as the country's gatekeepers, in that, they work in conjunction with The Financial Services Regulatory Authority (FSRA) as it relates to promoting the integrity of the jurisdiction of Saint Lucia. RAs & RTs are obligated under statute to ensure that they are in compliance with applicable laws, regulations and supervisory guidelines and that they exercise best practices.

This can be achieved through sound international financial services representation. Thus, it is imperative that RAs & RTs have a fair understanding of the clients they accept and the nature of the business undertaken by such clients, in order to prevent any misrepresentation that might be in contravention with the laws of Saint Lucia.

Legislation governing the day-to-day activities of Registered Agents and Trustees operating in Saint Lucia include:

- The Registered Agent and Trustee Licensing Act, Chapter 12.12 (RATLA)
- The Financial Services Regulatory Authority Act No. 13 of 2011
- The International Business Companies Act, Chapter 12.14 (IBC Act)
- The Money Laundering (Prevention) Act No. 8 of 2010
- The Anti-Terrorism Act of 2003 (enacted in December 2009) and
- The Anti-Terrorism (Amendment) Act of 2010.

# REGISTERED AGENTS AND TRUSTEES

It is also mandatory that Registered Agents and Trustees implement the “Know your Customer” KYC policies and procedures.

The majority of Registered Agents (RAs) in St. Lucia are legal professionals who are equipped to advise IBCs on matters relating to the compliance of relevant laws and regulations. RAs in essence are entities designed to act on and accept official documents on behalf of International Business Companies in Saint Lucia.

Registered Trustees have the distinct legal function of holding funds, property and authority of their clients and serving in the best interests of their beneficiaries.

The Trustees are charged with the responsibility of wise financial investments of the trust’s assets and carrying out the expressed and agreed terms and conditions of the trust instrument.

The FSRA has taken proactive steps to monitor the entities it regulates, inclusive of Registered Agents and Trustees, following a 2014 Peer Review Group rating of partially compliant to largely compliant on their tax information exchange agreement. This involves increased frequency of on-site inspections of RAs and RTs in St. Lucia. The current goal of the FSRA is to undertake seven to eight inspections per annum.



**FINANCIAL**  
**PERFORMANCE**

# FINANCIAL PERFORMANCE

## Accountant's Report for Period - April 1, 2014 to March 31, 2015

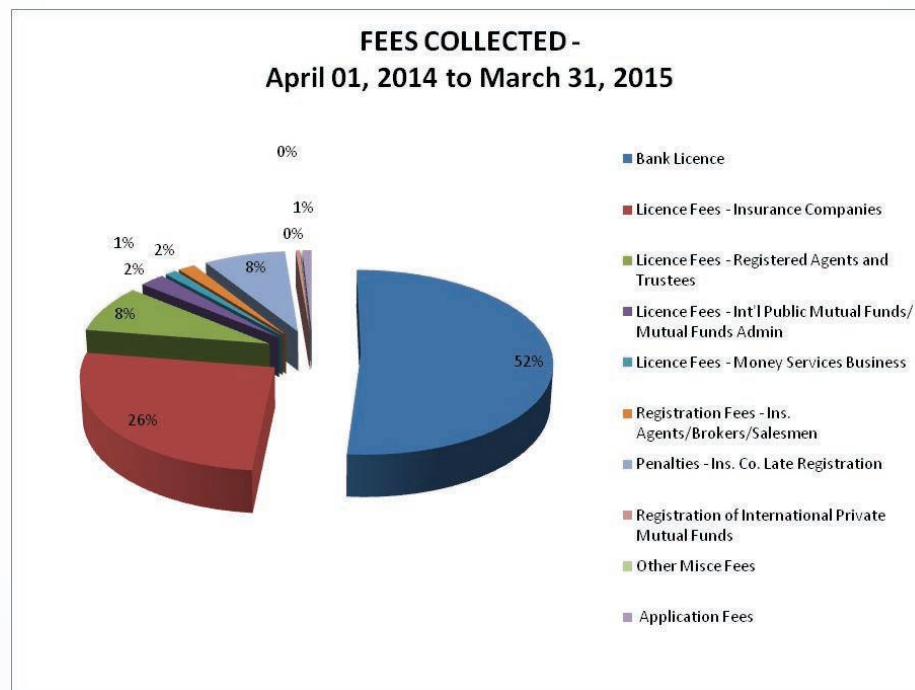
### Executive Summary:

The operations of the Financial Services Regulatory Authority are funded by Central Government. For the fiscal year April 1, 2014 to March 31, 2015, a subvention of EC\$2,080,400 was recorded as revenue.

Fees collected by the Authority from regulated entities are deposited with the Accountant General and form part of the Consolidated Fund. Fees collected include application fees, licence fees, registration fees and penalty fees.

### 1. Fees collected from regulated entities

During the Period April 2014 to March 2015 the FSRA collected a total of \$2,566,721 on behalf of the Government of St. Lucia for license fees, fines and forfeitures from the financial services sector. Annual License Fees for Banks (Domestic and International) accounted for 52% (EC\$1.3m) of total fees collected. The License fees for Insurance Companies (Domestic and International) accounted for 26% (EC\$0.7m).

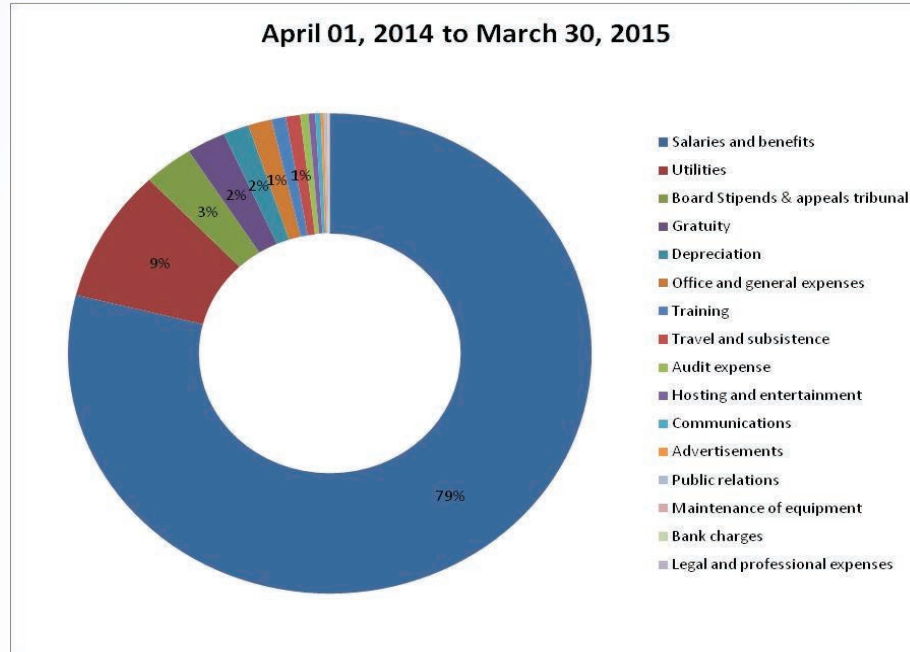


# FINANCIAL PERFORMANCE

## 2. Expenditure

Total Expenditure for the period ended March 31, 2015 was EC\$1,582,741. Staff costs contributed to 78.9% (EC\$1.25m) of total expenditure. Total expenditure for the period was below the budgeted amount and was

primarily due to delayed appointments and cost savings in areas such as training for which the Authority received assistance from benefactors during the period under review. Other expenses include utilities, stationery and general office supplies.



## 3. Training

The table below reflects training provided for the staff of the Authority during the period April 2014 to March 2015.

<b>DATE</b>	<b>TRAINING LOCATION</b>	<b>TRAINING PROGRAMME</b>	<b>SPONSOR</b>
Mar-14	Barbados	Caribbean Association of Pension Supervisors Workshop	CARTAC
Jun-14	Barbados	Basel	CARTAC
Jul-14	Isle of Man/ United Kingdom	Small Country Development Programme	-
Aug-14	Saint Vincent	Credit Union Conference & Workshop	CARTAC
Sep-14	Saint Lucia	IFRS 13-Fair Value Measurement	FSRA
Sep-14	Saint Lucia	Risk Based Supervision of Banks	CARTAC
Sep-14	United Kingdom	Lloyds International Regulators Program	Lloyds
Sep-14	Saint Lucia	Caribbean Development Educator Training	-
Sep-14	Bahamas	Basel II and Basel III Implementation Workshop	CARTAC
Nov-14	Saint Lucia	Risk Based Supervision of Insurance Companies	CARTAC
Nov-14	Mexico	10th International Microinsurance Conference	Munich Re Foundation
Feb - 15	United States	2015 CICA International Conference	Saint Lucia IFC



# **FINANCIAL SERVICES REGULATORY AUTHORITY**

Financial Statements  
For the Period January 1, 2014 to March 31, 2015  
[Expressed in Eastern Caribbean Dollars]



# Index to the Financial **Statements**

CORPORATE INFORMATION	35
INDEPENDENT AUDITOR'S REPORT	36
STATEMENT OF FINANCIAL POSITION	37
STATEMENT OF CHANGES IN EQUITY	38
STATEMENT OF INCOME	40
STATEMENT OF CASH FLOWS	41
NOTES TO THE FINANCIAL STATEMENTS	41

## **FINANCIAL SERVICES REGULATORY AUTHORITY**

Corporate Information

For the Period January 1, 2014 to March 31, 2015

---

*[Expressed In Eastern Caribbean Dollars]*

### **REGISTERED OFFICE**

6<sup>th</sup> Floor  
Francis Compton Building  
Waterfront  
Castries

### **EXECUTIVE DIRECTOR**

Mr. John Calixte Leon

### **DIRECTORS**

Mr. Vincent Hippolyte - (Chairman)  
Mr. Marcus Joseph (Deputy Chairman)  
Mr. Paul Thompson  
Mr. Paul Hilaire  
Mr. Carlton Glasgow  
Dr. Reginald Darius

### **BANKERS**

Bank of Saint Lucia Limited

### **AUDITORS**

PKF Professional Services



Accountants &  
business advisers

PKF Professional Services

Tel. (758) 453 - 2340

Tel. (758) 450 - 7777

Fax (758) 451 - 3079

Email: [admin@pkf.lc](mailto:admin@pkf.lc)

## INDEPENDENT AUDITOR'S REPORT

To the Directors of the Financial Services Regulatory Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the **Financial Services Regulatory Authority** which comprise the statement of financial position as at March 31, 2015, and the statement of income, statement of changes in equity and statement of cash flows for the period January 1, 2014 to March 31, 2015, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT (CONT'D)**

**To the Directors of the Financial Services Regulatory Authority**

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Financial Services Regulatory Authority**, as at March 31, 2015, and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.



Chartered Accountants  
Castries, Saint Lucia  
June 11, 2015

# FINANCIAL SERVICES REGULATORY AUTHORITY

Statement of Financial Position

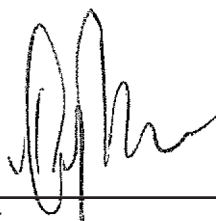
As at March 31, 2015

*[Expressed In Eastern Caribbean Dollars]*

	<u>Notes</u>	<u>2015</u> <u>\$</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5	<u>582,122</u>
<b>Non-current assets</b>		
Property, plant and equipment	6	<u>76,840</u>
<b>Total assets</b>		<u><u>658,962</u></u>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Accounts payable and accruals	7	<u>99,872</u>
<b>Equity</b>		
Contributed capital	8	<u>61,431</u>
Accumulated surplus		<u>497,659</u>
<b>Total equity</b>		<u><u>559,090</u></u>
<b>Total liabilities and equity</b>		<u><u>658,962</u></u>

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 Changes in Equity

For the Period January 1, 2014 to March 31, 2015

---

*[Expressed In Eastern Caribbean Dollars]*

	2015
	<u>\$</u>
<b>Contributed capital</b>	
At beginning of period	-
Additional capital contributed	<u>61,431</u>
<b>At end of period</b>	<u>61,431</u>
<b>Accumulated surplus</b>	
At beginning of period	-
Surplus for the period	<u>497,659</u>
<b>At end of period</b>	<u>497,659</u>
<b>Equity, end of period</b>	<u><u>559,090</u></u>

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

## FINANCIAL SERVICES REGULATORY AUTHORITY

Statement of Income

For the Period January 1, 2014 to March 31, 2015

---

*[Expressed In Eastern Caribbean Dollars]*

	<u>Note</u>	<u>2015</u> <u>\$</u>
<b>Revenue</b>		
Subventions		<u>2,080,400</u>
<b>Administrative and general expenses</b>	<b>9</b>	<u>(1,582,741)</u>
<b>Surplus for the period</b>		<u><u>497,659</u></u>

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

## FINANCIAL SERVICES REGULATORY AUTHORITY

Statement of Cash Flows

For the Period January 1, 2014 to March 31, 2015

*[Expressed In Eastern Caribbean Dollars]*

	<u>Notes</u>	<u>2015</u> <u>\$</u>
<b>Cash flows from operating activities</b>		
Surplus for the period		497,659
<b>Adjustment for non-cash items:</b>		
Depreciation	6	<u>25,215</u>
<b>Operating income before working capital changes</b>		522,874
Increase in accounts payable and accruals		<u>74,209</u>
<b>Net cash from operating activity</b>		<u>597,083</u>
<b>Cash flows used in investing activities</b>		
Purchase of property, plant and equipment		<u>(14,961)</u>
<b>Net increase in cash and cash equivalents</b>		582,122
<b>Cash and cash equivalents - beginning of period</b>	5	<u>-</u>
<b>Cash and cash equivalents - end of period</b>	5	<u><u>582,122</u></u>

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



# FINANCIAL SERVICES REGULATORY AUTHORITY

Notes to the Financial Statements

For the Period January 1, 2014 to March 31, 2015

---

*[Expressed In Eastern Caribbean Dollars]*

## 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 Act No. 13 of 2011, and commenced operations on January 1, 2014.

The Authority is the single regulatory body which licenses, supervises and regulates the financial services sector of 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 6<sup>th</sup> Floor, Francis Compton Building, Waterfront, Castries, Saint Lucia.

The financial statements were approved by the Board of Directors and authorized for issue on June 11, 2015.

## 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.

#### Statement of compliance

The financial statements of the Financial Services Regulatory 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.

This is the first year of the Authority's operations and as such, these are the first financial statements prepared in accordance with IFRS.

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) Adoption of new and revised IFRS

During the current year the Authority adopted all the new and revised International Financial Reporting Standards ("IFRS") which are relevant to its operations and are effective for the relevant accounting period.

### (c) Standards and interpretations issued and not yet effective

The Authority has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that the adoption of any other standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

## FINANCIAL SERVICES REGULATORY AUTHORITY

Notes to the Financial Statements

For the Period January 1, 2014 to March 31, 2015

---

*[Expressed In Eastern Caribbean Dollars]*

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

#### (d) 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 months or less from the date of acquisition including cash on hand and deposits held on call with banks.

#### (e) Property, plant and equipment

Property, 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 recognized 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 years
Equipment	3 - 5 years
Software	3 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.

## FINANCIAL SERVICES REGULATORY AUTHORITY

Notes to the Financial Statements

For the Period January 1, 2014 to March 31, 2015

---

*[Expressed In Eastern Caribbean Dollars]*

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

#### (f) Impairment of non-financial assets

The carrying amounts of the Authority's property, 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 recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of income.

Impairment losses recognized 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 recognized.

#### (g) Accounts payable

Accounts payable are classified as current liabilities if payment is due within one year or less. Accounts payable are initially recognized at fair value and subsequently measured at amortized cost.

#### (h) 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.

## FINANCIAL SERVICES REGULATORY AUTHORITY

Notes to the Financial Statements

For the Period January 1, 2014 to March 31, 2015

---

*[Expressed In Eastern Caribbean Dollars]*

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

#### (i) Revenue recognition

Revenue is recognized on an accruals basis and comprises a 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 recognized on an accruals basis.

#### (j) 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 recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

#### (k) 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.

### 3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstance arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

The most significant use of estimates and assumptions are disclosed in Note 2(e) and (f) respectively.

## FINANCIAL SERVICES REGULATORY AUTHORITY

Notes to the Financial Statements

For the Period January 1, 2014 to March 31, 2015

---

*[Expressed In Eastern Caribbean Dollars]*

### 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 regulated financial institution and as such management does not believe that significant credit risk exists at March 31, 2015.

#### (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. All contractual obligations are expected to be settled within the next year.

#### (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 quoted 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 traded on formal markets and as such their fair values are assumed to approximate their carrying amounts.

#### (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.

## FINANCIAL SERVICES REGULATORY AUTHORITY

Notes to the Financial Statements

For the Period January 1, 2014 to March 31, 2015

*[Expressed In Eastern Caribbean Dollars]*

### 5. Cash and cash equivalents

	2015 \$
	<u>683</u>
Cash on hand	683
Cash at bank	<u>581,439</u>
	<u>582,122</u>

### 6. Property, plant and equipment

	Furniture \$	Equipment \$	Software \$	Total \$
<b>For the year ended March 31, 2015</b>				
Opening net book value	47,044	40,050	-	87,094
Additions during the period	-	10,949	4,012	14,961
Depreciation charge for the period	(11,761)	(13,454)	-	(25,215)
<b>Closing net book value</b>	<u>35,283</u>	<u>37,545</u>	<u>4,012</u>	<u>76,840</u>
<b>As at March 31, 2015</b>				
Cost	47,044	50,999	4,012	102,055
Accumulated depreciation	(11,761)	(13,454)	-	(25,215)
<b>Net book value</b>	<u>35,283</u>	<u>37,545</u>	<u>4,012</u>	<u>76,840</u>

## FINANCIAL SERVICES REGULATORY AUTHORITY

Notes to the Financial Statements

For the Period January 1, 2014 to March 31, 2015

*[Expressed In Eastern Caribbean Dollars]*

### 7. Accounts payable and accruals

	2015 \$
Gratuity payable	64,155
Accounts payable	28,959
Other payables	4,000
Payroll	2,758
	<u>99,872</u>

### 8. Contributed capital

	2015 \$
Property, plant and equipment	87,093
Gratuity payable	<u>(25,662)</u>
	<u>61,431</u>

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

## FINANCIAL SERVICES REGULATORY AUTHORITY

Notes to the Financial Statements

For the Period January 1, 2014 to March 31, 2015

*[Expressed In Eastern Caribbean Dollars]*

### 9. Administrative and general expenses

	2015 \$
Salaries and benefits	1,248,885
Utilities	141,741
Board stipends and appeals tribunal	48,500
Gratuity	38,493
Depreciation	25,215
Office and general expenses	23,017
Training	14,134
Travel and subsistence	13,981
Audit expense	8,050
Hosting and entertainment	6,619
Communications	5,335
Advertisements	2,970
Public relations	1,869
Maintenance of equipment	1,687
Bank charges	1,210
Legal and professional expenses	1,035
	<u>1,582,741</u>

### 10. Related party transactions

#### Key management compensation

	2015 \$
Salaries and other benefits	418,238
Board stipends	44,750
	<u>462,988</u>

During the year, the Authority collected funds totaling \$2,566,721 on behalf of the Government of St. 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.

### 11. 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.











Financial Services Regulatory Authority  
6th Floor Francis Compton Building  
Waterfront, Castries

Tel: (758) 468-2990  
Fax: (758) 451-7655