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

Contents

BOARD OF DIRECTORS

VINCENT HIPPOLYTE

Chairman

MARCUS JOSEPH

Deputy Chairman

DR. REGINALD DARIUS

Permanent Secretary, Ministry of Finance

SOPHIA HENRY

Alternate Director to the Permanent Secretary of the Ministry of Finance

G. CARLTON GLASGOW

Director, designated by the Governor of the Eastern Caribbean Bank

PAUL HILIARE

Director

PAUL THOMPSON

Chief Executive Officer, Financial Intelligence Authority

MANAGEMENT TEAM

JOHN CALIXTE LEON

Executive Director

NATHALIE DUSAUZAY

Senior Manager

HEMISH LESMOND

Legal Officer & Corporate Secretary

HUBERT DELIGNY

Insurance Manager

GERMAINE ISAAC

Executive Assistant/Accountant

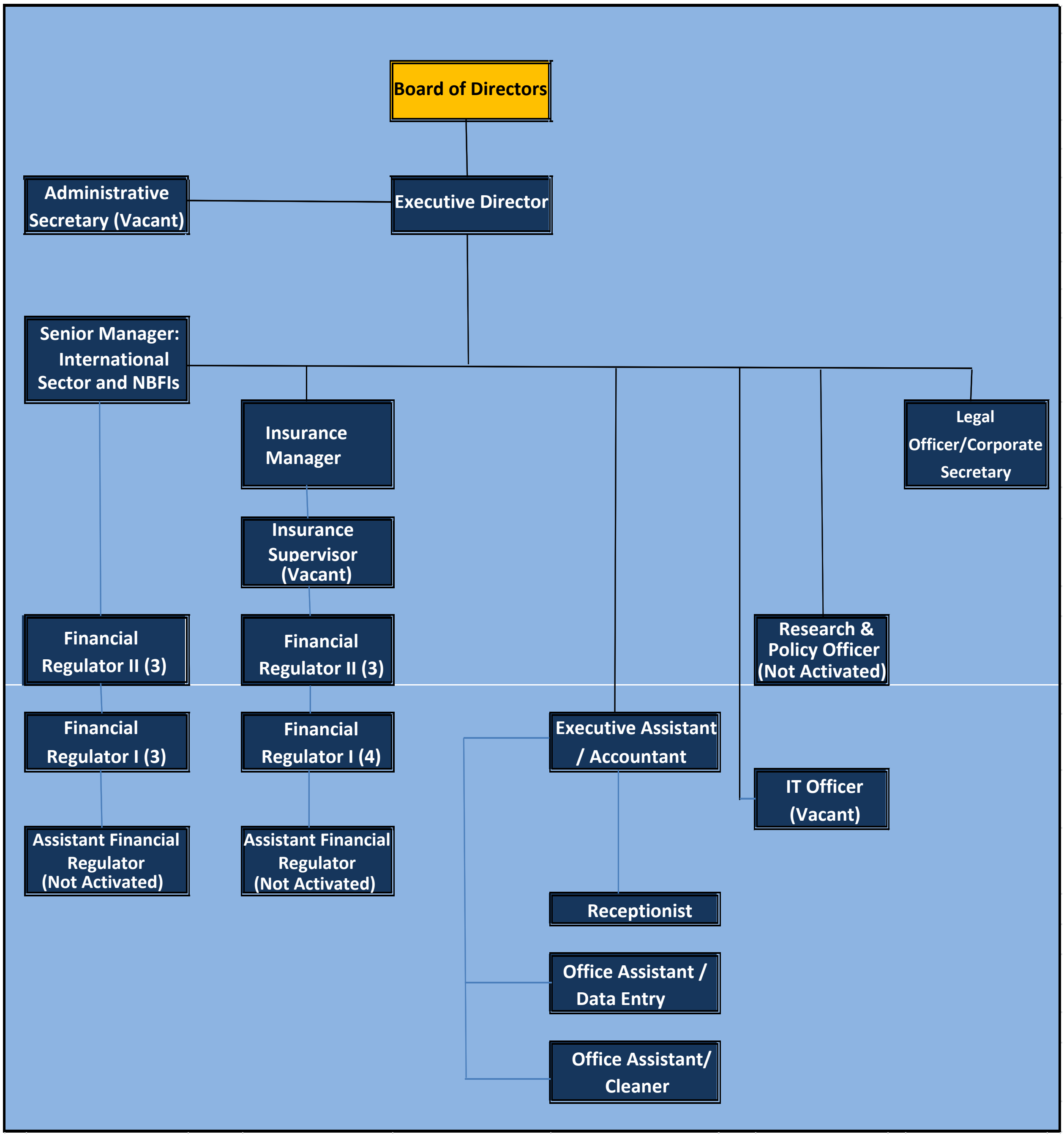
OUR STAFF

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

The Board of Directors of the Financial Services Regulatory Authority (FSRA / Authority) is pleased to submit to the Minister for Finance, the Annual Report on the operations, activities and transactions of the Authority for the financial year ended March 31, 2016. Over the last financial year, 2015-2016, the FSRA has continued to fulfill its mandate as set out in the Financial Services Regulatory Authority Act, No. 13 of 2011 (FSRA Act). During the review period the primary focus for the Board of Directors was capacity enhancement focused on the latest regulatory practices.

The Board of Directors also undertook a careful and detailed review of its umbrella legislation, the FSRA Act, resulting in the enactment, on February 18, 2016, of the Financial Services Regulatory Authority (Amendment) Act, No. 7 of 2016. The amendments included:

- The insertion of a definition of "Auditor". A regulated entity could only engage the services of an auditor, if the said auditor is a member of the Institute of Chartered Accountants of the Eastern Caribbean and Saint Lucia.
- The appointment of an alternate to the Permanent Secretary in the Ministry responsible for Finance. In light of this amendment, the Board of Directors was strengthened by the appointment of Mrs. Sophia Henry as an Alternate Director.
- The payment of fees by regulated entities to the Authority. This amendment is in keeping with the objective of making the Authority a self-financing body.

Additionally in concert with the Insurance Council of St. Lucia, the FSRA continued discussions with the Eastern Caribbean Central Bank (ECCB) with a view to possible enactment of a uniform Insurance Act. The highlight of this engagement was the town hall meeting at the CSA Centre with the insurance stakeholders and members of the public. The purpose of this meeting was to sensitize the public of the initiative and the proposed legislation. It is anticipated that the concerns and issues raised will be addressed before the enactment of the proposed legislation. The FSRA also contemplates the introduction of the Insurance (Appeals Tribunal) Regulations. This will formalize the process of appeals for industry stakeholders and increase the degree of transparency that currently exists in the insurance appeals process.

In my message last year, I stated that the FSRA continued the work which started with the Legislative Drafting Unit on the review of the Cooperatives Societies Bill. To date, consultations on the said bill are ongoing. It is also to be highlighted that the FSRA successfully hosted the Eastern Caribbean Currency Union (ECCU) regional conference of credit union Regulators. This conference was very successful and will no doubt augur well for the uniform approach to credit union regulation in the ECCU.

On November 19 2015, Saint Lucia signed an Inter-Governmental Agreement, model AI, with the United States of America. This signing has signaled Saint Lucia's commitment in complying with global standards in the exchange of tax information as set out in the Agreement. The Inland Revenue Department (IRD), which is the Competent Authority for the implementation and enforcement of the Foreign Account Tax Compliance Act (FATCA) and the FSRA have been working assiduously towards enacting the Agreement into law to commence automatic exchange of information by September 2016. Further, the IRD and the FSRA have been hosting seminars with a view to sensitizing on reporting obligations of industry stakeholders.

The fallout from the Panama Papers has fuelled the debate that International Financial Centres encourage a non-cooperative system in relation to exchange of information on tax matters. This has led to "de-risking"; the phenomenon associated with financial institutions (correspondent banks) terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with FATF's risk-based approach. The impact of de-risking is profound on both onshore and offshore banks. The Caribbean Community (Caricom) is deliberating on the way forward to redress this phenomenon.

In closing, the Board of Directors believes that the FSRA is in a stronger position now to pro-act and respond more effectively to the many challenges of the dynamic regulatory environment, than it had been in its earlier years. This position enhances it ability to maintain Saint Lucia's standing and reputation as a world class international financial services jurisdiction.

Chairman signature

Vincent Hippolyte

EXECUTIVE DIRECTOR'S REPORT

The reporting period spanning April 2015 to March 2016 presented numerous opportunities and challenges for the Authority, and by extension the entire Financial Sector in this space. As a response to growing international pressures, the Financial Sector and the FSRA, more than ever, have had to collaborate to steer the industry. Hence, charting the path for the FSRA over the last year involved maintaining the regulatory standard and ensuring the growth and development of the staff complement.

TRAINING

In that regard, staff received invaluable training on Risk Based Supervision (RBS), Basel II Capital Adequacy requirements and Anti-Money Laundering Risk Assessment.

Commonwealth Fund - Insurance Consultant

In 2015, the Financial Services Regulatory Authority was able to secure training in the principal areas of insurance supervision for all its Financial Regulators through the support of the Commonwealth Fund for Technical Co-operation. This training involved hosting in-house an insurance consultant who provided presentations on various regulation modules including reinsurance, on-site inspections, financial analysis and AML/CFT issues. The objective of this course was to improve the knowledge base of Financial Regulators and increase their supervisory capacities. Through this interaction, Financial Regulators were exposed to a host of practical scenarios that allowed further insight into the standards of supervision globally.

Credit Union Workshop

The Financial Services Regulatory Authority (FSRA) in collaboration with the Caribbean Regional Technical Assistance Centre (CARTAC) and the Caribbean Association of Credit Union Supervisors (CACS Secretariat) held a Credit Union Workshop for Financial Regulators within the Eastern Caribbean Currency Union (ECCU) and Caricom region.

This workshop was hosted by the FSRA and was held at the Royal by Rex Resorts in St Lucia, from August 17 – 20, 2015 where forty (40) participants/Regulators were in attendance, namely, Regulators from Anguilla (2), Antigua & Barbuda (2), Bahamas (2), Barbados(3), Belize(2), Dominica(2), Grenada(2), Guyana(2), Haiti(2), Jamaica(1), Nevis(2), St Kitts(2), St Lucia(7), St Vincent & the Grenadines(3), Suriname(2), Trinidad & Tobago(2), and Turks & Caicos Islands(2). The presenters for the sessions ranged from institutions/persons from the International Monetary Fund (IMF), Chief Economist and Resident Advisors from CARTAC.

The aim of the workshop was to foster development and to strengthen credit union supervision and regulation in the Caribbean. Some of the key discussions held during the workshop focused on stress testing, risk weighted capital adequacy framework and corporate governance. Another key aspect of the workshop was that of the discussion of the Regional Committee, Caribbean Association of Credit Union Supervisors (CACS), that is, its role, core activities and the need for strategic planning and development of CACS in the interest of serving its member countries.

CARTAC Risked Based Training

One of the highlights of the year in review was that, the FSRA received technical assistance from the Caribbean Regional Technical Assistance Centre (CARTAC) on the risk-based assessment framework (the framework). The training sessions were conducted in two phases by officials of CARTAC on September 15, 2014 and December 09, 2015 respectively.

The following areas were covered:

Phase I - encompassed Risk based Supervision of the International Banks for a period of one (1) week

Phase II - risk based supervision of Domestic Insurance companies for a period of three (3) days

The training provided Financial Regulators with the knowledge and skills required to assist with the implementation of the framework in our current work programme. The risk-based assessment framework may be described as a targeted approach to effectively implement and adequately evaluate risks associated with various entities.

The training session organized by CARTAC was held with a view of developing a standardized approach for the region, primarily for the enhancement of financial soundness indicators, thereby raising the standards for financial stability reporting and to promote financial sector safety and soundness, both of which may be better achieved if risks are adequately and thoroughly assessed.

The framework provided the FSRA with a multi-dimensional framework which focused on these issues and companies that pose the greatest risk to the stability of the financial system, depositors, shareholders, investors, and policy holders. Having identified the companies with the highest risks, the FSRA would then be able to determine which companies are at the risk of failure or performing within industry standards. The level and frequency of supervisory intervention would then be tailored to the companies' risk profile.

<u>Anti-Money Laundering Certified Associate (AMLCA) & Other Staff Achievements</u>

In 2015, the FSRA identified the Anti-Money Laundering Certified Associate (AMLCA) qualification as a suitable course for the continued training and development of its regulatory staff, and in response to the need for the regulatory body to understand and apply anti-money laundering regulations in the supervision of its licensees.

The AMLCA is a prestigious, internationally recognized, on-line certification programme established by the Florida International Bankers Association in partnership with Florida International University. This programme provides a broad and comprehensive overview of the Anti-Money Laundering (AML) body of knowledge and an appreciation of how AML works in practice. Participants are exposed to the knowledge and skills necessary to carry out the duties of AML Compliance.

Highlights of the course include:

- Application of AML laws, regulations
- International & higher risk transactions
- Understanding and risk rating at financial institutions
- Customer Due Diligence & Enhanced Due Diligence
- Conducting internal investigations
- Self-monitoring AML compliance systems
- Monitoring transactions
- Preparing for exams & audits
- Monitoring, identification, & reporting of suspicious activity

To date eleven (11) of the FSRA's fourteen (14) Financial Regulators have attempted and successfully completed the AMLCA certification and carry the prestigious AMLCA designation. This certification has allowed those regulators to better contribute to the efficiency of the Authority via their now enhanced AML knowledge and sharpened problem-solving skills.

The relevance of such training for the FSRA cannot be overlooked. All financial institutions under the Authority's jurisdiction are particularly vulnerable to terrorism financing and money laundering. These institutions are required by law to have comprehensive arrangements in place for combatting money laundering and terrorism financing. For effective supervision of these institutions, there is no option but for the Authority to equip itself with personnel who are trained in compliance issues that apply to global financial institutions.

In embracing the AMLCA opportunity, the Authority and its regulators have demonstrated their commitment to meeting the challenge of staying informed and updated of developments in the area of financial regulation.

The FSRA congratulates the following staff members who have received Anti-Money Laundering Certified Associate status and have been afforded the designation AMLCA:

- Astrid Augustin, AMLCA
- Cuby King, AMLCA
- Curtis Paul, AMLCA
- Disraeli James, AMLCA
- Flavienne Smith, AMLCA
- Krysta Anthony, AMLCA
- Sancha Gervais-Victor, AMLCA
- Shelevon Jean, AMLCA
- Stephanie Gustave, AMLCA
- Francine Felicien, AMLCA
- Nathalie Dusauzay, AMLCA

INSURANCE SECTOR

Bancassurance

The participation of Commercial banks in the sale of insurance products "bancassurance" is a heavily debated issue in financial circles. Integrating these two industries have had several implications on the financial market with the most cited criticism against bancassurance relating to coerced tied selling of bank and insurance products. Another major area of concern is the late or non-remittance of individual member premiums by banks who own group policies, effectively exposing the policy beneficiaries to the risk of non-coverage.

In consequence, though not explicitly legislated, the FSRA has made it a requirement for banks to provide a separate document to potential clients authenticating the awareness of alternative options for the required risk coverage. Additionally, the FSRA is proposing that in an ideal operational structure the contemplation is for a distinct:

- Insurance team comprising qualified practitioners; and
- Separation of the insurance function from the commercial banking function

Further, the FSRA intends to make it a requirement that upon a banks' receipt of premiums for a group policy, the insurer would be deemed to have been paid.

Broker deemed an agent of insurer for the purposes of collection of premiums

The late or non-remittance of premiums by brokers to insurers and agents has long been an area of concern to the FSRA and has caused great injury to the policyholder. Consequently, the FSRA is proposing an amendment to the Insurance Act wherein the insurance broker will be deemed an agent of an insurer for the purposes of premium collection. In that regard, the FSRA has begun the consultation process with the Insurance Council of Saint Lucia.

Subsidiaries operating like branches

Largely in response to the CLICO/BAICO debacle of 2009, the Financial Services Regulatory Authority (FSRA) along with the other Eastern Caribbean Currency Union (ECCU) Regulators has required new entrants to keep mind and management of the entity within the ECCU. Consequently, as part of the conditions of Registration, new companies must incorporate within the space.

The FSRA has noted a trend wherein such companies, though incorporated in St Lucia, continue to operate like branches. A significant number of functions remain with the externally based parent and there is inadequate information at the subsidiary level to facilitate timely and comprehensive supervision.

In order to ensure that the FSRA has adequate information at the subsidiary level, the following conditions of registration are mandatory.

(i) The FSRA must have full and ready access to all information in respect of the operations of the company from the local office. A maximum of two business days is being allowed in respect of functions where immediate access is not possible.

(ii) A copy of all contracts and/or registers with respect to the non-resident functions must be kept at the local office.

INTERNATIONAL SECTOR

Panama papers

The Panama Papers saga began towards the end of March to early April 2016. The name of the firm in the centre of the controversy was Mossack Fonseca and Co, (MF), a global law firm and provider of offshore services domiciled in Panama. The information leaked from The Panama Papers were secret documents, which were shared among the International Consortium of Investigative Journalists (ICIJ). This information included 11.5M financial and legal records of secret offshore companies and individuals (300,000) from 21 jurisdictions around the World, which alluded to a system that enables crime, corruption and wrong doing. The institutions and persons disclosed were either directly or indirectly linked to Global figures both corporate and natural persons emanating from almost every major continent of the World. This saga had many far reaching effects, which included the resignation of Prime Ministers and Directors of Global organizations.

The FSRA continues to monitor and implement all measures to mitigate the risk of its jurisdiction being used for such illicit transactions.

De-risking

The severing of correspondent banking relationships is having a severe impact on the financial sectors of many Caribbean territories. This practice of ending banking relationships with clients or closing accounts deemed to be of "high risk" is referred to as "de-risking".

The adoption of a de-risking strategy by global banks, which provides correspondent banking services for domestic banks across the world, was apparently in response to a complex combination of factors including generally increasing costs of compliance, change in risk appetite, uncertainty in cross border and local regulatory environment and Know Your Customer (KYC) requirements. Increases in the cost of compliance resulted from incidents of record-setting fines, precedent-setting criminal prosecution and enforcement actions.

While Belize has been the jurisdiction most affected in the Caribbean, Saint Lucia is also facing challenges. Some Money Services Businesses (MSBs) have encountered difficulties in opening accounts with domestic banks as a result of pressure from correspondent banks labeling MSBs as high risk institutions. Other domestic banks have decided altogether to do away from Money Services line of business.

In the International Business sectors business, some of our Offshore Bank correspondent banking relationships have been severed, and although several of these banks have been able to establish relationships with other financial institutions, others have not. In addition, newly licensed offshore Banks are unable to commence operations and others have to surrender their licenses primarily due to correspondent banks' unwillingness to take on new customers.

Given the importance of international finance and banking services to economic growth and development, CARICOM has taken the proactive approach of pursing discussions at various levels, both in the region and internationally, to identify the best means of addressing and mitigating the impact of reduced access to international banking and financial services and markets caused by de-risking measures.

FATCA

Saint Lucia signed onto the Inter-Governmental Agreement Model 1A (IGA Model 1A) with the United States, on November 19, 2015 for facilitating information exchange. The Model will allow Saint Lucia to avoid a direct reporting arrangement between the US Internal Revenue Service and financial institutions operating in Saint Lucia. Instead, the two way automatic exchange of information will be between the US Internal Revenue Service and Saint Lucia's Competent Authority (the IRD).

The IRD entered into a Competent Authority Arrangement (CAA) with the US Internal Revenue Service on February 29, 2016.

This arrangement details the procedures for automatic exchange provision of Articles 2 and 4 under the IGA and prescribes the Rules and procedures necessary to implement Articles 5 of the IGA. It is expected that all financial institutions will submit their first exchange of reportable information by September 30, 2016 in respect of the income years 2014 and 2015. The Saint Lucian government will shortly introduce in Parliament, a Bill giving legal force to the provisions of the Agreement.

OECD/CRS

Currently the island has tax information exchange agreements which cover 32 jurisdictions, including relevant partners. Having been assigned a partially compliant rating in its Phase II peer review of the implementation of the standards of transparency and exchange of information for tax purposes, Saint Lucia has been working towards refining and updating its legislative framework to improve this rating.

At our Phase II Review in 2014, deficiencies were recognized in two key areas namely A.1 (availability of ownership information) and A.2 (availability of accounting information). Ratings of largely compliant and non-compliant were accorded respectively with appropriate recommendations to be pursued by Saint Lucia. To correct these deficiencies and in accordance with the said recommendations, Saint Lucia pursued a rigorous suite of legislative amendments in respect of:

- The International Tax Cooperation Act
- The International Business Companies Act
- The International Partnership Act
- The International Trust Act; and
- The Companies Act

These amendments now provide for:

- A new definition for "person" to include a corporation, trust, partnership, any other juridical person…
- A new definition for "records and underlying documentation in keeping with the "Implementing the Tax Transparency Standards" handbook.
- Unauthorised access and inspection of information. A person shall not willfully access, attempt to access or inspect any records, article, document or
- Submission of annual returns. Deadlines for submission to the Registrar and the requisite penalties for non-submission;

information without prior written instructions from the Minister.

- Availability to the Competent Authority of Ownership and Identity Information, Directors Information and Reliable Accounting Information.
- Deadlines for submission of records to Registered Agents (International Sector) and the requisite penalties for non-submission.
- Registration of member states companies (Onshore Companies) and

This has resulted in an improved overall rating of "Largely Compliant" on completion of the supplementary review which took place in June 2016.

CRS/MCA

The Common Reporting Standard (CRS) was developed by the OECD with the endorsement of the G20 Finance Ministers. The standard aims to prevent tax evasion leading to a global automatic exchange of information between CRS participating jurisdictions. The CRS draws extensively on the inter-governmental approach to implementing FATCA. Saint Lucia committed to automatic exchange on a reciprocal basis by the 2nd half of 2018 at the Berlin conference and signed the Multilateral Competent Authority Agreement (MCAA) at the 8th meeting of the Global Forum in Barbados on October 29, 2015. The MCAA is annexed to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAC). Saint Lucia has also accepted the invitation to be a party to the MAC and deposited its Letter of Intent to sign with the Depositary. The procedure for acceptance is ongoing.

INITIATIVES UNDERWAY AT THE YEAR END

The Work Program of the FSRA includes several on-site inspections, some which have been conducted and many still pending for 2016. The higher frequency of inspections is in keeping with compliance to the global standard on transparency in exchange of information for tax purposes. In consequence, a dedicated inspection team is being considered. All Financial Regulators of the FSRA currently execute on-site inspections which require not only time spent investigating a company's compliance to the relevant statute, but also time spent reviewing and compiling information to draft reports. These reports, which are forwarded to the companies under review, include findings of the investigation and recommendations which should enable a greater degree of compliance with regulations. The timeframe for completion is usually a month or more depending on the scope of investigations and findings. Assessment of the current approach suggest there will be efficiency gains should this task be conducted by a separate on-site team. Moreover, this approach will increase the level of presence of the FSRA and encourage companies towards greater adherence of the stipulations of statute.

In closing, I am indeed honored to recognize the commitment and dedication of Management and Staff who under trying and difficult circumstances have persevered and contributed immensely to our success. I recognize also the contribution and cooperation of our associates, in particular the Attorney's General Chambers, the Insurance Council of Saint Lucia, the Saint Lucia Credit Union League, the Financial Intelligence Authority and the Saint Lucia International Financial Centre.

John Calixte Leon

Executive Director

SECTOR REPORTS

INSURANCE SECTOR

The insurance industry continues to play a vital role in Saint Lucia's economy. This industry comprises insurance companies, insurance brokers, insurance agents and insurance salespersons. The Financial Services Regulatory Authority (FSRA) has the mandate to regulate and monitor this industry in order to maintain and improve market integrity for the benefit and protection of policyholders, potential policyholders and the market in general.

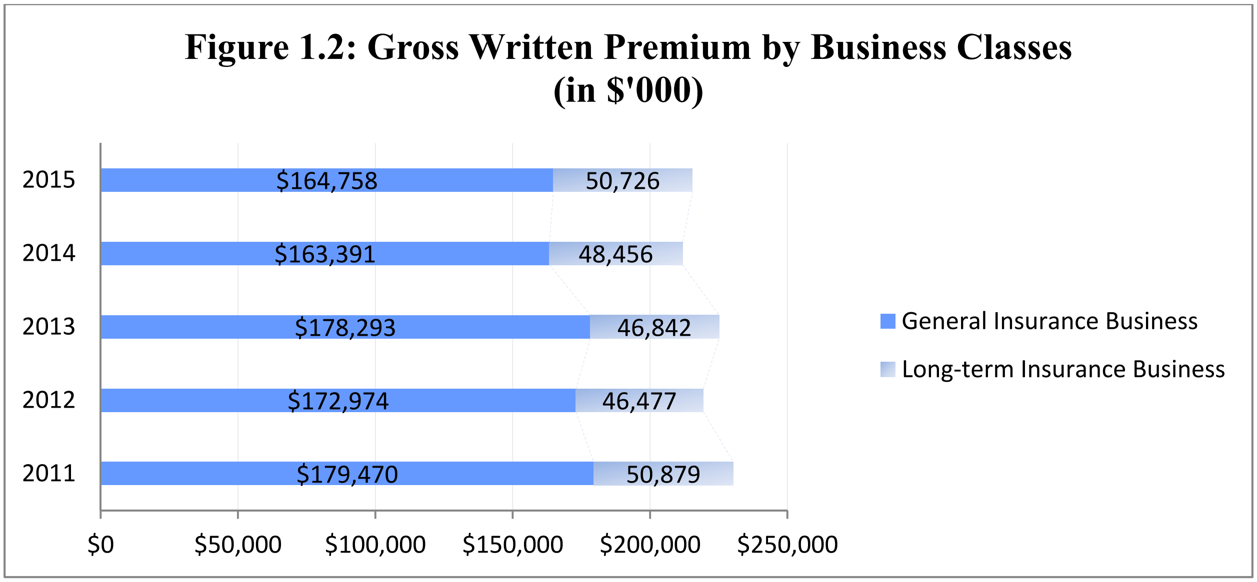
At the end of 2015, registered industry participants included one (1) association of underwriters, twenty six (26) insurance companies (two of which had not conducted business in the period), eighteen (18) insurance agents, eleven (11) insurance brokers and approximately one hundred and fifty (150) salespersons holding two hundred and twenty (220) insurance salespersons' licences. Over the five year period, there has been slight movement in the number of entities registered under the Insurance Act as illustrated in Figure 1.1: Number of Registered Insurance Entities.

Figure 1.1: Number of Registered Insurance Entities

Insurance Sector Performance

The insurance sector experienced growth of 1.7% in 2015 with total premium income increasing to EC$215.5 million (2014: EC$211.8 million). Figure 1.2, Gross Written Premium by Business Classes, illustrates the movement in Gross Written Premium over the last 5 years.

The increase in gross premiums reflects increases in both long-term and general insurance business which grew by 4.7% (2015: EC$50.7 million; 2014: EC$48.5 million) and 0.8% (2015 EC$164.8 million; 2014: EC$163.4 million), respectively. It is worthy to note that the marginal increase realized in general insurance business may not be a true reflection of the level of penetration experienced in this sector due to the downward trend in the unit cost of insurance spurred by the highly competitive environment.

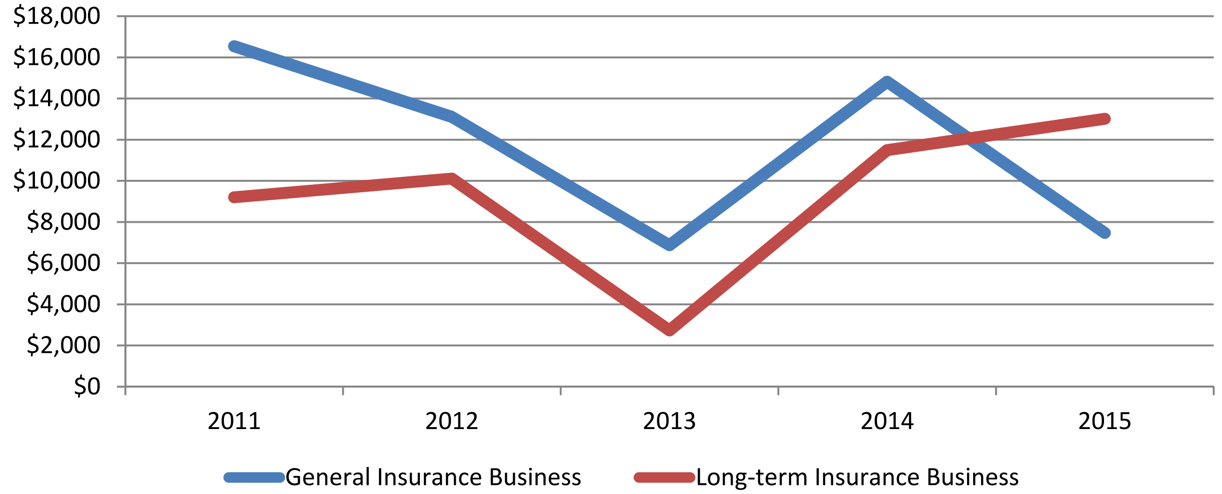


The reliance on reinsurance remains a marker of the insurance industry with an average of 47% of gross written premiums being ceded annually. The general insurance market tends to demonstrate greater reliance on reinsurance (57% of gross premiums) compared to the long-term insurance market (13% of gross premiums).

In contrast to the increase in the gross premiums of insurers in 2015, the net income (profit before tax) of the industry experienced a significant decrease of 22% (2015: EC$20.48 million; 2014: EC$26.31 million) due to significant claims incurred in the general insurance market and a reduction in returns on investments in the long-term insurance market. The trend in net income, segregated into long-term and general insurance classes, is illustrated in Figure 1.3: Net Income of Insurance Industry.

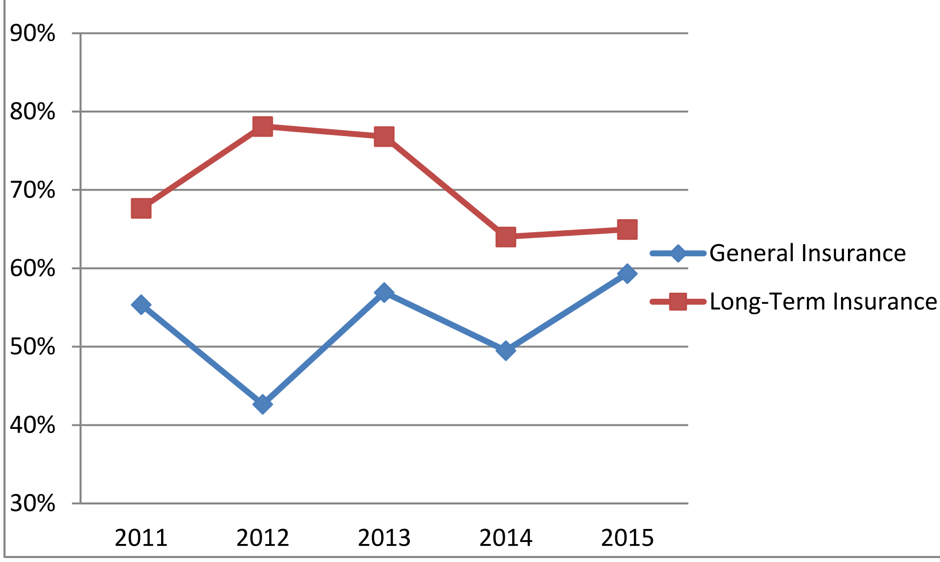
Prior to this drop in industry income of general insurers, a similar dip was experienced in 2013 primarily due to the passage of a trough in December of that year which caused a spike in property insurance claims, followed by relatively low claims experience in 2014. The drop in the long-term insurers' net income was due to the decrease in investment income of a few of the major market participants.

Figure 1.3: Net Income of Insurance Industry (in $'000)



The loss ratio is an indicator commonly used to evaluate the health of the insurance industry as it compares premiums collected to claims paid out by insurers. As illustrated in Figure 1.4: Loss Ratio of Insurance Industry, there was little movement in the loss ratio of long-term insurers in 2015. However, the general insurance sector experienced an increase in its loss ratio fuelled by an increase in the amount of net claims. Analysis revealed that deficiencies in a few of the insurers' reinsurance treaty programmes contributed to the reported high net claims figure as some of the insurers recording significant losses recovered only a small percentage from reinsurers.

Figure 1.4: Loss Ratio of Insurance Industry



One of the key areas of focus for the FSRA is its mandate to ensure that companies operating within the industry satisfy their statutory obligations to establish and maintain a Statutory Deposit and Insurance Fund at least equal to their policyholders' liabilities. Given the nature of Long-term Insurance (Life Insurance) and Motor Insurance business, companies are specifically required to place in Trust to the order of the FSRA, the established Insurance Funds for those lines of business in order to effectively create a ring-fence for the protection and benefit of policyholders and the general public which are exposed to these risks.

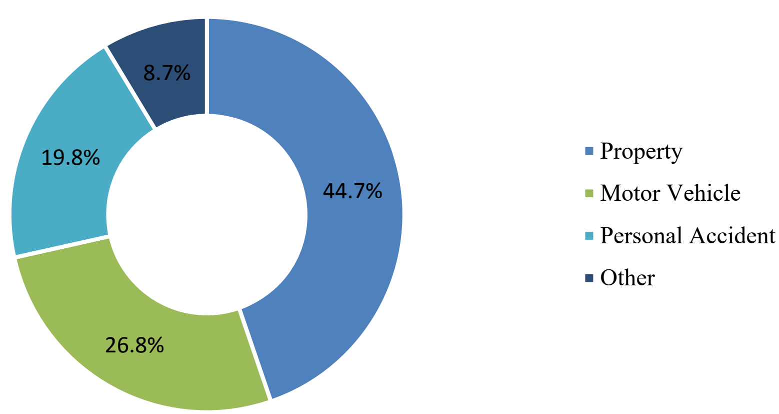
The FSRA has made tremendous strides over the years toward ensuring that companies' Statutory Deposits and Insurance Funds are fully established and duly pledged. To-date, the value of the Statutory Deposit and Insurance Fund pledged to the FSRA stands at EC$286 million. Moreover, of the twenty-three (23) companies conducting Long-term and Motor Insurance business, all of the companies, save one, have fully satisfied their statutory obligations. The FSRA aims to have this important requirement of statute one hundred percent (100%) satisfied during 2016.

General Insurance Business

The general insurance sector contributed 76.5% (EC$164.8 million) of the total gross premiums in 2015, continuing its trend of dominance of the insurance market. There were nineteen (19) insurance companies registered to conduct general insurance business at the end of 2015.

In 2015, there was little movement in the general insurance sector as premiums generated increased only marginally (2015: EC$164.8 million; 2014: EC$163.4 million). Of the EC$145.4 million of general insurance gross premiums generated in 2015[1], property accounted for EC$65 million (44.7%), motor vehicle EC$38.9 million (26.8%), personal accident EC$28.8 million (19.8%) while the three (3) other classes of general business (namely liability, pecuniary loss and marine, aviation and transport) accounted for EC $12.6 million (8.7%) collectively.

Figure 1.5: General Insurance Business by Class



In the general insurance market the property class of insurance business tends to have a heavier reliance on reinsurance with 75% to 80% of premiums being ceded annually.

[1] This total excludes the contribution of Lloyds' Association of Underwriters ($18.1 million).

Long-Term Insurance Business

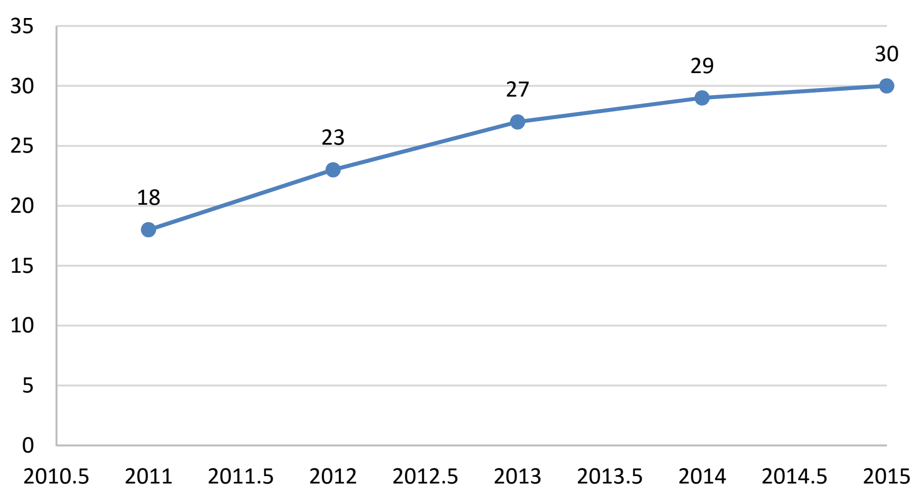
The long-term insurance sector has continued its upward trend in premium generation over the past three years. In 2015, 7.2% of total gross premiums was generated by this sector (2015: EC$52 million; 2014: EC$48.5 million). There were eight (8) registered insurance companies in the long-term insurance market at the end of 2015.

The long-term insurance classes of business (ordinary long-term, industrial life and annuities) demonstrate a low reliance on reinsurance over the last five years with an average of EC$6 million being ceded annually.

Pension Plans

In addition to its mandate to regulate and monitor the insurance industry, the FSRA is also responsible for the registration and monitoring of pension fund plans in Saint Lucia. As illustrated in Figure 1.6: Number of Registered Pension Plans, there has been significant growth in the number of registered plans from 2011 to 2015 (67%). At the end of 2015, the FSRA had a total of twelve (12) applications for the registration of pension fund plans, which remained at different stages of the registration process.

Figure 1.6: Number of Registered Pension Plans



Developments in Regulation and Supervision

The regulation and supervision of financial entities is dynamic and requires constant evaluation and innovation. In acceptance of this, the FSRA remains committed to being at the cutting edge of regulation. Pertinent developments to date include:

- ***Risk Based Supervision***

  The FSRA has introduced the use of risk based supervision (RBS) of regulated entities. Given the resource limitations of the FSRA this approach will ensure that resources are allocated in the most efficient way allowing for heightened supervision of the riskier entities. The use of the RBS framework will be used to signal which entities require greater attention both on-site and off-site.

- ***Insurance Appeals Tribunal Regulation***

  Regulations have been drafted to strengthen and support the provisions in the Insurance Act relating to the Appeals Tribunal.

- ***Plan of Arrangement (BAICO) Bill***

  The Judicial Managers for British American Insurance Company (BAICO), through their continuous efforts, have been able to secure some additional funds for the benefit of all policyholders and intend to make a partial payment to the policyholders in the near future. However, in order to distribute the funds to policyholders they have indicated that in the absence of a special arrangement there would need to be separate liquidation processes for each branch in each jurisdiction which will be a highly inefficient, costly and a confusing process for policyholders; resulting in the further dilution of the distribution to policyholders.

  In that regard the enactment of a Plan of Arrangement Bill has been proposed and it is anticipated that this Bill will soon be enacted. The necessary changes are being made to the bill in order to tailor it to meet the requirements of Saint Lucia.

- ***Submission of annual business plans***

  In an effort to be more proactive and to improve the monitoring process, the FSRA has required all Insurers to submit annual business plans, beginning the financial year 2016. The majority of companies have fully complied with this requirement.

CREDIT UNION SECTOR

Credit Unions are member-based registered financial co-operatives, established to promote thrift and create a line of credit for members. Credit unions/Societies serve as not–for-profit organizations where focus is on providing sustainable living and enrichment of members' overall economic and social development, as members are the clients, shareholders and owners of the Society.

For the period under review (calendar year 2015), the credit union sector realized growth in areas such as loans and deposits while administrative and management capacity remained fairly stable. A breakdown of the financial performance of the sector is provided below.

The tables below, depict the financial performance of credit unions within St Lucia and are categorized in segments, namely, public sector, private sector and community based credit unions.

Table 1

YEAR 2015	Public Sector Credit Unions	Private Sector Credit Unions	Community Based Credit	Total
Credit Unions	3	5	8	16
Total Assets	$ 283,539,204	$ 112,871,919	$ 275,960,396	$ 672,371,519
Total Loans	$ 214,021,353	$ 83,008,201	$ 208,241,033	$ 505,270,587
Total Non-Performing Loans	$ 6,837,432	$ 12,293,184	$ 37,043,112	$ 56,173,728
Total Deposits	$ 206,052,136	$ 96,084,240	$ 234,833,817	$ 536,970,193
Total Liabilities	$ 207,854,130	$ 98,049,163	$ 237,849,454	$ 543,752,747
Total Share Capital	$ 14,756,965	$ 3,766,575	$ 8,816,899	$ 27,340,439
Total Members' Equity	$ 75,685,060	$ 13,882,039	$ 38,110,941	$ 127,678,040
Total Comprehensive Income/surplus	$ 9,389,134	$ 2,374,763	$ 6,120,080	$ 17,883,977
Institutional Capital	$ 67,931,402	$ 12,666,530	$ 36,973,003	$ 117,570,935
Total Members	20,053	31,599	39,878	91,637
Total Staff	68	69	100	237

Table 2

YEAR 2014	Public Sector Credit Unions	Private Sector Credit Unions	Community Based Credit Unions	Total
Credit Unions	3	5	8	16
Total Assets	$ 261,047,731	$ 99,082,449	$ 244,228,412	$ 604,358,592
Total Loans	$ 188,148,334	$ 71,152,016	$ 180,018,584	$ 439,318,934
Total Non-Performing Loans	$ 5,747,869	$ 12,032,288	$ 35,681,436	$ 53,461,593
Total Deposits	$ 187,822,172	$ 84,363,012	$ 208,301,429	$ 480,486,613
Total Liabilities	$ 193,279,830	$ 86,592,659	$ 213,148,980	$ 493,021,469
Total Share Capital	$ 13,314,580	$ 2,588,250	$ 6,710,853	$ 22,613,683
Total Members' Equity	$ 71,129,213	$ 11,549,073	$ 36,286,448	$ 118,964,734
Total Comprehensive Income/surplus	$ 8,419,963	$ 2,530,738	$ 3,913,390	$ 14,864,091
Institutional Capital	$ 60,435,393	$ 10,079,737	$ 28,073,660	$ 98,588,790
Total Members	19,844	25,533	38,020	83,397

Table 3

31-Dec-13	Public Sector Credit Unions	Private Sector Credit Unions	Community Based Credit Unions	Total
Credit Unions	3	5	8	**16**
Total Assets	243,988,505.00	88,671,708.00	219,373,841.00	**552,034,054.00**
Total Loans	175,523,116	64,084,141.00	164,492,825.00	**404,100,082**
Total Deposits	171,575,049	75,291,260.00	146,180,188.00	**393,046,497**
Total Liabilities	177,451,935	77,452,034.00	193,133,181.00	**448,037,150**
Total Share Capital	12,281,996	2,073,385.00	4,309,064.00	**18,664,445**
Total Members' Equity	66,536,570.00	11,219,673.00	26,001,693.00	**103,757,936.00**
Total Comprehensive Income/surplus	6,915,880.00	699,842.00	4,747,797.00	**12,363,519.00**
Institutional Capital	55,833,087.00	8,877,812.00	22,161,823.00	**86,872,722.00**
Total Members	15,576	28,858.00	31,219.00	**75,653**
Total Staff	66	54	83	**203**

Chart 1

Areas of Financial Performance for 2013 to 2015.

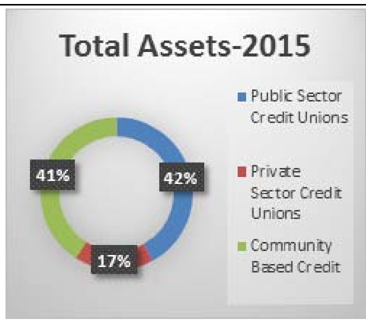
Total Deposits:

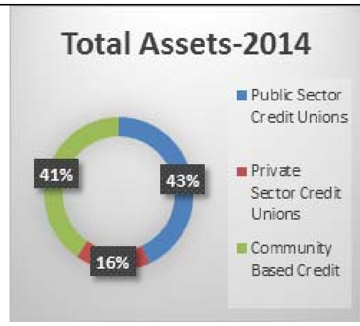
- Total Deposits grew by 12% from 2014 to 2015. This is in part a reflection of the increase in total membership of 10%. In addition, members have been required to save more as lending increases. Further, persons were encouraged to save more as they plan ahead for future investments.

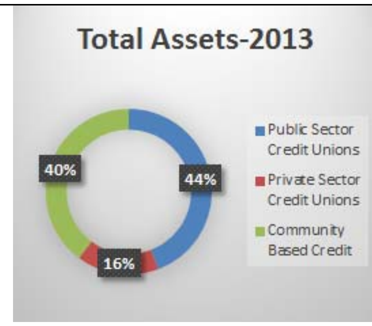
Total Assets:

- Total assets grew by 11% from 2014 to 2015. Overall, loans represented 75% of total assets, which is very much in line with the international PEARLS standards of performance for credit unions. Loans are the main income generating activity of credit unions and the ratio of total loans to total assets suggests that the financial structure is stable.

The following pie charts illustrate total assets over the period categorized into three (3) groups, namely Public Sector, Private Sector and Community Based Credit Unions.







Total Loans:

- For the period under review, the credit union sector experienced an overall credit growth and an increase of 15%, in loans from the previous year. This indicates that persons are seeking an alternative for accessing loans by exploring the services of credit unions.

Non-performing Loans:

- The sector realized an increase of 5% in non-performing loans from 2014 to 2015 suggesting that a deterioration in the quality of loans for 2015 and the downturn in economic activity. Non-performing loans represented 11% of total loans in 2015 and 6% of total loans in 2014. The increase in delinquent loans may also be attributed to the inadequate underwriting of loans when determining adequacy and qualification for loans (character loans); loss of employment; and abandonment of loan commitments by persons who may have migrated oversees.

Overall, the credit union sector appears to provide a haven of economic growth and social development of people, in communities and around St Lucia. These financial institutions provide services to individuals, that they may not have been able to obtain without the assistance and guidance of the credit union.

REGULATORY OVERVIEW AND SUPERVISION:

The role of the FSRA in relation to credit union supervision:

The FSRA is responsible for supervision and administration of laws, prudential standards and guidelines in relation to credit unions. We aim to provide relevant and practical guidance in our delivery and communication with the credit union sector. This is geared towards fostering growth, development and sustainability of the sector in the long run.

Some of the key areas of interest/significance in credit union supervision are legislative compliance, effective corporate governance, prudential financial management, and risk assessment and evaluation. To ensure the satisfaction of our mandate as a regulatory body, we conduct both off-site supervision and on-site examinations (based on risk assessment) and meet with the Executive Directors of the entities when so required/desired.

Our supervision practices involve a three hundred and sixty (360) degree approach, where we find it essential to go beyond the "paper/desk" work and interact face-to-face with the policy makers/Board of Directors of the credit union sector. In addition, during 2015, we initiated and commenced quarterly strategic planning meetings with the St Lucia Co-operative Credit Union League Limited (the League), which is the secondary body for credit unions. The purpose of those meetings with Directors of credit unions, the League and critical stakeholders is to implement positive changes which will drive the sector to reach its true potential and accomplish significant milestones in meeting its goals. Some of these goals revolve around establishing a safe, sound and vibrant credit union sector that will stir up economic and social development in the communities of St Lucia.

Forward Looking/Thinking Position of the FSRA:

The FSRA has engaged in numerous discussions, meetings and other forums with other key stakeholders and authorities such as the International Monetary Fund (IMF), Caribbean Regional Technical Assistance Centre (CARTAC), World Bank and the Eastern Caribbean Central Bank (ECCB). Engagement with the said entities allow for a harmonized approach to regulation and supervision of the credit union sector in the Eastern Caribbean Region. Furthermore, such interfaces provide the opportunity for sharing of information and direction for regulation and supervision of the credit union sector as a provider of financial services. This ensures that Saint Lucia, as a jurisdiction remains relevant and is up to date in its financial supervision provisions and guidelines for the credit union sector in keeping with local, regional and international financial and compliance standards. Moreover, transparency and accountability are paramount in our supervision approach as we seek to maintain adequate corporate social and economic responsibility.

The credit union sector in Saint Lucia is currently going through the process of legislative change in keeping with regional standards set and established through consultation within the Eastern Caribbean Currency Union (ECCU) and other regional and international stakeholders. The proposed legislative change is intended to reinforce the key guiding principles in relation to financial prudence and corporate governance while setting the platform for enhanced financial stability.

The FSRA has received technical support from governmental and international agencies, particularly IMF, CARTAC and the Commonwealth Secretariat, for developing the necessary competence in the delivery and expected impact of the regulatory function.

Based on our current operations, technical support, consultation and interface with stakeholders, we anticipate that the FSRA will continue to provide relevant guidance and support as we encourage, persuade and engage credit unions in legislative compliance and other stipulated guidelines in the fulfillment of their duties and responsibilities to their members and the wider community.

CONCLUSION:

As we move forward in the upcoming years, we will continue to work hand in hand with the credit union sector to ensure the following:

- The protection of members' funds and resources within the financial sector through prudential standards and guidelines.
- The promotion of good corporate governance to develop the performance and operations of credit unions.
- The sensitization and education on issues that could impact the operations of the sector and reputation of Saint Lucia in relation to financial crimes.
- The stimulation of financial growth in the economy, the creation of wealth and sustainable living.

The FSRA remains committed to its goal of ensuring financial stability, exceptional governance practices and adherence to legislative requirements and prudential standards. We strive to develop the credit union sector to ensure economic stability and growth in the long run as we work together with our stakeholders in strengthening our economic and social environment.

Table 4 below presents a snapshot of the credit union sector, in various countries within the region:-

Year	Key Areas	St Lucia	Dominica	Grenada	St Vincent
2015	**Total Assets**	$552m		$590m	$392m
2014	**Total Assets**	$604.3m	$623.4m	$490.8m	$357.9m
2013	**Total Assets**	$551m	$574m	$380m	$331m
2015	**Total Members**	75,653		58,000	69,282
2014	**Total Members**	83,397	65,201	52,659	69,006
2013	**Total Members**	79,333	67,092	44,928	64,104
2015	**No. of Employees**	203		168	133
2014	**No. of Employees**	232	229	153	121
2013	**No. of Employees**	203	231	141	104

MONEY SERVICES BUSINESS SECTOR

The Money Services Business Act No. 11 of 2010 provides for the licensing and regulation of money services providers in Saint Lucia. Five (5) classes of licence are provided for under the Act.

TYPE OF LICENCCE		DESCRIPTION	NO. OF LICENCEES
Class A	1	Transmission of money or monetary value in any form	3
	2	Issuance, sale or redemption of money orders or traveller's cheques	
	3	Cheque cashing	
	4	Currency exchange	
Class B	1	Issuance, sale or redemption of money orders or traveller's cheques	0
	2	Cheque cashing	
	3	Currency exchange	
Class C	1	Cheque cashing	0
Class D	1	Currency exchange	0
Class E	1	Micro-lending	5
TOTAL			**8**

MONEY TRANSMITTERS

Prior to 2015, the FSRA's portfolio of regulated money services businesses was made up of only Class A licence holders. All Class A licence holders are currently only involved with the transmission of money.

As of December 2015, following the exit of one provider from the market, there were three (3) principal licensed money transmitters operating from a total of 23 locations throughout the island.

Total inbound remittances amounted to just over XCD98 million for the year. The market leader accounted for 48% of these inflows followed by 35% and 17% respectively. Approximately half (XCD48.5 million) of all incoming transmissions originated from the United States. The ECCU region accounted for the smallest portion of money remitted to St. Lucia.

Graph 1 below shows the geographical origins of inbound remittances during 2015.

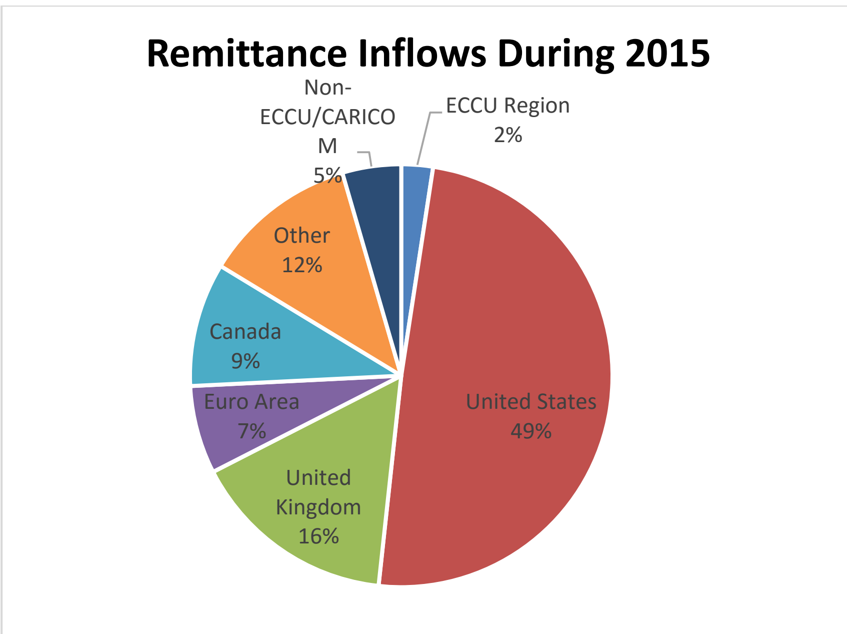


Figure 1

Outgoing remittances for 2015 amounted to XCD20 million. The three service providers accounted for 55%, 33% and 12% of outflows respectively. Interestingly more than a third of those outflows were destined for parts of the world outside of Europe, North America and the Caribbean. The largest single identifiable destination for outgoing remittances from St Lucia was the United States which received XCD5.8 million during 2015.

Graph 2 below shows the destination of outgoing remittances during 2015.

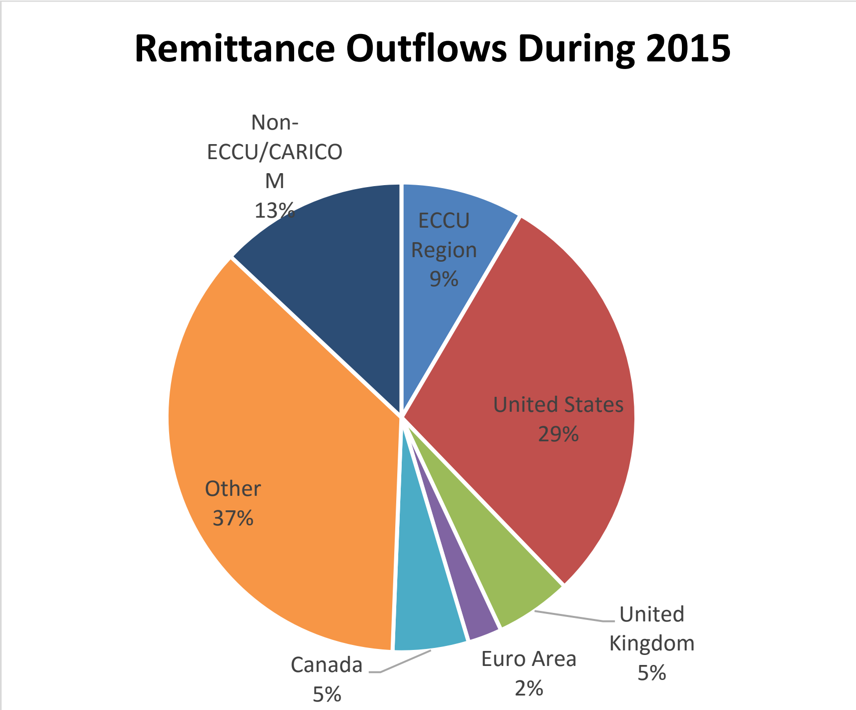


Figure 2

MICRO-LENDERS

During the last quarter of 2014, the Money Services Business Act No.11 of 2010 was amended (Money Services Business (Amendment) Act, No.20 of 2014) to include a new Class of licence. A Class E licence permits a licensee to carry on the business of micro-lending. The Act defines "Micro-Lending" ***as " money lending or granting of credit facilities of up to a limit of fifty thousand dollars by a financial institution, other than a bank, that does not solicit, receive or accept monetary deposit, investment or any other financial instruments from the public to finance these loans."***

The addition of this new class to the Money Services Business Act resulted in a widened portfolio for the Authority. Any lenders granting loans up to XCD50,000 now fall under the supervision of the FSRA. As a result, the Authority received five (5) applications for licensing as micro-lenders. The applicants were all entities who were previously carrying on business in St Lucia in the absence of any regulation or licence.

As of December 31, 2015, the FSRA registry reflected the following five (5) micro-lenders as being licensed in Saint Lucia:

No.	Name	Class
	Axcel Finance (Saint Lucia) Ltd.	E
	FastCash (Saint Lucia) Ltd.	E
	Advance Caribbean (Saint Lucia) Ltd.	E
	Credit & Real Estate Development	E
	Unicomer (Saint Lucia) Ltd.	E

Financial Performance of Micro Lenders

The table below shows information on the loan portfolio for the five (5) micro-lenders as at December 31, 2015. The market leader held a 32.81% market share of loan book value followed by 30.93%, 17.18%, 11.54% and 7.54% respectively held by the other micro-lenders.

Financial Year End-2015	Total
Total number of loans disbursed	**16,455**
Total value of loans disbursed	**$53,473,390.15**
Total value of the loan book at the period	**$50,965,623.91**
Total non-performing loans	**$6,283,225**
Number of Employees	**56**

Loans less than five thousand were the largest category of disbursed loans for the year 2015. This was followed by loans above five thousand to ten thousand. A total of fourteen thousand one hundred and seventy eight (14,178) loan agreements granting loans up to the limit of five thousand dollars were signed for the year 2015 amounting to XCD30,901,523.

There were six (6) loan agreements above fifty thousand (50,000) for the year 2015 amounting to XCD 347,438.53.

Figure 3: Aggregate value of loans disbursed, Year End December 2015

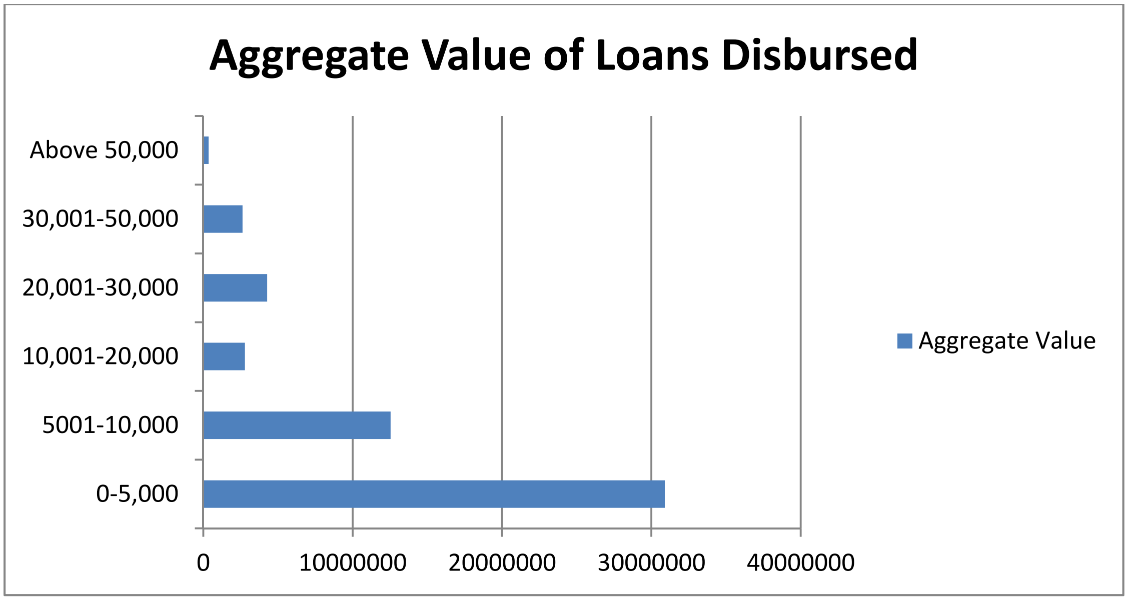
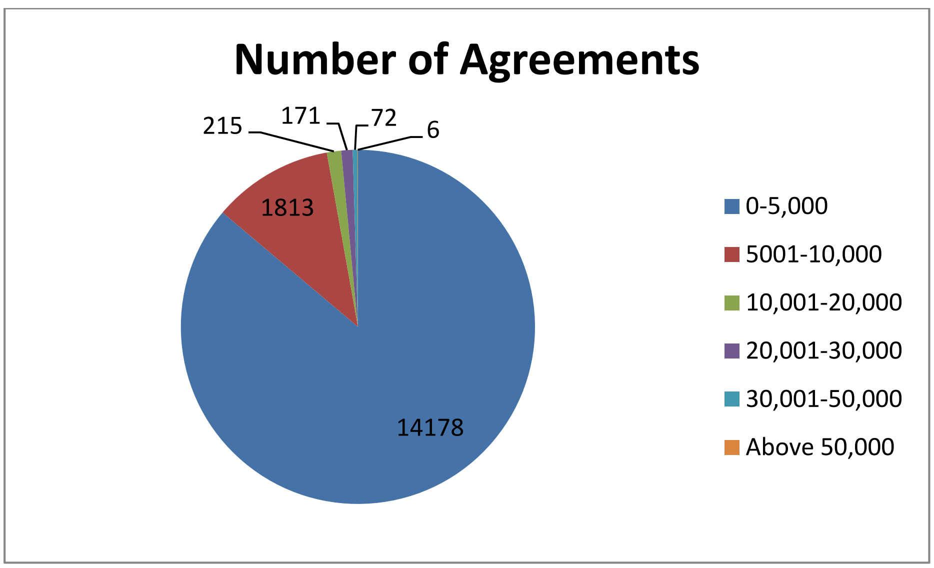


Figure 4: Number of agreements, Year End December 2015



INTERNATIONAL FINANCIAL SECTOR

INTERNATIONAL INSURANCE SECTOR

The type of business featured in this sector is referred to as International Insurance business. International insurance business is undertaken with parties that are not residents of Saint Lucia.

The legislation which governs the operations of entities within this sector is ***the International Insurance Act, Chapter 12.15 of the 2008 revised laws of Saint Lucia (the Act).***

In addition to the existing legislation, the Financial Services Regulatory Authority (FSRA) has provided Guidance Notes for the sector so that all parties can better understand what is expected of them.

Classes of Licences

The act allows three (3) classes of licences to be granted within the sector as follows:

1. Class A:
   This class of licence allows for the conduct of general insurance business which involves insuring anything other than human life.

2. Class B:
   This class of licence allows for the conduct of long-term business which in this instance involves human life.

3. Class C:
   This class allows for the conduct of both general insurance and long- term insurance as above.

In respect of general insurance for classes A and C, a licensee can obtain either a sub class one (1) or sub class two (2) licence. Sub class one (1) is granted where the insured is the parent, an affiliate or associated company of the insurance company.

Sub Class 2 is granted in all other cases that do not satisfy a class one (1) requirement a relationship between the insured and the insurance company.

Categories on International Insurance Businesses

The three (3) categories of International Insurance businesses in the sector are as follows:

- International Insurance Companies
- Incorporated Cell Companies (ICCs)
- Incorporated Cells (ICs) which are linked to their individual Incorporated Cell Company

In order to obtain a licence to operate in the sector each category of international insurance business must meet their respective capital and statutory requirements as follows:

Capital and Statutory Deposit Requirement

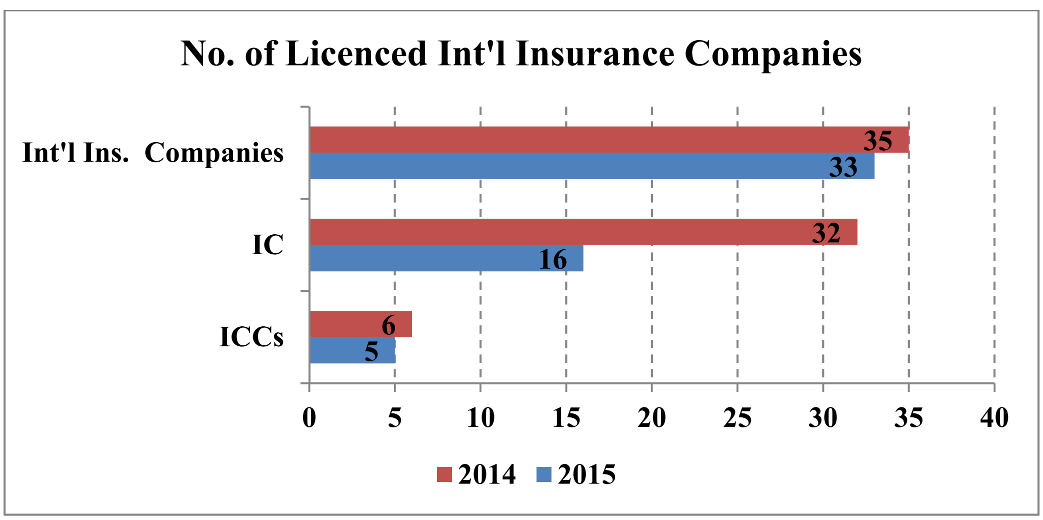
	Subclass				
	A1	A2	B	C1	C2
International Insurance Co.	$100,000	$150,000	$150,000	$200,000	$250,000
Incorporated Cell Co.	$250,000	$250,000	$250,000	$250,000	$250,000
Incorporated Cell	$50,000	$50,000	$50,000	$100,000	$100,000

Table 1 – table showing the capital and statutory deposit requirements of International Insurance Companies

Key highlights of the International Insurance sector:

The number of International Insurance Companies holding licences at the end of 2015 was 53, a decline of 27% from the 73 companies last year. There were thirty-three (33) Int'l Insurance Companies, sixteen (16) Incorporated Cells and five (5) Incorporated Cell Companies licensed at the end of the year, as shown in figure 1. The main reason for the reduction was that companies re-domiciled to another jurisdiction. It is to be noted that while the Caribbean Region have historically been the most popular domiciles for captive formations, many of the captives formed today are in the United States. The re-domiciliation of one ICC led to the drop in the number of ICs since the ICs were linked to the said ICC.

Figure 1: graph showing the number of licensed international insurance companies at the end of the years 2014 and 2015

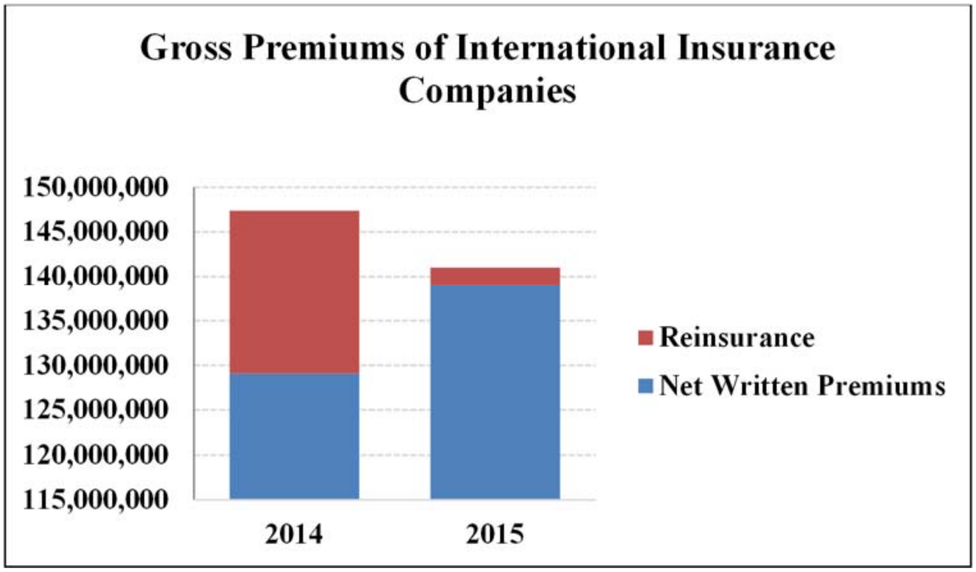


New Applications:

There were three (3) applications received for entry into the incorporated cell market. However, two were approved at the end of the year and one remained in pending status. There was no new application for the ICCs and one (1) existing application for entry into the International Insurance Companies portfolio.

In conclusion, the international insurance businesses surrendering their licences/registration far outnumbered the new applications received in the year.

Figure 2: graph showing the gross premiums of the International Insurance Companies.



Gross premiums received in 2015 by the entire International Insurance portfolio (US $139,041,070) reduced by 4.3% when compared to 2014.

Meanwhile, net written premium as a proportion of Gross premiums increased by 8%. This may have been as a result of companies within the sector not engaging in reinsurance as they did in 2014 and therefore taking the decision to retain more of the risks of those they insure. Reinsurance reduced by 89% in 2015, which is quite significant.

International Insurance Statistical Data:

	2014 **US $**	**2015** **US $**
Gross Written Premiums	147,364,579	141,005,133
Net Written Premiums	129,090,795	139,041,070

Reinsurance	18,273,784	1,964,062
Claims Incurred	14,074,718	1,795,113
Allowable Assets	222,761,722	341,920,959

There was very little activity in the sector in 2015 compared to 2014, as reflected by the claims incurred which reduced by 87%.

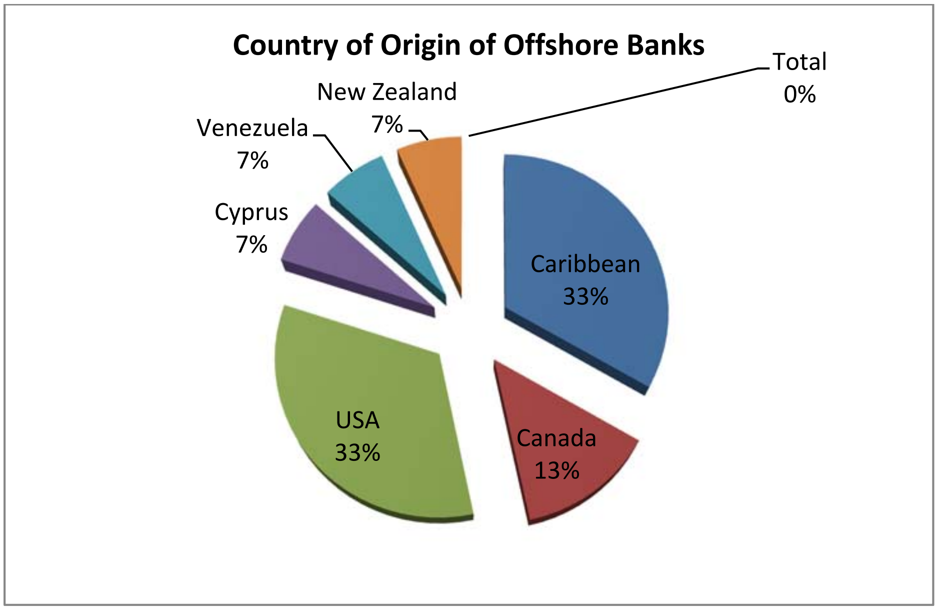
INTERNATIONAL BANKS

International banks are licensed and regulated by the FSRA under the International Banks Act, Cap.12.17 of the 2008 Revised Laws of Saint Lucia (the Banks Act). The International Banks Sector (IBS) comprises a total of fifteen (15) licensed Banks of which seven (7) have not been authorised to commence banking operations, due to delays in satisfying established key preopening conditions. During the review period one (1) bank surrendered its licence, three (3) new international bank licences were issued and the licensing of three additional banks remain for consideration (two (2) "Class A" and one (1) "Class B" bank).

As of the period ending March 31, 2016, the FSRA had the following licensed banks.

No.	Name	Class	Licensed date
1.	First Citizens St. Lucia Limited	A	January 30, 2004
2.	Amerigo Banking Corporation	B	March 2, 2004
3.	Bank of St. Lucia International Limited	A	March 30, 2004
4.	Via Bank Ltd.	A	June, 18, 2006
5.	StateTrust International Bank & Trust Ltd.	A	July 03, 2007
6.	Atlantic Financial Limited	B	July 7, 2008
7.	First Citizens Financial Services (St. Lucia) Ltd.	B	February 15, 2010
8.	Hermes Bank Limited	A	April 26, 2012
9.	Sovereign Bank Inc.	A	October 10, 2012
10.	Corom Bank Limited	A	June 11, 2014
11.	Mayberry West Indies Bank Limited	A	June 23, 2014
12.	PLG Capital Bank Limited	B	July 24, 2014
13.	Petrus Private Bank limited	A	April 1, 2015
14.	Strategic Bank Limited	B	July 29, 2015
15.	Arton Bank (St. Lucia) Limited	A	October 8, 2015

The majority of International banks licensed in Saint Lucia are from promoters residing in North and Central America. The jurisdiction remains among the top banking centre in the ECCU space.

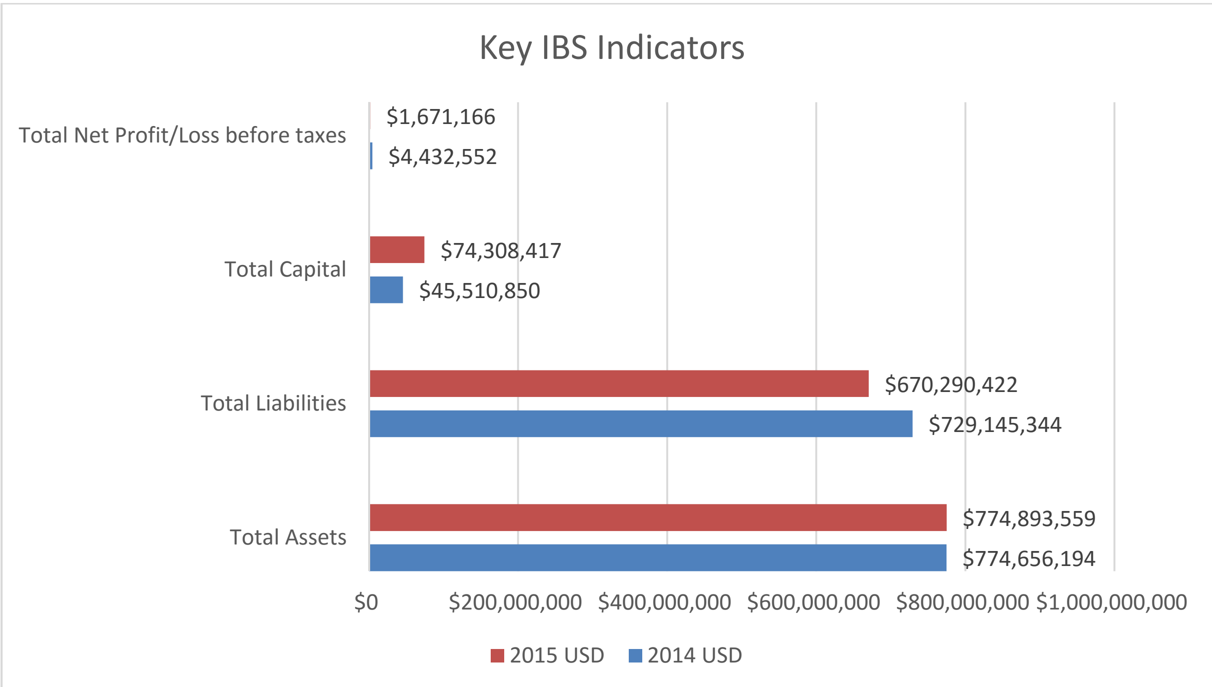


As presented in the table above, the Banks Act provides for the issuance of two (2) classes of international bank licenses:- "Class A" and "Class B" with different capital requirements. The "Class A" licence allows licensees to conduct business with third parties who are neither citizens nor residence of St. Lucia, while holders of a "Class B" licence are restricted to conduct business with a specific group of persons preferably, not exceeding 10 (ten) persons.

The IBS for the period ending December 2015, demonstrated significant improvement of financial strength recording an increase in asset of 3% and a reduction in liabilities of 8%. The sector's net interest income dropped by 28% (US$5.3M) owing in part to the weak systemic securities market experienced globally and the spiraling effects of China's bursting equity bubble in mid-2015. Additionally, the IBS suffered reductions in its net income before tax of -62% (US$2.7M), which was partly contributed by pressure on exchange rates in the Global market during 2015.

The IBS remains a viable sector in the development of the people and economy of St. Lucia. Currently, the IBS employs 77 (December 2014: 78) local professionals on a full time basis, which increases their personal capacity in the field of international financial services/international banking.

SECTOR	2014	2015	Dif. %
	USD	USD	
Total Assets	$ 774,656,194	$ 774,893,559	0.03%
Total Liabilities	$ 729,145,344	$ 670,290,422	-8.07%
Total Capital	$ 45,510,850	$ 74,308,417	63.28%
Total Net Profit/Loss before taxes	$ 4,432,552	$ 1,671,166	-62.30%
Total No. of Staff Employed	78	77	-0.01282



Major Challenges

The regulation of the IBS is considered by many a responsibility of the ultimate order, which comes with many demands from international recognized bodies and countries for reasons spanning from:

- safeguard of sovereign interests/rights,
- adherence to sound internationally set standards and practices, and
- adherence to signed agreements between states,

all of which carries a cost to the regulation of the IBS. The FSRA takes seriously its responsibilities with regard to the aforementioned and as such, continues to uphold compliance to international standards.

The IBS is under constant threat of, de–risking (losing their correspondent banking relationships). The FSRA is aware of licensees who have over the year lost their correspondent banking relationships, which are due in part to their risk profile. However, some of these banks have been able to establish alternative correspondent banking relationships with internationally recognized financial institutions by having to, in some circumstances, disengage certain lines of business. The FSRA continues to monitor this development and assess its impact on the sector.

Over the past decades, setting the appropriate level of capital has been a topical issue for regulators within the Banking Industry globally. The FSRA has since adopted a risk based approach in calculating capital adequacy. Accordingly, the FSRA is vigorously working towards full implementation of a risk based supervision program, to ensure that better monitoring and timely intervention exercises are conducted to safeguard the IBS.

In keeping with the inspection schedule of the FSRA for 2015, a total of three (3) inspections were conducted during the period; one of which was of the largest licensed international bank. The close monitoring of the IBS is a priority of the FSRA in ensuring market discipline and adherence to sound international banking practices and standards.

INTERNATIONAL MUTUAL FUNDS

The number of international mutual funds registered or licensed in Saint Lucia remains small (International Public Mutual Funds: 4; International Private Mutual Funds: 10).

Public Mutual Funds

Public Mutual Funds, as their name suggests, are funds open to the public for investment. A public mutual fund can therefore be an index fund, a stock fund, a bond fund or a money market fund. The International Mutual Funds Act, Cap 12.16 of Saint Lucia mandates that all Public Mutual Funds have a Fund Administrator licensed by the FSRA. Such a licence is separate and apart from that granted to the Public Mutual Fund itself.

The affairs of the Public Mutual Funds and its Administrator (s) are subject to review by the FSRA at any time deemed necessary. At the time of application, a Public Mutual Fund must submit its Offering Document for approval and filing. The rights of investors must be clearly articulated in the Offering Document. Furthermore, a Public Mutual Fund may wish to engage the services of a Manager. Such Manager must be licensed as an International Public Mutual Fund Manager in keeping with the International Mutual Funds Act, Cap 12.16.

Mutual Funds Managers/Administrators

A Mutual fund Manager is the person(s) responsible for implementing a fund's investing strategy and managing its portfolio trading activities. A fund can be managed by one person, by two people as co-managers and by a team of three or more people. Fund managers are paid a fee for their work, which is a percentage of the fund's average assets under management.

Mutual Fund Administrators perform activities and tasks required to run a mutual fund. Examples of fund administration tasks include the preparation of financial statements, the calculation of fund performance, and the maintenance of the books.

Private Mutual Funds

Unlike other mutual funds, a private mutual fund does not require a licence to carry on mutual fund business from St. Lucia. However, it needs to be registered with the Financial Services Regulatory Authority (FSRA). This fund can only be registered upon satisfactory proof by the FSRA that it is a private fund as defined by the Act and that it is lawfully constituted under the law in force in St. Lucia.

Further, such a fund is not required to have any service providers including directors of corporate entities in St. Lucia, other than that of the registered agent or registered trustee. Therefore its service providers such as investment advisers, administrators, investment managers and custodians may be located in any jurisdiction.

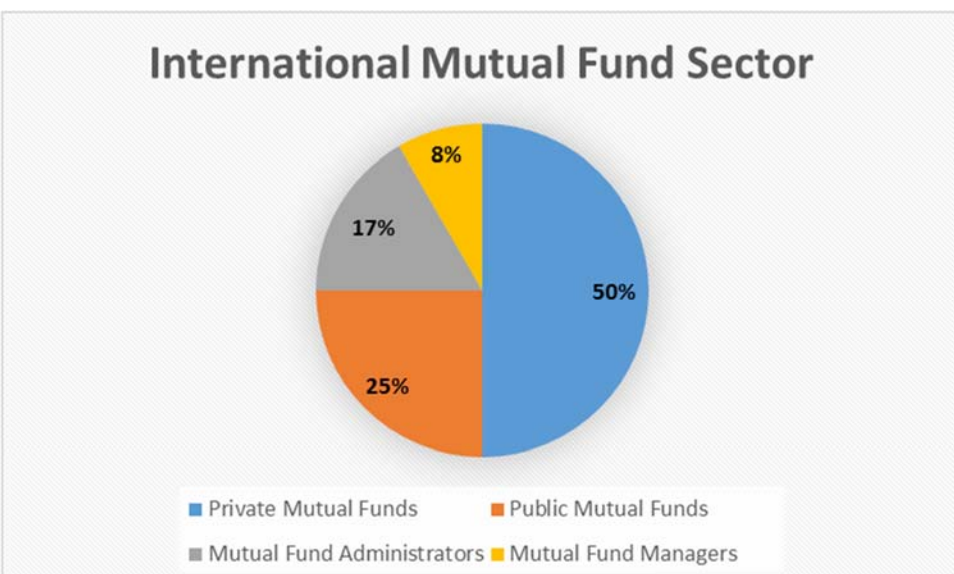
Persons qualified to operate international private mutual funds in St. Lucia are as follows:

- Persons having experience in the type of investment portfolio of the fund
- Persons who are members of investment clubs
- Persons, whether individually or jointly, have a minimum net worth in excess of US One million dollars (US $1,000,000.00)

For instance, the fees and regulations are very reasonable and allow for one hundred investors compared to the typical fifty in most other jurisdictions. Also the minimal investment amount is only fifty thousand US dollars (US$ 50,000.00) compared to the customary one hundred thousand US dollars (US $100,000.00) in quite a few other jurisdictions.

In the year 2015 the FSRA recorded the surrendering of five (5) Public Mutual Funds, two (2) Private Mutual Funds and one (1) Mutual Fund Administrator.

Figure 1 shows the current distribution of entities under the mutual Fund Act as at December 31, 2015



REGISTERED AGENTS & TRUSTEES

As at March 31, 2016, the Financial Services Regulatory Authority (FSRA) recorded twenty-two (22) Registered Agents (RAs) and Registered Trustees (RTs) licensees. These companies comprised eighteen (18) RAs of which sixteen (16) are resident companies. All the Registered Trustees are Resident Companies. The table below reflects licensed RAs and RTs.

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

Table 1: Number of Registered Agents and Trustees Registered with the Authority.

Registered Agents (RAs) and Registered Trustees (RTs) act as an administrative link between International Business Companies (IBCs) and International Trusts (ITs) registered in Saint Lucia and the country of residence of its promoters. In essence, Registered Agents and Registered Trustees provide international financial services representation on behalf of IBCs and ITs. In keeping with the Registered Agent and Trustee licensee Act, Cap 12.12 of the 2008 revised laws of Saint Lucia, “international financial services representation” includes—

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

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

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

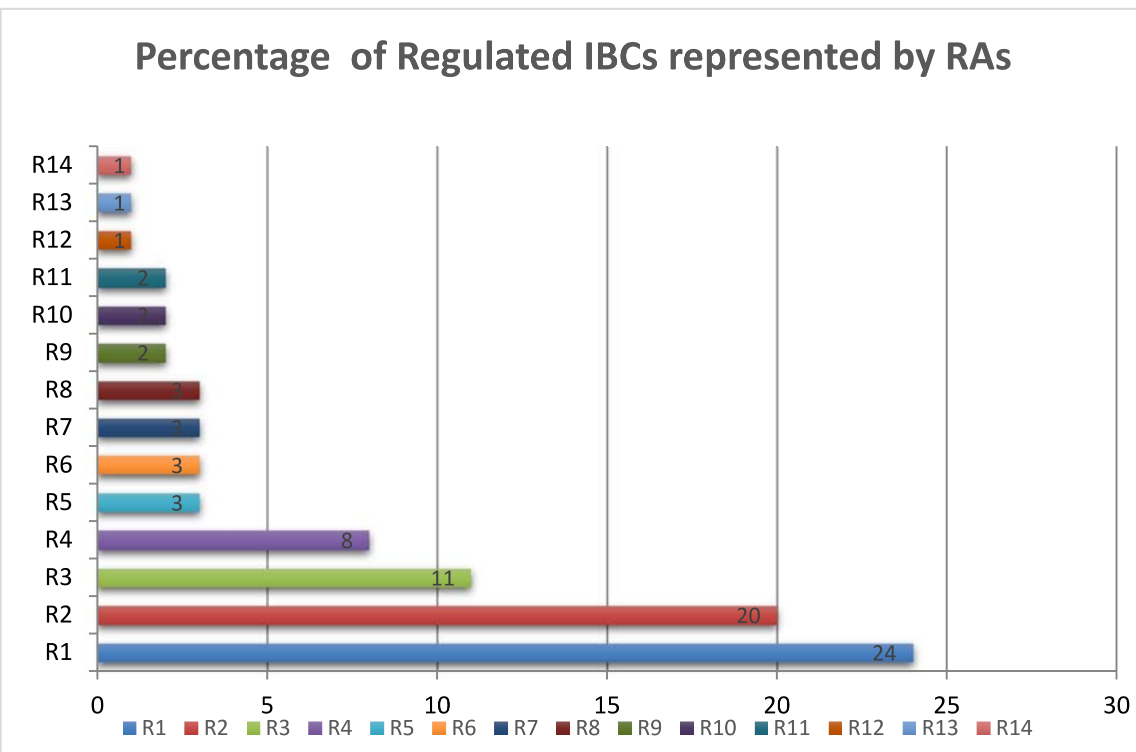
(d) providing or arranging for the provision of directors, officers or nominee shareholders for companies incorporated or continued under the International Business Companies Act,

In recognition of the need for Saint Lucia to establish itself as a reputable international financial centre with high professional standards, registered agents and registered trustees should inter alia:

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

RAs and RTs are also required to report to the relevant Regulatory Authorities on whether or not an IBC or an IT is in good standing.

Figure 1 shows the distribution of regulated IBCs represented by Registered Agents as at March 31st, 2016:



Developments in the Sector

In satisfaction of St Lucia's global commitment to tax information exchange, the FSRA has modified its onsite program to facilitate optimum coverage of IBC representation of RAs and RTs.

The Authority's on-site inspection programme was re-designed in 2014 to reflect a robust and comprehensive scheme which includes, but is not limited to:

- Staff questionnaires
- Physical inspections of premises, IBC files and documents
- Interviews with Directors of the entity.

This is critical as the RAs & RTs are the gateway for which offshore companies gain access to our jurisdiction to engage in business. This enables the Authority to monitor the due diligence procedures to maintain our jurisdiction's reputation and minimize reputational risks. Additionally this process seeks to evaluate whether the procedures in place at the Registered Agent/Trustee are sufficient to allow the licensee to ascertain the identity of the person(s) for whom a transaction (s) is being undertaken. The inspections also enable the FSRA to recommend ways in which the RAs and RTs can fully comply with international standards.

The re-designed outline aims to have each licensee inspected at least once every two years. With the new scheme, as of December 2015, on-site inspections have been conducted on twelve (12) licensees or 67% of the RA & RT Registry of the FSRA. These inspections accounted for 89% of all International Business Companies and International Trusts registered in Saint Lucia.

Changes in RA & RT Requirements.

Amendments were done to the following legislations:

- International Partnerships (Amendment) Act, No. 9, 2015
- International Trusts (Amendment) Act, No. 11, 2016
- International Business Companies (Amendment) Act, No. 8, 2015
- International Business Companies Act No. 17 of 2016 (Section 111)
- International Partnerships (Amendment) Act, No. 15, 2016
- International Trusts (Amendment) Act, No. 16, 2016

These amendments now provide for:

- A new definition for "records and underlying documentation in keeping with the "Implementing the Tax Transparency Standards" handbook.
- Availability to the Competent Authority of Ownership and Identity Information, Directors Information and Reliable Accounting Information.
- Deadlines for submission of records to Registered Agents (International Sector) and the requisite penalties for non-submission.

In the circumstance, Registered Agents & Trustees' duty to the Registry's office was augmented. This included additional record keeping requirements and notice of the compliance of IBCs regarding their obligation under the provisions of the amendments. The FSRA on-site inspection program will be revised to incorporate these amendments to ensure that the RAs, RTs and their clients are meeting the requirements of statute.

The number of clients registered with an RA and RT determines its level of operations and probability to maintain an even greater capacity of IBCs and growth in future. In meeting/interacting with the directors of some of the RAs, it is expected that the size of their client base will grow significantly with time.

Statistic from the Registry of the International Sector:

Years	2010	2011	2012	2013	2014	2015
IBCs Incorporated	370	381	414	487	484	468

The number of active IBCs is 3122 which includes 245 that have been incorporated to date for 2016.

41 trusts are currently active. 101 trusts have been registered since inception in the year 2000. This means that 60 trusts have been cancelled. There is no provision to restore a trust that has been cancelled.

International Partnerships - Only one registered thus far - July 2016.

ACCOUNTANT'S REPORT

For Period April 2015 to March 2016

Executive Summary:

The operations of the Financial Services Regulatory Authority are funded by Central Government. For the fiscal year April 1, 2015 to March 31, 2016, a subvention of EC$2,144,643 was received.

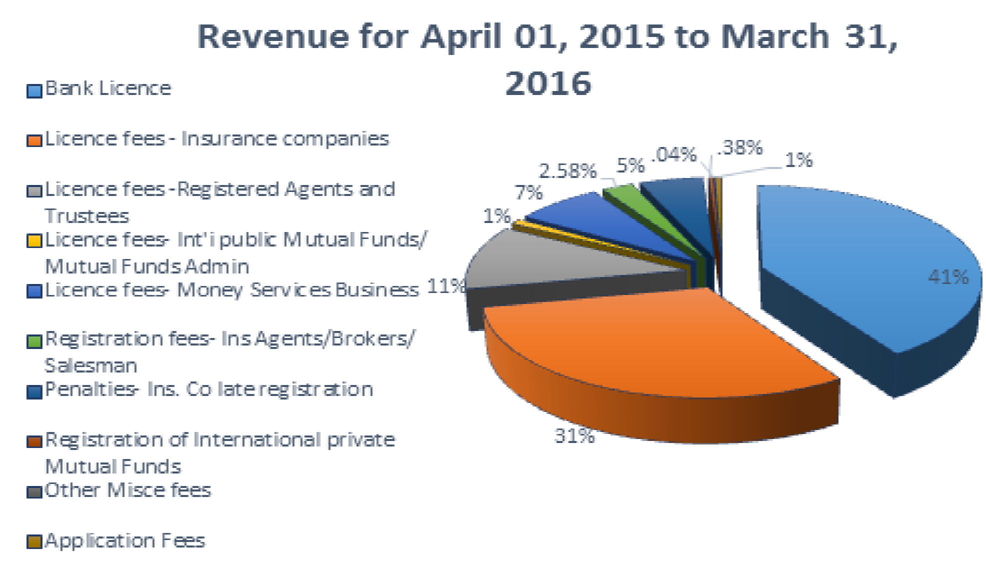
Fees collected by the Authority from regulated entities are deposited with the Accountant General and form part of the Consolidated Fund. Fees collected include application fees, registration fees and penalty fees.

1. Revenue

During the Period April 2015 to March 2016 the FSRA collected a total of $2,073,747 on behalf of the Government of Saint Lucia as license fees, fines and forfeitures from the financial services sector. Annual License Fees for Banks (International) accounted for 41% of total fees collected. The License fees for Insurance Companies (Domestic and International) accounted for 31%.

It is to be highlighted that, license fees for Domestic Banks are no longer paid to the Authority but are now charged by the Eastern Caribbean Central Bank in keeping with the Banking Act, No 3 of 2015. Effectively in doing so Central Government has surrendered to the Central Bank approximately EC$800,000. Notwithstanding this development the Authority exceeded its revenue target for the year 2015/2016 by $19,897.00

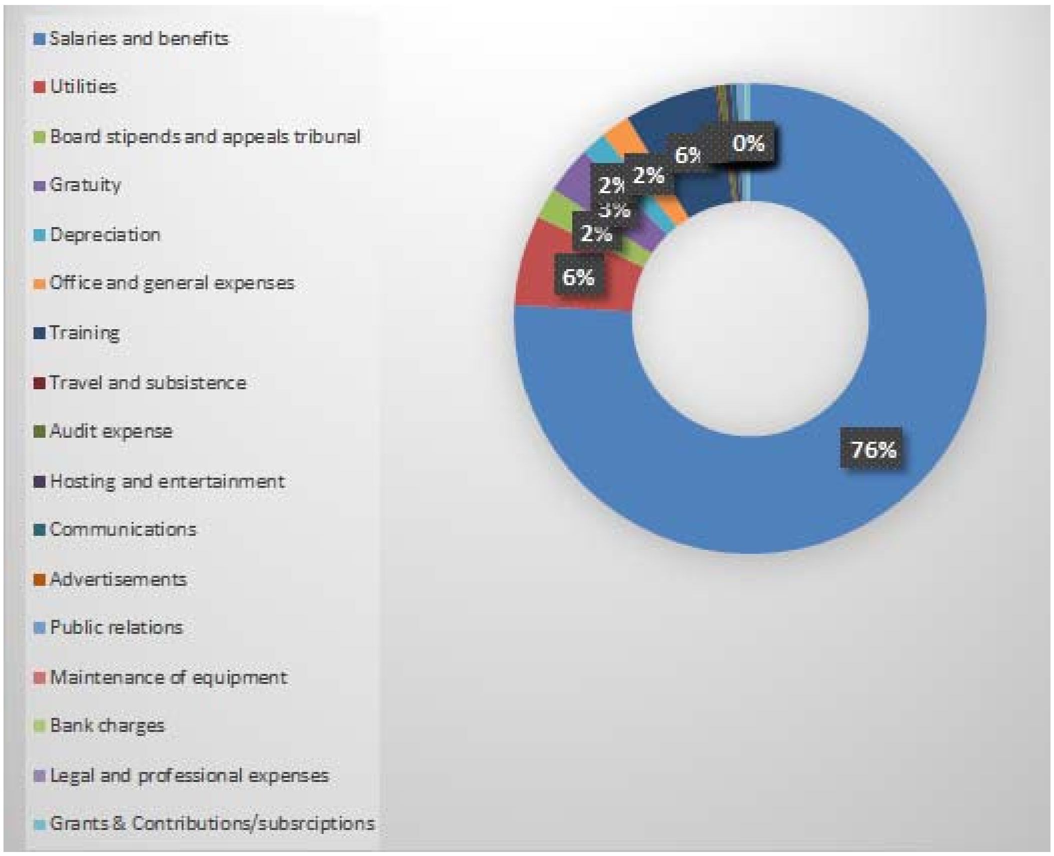
Graph 1. Breakdown of Funds Collected and Deposited with Accountant General



2. Expenditure

Total Expenditure for the period ended March 31, 2016 was EC$1,982,644. Staff cost was the greatest expenditure for the period and accounted for 76% of total expenditure. Total expenditure for the period although below the budgeted provision, increased as compared to the previous year primarily due to new appointments and cost of training (6% total expenditure). Other expenses include utilities, stationery and general office supplies.

Graph 2. Breakdown of expenditure for the period.



3. Training

The table below reflects training provided for the staff of the Authority during the period April 2015 to March 2016.

DATE	LOCATION	Training Programme	Sponsor
May-15	Saint Lucia	Implications on the recent changes to the Banking Act	FSRA

Jun-15	Barbados	Caribbean Association of Pension Supervisors (CAPS) workshop	CARTAC/CAPS
Jul-15	Isle of Man United Kingdom	Small Countries Financial Management Program	SCMA
Aug-15	Saint Lucia	CARTARC -CACS Credit Union Workshop	CARTAC-FSRA
Sep-15	Saint Lucia	Caribbean Development Educator Training	FSRA
Sept to December, 2015	Saint Lucia	Insurance Supervision	Commonwealth
Sept 15 - Mar 16	Online	FIBA-AMLCA Certification	FSRA
Sep-15	Curacao	Caribbean Banking and the Caribbean International Financial Services Sector	CEDA/CCAA
Mar-16	Saint Lucia	STEPP CC 2016	FSRA
Mar-16	Castries Saint Lucia	ECSE Directors Education & Accreditation Programme	FSRA
Mar-16	Barbados	Building Resilience to Financial Crisis in the Caribbean	CARTAC
Mar-16	Arizona	CICA 2016 Conference	IFWIC
Mar-16	Orlando Florida	CCCU Convention 2016	FSRA