FINANCIAL SERVICES REGULATORY AUTHORITY
SAINT LUCIA

ANNUAL REPORT 2022/2023

www.fsrastlucia.org

VISION

"To be a regulator of excellence promoting the growth and development of the Financial Services Sector of Saint Lucia"

MISSION

"To maintain the integrity and stability of Saint Lucia's financial sector through the efficient and effective administration of the laws and regulations and the application of international best practices and standards."

CORE VALUES

1 INTEGRITY

The Financial Services Regulatory Authority is committed to the embodiment of honesty, fairness, trustworthiness and consistent adherence to high moral principles in its dealings with stakeholders.
The Financial Services Regulatory Authority is committed to being forthright, honest, ethical and consistent in its dealings with stakeholders.

2 SAFETY AND SECURITY

Financial services safety and security refers to our responsibility to safeguard customers' financial assets and information. It involves effectively supervising the financial sector as well as ensuring that regulated entities comply with relevant laws and regulations.
We are committed to the ongoing review of our customers' financial soundness, and creating an environment which facilitates stakeholder engagements and legislative enhancements.

3 EFFICIENCY

Efficiency is the life blood of all our operations. We value the time and effort of our employees, clients, and other key stakeholders. As such, we commit to the continuous improvement of our core business processes and systems. We will leverage technology and innovation as key drivers in our quest for meeting or exceeding service standards.

4 TRANSPARENCY

It is our firmly held view that disclosing the discharge of public resources is essential in promoting trust of the FSRA. The FSRA is committed to articulating and documenting key decision-making processes at all levels of the organisation and providing for the retention of critical records for a reasonable time frame that will allow for organisational review and improvement in the future.

5 PROFESSIONALISM

As significant regulators we are committed to providing dedicated and competent service to our clients, employees and key stakeholders. We will endeavour to adopt best practices and standards that promote a professional disposition on the part of the FSRA.

6 ACCOUNTABILITY

The FSRA is accountable to our clients, employees, the government and other external stakeholders. As accountability is crucial to our success, we will articulate performance expectations and results, train and empower our organizational leaders to make effective decisions, install the systems, checks and balances that nurture accountable behavior, and reward success.

7 COLLABORATION

We believe in the power of working together to achieve shared objectives. We will listen actively, communicate clearly and respectfully, and be supportive of our internal and external stakeholders. From time to time, where the opportunity presents itself, we will collaborate to co-create tools, instruments, and/or information that is mutually beneficial to both parties.

Section 14 of the Financial Services Regulatory Authority Act, Cap 12.23 of the revised laws of Saint Lucia also states core guiding principles that the Authority must commit to as follows:

- 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 elseawhere;
- 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 thee regulated entity.

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Board of Directors

Phillip Dalsou
Chairman

Leathon Khan
Deputy Chairman

Francis Fontenelle
Permanent Secretary
Ministry of Finance

Adria Rose Sonson
Director

Mary Popo
Director

Marcia Vite
Alternate Director to the Permanent Secretary
Ministry of Finance

Paul Thompson
Executive Director
of the Financial Intelligence Authority

New Directors

Leathon Khan
Deputy Chairman

Mr. Khan a graduate of the University of the West Indies, Mona Campus, where he earned a bachelor's degree in Management Studies. He is professionally qualified as an Associate of the Chartered Insurance Institute of London (ACII) and carries the title of Chartered Insurance Practitioner. He also holds the title of Chartered Director from the Caribbean Governance Training Institute (CGTI).
He is currently "actively retired" for the past 5 years, after a long career of over 33 years in the insurance sector, across the Caribbean including Jamaica, Trinidad, and Saint Lucia.
He is the former Managing Director, CEO and Country Head of three major insurance organizations in Saint Lucia. He now spends much of his spare time engaged in voluntary service to various groups and organizations as well as at the community level.
Leathon has been a member of the Rotary Club of Saint Lucia for the past 28 years. He has served as President twice, in 2001 and again in 2020. Over the past 2 years he has served as the Assistant Governor for Rotary International in Saint Lucia, District 7030.

He was appointed to the Board of the Financial Services Regulatory Authority on June 1st , 2022

Francis Fontenelle
Permanent Secretary
Ministry of Finance

Mr. Fontenelle currently holds the position of Permanent Secretary, in the Department of Finance. Previously he held the position of Director of Finance in the Ministry of Finance of Saint Lucia. He is responsible for administering the Public Finance Management Act is directly responsible for the Debt and Investment, Financial Sector Oversight and Procurement Units.
Prior to that he was the Senior Banking Specialist in the Banking and Monetary Operations Department at the Eastern Caribbean Central Bank (ECCB). In that position he was the head of the Payment System Development and Oversight Unit.
He was also the Budget Director as well as the Deputy Director of Finance with responsibility Debt and Investments for the Government of St Lucia.
Mr. Fontenelle holds a Bachelor of Science Degree majoring in Economics and a Master of Science Degree in Accounting from the University of the West Indies, Mona Campus Jamaica. He also holds a Graduate Diploma in Law and has pursued numerous shot term professional courses in the areas of Finance, Debt Management, Reserve Management and Payment system.

He was appointed to the Board of the Financial Services Regulatory Authority on September 1st , 2022.

Adria Rose Sonson
Director

Ms. Sonson is a Chartered Accountant (FCCA) by profession. She spent almost thirty years in the Ministry of Finance of Saint Lucia. Most of her tenure was with the Inland Revenue Department where she worked up her way from a Tax Officer to be the longest serving Deputy Comptroller, and subsequently Acting Comptroller of the Department. Ms. Sonson also served as Project Leader of the team that successfully implemented the Value Added Tax (VAT) in Saint Lucia in 2012.
In 2014, Ms. Sonson was appointed the Accountant General of Saint Lucia. She served in that position for almost seven years until 2020 when she became the Permanent Secretary in the Ministry of External Affairs. Ms. Sonson has since retired from the Public Service, but with her wide range of experience, she continues to engage in private work and community activities. She is married with one daughter.

She was appointed to the Board of the Financial Services Regulatory Authority on September 1st , 2022.

Exiting Directors

Vincent Hippolyte

Mr. Hippolyte demitted office as Chairman of the Board of the Financial Services Regulatory Authority on May 5th, 2022.

Carlton G. Glasgow

Mr. Glasgow demitted office as Deputy Chairman of the Board of the Financial Services Regulatory Authority on August 12th, 2022.

Esther Rigobert

Ms. Rigobert demitted office as Permanent Secretary of the Ministry of Finance of the Board of Directors of the Financial Services Regulatory Authority on on August 31st , 2022.

Management Team

Nathalie Dusauzay
Executive Director

Hubert Deligny
Senior Manager

Hemish Lesmond
Corporate Secretary/ Legal Officer

Sancha Victor
Manager International Financial Services and NBFIs

Shemedia Gajadhar
Executive Assistant/ Accountant

Hannah Mc Donald
Supervisor International Financial Services and NBFIs

Cuby King
Supervisor Insurance Sector and Pension Fund Plans

Staff Members

Present were:
Front row: Ruan Branch, Sancha Victor, Nathalie Dusauzay, Jaquline Edward, Krysta Anthony-Sylvester, Shelevon Louis.

Second row: Kerline Sylvester, Nadell George, Jamica Francis, Suzanne James, Kirby Auguste, Crystal Martyr, Shemedia Gajadhar, Elaina Naitram, Giovanni Saltibus, Travis Deterville.

Third row: Hubert Deligny, Shelanco Frederick, Tyller Jules, Edmona James, Esther Francis, Kerea Joseph, Cornelia Francis, Hemish Lesmond, Hannah McDonald, Cuby King.

Not present: Janelle James, Krishna JnBaptiste, Elva Naitram, Curtis Paul.

Domestic Insurance Sector Unit

Front row: Jamica Francis, Crystal Martyr, Travis Deterville, Nadell George, Kerline Sylvester, Edmona James.

Second row: Ruan Branch, Hubert Deligny, Kerea Joseph, Cuby King.

Staff Members

International Financial Sector & NBFIs Unit

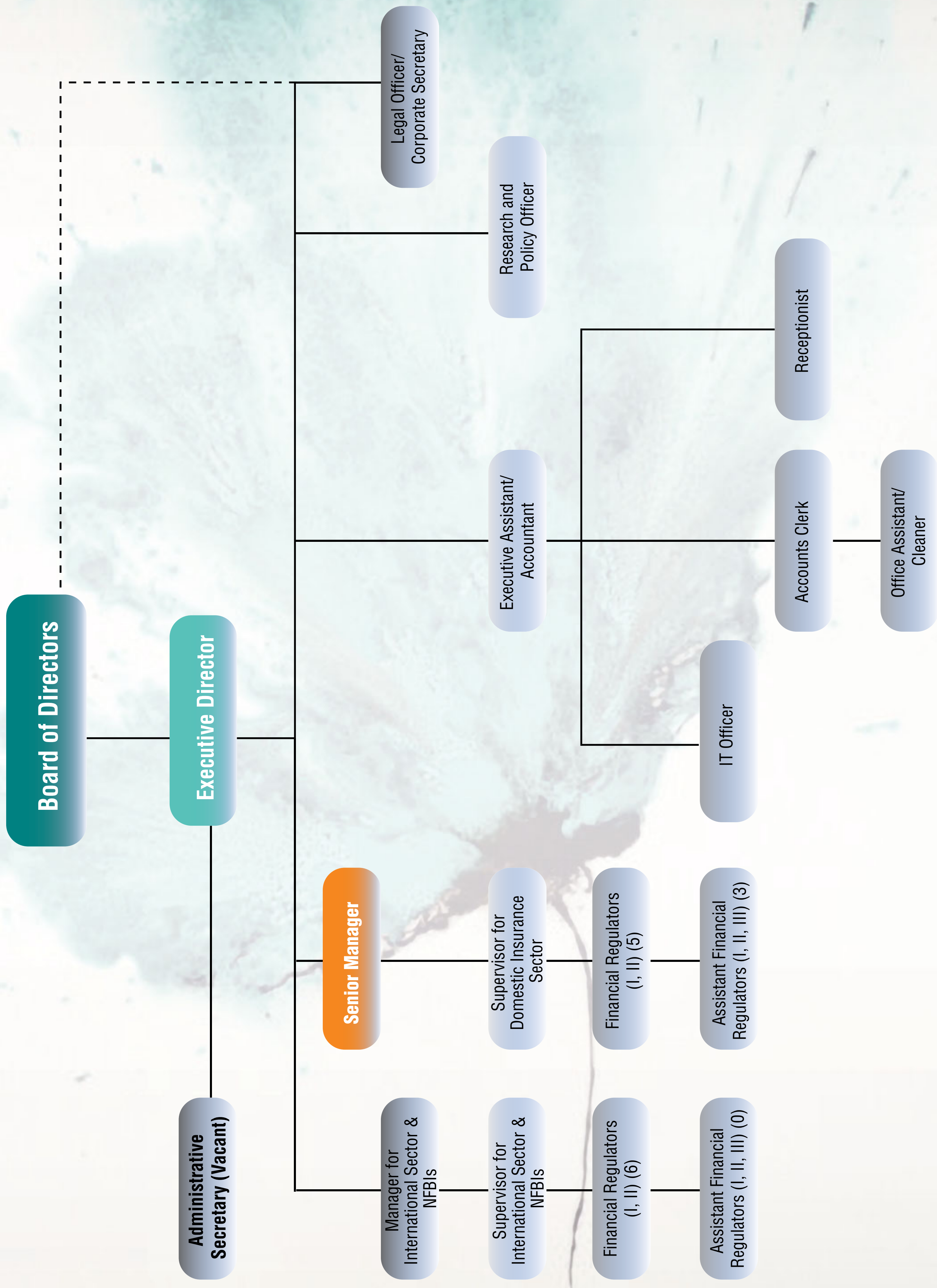
Front row: Sancha Victor, Giovanni Saltibus, Jaquline Edward, Kirby Auguste, Shelevon Louis, Krysta Anthony-Sylvester.

Second row: Esther Francis, Shelanco Frederick, Hannah McDonald.

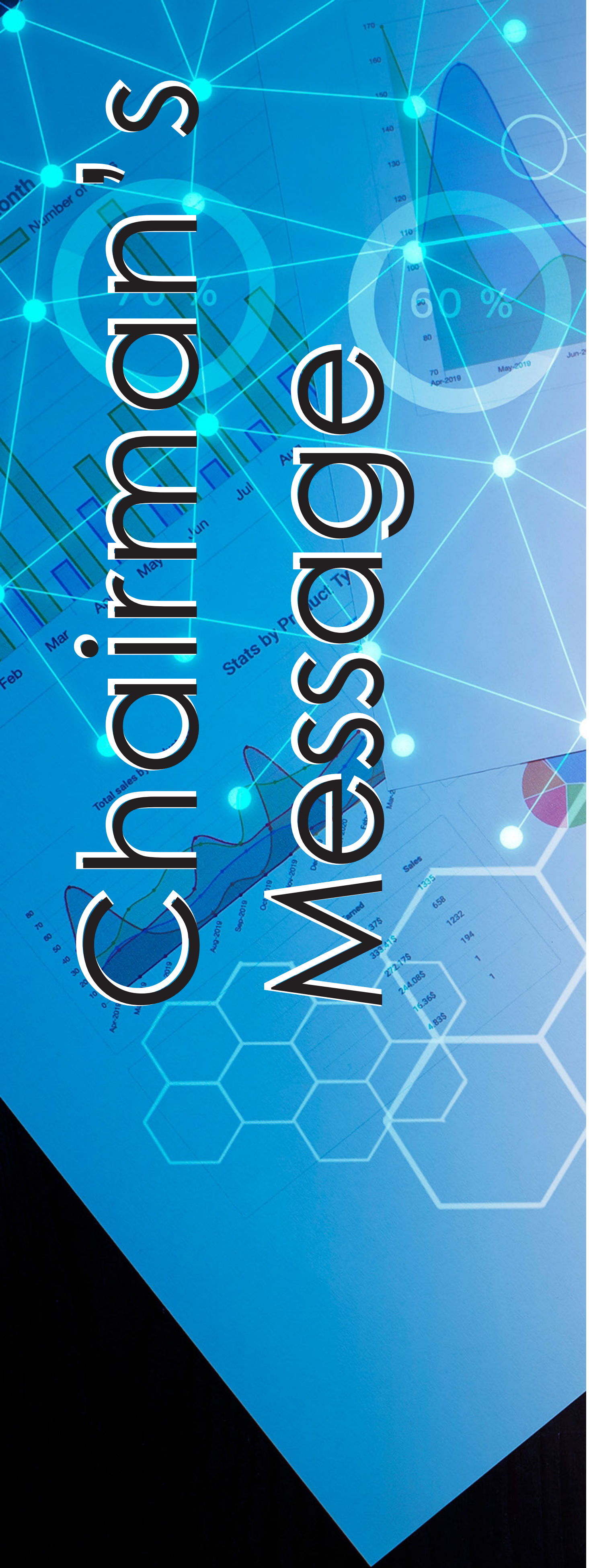
Administrative Unit

Shemedia Gajadhar, Suzanne James, Tyller Jules, Elaina Naitram, Cornelia Francis.

Organizational Chart



Chairman's Message



Phillip Dalsou
Chairman

Dear valued stakeholders,

I am pleased to address you through this Chairman's message, on the key highlights and achievements of the Financial Services Regulatory Authority (FSRA) based on the Executive Director's report. The report marks a significant milestone as it commemorates the first anniversary of the FSRA's 2022-2025 Strategic Plan.

Over the past year, we have faced unprecedented challenges due to the global pandemic. However, the Strategic Plan has provided us with a solid foundation to navigate these difficulties. It has been instrumental in guiding our efforts to maintain public confidence in the financial system, promote sound corporate governance principles, and protect the interests of financial services consumers.

"We have made significant strides in improving the legislative and regulatory framework, strengthening collaboration with clients and stakeholders, and enhancing the integrity of our jurisdiction.

I would also like to acknowledge the contributions of our talented and dedicated staff. Their hard work, professionalism, and commitment to excellence have been vital in achieving our organizational goals.

To safeguard Saint Lucia's reputation, the FSRA is actively regulating and monitoring all financial services activities and intermediaries. We are committed to ensuring that all entities offering financial services comply with the necessary licensing requirements and adhere to the highest standards.

The Strategic Plan revolves around four strategic pillars, each with specific objectives that drive our operations. These pillars include Clients and Consumers, Operations, Internal Capacity, and Financial Resources. Through this report, we are pleased to showcase our progress in each area, highlighting the positive outcomes achieved through the collaboration and support of our Board of Directors.

In terms of our clients and consumers, we have focused on creating a vibrant and attractive jurisdiction by enhancing stakeholder engagement and prioritizing consumer protection. We have made significant strides in improving the legislative and regulatory framework, strengthening collaboration with clients and stakeholders, and enhancing the integrity of our jurisdiction.

To strengthen our operations, we have prioritized risk-based supervision for monitoring regulated entities. Our efforts have focused on enhancing the efficiency of internal processes, ensuring compliance and enforcement, and optimizing our supervisory oversight.

Building internal capacity has been another key aspect of our Strategic Plan. We have invested in enhancing the sector competence of our regulators and improving leadership practices. By fostering a culture of professionalism, accountability, and employee engagement, we are better equipped to meet the expanding mandate of the FSRA.

Furthermore, we have dedicated our efforts to foster financial growth and stewardship of our resources. Our focus has been on enhancing financial independence and revenue growth, optimizing revenue collection, and reducing operating costs.
The Executive Director's report also provides an overview of the financial sector, highlighting its resilience and growth during the reporting period. Despite the challenges posed by the pandemic, the sector showed strong profitability and asset growth. We observed positive performance in areas such as the domestic insurance, the credit union sector, and the money services business sector. Additionally, we monitored the stability of the international sector and witnessed growth in the asset base of international banks.

Looking ahead, we anticipate several significant developments in the financial sector. The implementation of IFRS 17 will require insurers to prepare compliant financial statements, which will impact various aspects of their operations. We are also closely monitoring the reinsurance market, as changes in rates and capacity may affect property insurance costs in the local market. Additionally, we have developed Complaint Guidelines to enhance market conduct supervision and ensure fair treatment for consumers.

To safeguard Saint Lucia's reputation, the FSRA is actively regulating and monitoring all financial services activities and intermediaries. We are committed to ensuring that all entities offering financial services comply with the necessary licensing requirements and adhere to the highest standards.

In conclusion, I extend my sincere appreciation to all our stakeholders for their continued support and collaboration. Together, we have achieved significant milestones and overcome challenges. As we move forward, we remain dedicated to fulfilling our mission and vision, driving the growth and stability of the financial services sector, and safeguarding the interests of all stakeholders.

I also would like to express my gratitude to the management team, the entire staff and my fellow directors for their unwavering commitment. Their hard work has been crucial in achieving our objectives and ensuring that the FSRA maintains the integrity and stability of Saint Lucia's financial sector through the efficient and effective administration of the laws and regulations and the application of international best practices and standards.

Thank you for your ongoing trust and partnership as we work towards a prosperous future.

Warm regards,

Philip Dalsou
Chairman

Executive Director's Report

Nathalie Dusauzay
Executive Director

I am delighted to present the Financial Services Regulatory Authority's (FSRA) 2022-2023 Annual Report which marked the first anniversary of the FSRA's 2022-2025 Strategic Plan. As we continued on our journey of recovery from the unprecedented and debilitating impact of the novel corona virus during 2020 and 2021, the Strategic Plan, and in particular its four strategic pillars, served as a solid platform for the FSRA. It facilitated the FSRA's effective delivery of its mandate of maintaining public confidence in the financial system, promoting sound corporate governance principles and international best practices in the area of financial management, whilst securing the appropriate level of protection for financial services consumers. The Plan provided us with our strategic direction and kept us focused on our long-term vision and strategic objectives. Through this report, I am pleased to show our progress on this plan, which was realized through the ongoing commitment, dedication and professionalism of our staff, management and the unwavering support of the Board of Directors.

STRATEGIC PLAN

The FSRA published its 2022-2025 Strategic Plan in April 2022, outlining its primary strategic agenda and establishing the criteria for achieving success. The plan revolves around four strategic pillars and their corresponding objectives, as illustrated:

1. CLIENTS & CONSUMERS

VIBRANT JURISDICTION

Creating a vibrant and attractive jurisdiction with a strong emphasis on stakeholder engagem,ent and consumer protection

2. OPERATIONS

OPERATIONAL ALIGNMENT

Strengthening and aligning operations for risk-based supervision of current and emerging financial innovations

3. INTERNAL CAPACITY

STRATEGIC COMPETENCE

Building strategic competence to meet our expanding mandate and the creation of a corresponding culture that promotes professionalism, accountability and employee engagement

4. FINANCIAL RESOURCES

STEWARDSHIP & SUSTAINABILITY

Fostering growth and stewardship of our financial resources to support the need for increased independence and long-term financial sustainability

Following the plan launch in April 2022, project teams were established to undertake the planning process in line with the goals of the strategic plan. The teams' plans responded to priorities identified in the strategic plan through activities, projects and allocated resources.

Reporting Results

The FSRA recognizes the importance of evaluating progress based on the strategic plan, considering both the actions taken and the outcomes achieved. Despite facing resource constraints and the resulting need to adjust certain timelines and milestones during the fiscal period, we are pleased to announce substantial advancements in fulfilling our strategic objectives in 2022-2023.

As we strive to achieve our objectives, the FSRA adopts a balanced approach that aims to safeguard the interests of depositors, policyholders, pension plan beneficiaries, and other consumers of financial services. Simultaneously, we facilitate financial institutions in fulfilling their obligation to compete and undertake responsible risks.

This Annual Report demonstrates how we went about fulfilling our purpose and pursuing our objects over the past year and we are proud to present below the strategic progress made during the fiscal period 2022-2023.

STRATEGIC PILLAR 1: CLIENTS AND CONSUMERS – CREATING A VIBRANT AND ATTRACTIVE JURISDICTION WITH A STRONG EMPHASIS ON STAKEHOLDER ENGAGEMENT AND CONSUMER PROTECTION.

STRATEGIC PRIORITIES

1.1 Improve the effectiveness of the legislative and regulatory framework
1.2 Improve Client/Stakeholder engagement and collaboration
1.3 Enhance the integrity of the jurisdiction

Progress made in fiscal year 2022-2023

Improve the effectiveness of the legislative and regulatory framework

• International Banks Act was amended (No. 14 of 2022) to include a prohibition for the establishment of shell banks.
• The Virtual Assets Business Act was passed on December 15, 2022. "Virtual Asset" –
a) means a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes;
b) does not include digital representations of fiat currency or security.

The Act requires entities wishing to provide such services to be licensed with the FSRA. It is anticipated that the necessary regulations and guidelines to facilitate the effective administration of the said Act will be developed within the next fiscal period.

• The Money Services Business Act, Cap 12.23 was amended (No.4 of 2023) to include proactive measures prohibiting the undertaking of money services business (MSB) without the requisite license. The amendment furnished the FSRA with monitoring powers and powers to take action against persons undertaking MSB without a licence.

Improve Client/Stakeholder engagement and collaboration

• Review of the Insurance Act, Cap 12.08 to facilitate alignment with International Financial Reporting Standard (IFRS-17); remove ambiguities and improve efficiency in relation to renewal of intermediary licenses;
• Draft prudential reporting form guidelines for the domestic insurance sector in relation to IFRS 17;
• Held consultation with the insurance sector on required changes to statutory accounting forms to align with IFRS-17
• Held meetings with the Insurance Council of Saint Lucia (ICSL) to share and discuss matters affecting the insurance sector;
• Develop and issue complaint guidelines for use by regulated entities;
• Held consultation with the Cooperative League, Ministry of Commerce on the Cooperative Societies bill. The bill has been submitted to the Cabinet of Ministers for review and approval.
• Held consultation with the Eastern Caribbean Central Bank (ECCB) and other single regulatory units (SRUs) within the region to discuss:
i. Provisioning requirements for credit unions in relation to IFRS9 and regulatory provisions;
ii. Regulations for virtual assets service providers;
iii. A road map regarding climate-related financial risks.

Enhance the integrity of the jurisdiction

• Circulation of the following guidelines
i. Guidelines for credit unions in relation to the treatment of non-performing or impaired credit facilities. Feedback received in April 2023;
ii. Prudential guidelines for insurance accounting forms;
iii. Revised guidelines for international banks (large exposure);

STRATEGIC PILLAR 2: OPERATIONS – STRENGTHENING AND ALIGNING OPERATIONS FOR RISK-BASED SUPERVISION OF CURRENT AND EMERGING FINANCIAL INNOVATIONS

STRATEGIC PRIORITIES

2.1 Strengthen risk-based supervision
2.2 Enhance efficiency of internal processes relating to supervisory oversight
2.3 Enhance compliance and enforcement

Progress made in fiscal year 2022-2023

Strengthen risk-based supervision

• A Risk Based Supervisory (RBS) Framework has been tailored for adoption by the FSRA. The Framework has been published on the FSRA website.
• As of March 2023, the assessment of 9 insurance companies, 5 credit unions and 3 international banks has been initiated utilising the RBS Framework.
• Interviews were conducted with licensed entities to gather information to facilitate the Risk Based assessment
• In-house team meetings to review Risk Matrix and Risk Assessment Documentation (RAD) completed by individual regulators and refresher sessions with staff on the RBS Framework/methodology were held. Full implementation is anticipated by the 1st half of 2024-2025.
• The conduct of onsite examination is a critical element in Risk Based Supervision. This activity was somewhat hampered in 2021-2022 due to restrictions imposed as a result of the pandemic. During the 2022/2023 fiscal period onsite examinations were conducted as follows:
- Micro Lenders – 1
- Credit Unions – 3
- Money remitters – 3
- Insurance Companies – 2
- Insurance Brokers – 1

The FSRA has committed to enhance this area of supervision and in that regard the Board of Directors has approved the commissioning of a dedicated onsite inspection team. It is anticipated that the onsite inspection team will be in place (operational) within the second half of the next fiscal period.

Enhance efficiency of internal processes relating to supervisory oversight

• Throughout the fiscal year, the FSRA engaged in meetings with management information software providers, including Vizor Software. The purpose of these meetings was to identify suitable software solutions that can support the FSRA's regulatory functions and enhance overall efficiency.
• The proposed solution has pre-built onsite inspection forms and processes based on international standards and best practices.

Enhance compliance and enforcement

• During the fiscal period the FSRA exercised its powers of intervention and intervened in the affairs of 1 insurance company and 2 credit unions for regulatory non-compliance. Consequently, the insurance company was placed under judicial management, a receiver/manager was appointed to manage the affairs of one of the credit unions, an investigator is in the process of being appointed for the other credit union.

STRATEGIC PILLAR 3: INTERNAL CAPACITY – BUILDING STRATEGIC COMPETENCE TO MEET OUREXPANDINGMANDATEANDTHECREATIONOF A CORRESPONDING CULTURE THAT PROMOTES PROFESSIONALISM, ACCOUNTABILITY AND EMPLOYEE ENGAGEMENT

STRATEGIC PRIORITIES

3.1 Enhance sector competence of regulators
3.2 Improve leadership practice

Progress made in fiscal year 2022-2023

Enhance sector competence of regulators

•The FSRA continued to facilitate and encourage technical training for staff with a view to enhancing regulatory and supervisory capacity. Training facilitated included:

a) Access to E Learning platform (Banking, Insurance, AML, Accounting standards, etc) which is ongoing;
b) Participation in annual workshops such as CAPS and CAIR;
c) IFRS 17 training;
d) Virtual Workshop on Macroprudential Solvency Stress Testing for Banks;
e) Training through the Small Countries Financial Management Centre (Isle of Man);
f) "Ethics in the Workplace" held by the Institute of Chartered Accountants of the Eastern Caribbean;
g) Virtual Asset training by the World Bank;
h) AML Training hosted by ECCB;
i) DARK WEB Workshop held by the World Bank;
j) Toronto Centre/TCI - RBS Training Initiative;
k) CARTAC FS Virtual Regional Webinar on Climate Risks and Assessment;
l) UNCDF Policy Acceleration Programme
- Introduction to Instant and Inclusive Payment
- Training on virtual assets and digital money;

Improve leadership practice

• A Consultant was engaged for the provision of Human Resource Management training for management and supervisors.

STRATEGIC PILLAR 4: FINANCIAL RESOURCES – FOSTERING GROWTH AND STEWARDSHIP OF OUR FINANCIAL RESOURCES TO SUPPORT THE NEED FOR INCREASED INDEPENDENCE AND LONG-TERM FINANCIAL SUSTAINABILITY

STRATEGIC PRIORITIES

4.1 Enhance financial independence and revenue growth
4.2 Enhance revenue collection
4.3 Reduce operating costs

Progress made in fiscal year 2022-2023

Enhance financial independence and revenue growth

• The FSRA conducted a comparative analysis of licensing and other fees charged by jurisdictions within the ECCU and the wider Caribbean region. The information was used to assess and position the FSRA's fee's structure to ensure statutory fees charged are both relevant to the cost of regulation and competitive, while facilitating revenue growth.
• The report was submitted to the Ministry of Finance for consideration.

Enhance revenue collection

• Enhancing revenue collection is also viewed as a regulatory compliance matter. In that regard, measures have been instituted to ensure that all regulated entities are reminded of statutory fees/fines to be paid in advance of the due date and necessary follow-ups are conducted.

Reduce operating costs

• Explored opportunities for remote working as a way of reducing the FSRA's physical footprint and consequently reducing its operating costs associated with rent and utilities. The implementation of flexi-work/ remote working was piloted with a view to assessing its effectiveness in that regard.

OVERVIEW OF THE FINANCIAL SECTOR

During the second half of the fiscal period the financial sector transitioned out of a 2-year Covid-19-restrictive environment, allowing for greater face-to-face interactions between businesses and their clients. Generally, the sector showed strong resilience recording increased profitability and asset growth. There were no significant movements in the net number of licences within the domestic sector however, the international sector continues to show some decline in numbers (insurance companies and public mutual funds). A synopsis of the sectors' performance is provided below:

Domestic Insurance and Pension Fund Plans Sector

The domestic insurance sector comprised 25 insurance companies, 23 insurance agents, 10 insurance brokers, 198 insurance salesmen licences and 33 pension fund plans. The sector continued on its trajectory of growth generating $264.5 million in premium income during 2022; a $3.3 million (1.3%) increase from/over the prior year 2021. Total assets of insurance companies grew by 2.5% from $789.8 million in 2021 to $809.4 million. Collectively, insurance companies generated profit before tax of $22.4 million. Both the general and long-term insurance classes of business contributed to the sector's profitability.

Credit Union

The credit union sector continues to show signs of growth in loans and deposits during the year 2022. The sector remained at sixteen (16) active credit unions and one (1) credit union league. The sector remains liquid with most credit unions showing a ratio above 15%, the minimum benchmark set by PEARLS and legislation. The credit unions maintained an asset base of approximately $1.478 billion representing a 12.4% increase over the prior year (2021: $1.315 billion). For the year, the loans portfolio stood at approximately $1,036 million representing a significant increase of 16.2 % over the prior year (2021: $891.6 million), thereby assisting members in achieving their self-actualisation goals and developmental objectives.

Money Services Business Sector

In 2022, the remittance inflows for the sector amounted to XCD 165.54 million, showing a slight decline of 2.01% (equivalent to $3.4 million) compared to the previous year's total of $168.9 million. On the other hand, there was a significant increase in remittance outflows, reaching XCD 19.9 million in 2022, which marked a rise of 14.18% or XCD 2.4 million compared to the 2021 figure of $17.4 million.

Regarding Microlenders, the total amount of loans disbursed in 2022 was $78,993,038, indicating a notable 19% growth compared to 2021. The largest category of loans disbursed in 2022 was personal loans, which accounted for 42% of the total value.

International Financial Sector

The total number of regulated entities from the international sector stood at Fifty-one (51) entities which comprises International Banks (11) International Insurance (33) and International Mutual Funds (7).

The international sector continues to contract due to legislative amendments to the International Business Companies Act, Cap. 12.14 as amended, where international business companies (IBCs) are now subjected to the same corporate income tax treatment (30%) as domestic companies, moving from the preferential tax rate of 1%.

FINANCIAL SECTOR OUTLOOK

IFRS 17 – Insurance Contracts

All Insurers are required to prepare IFRS-17 compliant financial statements for the financial periods beginning on or after January 1, 2023. The first IFRS-17 Compliant quarterly returns will be due on April 30, 2023.

The scope and scale of the changes required for insurers to properly transition to IFRS 17 is unparalleled, requiring the production and use of extensively more granular data. IFRS 17 has the potential to impact product design, investment policy, reinsurance structures, cost of capital, solvency and capital adequacy. Thus, the cost to insurers of IFRS 17 implementation is likely to be high in terms of the cash outlay for consulting, new systems and manpower required for the project. In Particular, IFRS-17 is expected to have a very significant impact on life insurance companies.

IFRS-17 has also triggered the need for legislative amendments and the development of new prudential guidelines to facilitate aligning accounting returns with IFRS-17. Since 2019 the regulators in the region have been consulting with industry and monitoring their level of preparedness through questionnaires and meetings both on a one-on-one and collective basis.

Draft Quarterly Accounting Returns have been developed and circulated to industry for consultation. The new IFRS-17 compliant Annual Accounting Returns are still under development and is anticipated to be issued for consultation during the third quarter of 2023. Additionally, prudential guidelines and the relevant legislative amendments are being also being finalised.

Reinsurance Contracts

The outlook suggests that international reinsurance rates for property catastrophe business will increase by double-digits when contracts are renewed in 2023, supporting underwriting margins against rising claims globally due to high inflation and climate change. Typically, more than two-thirds of non-facultative reinsurance business is renewed in January globally and this holds true for the local market. Thus, it is anticipated that the actual impact of the increased reinsurance rates will be felt from the first quarter of 2023.

According to Fitch (a leading provider of credit ratings), it is expected that reinsurance capacity for property catastrophe risks to be pressured in 2023, with selective capital inflows from existing or new risk carriers more than offset by partial or total withdrawals by other reinsurance providers. Furthermore, limited retrocession capacity will put additional upward pressure on property catastrophe premium rates. Accordingly, tighter terms and conditions is expected in 2023, including a movement to named perils coverage from all perils, higher insurer retentions and reduced limits provided.

The hardening of the international reinsurance market is projected to have a very direct impact on the cost of property insurance in the local market. According to information from the sector, it is anticipated that both commercial and residential property cover will on average, increase within the range of 20% to 50%. Moreover, local insurers may experience challenges in increasing reinsurance capacity limits due to the diverging appetite in the international reinsurance market. This could reduce insurers' ability to meet market demands in the absence of the necessary capital buffer.

Insurers may need to enter into facultative arrangements in order to meet market demands, however the opportunity for facultative arrangements has also dwindled. Consequently, there will be need to place particular attention on the relationship between capacity, retention and capital. This will call for increased scrutiny by the FSRA to ensure that risk exposure remains within prudential limits.

Complaints Guidelines

In keeping with the Financial Services Regulatory Authority's (FSRA) mandate pursuant to section 14 (e) of the FSRA Act (the protection and fair treatment for consumers) Complaint Guidelines have been developed to be observed by the industry when dealing with customer complaints. The Guidelines are intended to facilitate international best practice and enhance the FSRA's market conduct supervision. The Guidelines provide an outline of the FSRA's expectations with respect to the manner in which complaints should be handled by regulated entities and are designed to set out minimum criteria for complaints handling but do not prevent regulated entities from instituting enhanced policies and procedures.

The Guidelines were circulated to industry for consultation on September 29, 2022 and will become effective in the first quarter of the 2023-2024 fiscal period. Upon its effective date, all regulated entities will be required to treat complaints in keeping with the provisions of the guidelines.

Forex Business

The Financial Services Regulatory Authority (FRSA) has identified that certain International Business Companies (IBCs) might be offering financial services, particularly Forex activities, without the necessary license. While the current legislation mandates obtaining prior consent from the FRSA for IBCs engaged in international banking, insurance, and mutual fund businesses, it doesn't address the process for incorporating IBCs involved in other financial services like money services, securities business and other related financial services such as Forex.

To safeguard Saint Lucia's reputation, the Authority believes it is crucial to regulate and monitor all financial services activities and intermediaries. The Authority has advised that any IBC intending to engage in money services, securities, or other financial services business, whether within or outside Saint Lucia, must obtain a license/registration under Saint Lucia's laws or demonstrate that they hold the required license/registration in the jurisdiction where they operate.

IBCs currently offering financial services without the appropriate license/registration must seek guidance from the FSRA to continue their operations. Failure to comply with these requirements may lead to sanctions against Registered Agents and/or IBCs as per Saint Lucia's laws.

Asset Quality Review (AQR)

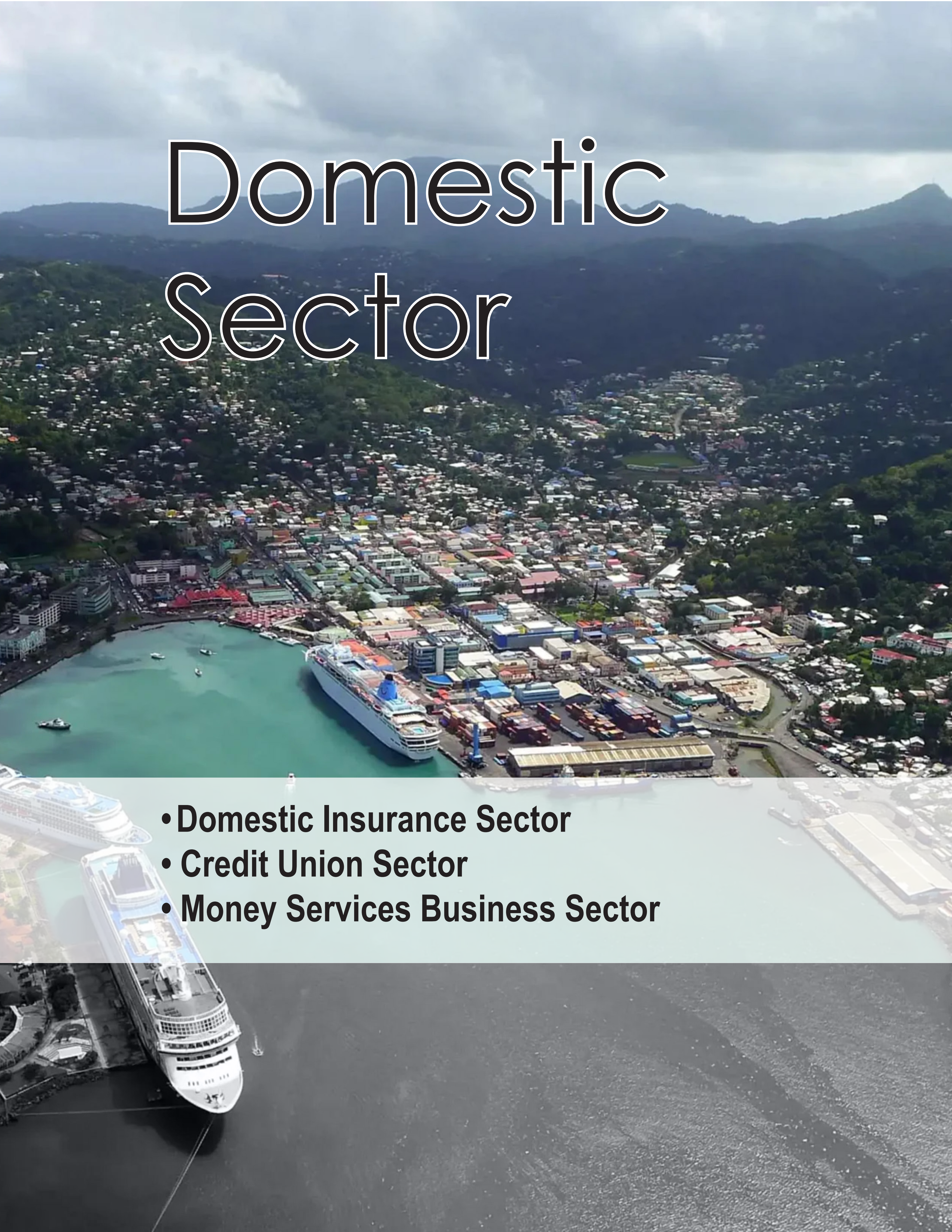
For the years 2023/2024 the Financial Services Regulatory Authority will be embarking on an Asset Quality Review (AQR) exercise for the credit union sector. The AQR is a prudential exercise focused on reviewing the quality of the credit unions' assets, including the adequacy of assets, collateral valuation and related provisions. This initiative is expected to strengthen the provisioning practices and improve the asset quality of the credit union sector.

CONCLUSION

The successes achieved during this fiscal period would not have been possible without the strong and dedicated support of the management and staff of the FSRA. I take the opportunity to express my sincere gratitude for their invaluable support during the period. The FSRA remains grateful for the cooperation extended by the financial services sector and government agencies including the Department of Finance, the Attorney General Chambers, Inland Revenue Department, and the Financial Intelligence Authority. The steadfast support and guidance provided by the Board of Directors have played a crucial role in steering the accomplishment of the goals and objectives outlined in the 2022/2025 Strategic Plan. We remain committed to our mission of serving the financial services sector and ensuring its resilience in safeguarding the economic and social interests of depositors and policyholders in Saint Lucia.

As we look ahead towards the 2023/2024 fiscal year the FSRA intends to further enhance its supervisory surveillance by expanding its monitoring toolkit and increasing onsite inspections. The FSRA maintains its dedication to fostering stronger relationships with stakeholders and is confident that this collaborative approach to regulation and supervision will foster a thriving financial services sector.

Sector Reports



Domestic Sector

- Domestic Insurance Sector
- Credit Union Sector
- Money Services Business Sector

COMPOSITION

As at December 31, 2022, the Saint Lucia's domestic insurance sector comprised 25 registered insurance companies, of which ten (10) are long-term insurers, fourteen (14) are general insurers and one (1) is a composite insurer as it is registered to underwrite both long-term and general insurance business. Two (2) of the long-term insurers continue to transition out of the market operating under Judicial Management.

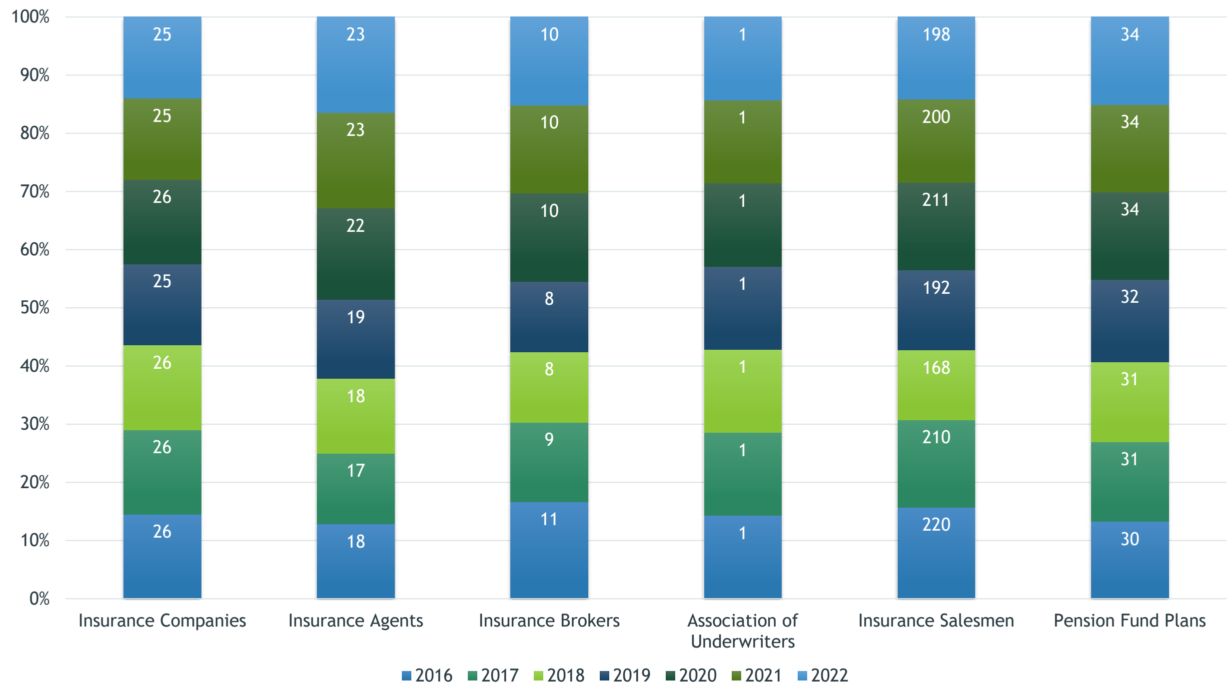


Figure 1: Number of Registered Insurance Entities and Pension Fund Plans 2016-2022

Insurance Agents

During the 2022/23 fiscal period, fifteen (15) insurance companies carried out business through twenty-three (23) insurance agents. Five (5) of these insurance agents operated as their principal's only representative in Saint Lucia, seven (7) operated alongside their principal's head office or branch, while the other eleven (11) operated in the market with sister agencies (three (3) insurers operate through more than one agent). The agencies currently employ approximately one hundred and fifteen (115) individuals in St. Lucia; twenty-six (26) holding managerial positions, fifty-three (53) administrative staff and thirty-six (36) support staff. There were no changes to the agencies' ownership structures during the year, thus there is one (1) internationally owned entity, five (5) with regional ownership and fifteen (15) which are Saint Lucian owned . In addition to insurance agents, various insurance companies contracted a total of 178 individuals as insurance salespersons, some of whom held registration for two companies – one general insurer and one long-term insurer – thus accounting for the 198 licences held during the year 2022.

Insurance Brokers

Insurance brokers continued to contribute significantly to the premiums generated by insurers, representing on average thirty-five to forty percent (35% - 40%) of premium income annually. Operating as independent representatives of policyholders, the brokers also placed business directly with Lloyd's, an association of underwriters registered to operate in Saint Lucia. Risks placed with Lloyd's primarily relate to liability and property insurance business and have not included motor vehicle or long-term insurance for several years. Ten (10) insurance brokers have been operating in the sector from 2020; eight (8) of which are Saint Lucian owned companies. The insurance broker sector currently employs approximately sixty-eight (68) individuals; fifteen (15) in a managerial capacity, forty (40) in administration and thirteen (13) support staff.

Insurance Pension Fund Plans

Private occupational pension fund plans (pension plans) are registered and regulated under the Part 9 of the Insurance Act, Cap 12.08 of the revised laws of Saint Lucia. During 2022, there was no movement in the number of registered pension plans, thus thirty-four (34) plans were registered at the end of year. Of the registered pension plans, twenty-seven (27) are defined contribution plans, four (4) are defined benefit plans, and three (3) are hybrid plans which operate both defined benefit and defined contribution sections.

Registration and License Fees

License and registration fees collected in 2022 remained relatively unchanged in comparison to the previous year, 2021. During the year, the $209,900 which was collected, surpassed the prior year's amount by $400.

	2016	2017	2018	2019	2020	2021	2022
Insurance Companies	149,600	144,000	145,000	144,000	152,500	153,000	150,000
Insurance Agents	18,000	17,000	19,000	21,000	23,600	22,000	23,000
Insurance Brokers	15,100	10,500	12,000	12,000	13,500	15,000	16,500
Insurance Salesmen	20,300	21,240	22,900	23,000	21,750	19,500	20,400
Total	203,000	192,740	198,900	200,000	211,350	209,500	209,900

Table 1: License / Registration Fees of Entities ($)

The annual registration fees for intermediaries currently stand at insurance agent $1,000, insurance broker $1,500 and insurance salesman $100, while insurance companies presently pay licence fees based on the classes of business being carried out; long-term insurance business $5,000, motor vehicle insurance business $3,000 and any or all other classes of business $3,000.

SECTOR PERFORMANCE AND POSITION

During the latter part of 2022, companies operating within the insurance sector, along with other enterprises, transitioned out of a 2-year Covid-19-restrictive environment, allowing for greater face-to-face interactions among staff and with clients. Overall, insurers were able to generate increased premiums in both the long-term and general insurance sectors as was done in the prior year, 2021.

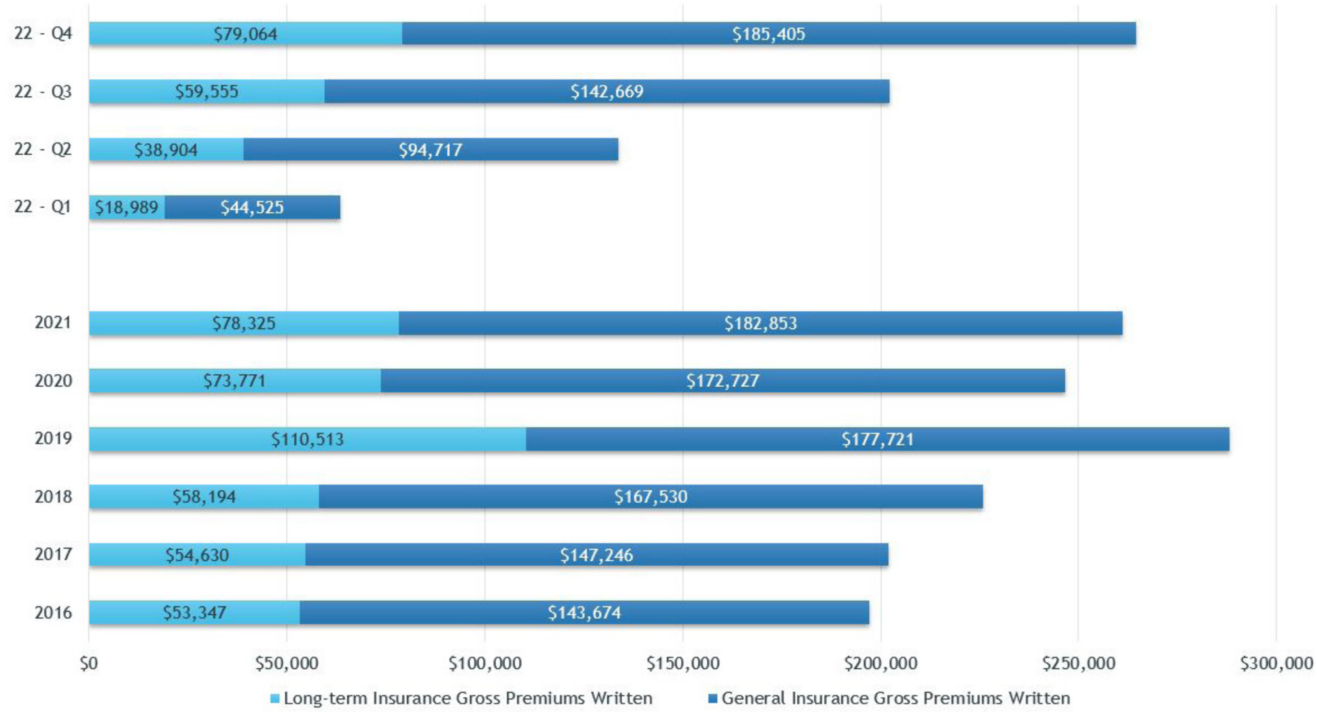


Figure 2: Industry Gross Written Premium 2016 – 2022-Q3

The insurance sector generated $264.5 million in premium income during 2022 ; a $3.3 million (+1.3%) increase from the prior year 2021, where $261.2 million was generated. The increase stemmed from increased premiums generated from both general insurance and long-term insurance business. General insurance business increased 1.4% to $185.4 million while long-term insurance business increased 0.9% to $79,064.

The amount of premiums retained by insurers, that is, amounts left after ceding to reinsurers, remained relatively unchanged in proportion to gross premiums underwritten, from 63.86% in 2021 to 63.89% in 2022; a 0.03% increase.

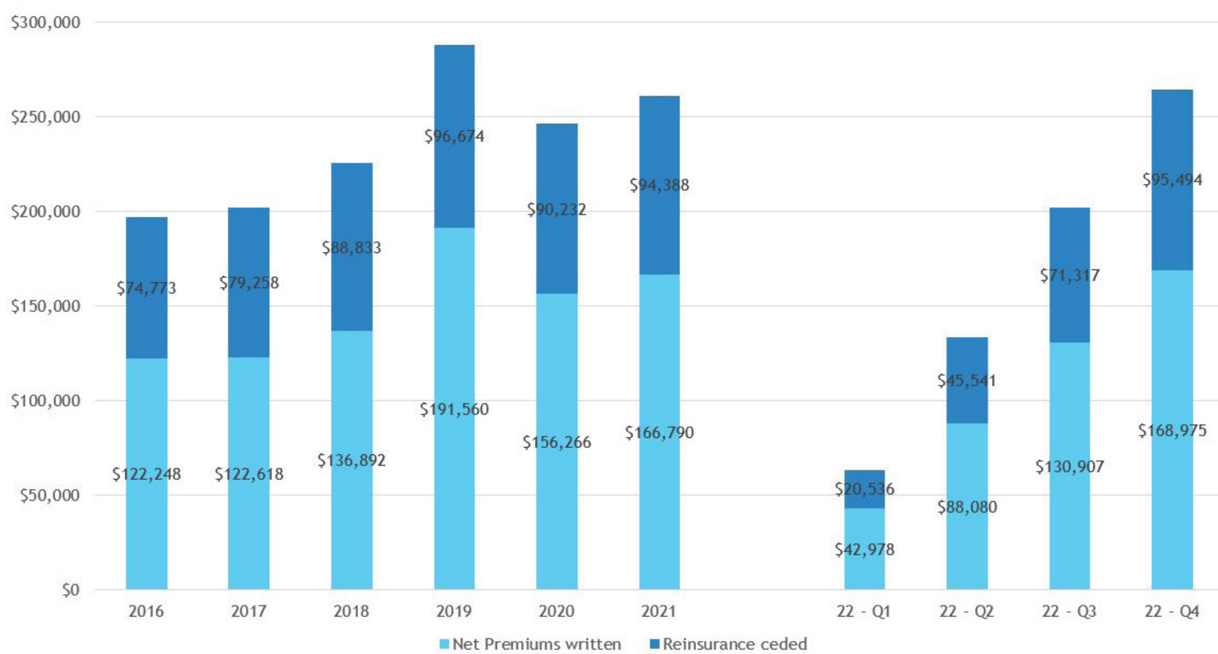


Figure 3: Premiums Ceded and Premiums Retained by Domestic Insurers during 2016 to 2022 FY ($'000)

Premiums earned during the period of $167.61 million along with other revenue of $22.8 million were sufficient to fully cover all insurers' claims, expenses and other policyholder benefits totalling $180.3 million during 2022, earning the insurance sector an operating profit of $10.8 million dollars.

Insurers' assets totalled $809.4 million at the end of 2022, from $789.8 million in 2021; a 2.5% increase. Highly liquid and other investment assets made up 79.2% or $641.2 million. An additional amount totalling $48.3 million (6% of assets) represented the share of insurance liabilities payable by reinsurers. Total liabilities amounted to $588.5 million, of which, insurance liabilities formed 87.6% or $515.5 million. Total capital and reserves of insurers equalled $220.6 million; an increase of $13.1 million or 6.3% from the prior year's $207.5 million.

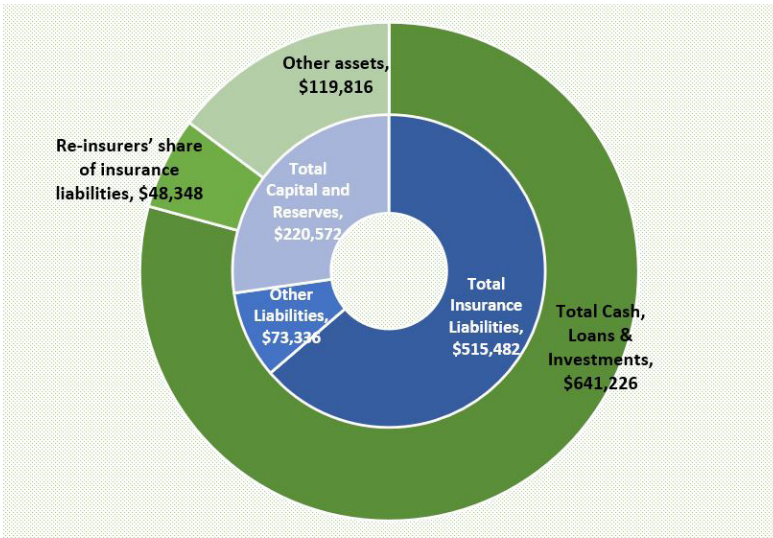


Figure 4: Balance Sheet of Insurance Companies operating in Saint Lucia, 2022 FYE ($'000)

GENERAL INSURANCE BUSINESS

During the reporting period, the general insurance classes of business contributed 70.1% ($185.4 million) of total premiums underwritten by insurers. This represented an increase of $2.55 million or +1.4% compared to the prior year 2021, where insurers recorded $182.9 million in total premium. Net premiums increased by a smaller percentage (+1.1%) to $94.0 million, a $1.02 million increase, due to a disproportionate 1.7% increase in reinsurance premiums from $89.8 million to $91.4 million ($1.53 million).

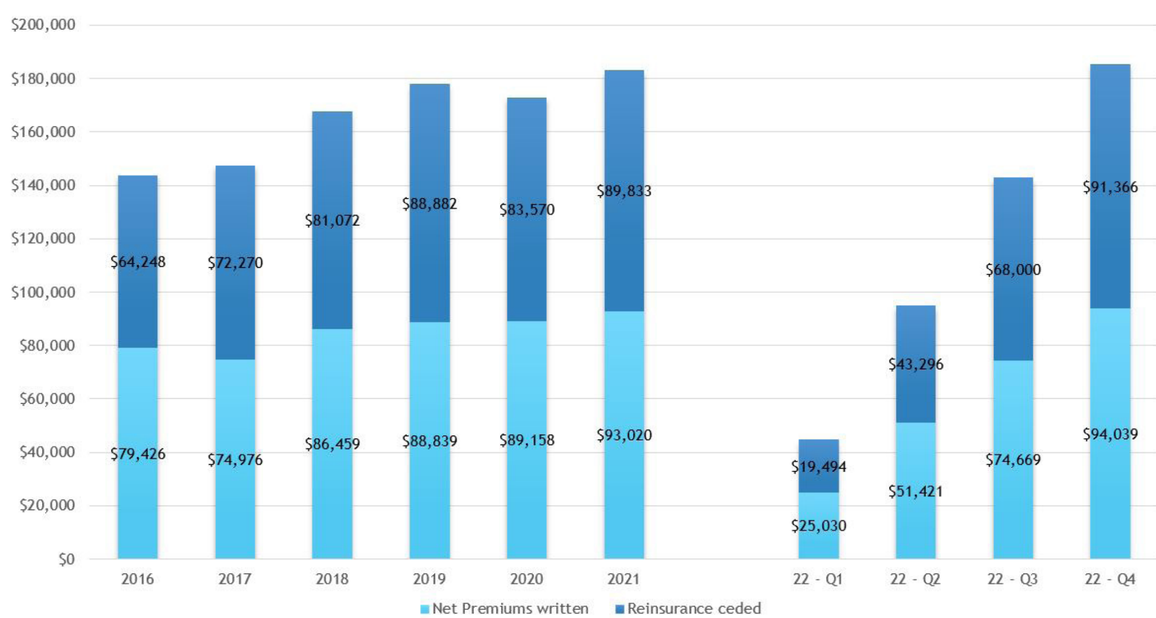


Figure 5: General Insurance Premiums Written (years: 2016-2022)

Premiums earned from general insurance business was calculated at $94.9 million while underwriting expenses totalled $97.2 million. These expenses were primarily driven by claims expenses of $66.4 million and operating/ management expenses of $25.2 million. The underwriting loss of $2.4 million was offset by other income of $4.4 million resulting in net operating income of $2 million.

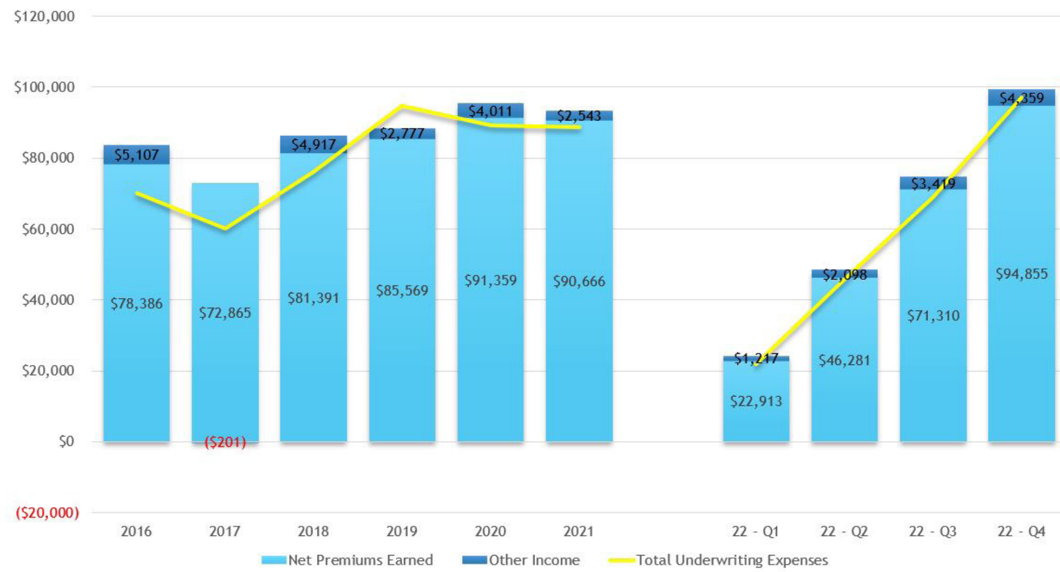


Figure 6: General Insurance Business Profitability

Of the $185.4 million of general insurance gross premiums generated in 2022, property accounted for $79.4 million (42.8%), motor vehicle $56.9 million (30.7%), personal accident $36.4 million (19.6%) while the other three (3) classes of general business (namely liability, pecuniary loss and marine, aviation and transport) accounted for $12.7 million (6.9%) collectively. The overall increase in premiums during 2022 was largely driven by increases in the motor vehicle, liability and property classes of business which generated increased premiums of $8.7 million combined which offset the $5.5 million reduction in premiums among the personal accident ($4.3 million) and pecuniary ($1.2 million) classes of business.

YEARS	2016	2017	2018	2019	2020	2021 revised	2022
Liability	9,260	10,275	8,172	8,702	9,181	6,802	9,251
Marine, Aviation and Transport	3,079	3,211	3,180	3,600	3,221	2,810	2,967
Motor Vehicle	41,031	44,490	48,391	53,759	51,087	53,230	56,911
Pecuniary	1,433	1,403	1,697	957	854	1,681	528
Personal Accident	32,051	29,870	34,048	37,476	38,760	40,728	36,401
Property	63,486	63,448	77,644	78,665	77,890	76,827	79,357

Table 2: Gross Written Premiums for Classes of General Insurance ($'000)

LONG-TERM INSURANCE BUSINESS

Long-term insurance business underwritten during 2022 was recorded at $79.1 million; a $0.7 million, or 0.9%, increase in comparison with the prior year. Conversely, reinsurance ceded dropped by $0.4 million, from $4.6 million to $4.1 million, resulting in a $1.2 million (+1.6%) increase in net premiums to $74.9 million.

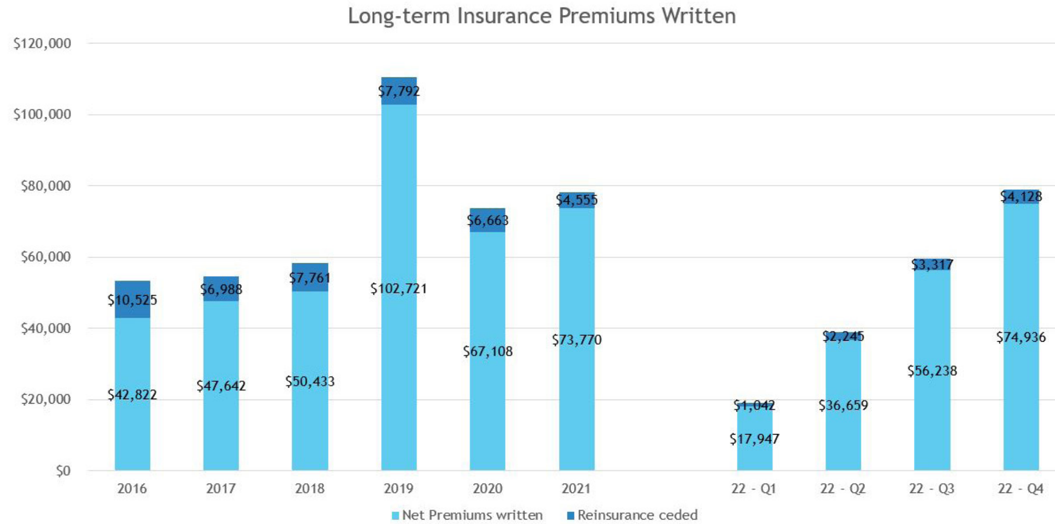


Figure 7: Long-term Insurance Premiums Written

Investment income, a critical revenue source of long-term insurers, also increased by $0.9 million to $17.6 million. However, other expenses surpassed other revenue by $1.3 million, resulting in insurer's reporting total long-term revenue of $91.5 million.

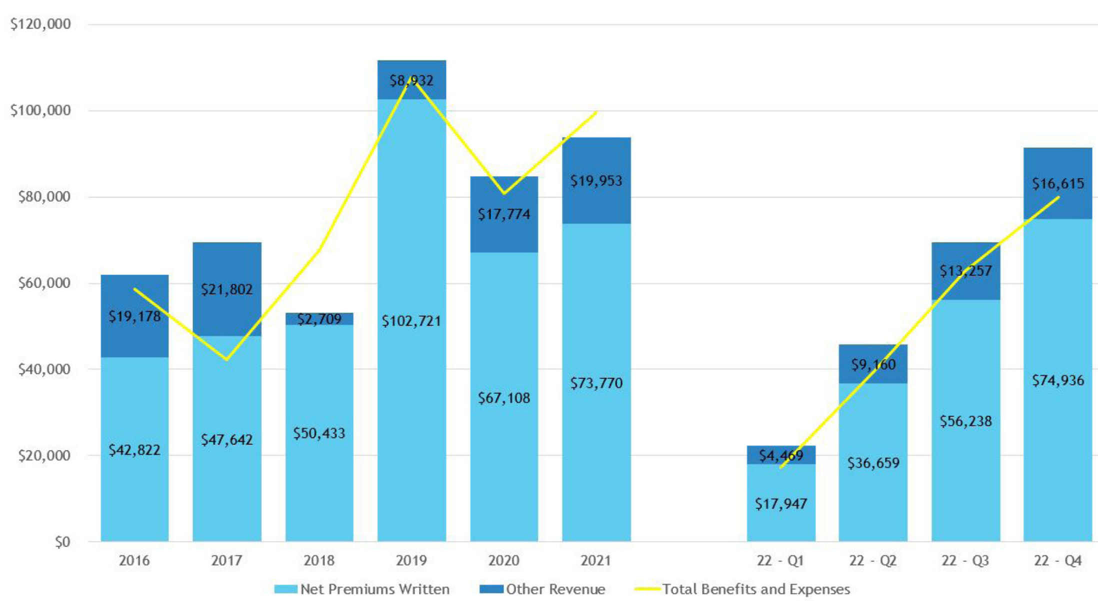


Figure 8: Long-term Insurance Business Profitability ($'000)

Stemming largely from a $17.7 million decrease in amounts required to pay life insurance, annuity and deposit benefits, total policyholder benefits decreased significantly to $47.2 million at the end of 2022 when compared with the end of 2021 where insurers recorded $67.7 million. Operational expenses incurred of $27.2 million (2021: $25.9 million) along with commission expenses totalling $5.5 million (2021: $5.9 million) resulted in total expenses of $79.9 million – a 22.8% decrease from 2021. Consequently, long-term business generated a net profit before tax of $11.6 million.

Credit Union Sector

The Credit Union sector is a critical player within the financial sector as it provides an avenue and alternative means of savings, value, and wealth creation for niche groups and individuals with common bonds. Credit Unions are membership-based "not for profit" financial cooperative institutions which aim to generate surpluses for membership growth and socio-economic development, thereby creating sustainability for future generations.

COMPOSITION

As at the quarter ended December 2022, the composition of the credit union sector remained unchanged, comprising of sixteen (16) credit unions and one (1) League.

Corporate Governance

Credit unions are governed by a Board of Directors (member-based) and management team, working together to implement policies, provide strategic direction and risk oversight while being transparent and accountable to their members. The Board and management are assisted by other elected volunteers who serve on the credit committee (loan review and oversight) and the supervisory committee (works with internal audit to ensure best practices and legislation are adhered to). The sector's elected officials and committee members comprise approximately 110 members. In addition, the Board can also appoint specialized committees to assist with specific oversight functions in areas such as investments, risk assessment, and delinquency recovery.

Offerings & Services

The Sector's primary business is providing its members with accessible and affordable loans while promoting thrift and savings. In addition, credit unions offer other services to members such as vehicle, medical and family indemnity insurance plans through a broker.

SECTOR PERFORMANCE AND POSITION

Socio-Economic Insight

From the period January to December 2022, some notable changes within the sector were as follows (See Table 1):

- Total membership increased from 126,204 to 132,464, representing a 5 percent increase;
- The total number of employees actively employed, increased from 325 to 345, indicative of a 6.2 percent increase;
- The sector's total asset base increased from $1,315 million to $1,478 million, representing a 12.4 percent increase;
- The sector experienced an 8.6 percent increase in its institutional capital.

Income Year	Total Assets	Total Withdrawable shares & Deposits	Total Liabilities	Capital Base	Percentage of Capital Base / Assets	Total Share Capital (Permanent)	Percentage of Permanent Shares / Assets	Total Members	Total Staff
2013	552,034,054	393,046,497	448,037,150	86,872,722	15.7%	18,664,445	3.4%	75,653	203
2014	604,358,592	480,486,613	493,021,469	98,588,790	16.3%	22,613,683	3.7%	83,397	232
2015	672,371,519	536,970,193	536,970,193	117,570,935	17.5%	27,340,439	4.1%	91,637	237
2016	782,988,581	632,332,205	639,847,975	132,577,697	16.9%	34,795,966	4.4%	99,098	255
2017	871,240,735	702,329,185	711,737,295	148,765,822	17.1%	41,118,809	4.7%	104,142	263
2018	989,184,726	796,673,487	807,175,677	174,155,350	17.6%	50,432,055	5.1%	111,141	279
2019	1,095,856,689	885,074,677	895,904,661	190,416,200	17.4%	57,851,678	5.3%	111,141	279
2020	1,185,008,871	961,938,397	976,222,045	190,209,926	16.1%	62,417,046	5.3%	114,149	308
2021	1,315,291,928	1,079,435,075	1,097,947,498	202,832,540	15.4%	69,773,369	5.3%	126,204	323
2022	1,478,312,270	1,220,629,597	1,239,583,017	220,211,782	14.9%	78,176,130	5.3%	132,464	345

Table 3 – Capital requirement (in EC$)

Total Assets

Over the past eight years, total assets have continued to increase and amounted to approximately $1,478.3 million as at December 2022, representing a material increase of 12.4 percent from December 2021. This corresponds to the 13% increase in withdrawable shares and deposits which as at December 31, 2022 stood at $1,220 million.

For the period ended December 2022, there was an absolute increase in the capital base as compared to the prior year (by $17.4 million).

Capital

The sector's Permanent Share Capital continue to increase over the years and as at December 31, 2022 stood at $78.2 million indicative of a 12.0 percent increase from $69.8 million in December 2021.

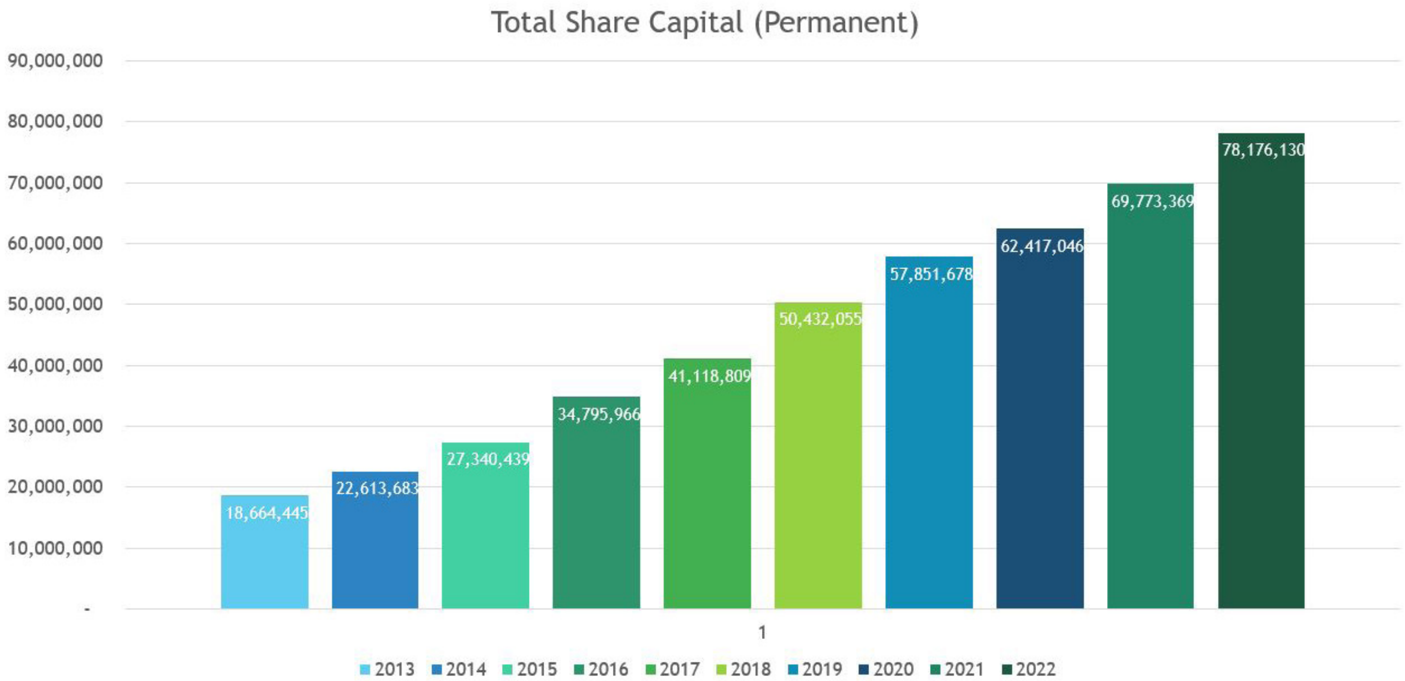


Figure 9: Members' Share Capital

One of FSRA's main focus areas for the credit union sector is in ensuring that members' funds are safe and the credit unions hold adequate amounts of capital.

A new provision in the draft Cooperative Societies Bill mandates that credit unions provide for a minimum Permanent Share Capital requirement (members' share capital/total assets) of 3.0 percent. In an effort to satisfy this requirement, credit unions have implemented initiatives to increase the Permanent Share Capital base hence the increasing share capital over the years (see: Figure 1 above).
This signifies a positive step in the right direction, in that, the greater the amount of Permanent Share Capital held, the more favourable the position of the sector, as it relates to being capable of withstanding adverse shocks and cushioning against losses, during times of economic crisis.
The Cooperative Societies Bill also prescribes an overall Capital Base which is inclusive of members' share capital plus institutional capital. Accordingly, a minimum ratio of 15% is prescribed for Capital Base over Total Assets.

"Institutional capital" means the aggregate of a co-operative society's"

(a) statutory reserves or other non-distributable general reserves;
(b) earnings retained after distribution of surplus funds; and
(c) funds received by way of a non-refundable donation and is not available for distribution.

Since 2018, a declining trend is observed in the capital base of the sector. Notwithstanding, as at December 31, 2022, the capital base ratio stood at the minimum benchmark of 15% (see graph 2).

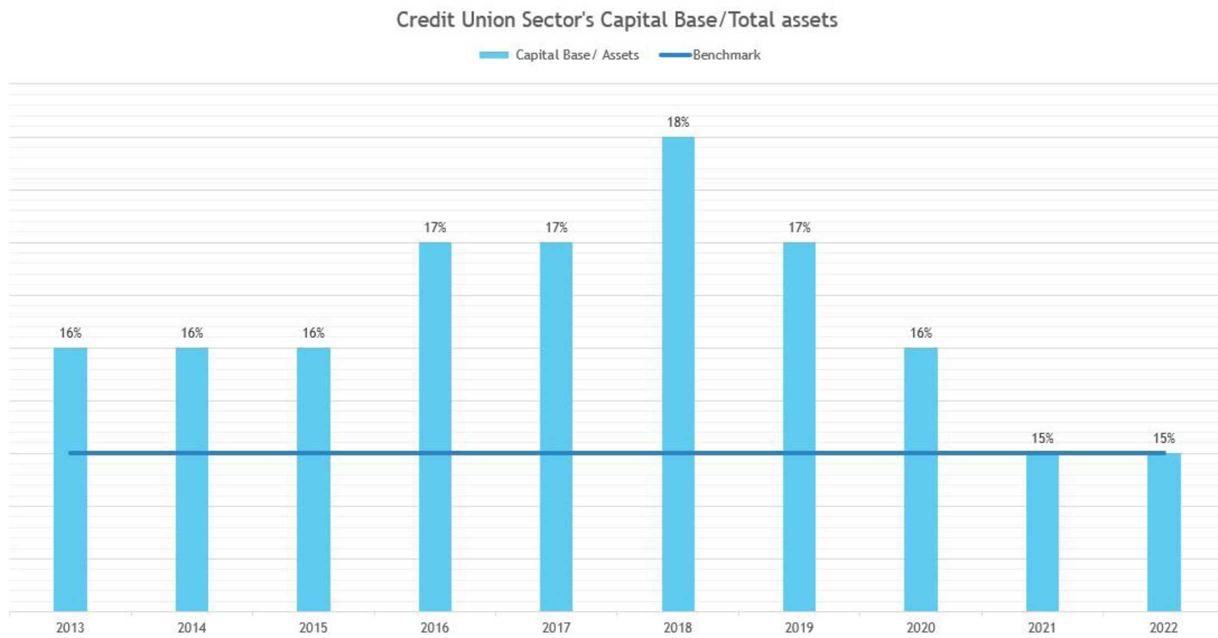


Figure 10: Capital Base/Total Assets Ratio

The Authority will be monitoring the capital base of individual credit unions very closely as a few credit unions impacted the capital base ratio of the sector resulting in the ratio barely satisfying the minimum requirement of 15%.

Loans and Asset Quality

Total loans amounted to $1,036.3 million in the quarter ended December 2022 as compared to $891.6 million for the year ended December 2021, representing a 16.2 percent increase.

Income Year	Total Assets	Total Loans	Total Deliquent loans	Total Deliquent loans/ Total loans	Total Provisions on Loans	Provisions on Loans/Total Deliquent Loans	Capital Base less Deliquent Loans NO PROVISION	Percentage of Institutional Capital less Deliquent Loans NO PROVISION / Assets
2014	604,358,592	439,318,934	50,711,135	11.5%	16,696,548	32.9%	64,574,203	10.7%
2015	672,371,519	505,270,587	56,173,728	11.1%	16,028,098	28.5%	77,425,305	11.5%
2016	782,988,581	568,918,047	58,220,553	10.2%	14,693,315	25.2%	89,050,459	11.4%
2017	871,240,735	628,710,244	64,761,574	10.3%	13,832,028	21.4%	97,836,276	11.2%
2018	989,184,726	694,895,165	62,301,307	9.0%	24,591,214	39.5%	136,445,257	13.8%
2019	1,095,856,689	733,923,615	63,053,292	8.6%	24,456,916	38.8%	151,819,824	13.9%
2020	1,185,008,871	766,277,561	97,812,050	12.8%	28,214,793	28.8%	120,612,669	10.2%
2021	1,315,291,928	891,563,637	87,623,556	9.8%	39,989,417	45.6%	155,198,401	11.8%
2022	1,478,312,270	1,036,275,837	91,292,041	8.8%	37,848,464	41.5%	166,768,205	11.3%

Table 4 – Total Loans & Asset Quality

There was a 4.2 percent increase in total delinquent loans from $87.6 million in December 2021 to $91.3 million by December 2022. Noteworthy, the ratio of total delinquent loans over total loans decreased by 1.0 percentage point, dropping from 9.8 percent in December 2021 to 8.8 percent by December 2022. One must note that this ratio has been on a steady decline from 2015 to December 2022, save for one year (December 2019 to December 2020), mainly owing to widespread job loss and wage cuts resulting from the Covid-19 pandemic. (See: Figure 3).

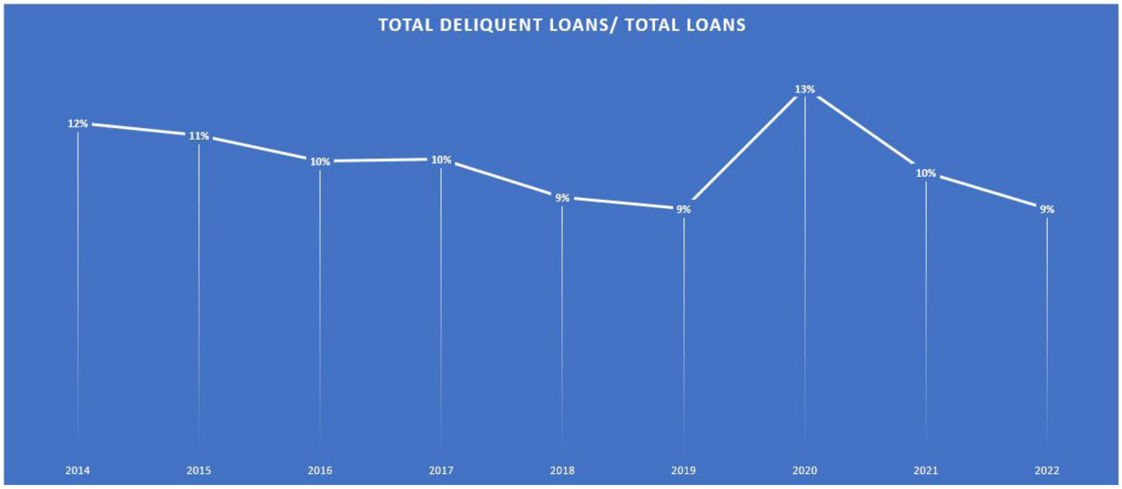


Figure 11: Total Delinquent Loans/Total Loans Ratio Trend

However, the country has returned to a significant level of normalcy, with the majority of businesses having resumed operations on a full scale. As a result, more members have been able to regain employment and in turn, resume normal loan payments. Consequently, more credit unions were able to resume previous loan granting mechanisms which existed prior to the pandemic. Notwithstanding, the strides made by the sector in reducing this ratio, it still remains above the prudential limit set by PEARLS (financial assessment tool for credit unions) which requires a ratio of “less than 5.0 percent”.

Another area, worthy of noting is that of the level of provisioning. From December 2021 to December 2022, total provisioning decreased by 5.4 percent, moving from $40.0 million in December 2021 to $37.8 million in December 2022. Provisions on loans/total delinquent loans increased from 29% in 2020 to 46% in 2021, however, there was a decline to 42% with this ratio in 2022. (See Figure 4). Our assessments have revealed that provisions for impairment of the loan portfolio for some credit unions appear to be inadequate. This is in part predicated on the notion of the sufficiency of the collateral.

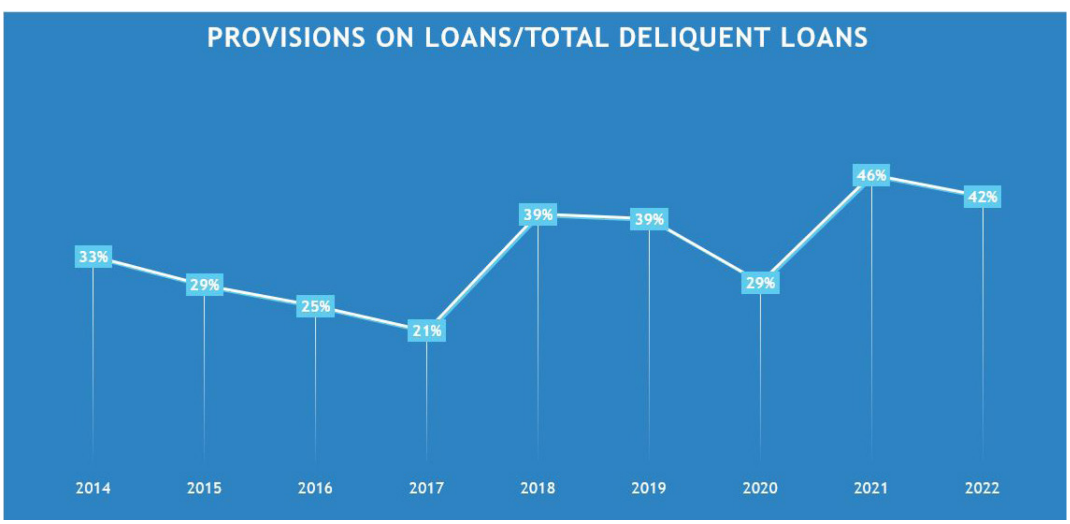


Figure 12: Provisions/Total Delinquent Loans Ratio Trend

The sector has made strides in achieving the goal of representing 70-80% of its assets in the form of loans to its members. A 2% increase was observed in this regard, which allowed for the sector to obtain the minimum 70% benchmark in 2022 (2021:68%).

Figure 13: Asset Quality

<u>Liquidity</u>
Pursuant to Section 119 (3) (a) of the Co-operatives Societies Act, Cap. 12.06. Every society shall ensure that not less than 15% of its members' shares and deposits are kept in a liquidity reserve. The sector remains liquid with most credit unions reflecting a ratio above 15%. (See Graphs 9). Noteworthy, the sector has experienced a contraction in its liquidity ratio for the period ended December 31, 2022, compared to December 2021. A declining trend in the liquidity ratio has been observed over the last 4 years (2019 – 2022). However, the total sector's liquid assets have increased from approximately $388.4 Million as at December 2021 to approximately $398.9 Million as at December 2022.

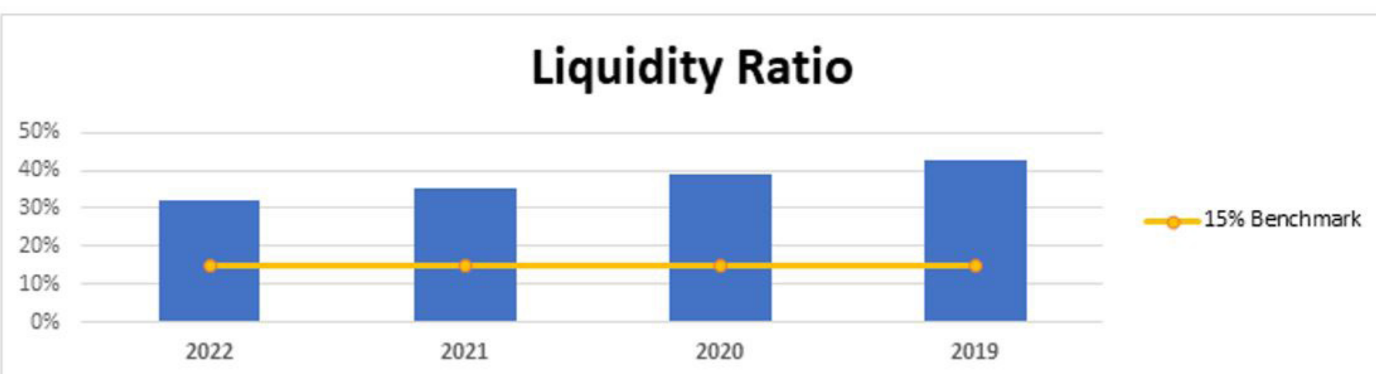


Figure 14: Liquid Assets/Liabilities

<u>Areas of Growth and Areas for Improvement</u>
The sector continues to recover from the negative effects of the Covid-19 pandemic and has shown resilience, as increases and improvements in significant areas were noted. For instance, total assets increased by 12.4 percent, along with total withdrawable shares and deposits which increased by 13.1 percent. There were further notable increases in gross loans, institutional capital, total equity and interest income.

Nonetheless, the total delinquency to gross loan portfolio ratio has been and continues to remain a major concern for the Authority. The sector's sustainability may be negatively impacted should the sector not give due and immediate attention to this issue. Innovative ways aimed at improving the quality of loans granted, through adequate loan underwriting practices, as well as the implementation of measures that will foster better delinquency control /recovery, must be explored.

REGULATORY OVERSIGHT & SUPERVISION

The Authority engaged in continuous regulatory oversight functions to preserve members' deposits and maintain a stable financial sector industry. A few key activities undertaken by the Authority in addition to that of on-sight and off-sight supervision include the following.

Draft circular impaired loans

The Authority aims to provide a framework for the monitoring, recognition, measurement, classification, provisioning, accounting and reporting of impaired facilities of credit unions. Credit risk represents the single largest risk facing credit unions. The Authority seeks to ensure that credit unions have in place adequate frameworks for ensuring that the carrying amounts of credit portfolios represent recoverable values, determine adequate allowances for credit losses and ensure that there is timely recognition of identified losses.

The presence of a well-functioning credit risk management framework is therefore fundamental to the safety and soundness of credit unions. The Authority's guidelines do not replace, any requirements under relevant legislative provisions or international financial reporting standards, necessary to show a true and fair view of the financial state of affairs of a credit union. Credit unions are required to observe the requirements of the International Financial Reporting Standards (IFRS) relating to impaired facilities for their Audited Financial Statements.

The Authority submitted the draft circular to the industry for their review and feedback and plans on implementing such guidelines in the third quarter of 2023.

Intervention Measures

The FSRA has implemented its Prompt Corrective Action (PCA) Framework which is intended to provide clear signals to credit unions of progressive actions that will be instituted for credit unions presenting regulatory ratios below the benchmark. The PCA Framework has five (5) Stages as follows: Watch List & Increased Reporting, Restoration Plan, Restricted Action/Restructure, Administration or Merger and Merger, Sale or Closure. During the 2022 to 2023 financial year, the Authority has utilized the PCA as follows:

Phases	Number of Credit Unions
1.Watch List & Increased Reporting	1
2.Restoration Plan	3
3.Restricted Action/Restructure	
4.Administration (Examiner/Reciever Manager) or Merger	2
5.Merger, Sale or Closure	

Table 5: PCA Actions Taken

The FSRA is given the legislative authority to place a credit union under administration through sections 150 and 180 of the Co-operative Societies Act, Cap 12.06 as amended (the Act) and Section 36 of the Financial Services Regulatory Authority Act, Cap 12.23.

Section 180 (1) of the Co-operative Societies Act, Cap 12.06 states the Registrar may –

a) on his or her own motion; or

b) on the application of the lesser of 25 members and 10% of the members,

appoint a person as examiner who shall make an examination of the books of the society and examine the affairs of the society and shall make available his or her report to the Registrar.

Section 150 of the Co-operative Societies Act, Cap 12.06 states where, in the opinion of the Registrar, based on the results of an examination undertaken under section 180, it is necessary to appoint a receiver-manager to protect the equity of the members, the Registrar may, subject to the approval of the Minister, appoint a receiver-manager.

Two credit unions were placed under phase 4 of the PCA due to the mounting management, operational and financial deficiencies observed.

Based on the findings from the Examiner, it was recommended that in one instance, one of the weaker credit unions be placed under Receiver Management in accordance with Section 150 of the Cooperative Societies Act, Chapter 12.06. Predicated on the credit union's philosophy of "People Helping People", it was recommended that the Receiver Manager appointed, be a sister cooperative.

The Authority continues to work with the Receiver Manager and Examiners throughout their engagements with the aim of finding the best solutions in the interest of the membership of the aforementioned credit unions.

Money Services Business Sector

The Money Services Business sector continues to be a significant area of the financial services sector in Saint Lucia. The money services business (MSB) sector comprises Money Transmitters, Micro-lending entities and Lending entities. In large measure, the licensed money transmitters are of critical importance to the expatriate community and to a lesser extent domestic community to facilitate retail trade and sales.

COMPOSITION

Therefore, as at December 31st, 2022, the money services business sector comprises a total of fifteen (15) licensed money services business (MSB) providers which include: five (5) Money Transmitters (“Class A”), five (5) micro-lending entities (“Class E”) and five (5) Lending entities (Class “F”). From the five (5) money transmitters, one entity operates the Western Union franchise, three (3) operate the MoneyGram franchise and one (1) operates as an e-money provider in Saint Lucia. The table below represents a breakdown as follows:

Type of License	Description	No of Licences 2021	No of Licences 2022
Class A	1. Transmission of money or monetary value 2. Issuance, sale or redemption of money orders or traveller’s cheques 3. Cheque Cashing 4. Currency Exchange	5	5
Class B	1. Issuance, sale or redemption of money orders or traveller's cheques 2. Cheque cashing 3. Currency exchange	0	0
Class C	1. Cheque cashing	0	0
Class D	1. Currency exchange	0	0
Class E	1. Micro-lending	9	5
Class F	1. Lending	2	5
TOTAL		16	15

Table 6: Type of License

While there are five (5) licence Money transmitters (Class A Licensee), approval was granted for these Money transmitters (Main agents) to operate through sub-agents. There are currently thirty-one (31) approve sub-agents operating across the island.

From 2021 to 2022 three (3) Class E license holders converted to a Class F licence due to the amendment in May 2021 to the Money Services Business Act, Cap. 12.22 to include a new Class F (Lending) licence.

MONEY TRANSMITTERS

A. Inflows

Growth in the Sector

For the year 2022, total remittance inflows for the sector totalled $165.54 million, a slight decrease of 2.01% (3.4 million) from 2021, $168.9 million. Figure 1 reveals a generally increasing trend throughout the 2018 -2021 period with a slight decrease in remittance inflows from the year 2021-2022. It can be deduced that the said decrease is largely due to the more stable financial climate post Covid 19, resulting in fewer financial buffers from abroad.

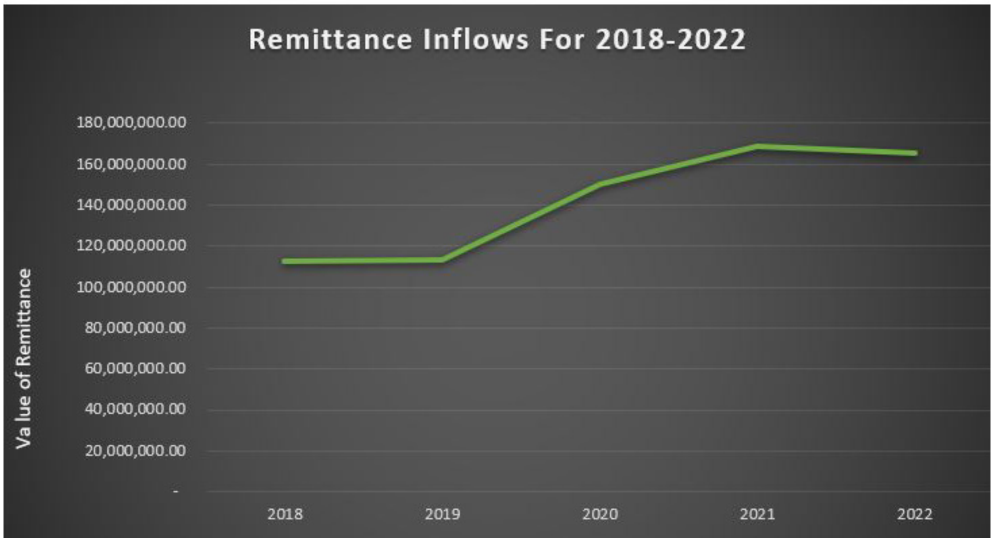


Figure 15: Money Transmitters -Trends in remittance Inflows

Country Proportion

The United States of America (USA) continues to account for the largest proportion of remittance inflows. Total share of inflows stood at 51%, as seen in Figure 27, which increased by 3% from the previous year. Remittances for Canada decreased by 1%, while the United Kingdom (UK), Euro area and Other Nations decreased by 2%.

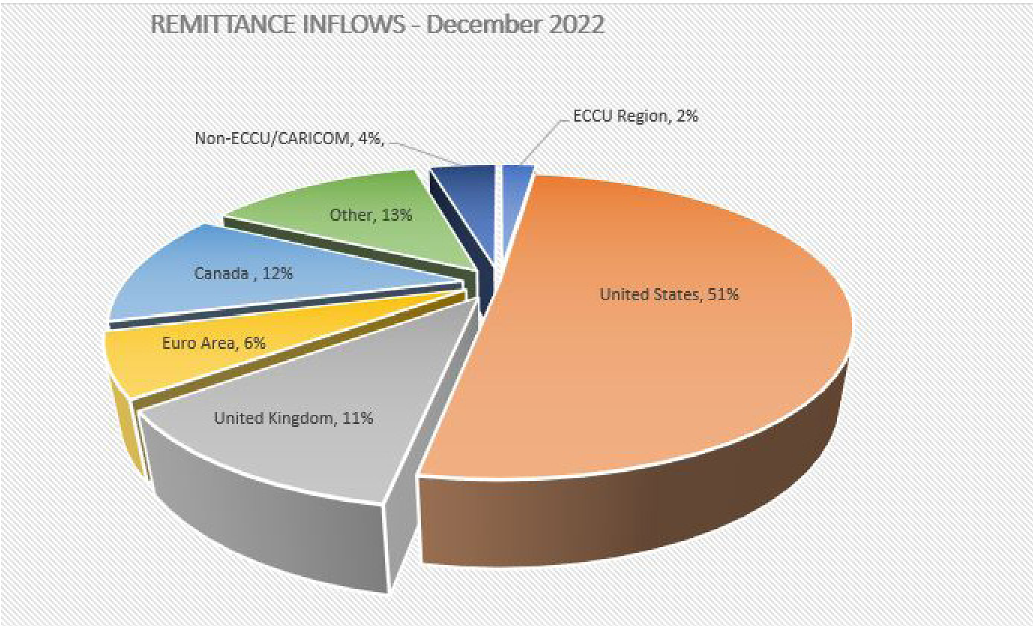


Figure 16: Money Remittance - Inflows during 2022 by region

INFLOWS (XCD)					
	2018	2019	2020	2021	2022
ECCU Region	4,612,761.80	4,816,785.95	3,542,370.98	3,088,309.26	3,458,197.41
Non-ECCU/CARICOM	2,035,780.56	2,208,229.71	1,278,739.15	1,777,368.71	6,892,423.31
USA	55,992,339.98	56,522,851.77	79,034,859.86	81,491,678.23	83,954,910.47
UK	14,022,329.23	13,948,275.24	18,201,694.81	21,682,271.77	19,029,351.01
EURO AREA	7,222,773.31	7,418,699.94	10,722,111.50	13,410,676.55	10,607,797.66
Canada	11,643,878.75	11,988,029.59	19,087,356.18	21,414,754.85	20,029,078.54
Other	16,972,791.02	16,380,298.51	18,551,574.67	26,083,286.28	21,572,795.23
Total	112,502,654.65	113,283,170.71	150,418,707.15	168,948,345.65	165,544,553.62

Table 7 – Inflows in XCD

B. Outflows

Total Remittance Outflows totalled $19.9 million for the year 2022. A fluctuating trend is observed throughout the five-year period, equivalent to the country's GDP map which revealed a sharp decrease in 2020, followed by an upsurge in the following years (as indicated by World Bank statistics) . A sharp incline is beheld from the years 2021 – 2022 (an increase of 14.18% or $2.4 million) as compared to the previous year.

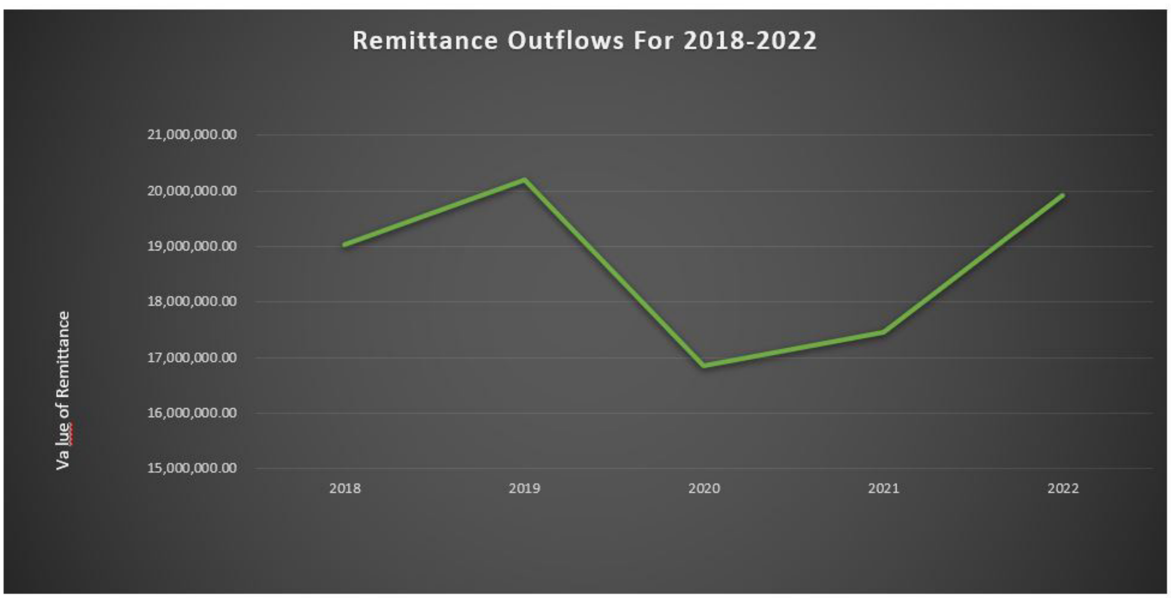


Figure 17: Money Transmitters - Trend in Remittance Outflows

<u>Country Proportion</u>

The share of remittance outflows to the USA remains significantly below the amount for inflows by 92% or $77.3 million. However, the aforesaid continues to form the highest proportion of outflows 33% (1% increase from 2021). Other countries record the second highest proportion at 23%, a decrease of 2% from 2021. While the percentage share increased by 1% for the Euro Area, Canada and the UK remained at the same percentage as the previous year; 7%. Non-ECCU/CARICOM, with the third highest at 16%, experienced an increase of 1% from 2021 while an increase in remittance outflows was realized for the ECCU of 1%.

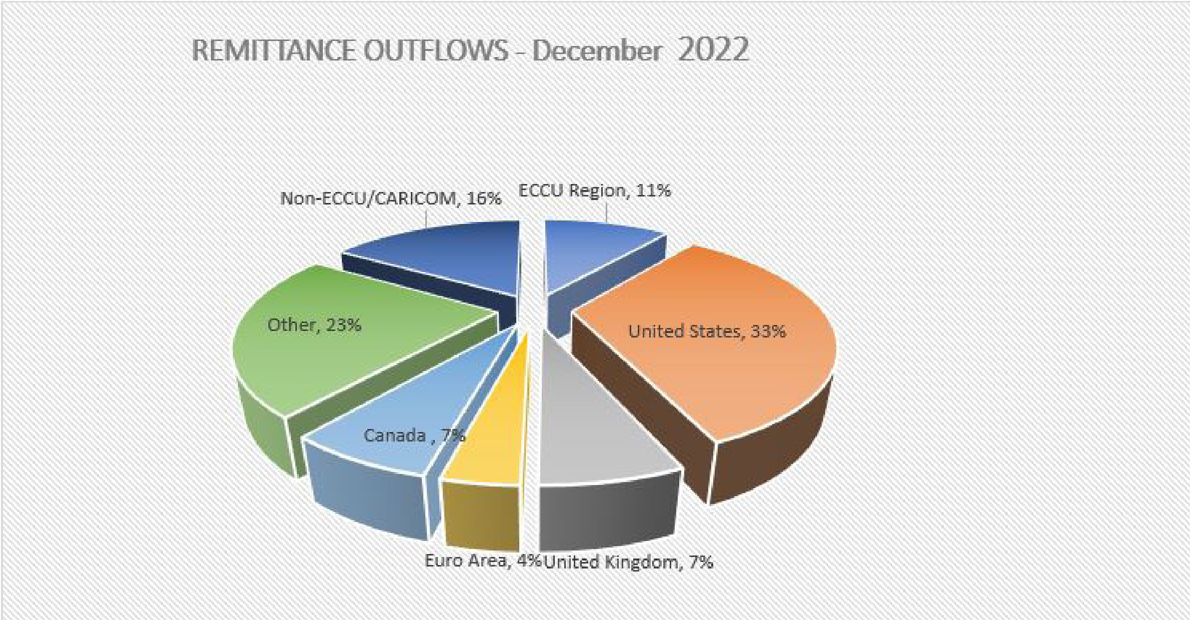


Figure 18: Total Outflows and Outflows by Region 2022

REMITTANCE OUTFLOWS 2022					
	2018	2019	2020	2021	2022
ECCU Region	1,705,389.58	1,584,697.38	1,830,932.23	1,798,542.45	2,119,686.97
Non-ECCU/CARICOM	1,891,613.73	1,834,886.89	2,246,435.89	2,636,412.85	3,213,742.25
USA	6,149,049.70	6,445,543.10	6,006,673.07	5,528,418.23	6,586,760.00
UK	1,441,121.33	1,581,218.17	1,153,369.84	1,304,530.25	1,317,942.63
EURO AREA	665,674.39	806,708.59	594,326.92	553,072.56	708,440.56
Canada	1,221,828.29	1,242,334.72	954,706.61	1,202,311.71	1,366,484.13
Other	5,967,292.52	6,702,252.17	4,075,258.21	4,429,996.62	4,615,151.99
Total	19,041,969.54	20,197,641.02	16,861,702.77	17,453,284.67	19,928,208.53

Table 8: Outflows in XCD

MICRO-LENDERS/LENDERS

Analysis of the Sector

The proportion of loans in the various ranges, indicated in Figure 5, has not seen any significant diversion over the past years. Loans disbursed between the range of $0 to $5,000, continue to account for the largest proportion of aggregate loans approved, which equals $24.9 million (31.11%, 2022; 37.95%, 2021). The second largest loan range totals $20 million (25.01%, 2022; 23.2%, 2021). This yearly trend remains consistent with low-income ranges for third world developing countries. The loan range $20,000 to >$50,000 remains the least desired, as given the average income level, persons may not qualify or apply for larger loan disbursements. This pattern is observed throughout the years (5.73%, 11.35%, 9.45%, 2022; 7.85%, 11.09%, 6.30%, 2021).

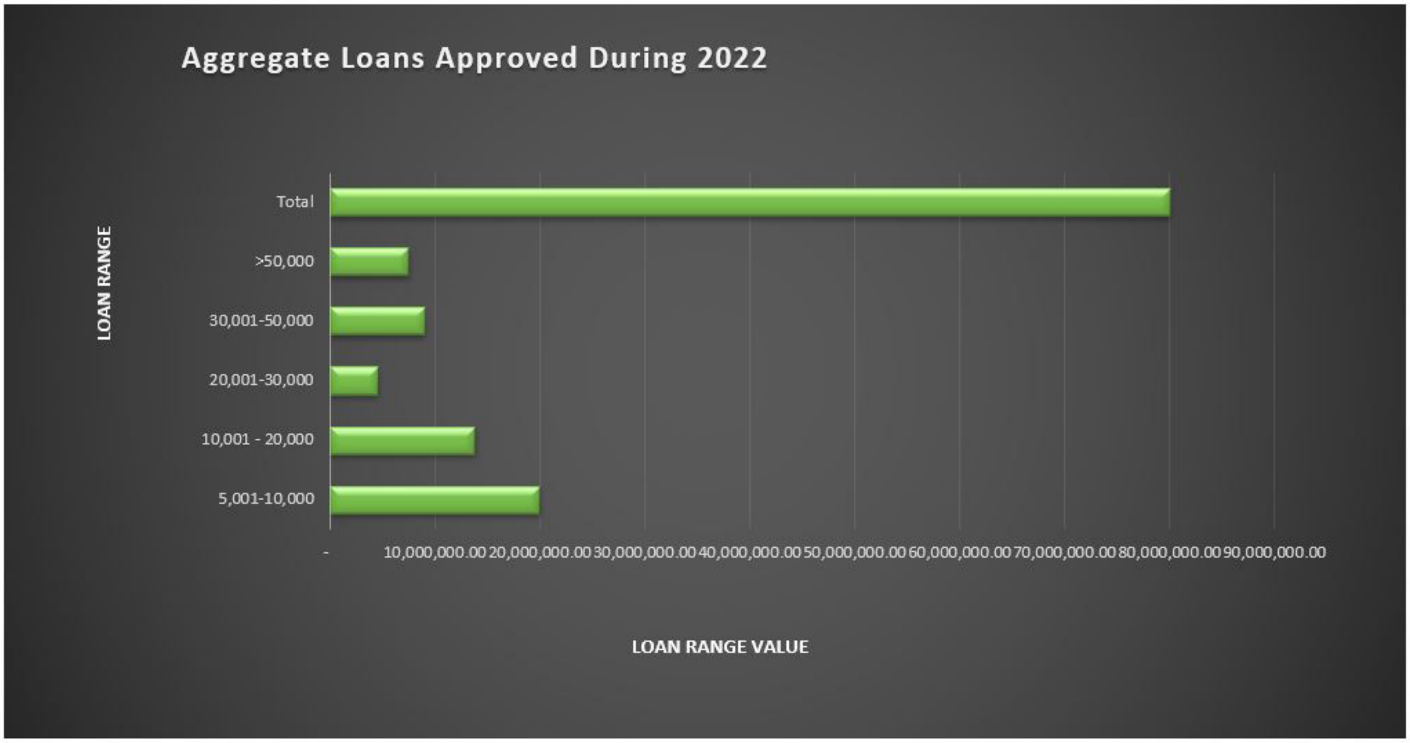


Figure 19: Micro – lenders/lenders - Aggregate Loans Approved During 2022

As depicted in Figure 29, Personal Loans account for the largest portion of loans (32% - 2021; 42% -2022), an increase from the prior year (2021). Notably, in 2022, Medical, Business and Other loans appeared to be the least demanded loan categories, being at three percent (3%) respectively. In 2022, a decrease was recorded for Debt Consolidation (2%) and Vehicle Loans (1%), whilst the sector observed increases of two percent (2%) each, in Home Renovation and Education Loans. The total loans increased by 19%. Overall, throughout the years, the loan amounts per category remain mostly constant.

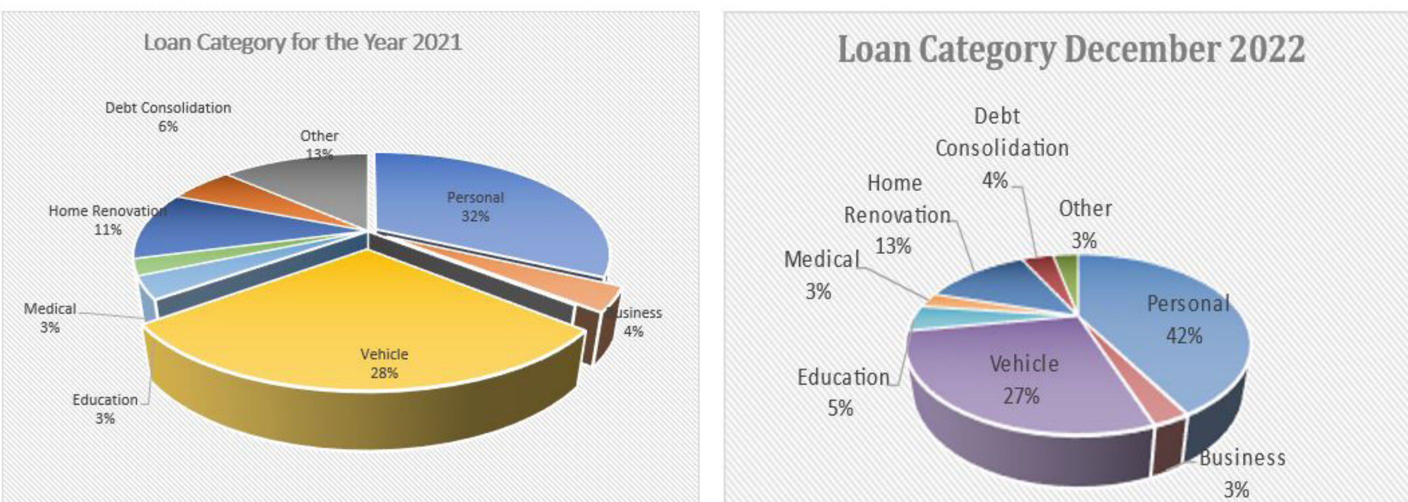


Figure 20: Loan Category for the Years 2021 & 2022.

Type of Loan	Total Amount (December 2022)	Total Amount (December 2021)
Personal	33,162,098.94	21,728,270.12
Business	2,130,647.61	2,422,681.16
Agriculture	-	0
Vehicle	21,747,169.36	19,272,890.69
Education	3,725,511.49	2,210,247.29
Medical	2,169,638.02	1,624,178.73
Home Renovation	10,304,106.65	6,940,014.06
Debt Consolidation	3,209,449.45	3,366,189.06
Other	2,544,416.56	8,818,791.01
Total	78,993,038.08	66,383,262.12

Table 9: Micro-lenders/ Lenders

DEVELOPMENTS & LEGISLATIVE AMENDMENTS

Proactive Measures Against non-licensed Businesses
Section 40 (g) of the Money Services Business Act, Cap 12.23 was amended to include proactive measures to ensure no one is undertaking money services business without the requisite license. The following amendment furnished the FSRA with monitoring powers and powers to take action against anyone undertaking MSB without a licence. The said section states: -

"monitor a money services business in Saint Lucia and take action against a person carrying on a money services business without a licence issued in accordance with this Act."

In light of the above the FSRA has circulated a Notice to the general public informing of the following:

1) The activity of engaging in Money Services Business (Money or Value Transfer Services) is prohibited unless the activity is regulated and supervised by the FSRA.

2) Money or Value Services Providers must be licensed, and the licence must be in a conspicuous place at the business operation in keeping with Section 11 of the Money Services Business Act.

3) Persons operating a Money Services Business (Money or Value Transfer Service) without a licence must **cease** and **desist** from such practice and contact the FSRA to obtain the necessary licence;

4) A person who contravenes section 4 (1) of the Act commits an offence and is **liable on summary conviction to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both".**

Such notices will be published at three (3) months intervals on the FSRA's website and one local newspaper in Saint Lucia.

MU
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GT
MC
MR
M–
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C
shift
fn
control
option
command
Series 1
Series 2
Jan
Feb
Mar
Apr
May
Jun
0.17
5.60
0.95
8.52
1.56
8.74
2.09
1.08
2.69
5.54
2.73
3.03
3.49
6.00
3.65
5.78
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7.56
5.45
5.90
6.16
2.43
Series 1
Series 2
Feb
9.38
5.52
8.27
7.29
Mar
5.42
7.51
Apr
0.70
0.24
May
0.35
9.99
Jun
8.01
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Jul
8.54
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Aug
7.79
8.71
Sep
8.17
5.70
Oct
9.71
7.19
Nov
5.45
5.90
Dec
6.16
2.43
1%
3%
23%
39%
34%
9.99
5.52
7.29
0.24
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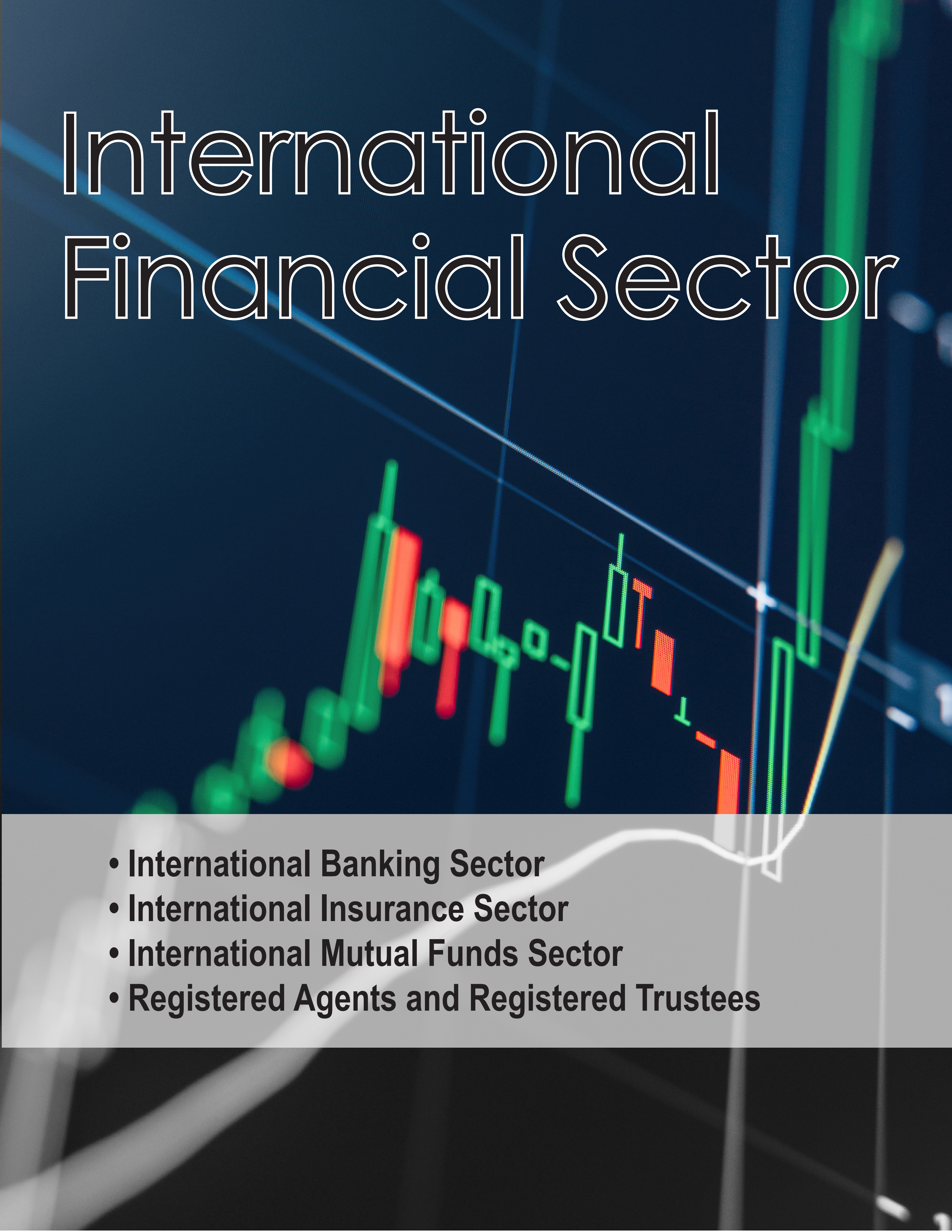


International Financial Sector

- International Banking Sector
- International Insurance Sector
- International Mutual Funds Sector
- Registered Agents and Registered Trustees

International Financial Sector

INTERNATIONAL BANKS SECTOR

The International Banking Sector remained relatively stable during the year under review. Securing correspondent banking relations remains a major challenge and concern for players within the industry, in St Lucia and our member countries within the Organization for Economic Co-operation and Development (OECD). This challenge has been faced by participants within the sector over the past five years, due to de-risking by commercial banks, arising as a consequence of heightened regulatory compliance expectations.

Statistics

The International Banks Act, Cap 12.17, provides for the issuance of two (2) classes of international bank licences: "Class A" and "Class B".

The "Class A" licence allows licensees to conduct business with third parties who are neither citizens nor residents of Saint Lucia. These banks are actively engaged in transactional accounts (wire transfers), corporate loans and trade financing, which involve little to no over-the-counter physical cash transactions. There are no restrictions concerning the licensee receiving or soliciting funds by way of trade or business from non-residents. On the other hand, holders of "Class B" licences are restricted to conduct business with a specific group of parties, preferably not exceeding ten (10) persons.

Generally, as indicated in the figure below, from a sectoral perspective, a steady decline in the number of licensed International Banks was noted, from 14 to 11 between 2018 and 2019. Subsequently, the number of licensed International Banks remained constant at 11 from 2020 to 2022.

As at the reporting period, the FSRA reports 7 Class A banks and 4 Class B banks of which, three of the four Class B banks are captives of well-established commercial banks (located in the Caribbean Region), and therefore, deposits received are that of the parent entity (intercompany transactions).

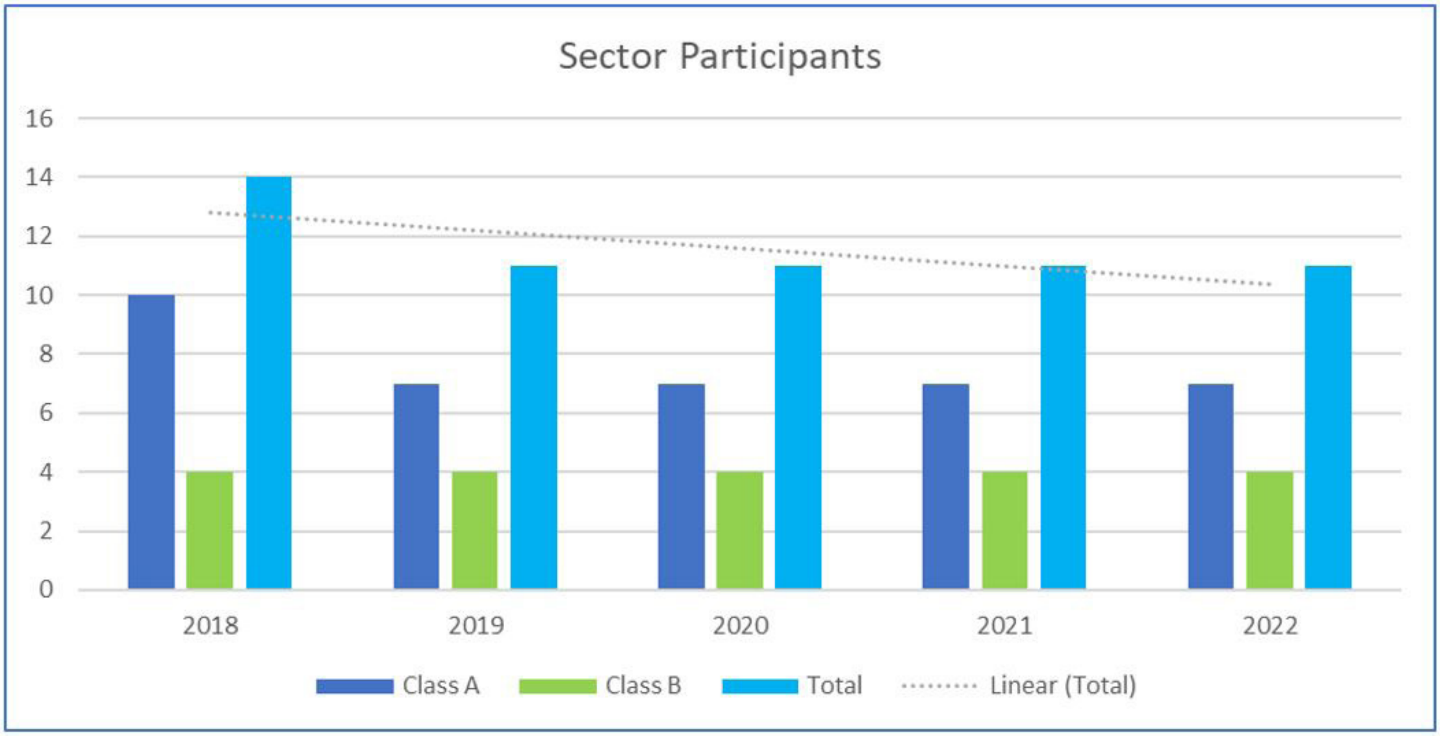


Figure 21: Sector Participants

The Authority reports that for the past three (3) consecutive years, no international bank licences were issued. This is attributed to the fact that the applications processed during the 2022 to 2023 period, did not satisfy the licensing requirements. However, one application is currently under review. Despite the increasingly stricter regulation and supervision in keeping with new prudential requirements over the years by the Authority, there has been a higher number of applications for Class A banks over the past five years in comparison to Class B banks. A possible rationale for this occurrence is the fact that unlike holders of "Class B" licences, "Class A" licence holders are not restricted in their conduct of business, to a specific group of parties.

International Banks	2018	2019	2020	2021	2022
Licensed International Banks beginning of period	14	14	11	11	11
Applications Received	1	2	0	2	1
Applications Approved	1	0	0	0	0
Applications denied	3	4	2	1	1
Pending Applications	4	2	0	1	1
Revocation or surrendering	1	3	0	0	0
Licensed International Banks ending of period	14	11	11	11	11

Table 10: International Banks Statistics

Shareholding

Shareholdings in the eleven (11) licensed banks continue to be dominated by investors emanating from the Caribbean Region, followed equally by the sum of those from the United States of America and Latin America. Whereas, investors from Europe and other countries equally represent 9% shareholdings respectively.

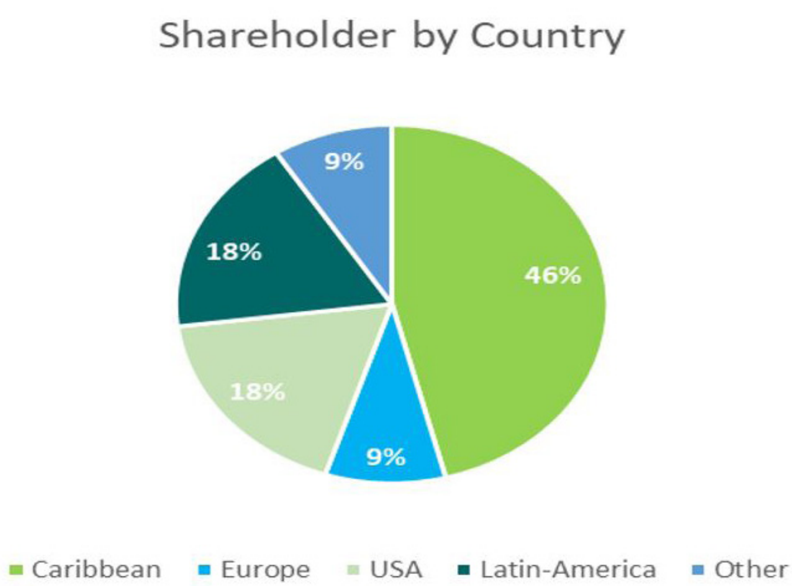


Figure 22: Shareholder by Country

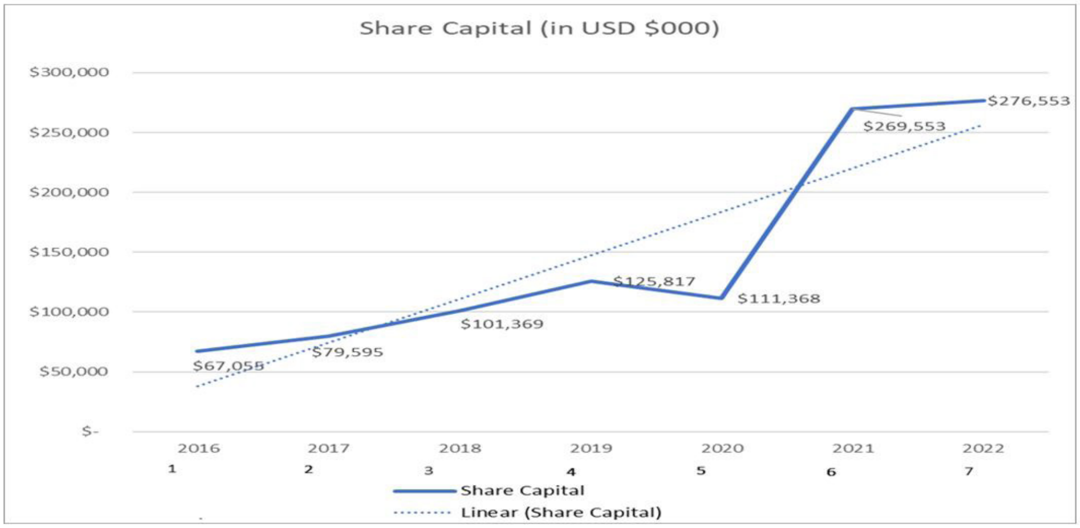


Figure 23: Share Capital Trend

As depicted in the graph above, the Sector experienced an increasing trend in share capital for the four-year period from 2016 to 2019. The increasing trend in share capital was disrupted by a reduction of 11% between 2019 and 2020, primarily due to the revocation of one (1) bank and the surrendering of two (2) banks during that period. The year 2021 saw a significant boom, with increases across the board in share capital as a consequence of large capital investments undertaken during that period, which resulted in a total sector increase of 142% from that reported in 2020. Additionally, in 2022 there was a steady increase of 3% in total sector share capital and a small decline of 1% in total sector Tier 1 Capital in comparison to that recorded for the year ended December 31, 2021. As presented in the table below, the total assets of the sector were up by 5% in 2022, when compared to the amount reported in the prior year. Gross loans increased by 30%, which was due to an increase in loans and advances during the year.

As the sector continues to recover from the negative effects of the Covid-19 pandemic, the number of persons employed within the sector increased by 11% during the year 2022. Furthermore, the sector's net income took a significant hit during the year 2022, experiencing a 46% decrease from that reported in 2021. This substantial decrease in net income is attributed to the challenges being faced by some of the international banks in relation to correspondent banking, which has tremendously impacted the banks' capabilities to transact business and by extension generate revenues. Moreover, the International Bank's Total Asset base continues to increase, with the exception of the slight dip which occurred in 2019. This is evident by the trend over the last five (5) years noted in the graph below (Figure 4).

Details	2022	2021	Diff.	Diff. %
Total Assets	1,058,540	1,008,438	50,102	5%
Share Capital	276,553	269,553	7,000	3%
Tier 1 Capital	369,455	374,580	(5,125)	-1%
Total Deposits	555,289	551,520	3,769	1%
Gross Loans	232,339	178,303	54,036	30%
Net Income	9,045	16,776	(7,731)	-46%
Total Employees	130	117	13	11%

Table11: International Banks – Financial Performance (in USD $000)

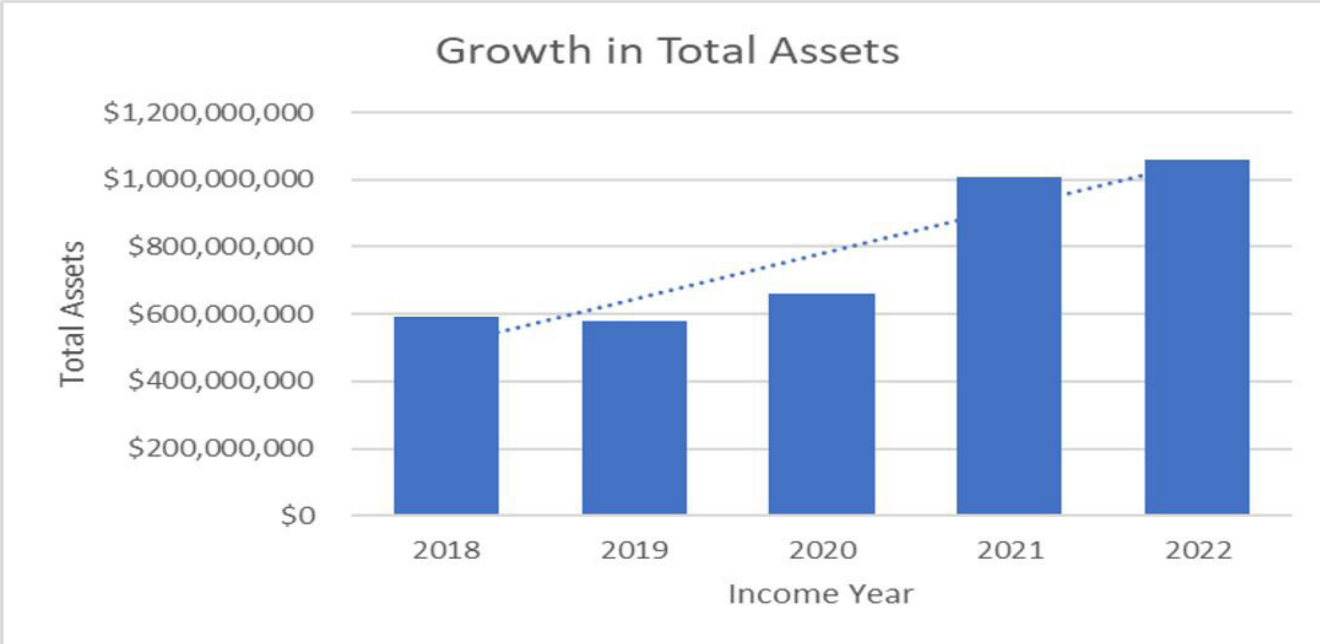


Figure 24: Growth in Total Assets

International Bank Sector Regulatory Amendments

During the financial year 2022/2023, the International Banks Act, Cap 12.17 (the Banks Act) was amended, giving rise to the International Banks (Amendment) Act No. 14 of 2022 (the Amendment). Section 2 of the Banks Act was amended to include definitions for "effective consolidated supervision, financial services regulator, physical presence and shell bank". Additionally, section 5 was amended for the inclusion of the term "physical presence" and section 10 was substituted whereby a new subsection which references shell banks was included.

The amendments made to the Banks Act are materially focused on "shell banks" and the establishment of physical presence and meaningful mind and management for International Banks. The Amendment defines a shell bank as ***"a bank that does not have physical presence in the country it is incorporated and licensed; and is unaffiliated with a financial group of companies, that is subject to effective consolidated supervision by a financial service regulator".***

The purpose of the amendment is to ensure that shell banks are not licensed in Saint Lucia. Further, it is intended that with enhanced physical presence, regulatory authorities will be in a better position to perform their supervisory duties, which include; conducting on-site inspections and routinely interfacing with management. Through these amendments, limitation of activities with shell banks is emphasized, signifying additional steps in strengthening the regulatory framework of the International Banking Sector.

Future initiatives for the upcoming fiscal year 2023/2024

During the financial year 2023/2024 proposed amendments to the International Banks Guidance Notes will be undertaken to provide clarification on the new requirements for Class B Banks in relation to establishing physical presence and meaningful mind and management. The Authority has held consultations with the sector regarding the establishment of physical presence locally for international banks. Evolving from these discussions and consultations, a framework will be developed to assist with conducting the on-site inspection of the Class B Banks.

Additionally, the International Banks Act Cap 12.17 will be amended to include provisioning for the fit and proper assessments of the Ultimate Beneficial Owners, Shareholders and Directors of the banks. As it stands currently, due diligence checks are conducted on the aforementioned persons in an effort to verify that they are fit and proper, however, the term "fit and proper" is not implicitly stated. Therefore, the proposed amendment will seek to delve further into the term fit and proper.

INTERNATIONAL INSURANCE SECTOR

At the end of 2022, the Financial Services Regulatory Authority (FSRA) had on record four (4) Incorporated Cell Companies, thirteen (13) Incorporated Cells, of which twelve (12) are pure captives and sixteen (16) International Insurance Companies, comprising seven (7) Class A1, eight (8) Class A2, and one (1) Class C2 licensees, thereby leaving the total number of entities in the international insurance sector at thirty-three (33). The FSRA approved the surrender of the licences of three (3) International Insurance Companies and one (1) Incorporated Cell was in the application phase.

International Private Mutual Fund	2018	2019	2020	2021	2022
Licensed International Private Mutual Fund beginning of period	8	7	6	7	6
Applications Received	1	1	2	0	2
Applications Approved	0	0	1	0	2
Applications Denied	0	0	3	1	0
Pending application	2	3	1	0	0
Revocation or surrendering	1	1	0	1	1
Licensed International Private Mutual Fund ending of period	7	6	7	6	7

Table 12: International Insurance Sector - Statistics

Key Performance Indicators	2020	2021	2022
Gross Written Premiums	53,310	20,234	37,627
Allowable Assets	139,566	259,758	284,774
Capital & Surplus	78,741	159,395	184,686

Table 13: International Insurance Sector – Key Performance Indicators of the Sector (USD ‘000) for the past three years

As depicted in Table 1 above, the number of Licensees has been on the constant decline during the period 2018 to 2022. This could be attributed to the increasing global economic pressure from the implementation of stricter guidelines by the European Union (EU) and the Organisation of Economic Cooperation and Development (OECD) such as the economic substance requirements. It is therefore probable that the decline in the number of companies within the international insurance sector and by default, their associated IBCs, could be further exacerbated.

Table 2 indicates that gross written premiums decreased by sixty-two percent (62%) from 2020 to 2021. However, in 2022, there was an increase in premiums of eighty-six percent (86%). Allowable assets and capital and surplus increased steadily from 2020 to 2022 by one hundred and four percent (104%) and one hundred and thirty-five percent (135%), respectively. The COVID-19 pandemic undoubtedly had a negative impact on entities in the sector as they were left to manoeuvre uncertainty and take corrective action where necessary in response to existing scenarios faced, thus leading to an overall reduction in business operations. Notwithstanding this, there were noticeable improvements in the sector at the end of 2022.

INTERNATIONAL MUTUAL FUNDS SECTOR

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

• undertaking mutual fund business with any resident;

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

Section 2 of the Mutual Funds Act defines Mutual Fund as *"a pool of investors' funds for the purpose of collective investment arranged in the form of a company incorporated, a partnership formed or a unit trust organized pursuant to the law in force in Saint Lucia which issues equity interests that entitle the holder to receive on demand or within a specified period after demand an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the company, the partnership, the unit trust or other similar body as the case may be".*

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

• **International Public Mutual funds**- These funds are marketed to the public and are managed by licensed Fund Managers. These funds require an administrator as well as the submission of annual audited accounts.

• **International Private Mutual Funds**- are not marketed to the public and are restricted to a maximum of 100 investors with a minimum investment of $50,000 per investor. The Authority has the power to cancel the registration of a private mutual fund under the Act if, in its opinion, the fund is not meeting its obligations.

• **International Public Mutual Funds Administrators and Managers** provide administrative services to international public mutual funds. Some of the services include accounting, valuation and reporting services, and the maintenance of any register of equity interests. Fund Administrators and Managers are required to submit annual audited accounts to the Authority.

Composition of the sector

For the year ended December 31, 2022, the International Mutual Funds Sector comprised seven (7) private mutual funds and one (1) International Mutual Fund Administrator. Two (2) applications were received during the period 2022/2023 and one (1) application was surrendered.

International Mutual Funds Sector	2022	2021	2020
International Private Mutual Funds	7	6	7
International Public Mutual Funds	0	0	3
International Public Mutual Fund Administrators	1	1	2
International Public Mutual Fund Managers	0	0	1
Total	8	7	13

Table 14: International Mutual Funds – Registered Entities

International Insurance	2018	2019	2020	2021	2022
Licensed International Insurance beginning of period	54	49	39	38	35
Applications Received	0	2	3	0	2
Applications Approved	1	1	1	3	1
Applications Denied	0	0	1	1	0
Pending Applications	3	3	4	0	1
Revocation or Surrendering	6	11	2	6	3
Licensed International Insurance ending of period	49	39	38	35	33

Table 15: International Private Mutual funds – Statistics

Financial overview of the industry

International Private Mutual Funds are required to file management accounts with their respective Registered Agents in accordance with the International Business Companies Act, Cap 12.14.

Table 3 below presents a snapshot of the Mutual Funds Administrators sector financial overview for 2022.

Mutual Fund Administrators	2022	2021	2020
Assets	$0.25	$ 496	$ 390
Liabilities		$ 0	$ 0
Equity	$0.25	$ 496	$ 390
Net Income	($1.85)	$ 106	$ 86

Table 16: International Funds, as at September 2022 (in USD in 000's);
Source: Financial Statements as at September 2022

There was a steep reduction in the assets and net income of the fund administrator for the year ended December 31, 2022. This was due to the fact that all our licenced public mutual funds have re-domiciled or surrendered their licence as a result of the amendment, where International Business Companies (IBCs) are now subjected to the same corporate income tax treatment (30%) as domestic companies moving from the preferential tax rate of 1%.

Proposed Amendments

Based on the current construct, International Private Mutual Funds are registered as opposed to being licensed as International Public Mutual Funds and are not required in legislation to submit audited financial statements, offering documents or prospectus or have a licensed mutual fund administrator or manager.

Accordingly, to strengthen the oversight of International Private Mutual funds to address the gap in legislation, various amendments have been advanced which would enable heightened scrutiny in respect of the application process, financial reporting, due diligence requirements and AML/CFT considerations, inter alia.

The amendments include:

1) the proposition for International Private Mutual Funds to be licensed rather than be registered. Accordingly, any reference to the word register should be replaced with license in the Act; and

2) the inclusion of new provisions requiring:

   a) a licensed international mutual fund administrator as that of Public Mutual Funds
   b) the submission of offering documents
   c) the submission of audited annual accounts.

REGISTERED AGENTS AND REGISTERED TRUSTEES

Registered Agents and Trustees are governed by the Registered Agent and Trustee Licensing Act, Cap 12.12 of the revised laws of St. Lucia (The RATLA). As of July 1, 2021, the Cabinet of Ministers repealed the International Trustee Licensing Act, thus, the Financial Services Regulatory Authority currently has only one (1) Registered Trustee (RT) on record. There are a total of eighteen (18) Registered Agents (RAs).

	Registered Agents
1	Abacus Financial Services Limited
2	Adco Incorporated
3	AFCS Inc.
4	Axis Financial Services Ltd.
5	Bespoke Corporate & Fiduciary Services Ltd.
6	Brickstone Corporate Services Limited
7	Colonial Trust Company Ltd.
8	Corporate Services (St. Lucia) 1996 Ltd.
9	Dentons Corporate Services Ltd.
10	Financial & Corporate Services Ltd.
11	Fortgate Offshore Investents & Legal Services Limited
12	Foster Capital Inc.
13	Hewanorra Corporate Services Limited
14	Island Registered Agents Ltd.
15	McNamara Corporate Services Inc.
16	Oceanus International Inc.
17	PKF Corporate Services Ltd.
18	Proven Corporate Services Limited
	Registered Trustees
1	Adco Incorporated

Table 17: Registered Agents and Trustees- Registered with the Authority

RA (s) and RT(s) perform a gatekeeping function and represent an administrative linkage between the promoters of international business companies (IBCs) and the competent authorities which monitor and/or regulate them, namely, the Financial Services Regulatory Authority (FSRA) and the Inland Revenue Department, which is also the Competent Reporting Authority for tax information.

Moreover, the most recent series of legislative amendments which have been enacted to facilitate increased transparency and effective exchange of information in the International Business Companies Act, Cap 12.16 inter alia are as follows:

- New Part 1A (Monitoring of Compliance) included. This new section includes the power to require the production of information and the power to enter premises to obtain information;
- A new definition of “records” and “underlying documents;”

- Deadlines for submission of ownership information to Registered Agents and the requisite penalties for non-submission;
- Deadlines for the submission of directorship information to the Registered Agents and the requisite penalties for non-submission;

Registered Agents and Registered Trustees have a fiduciary duty to International Business Companies (IBCS) through the provision of international financial services representation on behalf of IBCs. International Financial Services Representation includes—

(a) acting as registered agent 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 under the law in force in Saint Lucia relating to international financial services;
(c) providing a registered office in Saint Lucia for a company incorporated, licensed or continued under the International Business Companies Act; and
(d) providing or arranging for the provision of directors, officers or nominee shareholders for companies incorporated or continued under the International Business Companies Act, Cap 12.14.

Registered Agents and Trustees are therefore faced with a statutory obligation of ensuring that the promoters of IBCs meet fit and proper requirements. Thus, it is critical that these Agents develop a positive working relationship with the aforesaid competent authorities, by serving as a check-point or as an additional safeguard, relating to the licensing/registration of entities such as international banks, international mutual funds, international insurance companies or international cell companies.

These Agents must therefore have a fair understanding of the clients that they accept and the nature of the business undertaken by such clients, to ensure that they are not in contravention with applicable laws, regulations and supervisory guidelines.

The International Business Companies Act, Cap. 12.14 of the revised laws of Saint Lucia, currently requires prior consent to be obtained from the Financial Services Regulatory Authority (FRSA/ Authority) for the incorporation of an IBC wishing to engage in international banking business, insurance business and mutual fund business. However, the existing legislation is silent regarding the process of incorporation when an IBC is seeking to engage in other financial services business, such as forex services, money services business, securities business, etc.

As a result, during the first quarter of 2023, it was brought to the Authority's attention that several International Business Companies (IBCs) may be providing financial services related business that currently falls outside of the legislative framework of Saint Lucia
Notwithstanding this apparent lacuna in the law, the Authority submits that in order to protect the reputation of Saint Lucia, we must monitor all forms of financial services-related activities. The Authority has since issued a circular to all Registered Agents and International Business Companies) IBCs) providing guidance on this matter. Further, the following recommendation to amend the International Business Companies Act will be made:

1) To include a definition of carrying on business in and from St Lucia
2) To amend section 5 (3) to require the Registrar to require the consent of the Financial Services Regulatory Authority to incorporate an international business company for the purpose of engaging in financial services-related activities.
3) To include a definition of financial services-related activities. This definition should include foreign exchange brokerage services.

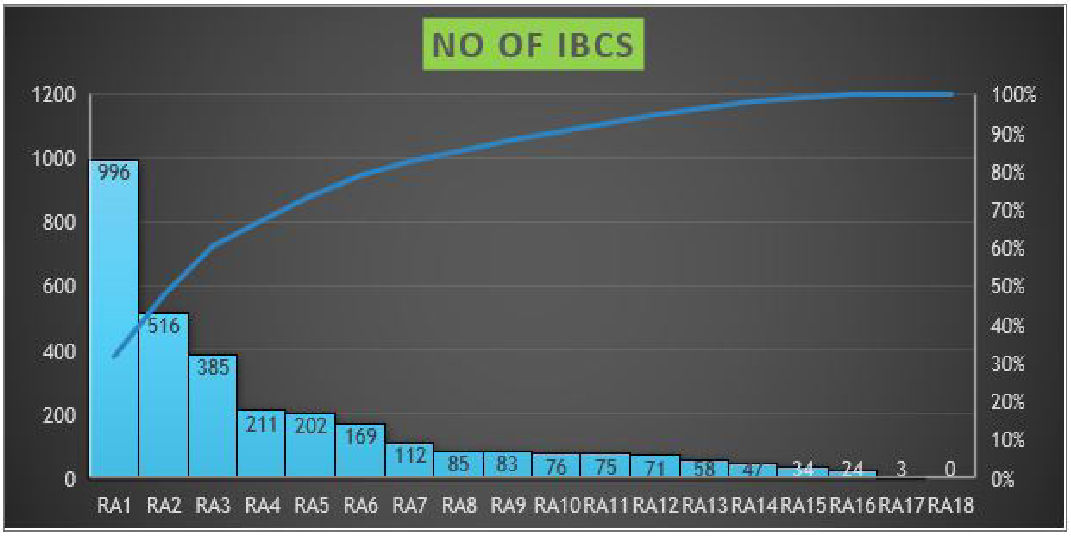


Figure 25: : IBCs held by Registered Agents Registered with the Authority

Accountant's Report

REVENUE- SUBVENTIONS

The Financial Services Regulatory Authority (FSRA) continues to be financed by the Central Government receiving a gross subvention of $2,326,997 for the fiscal year April 2022 to March 2023, unchanged from the prior year.

A deficit of $133, 628 was recorded at year ended March 31, 2023. This deficit was largely attributed to increased cost of administrative and general expenses.

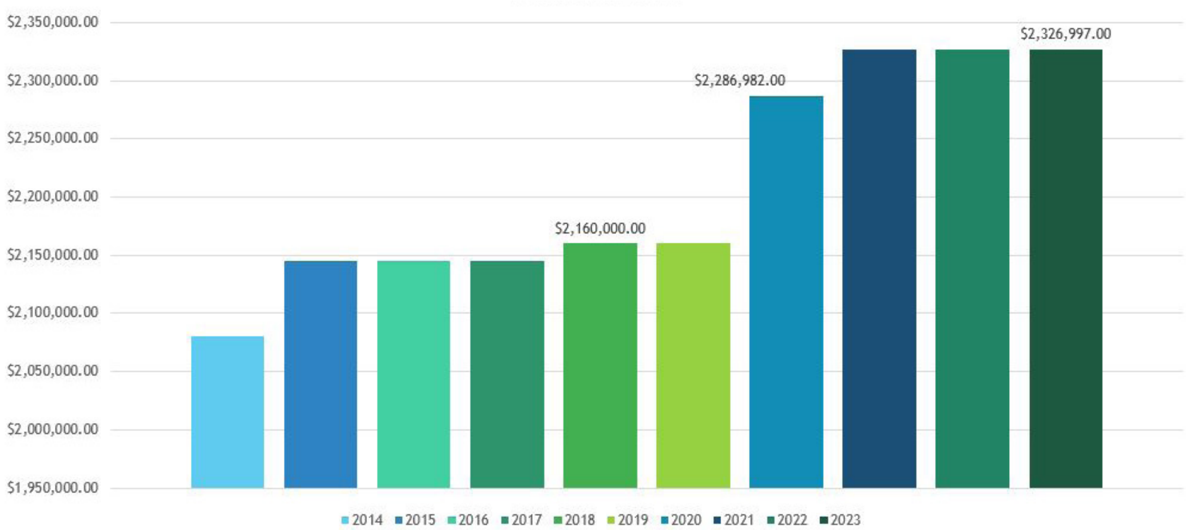


Figure 26: Government Subventions of fiscal years 2014 to 2023

ADMINISTRATIVE EXPENSES

Administrative expenses for the year totalled $2,4,60,625 up by $83,310 or a 3.50 % increase from the prior year. The increase in administrative expenses is largely due to increases in the cost of utilities, communications and other general administrative expenses.

Salaries and benefits remain the largest portion of general and administrative expenses at 74%.

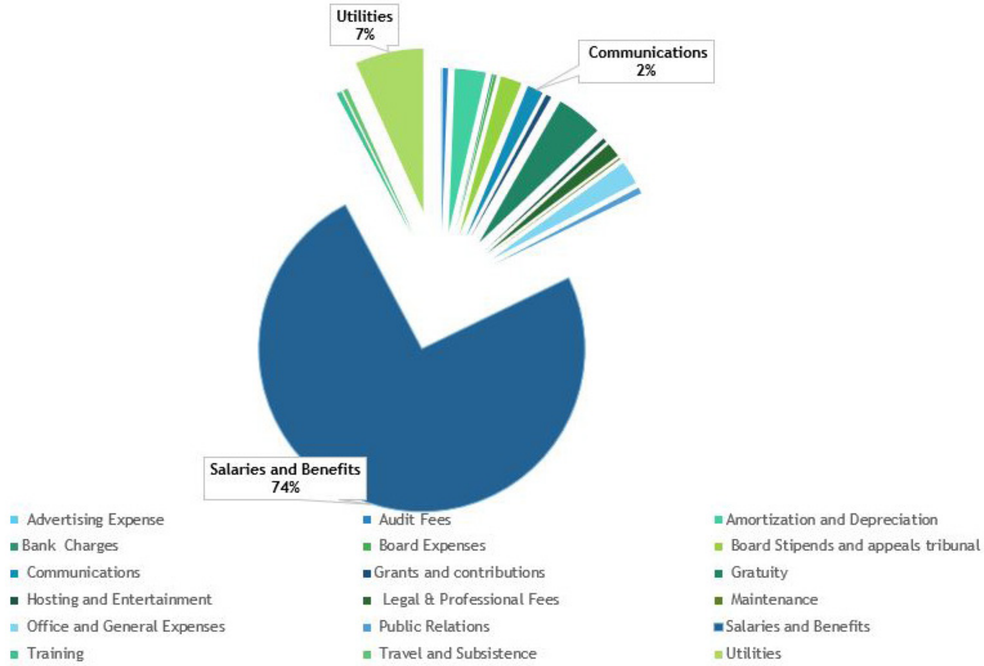


Figure 27: Total Administrative Expenses for the year 2022-2023

BREAKDOWN OF FEES, FINES AND FOREFITURES COLLECTED ON BEHALF OF THE GOVERNMENT OF SAINT LUCIA

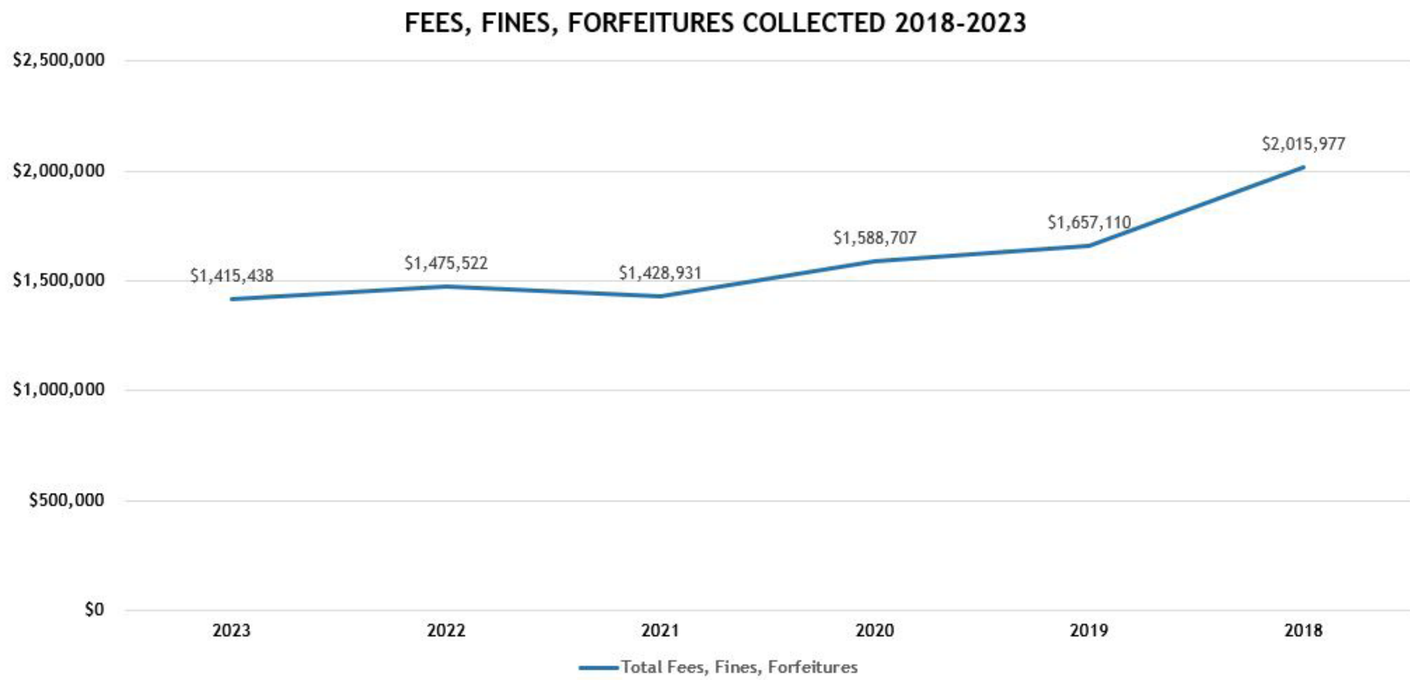


Figure 28: Fees, fines and Forfeitures collected for the financial year ended March 31, 2023

Total Fees collected from Regulated Entities amounted to EC$1,415,438.00 for the period ended March 31, 2023, a 4% decline from last fiscal year's collection of $1,415,522.00.
The decline in the international financial sector continues to account for fewer registrations of new business to the international financial space in our jurisdiction.

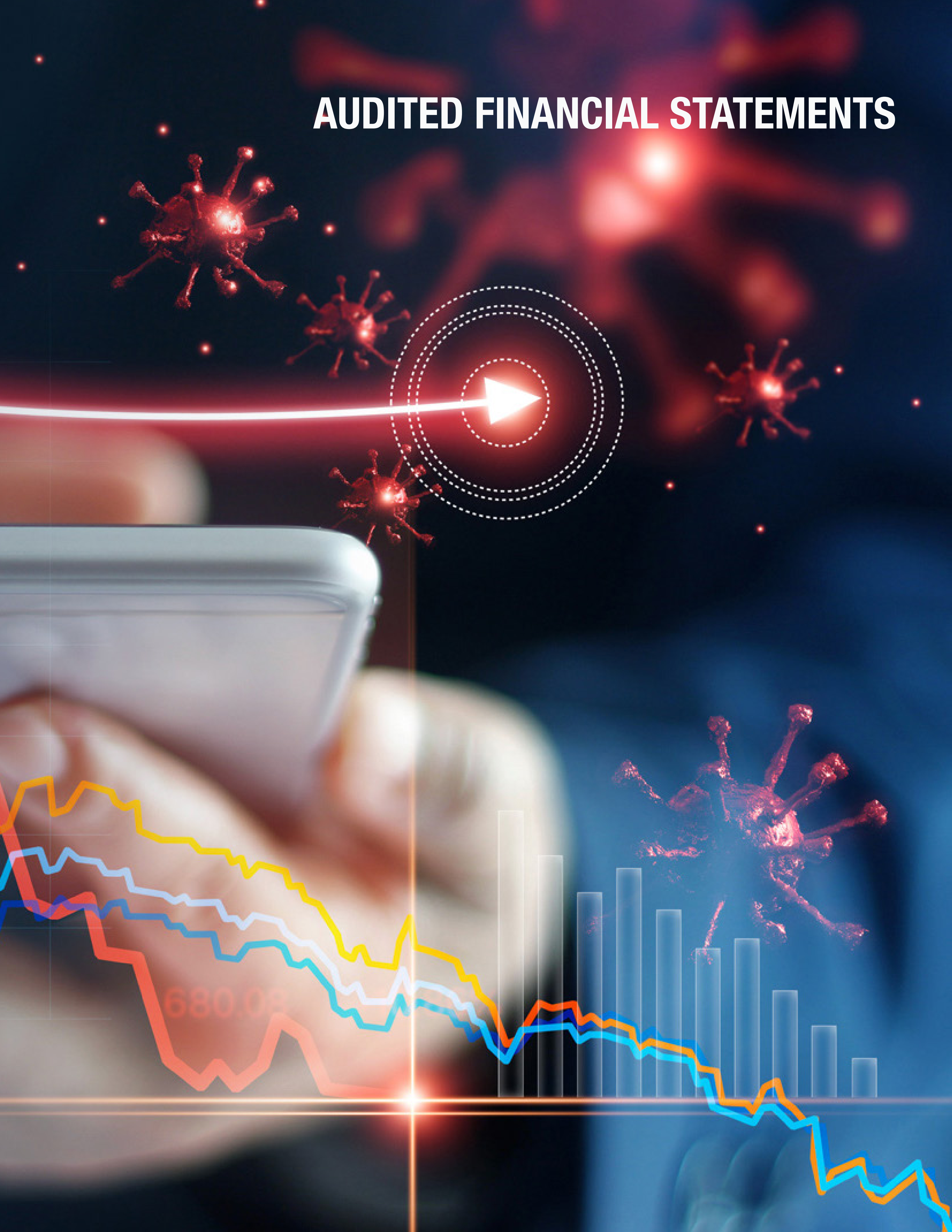
STAFF TRAINING

During the year ended March 31, 2023, the staff of the FSRA benefited from a number of training programs in various subject areas as indicated in the table below with most of the training being facilitated by virtual means. Staff development and growth remains very important to the FSRA, as such opportunities for training are always welcomed by the team.
The Management of the FSRA remains grateful to all the sponsors and agencies which partnered in the development of the staff of the FSRA.

Training / Program	Period	Facilitator/ Sponsor
Ethics in the workplace	May-22	Institute of Chartered Accountant Eastern Caribbean (ICAEC)
Macro prudential Solvency Stress testing for banks	May-22	Caribbean Regional Technical Assistance Center (CARTAC)
Annual forum of CCCU	May-22	Caribbean Confederation of Credit Unions Convention (CCCU)
Annual IFRS Training	Sep-22	Institute of Chartered Accountant Eastern Caribbean (ICAEC)
Annual Carib DE Workshop	Oct-22	Caribbean Development Education Program (CARIBDE)
IFRS 17 Implementation	Mar-23	ECCU Regulators

Table 18: Staff Training 2023

AUDITED FINANCIAL STATEMENTS



Financial Services Regulatory Authority

Financial Statements
Year Ended March 31, 2023
(Expressed in Eastern Caribbean Dollars)

Contents

REGISTERED OFFICE

6th Floor
Francis Compton Building
Waterfront
Castries

EXECUTIVE DIRECTOR

Mrs. Nathalie Dusauzay

DIRECTORS

Mr. Vincent Hippolyte – Chairman (End of term May 2022)
Mr. Philip Dalsou – Chairman (Appointed June 01, 2022)
Mr. Leathon Khan - Deputy Chairman, Appointed July 11, 2022
Mr. Paul Thompson – Managing Director, Financial Intelligence Authority
Mr. G. Carlton Glasgow – Designated Representative : Eastern Caribbean Central Bank (Resigned August 12, 2022)
Ms. Esther Rigobert – Permanent Secretary Ministry of Finance (Demitted office, September 01, 2022)
Mr. Francis Fontenelle – Permanent Secretary Ministry of Finance (Appointed, September 01, 2022)
Ms. Marcia Vite' – Alternate for Permanent Secretary, Ministry of Finance
Ms. Mary Popo – Non-Executive Director, Appointed June 01, 2022
Ms. Adria Rose Sonson - Non- Executive Director, Appointed July 11, 2022

BANKERS

Bank of Saint Lucia Limited

AUDITORS

BDO Eastern Caribbean

Tel: 758-452-2500
Fax: 758-452-7317
www.bdoecc.com

Mercury Court
Choc Estate
P.O. Box 364
Castries
LC04 101
St. Lucia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Financial Services Regulatory Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Financial Services Regulatory Authority (the Authority), which comprise the statement of financial position as at March 31, 2023, and the statements of changes in equity, income and expenditure and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

BDO

Chartered Accountants
Castries, St. Lucia
June 30, 2023

Financial Services Regulatory Authority

Statement of Financial Position
As at March 31, 2023
(Expressed in Eastern Caribbean Dollars)

	Notes	2023 $	2022 $
ASSETS			
Current Assets			
Cash	6	1,017,816	712,409
Accounts receivable and prepayments	7	13,430	398,866
		1,031,246	1,111,275
Long-term Assets			
Property and equipment	8	202,875	114,007
Intangible assets	9	6,185	4,497
		209,060	118,504
TOTAL ASSETS		1,240,306	1,229,779
LIABILITIES AND EQUITY			
Current Liability			
Accounts payable and accruals	10	366,309	222,154
Equity			
Contributed capital	11	-	61,431
Accumulated surplus		873,997	946,194
Total Equity		873,997	1,007,625
TOTAL LIABILITIES AND EQUITY		1,240,306	1,229,779

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

APPROVED ON BEHALF OF THE BOARD:-

Chairperson

Member

Statement of Changes in Equity
For the Year Ended March 31, 2023
(Expressed in Eastern Caribbean Dollars)

	Contributed Capital $	Accumulated Surplus $	Total $
Balance as at March 31, 2021	61,431	996,512	1,057,943
Deficit for the year	-	(50,318)	(50,318)
Balance as at March 31, 2022	61,431	946,194	1,007,625
Transfer to accumulated surplus (Note 11)	(61,431)	61,431	-
Deficit for the year	-	(133,628)	(133,628)
Balance as at March 31, 2023	-	873,997	873,997

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

Statement of Income and Expenditure
For the Year Ended March 31, 2023
(Expressed in Eastern Caribbean Dollars)

	Notes	2023 $	2022 $
Revenue			
Subventions	12,15	2,326,997	2,326,997
Administrative and general expenses	13	(2,460,625)	(2,377,315)
Deficit for the year		(133,628)	(50,318)

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

Statement of Cash Flows
For the Year Ended March 31, 2023
(Expressed in Eastern Caribbean Dollars)

	Notes	2023 $	2022 $
Cash Flows from Operating Activities			
Deficit for the year		(133,628)	(50,318)
Adjustments for:			
Depreciation and amortization	8,9	75,513	59,062
Operating income before working capital changes		(58,115)	8,744
Decrease in accounts receivable and prepayments		385,436	19,307
Increase in accounts payable and accruals		144,155	11,860
Net cash generated from operating activities		471,476	39,911
Cash Flows from Investing Activities			
Purchase of intangible assets	9	(4,874)	(4,497)
Purchase of property and equipment	8	(161,195)	(62,588)
Net cash used in investing activities		(166,069)	(67,085)
Increase/(decrease) in Cash		305,407	(27,174)
Cash - Beginning of Year		712,409	739,583
Cash - End of Year	6	1,017,816	712,409

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

1. Incorporation and Principal Activity

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

The Authority is the single regulatory body which licenses, supervises and regulates financial institutions within the financial sector 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 6th Floor, Francis Compton Building, Waterfront, Castries, Saint Lucia.

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on June 30, 2023.

3. Significant Accounting Policies

The principal accounting policies adopted are stated in order to assist in a general understanding of the financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Statement of Compliance

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

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(b) New standards amendments to standards and interpretations

(i) New standards amendments and interpretations effective in 2023 financial year are as follows:

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after January 1, 2022, have been adopted in these financial statements. Note: those new standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2022, which do not affect the Authority's financial statements have not been disclosed below.

- IAS 16, *'Property, Plant and Equipment'* was amended to prohibit deducting from the cost of an item of PPE any, proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items in profit or loss.

This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Authority's financial statements.

3. Significant Accounting Policies (Cont'd)

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

(i) New standards amendments and interpretations effective in 2023 financial year are as follows (Cont'd):

- IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' was amended to specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract", which can be either incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

This amendment is applicable for annual periods beginning on or after January 1, 2022. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Authority's financial statements.

(ii) Standards, amendments and interpretations that are issued but not effective and have not been early adopted are as follows:

- *IAS 1, 'Presentation of Financial Statements'* and *IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'* were amended to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

This amendment is applicable for annual periods beginning on or after January 1, 2023. It is not anticipated that the application of this amendment will have a material impact on amounts reported in respect to the Authority's financial statements.

(c) Cash

Cash is carried on the statement of financial position at cost. For the purpose of the statement of cash flows, cash comprises 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.

(d) Accounts Receivables and Prepayments

Accounts receivables are carried initially at fair value and subsequently measured at amortised cost less any impairment. The amount of the provision for impairment of trade receivable is recognised in Statement of Income and Expenditure. Trade and other receivables, being short-term, are not discounted.

(e) Prepayments

Prepayments represent expenses not yet incurred but are already paid. Prepayments are initially recorded as assets and measured at the amount paid. Subsequently, these are charged to the Statement of Income and Expenditure as they are consumed in the operations or expire with passage of time.

Prepayments are classified in the Statement of Financial Position as current asset when it is expected to be collected within one year. Otherwise, prepayments are classified as current.

3. Significant Accounting Policies (Cont'd)

(f) Property and Equipment

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

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Income and Expenditure 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:

Assets	**Estimated Useful Lives**
Motor Vehicles	5 – 7 years
Furniture	5 - 10 years
Equipment	3 - 5 years

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

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

(g) Intangible Assets

Intangible assets are stated at historical cost less accumulated amortization. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Amortization is calculated using the straight-line method to allocate cost less residual value over the estimated useful life of three (3) years.

(h) Impairment of non-financial Assets

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

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Income and Expenditure.

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

3. **Significant Accounting Policies (Cont'd)**

(i) Accounts Payable

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

(j) Related Party Transactions

A party is related to the Authority if:

(i) Directly or indirectly the party:

- Controls, is controlled by, or is under common control with the Authority;
- Has an interest in the Authority that gives it significant influence over the Authority; or
- 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.

(k) Contributed Capital

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

(l) Revenue Recognition

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

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

(m) Expenses

Expenses are recognised on an accruals basis.

(n) Contingencies

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

(o) Events after the Reporting Date

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.

(p) Comparatives

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

4. Critical Accounting Judgments, Estimates and Assumptions

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:

- Estimated useful lives of property and equipment - Note 3(f)
- Estimated useful lives of intangible assets – Note 3(g)

5. Financial Risk Management

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

(a) Credit Risk

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

The financial assets which may potentially expose the Authority to concentrations of credit risk consist of cash and cash equivalents. The Authority places its deposits with a reputable financial institution and as such, management does not believe that significant credit risk exists as at March 31, 2023.

(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.

As such, management does not believe that significant liquidity risk exists as at March 31, 2023.

(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.

5. Financial Risk Management (Cont'd)

(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.

6. Cash

	2023 $	2022 $
Cash on hand	500	500
Cash in bank	1,017,316	711,909
	1,017,816	712,409

Cash in bank is non-interest bearing.

7. Accounts Receivable and Prepayments

	2023 $	2022 $
Accounts receivables (Note 15)	-	388,182
Prepaid expenses	13,430	10,684
	13,430	398,866

8. Property and Equipment

	Furniture $	Equipment $	Motor Vehicles $	Total $
At March 31, 2021				
Cost	98,037	205,705	-	303,742
Accumulated depreciation	(74,926)	(119,428)	-	(194,354)
Net book value	23,111	86,277	-	109,388
Year ended March 31, 2022				
Opening net book value	23,111	86,277	-	109,388
Additions	-	62,588	-	62,588
Depreciation charge (Note 13)	(5,688)	(52,281)	-	(57,969)
Closing net book value	17,423	96,584	-	114,007
At March 31, 2022				
Cost	98,037	268,293	-	366,330
Accumulated depreciation	(80,614)	(171,709)	-	(252,323)
Net book value	17,423	96,584	-	114,007
Year ended March 31, 2023				
Opening net book value	17,423	96,584	-	114,007
Additions	-	16,695	144,500	161,195
Depreciation charge (Note 13)	(5,564)	(51,281)	(15,482)	(72,327)
Closing net book value	11,859	61,998	129,018	202,875
At March 31, 2023				
Cost	98,037	284,988	144,500	527,525
Accumulated depreciation	(86,178)	(222,990)	(15,482)	(324,650)
Net book value	11,859	61,998	129,018	202,875

9. Intangible Assets

	Software $
At March 31, 2021	
Cost	9,450
Accumulated amortisation	(8,357)
Net book value	1,093
Year ended March 31, 2022	
Opening net book value	1,093
Additions	4,497
Amortisation charge (Note 13)	(1,093)
Closing net book value	4,497
At March 31, 2022	
Cost	13,947
Accumulated amortisation	(9,450)
Net book value	4,497
Year ended March 31, 2023	
Opening net book value	4,497
Additions	4,874
Amortisation charge (Note 13)	(3,186)
Closing net book value	6,185
At March 31, 2023	
Cost	18,821
Accumulated amortisation	(12,636)
Net book value	6,185

10. Accounts Payable and Accruals

	2023 $	2022 $
Gratuity payable	227,683	144,133
Vacation accrual	84,004	68,193
Accounts payable	54,622	9,828
	366,309	222,154

The amount for accounts payable represents outstanding utility payments and other payments due to suppliers.

11. Contributed Capital

	2023 $	2022 $
Property and equipment	87,093	87,093
Vacation paid	(25,662)	(25,662)
	61,431	61,431
Transferred to accumulated surplus	(61,431)	-
	-	61,431

11. Contributed Capital (Cont'd)

These amounts represent balances assumed by the Authority from the Financial Sector Supervision Unit on the assumption of the corresponding responsibilities. This includes Property and equipment transferred to the Authority and outstanding vacation paid to officers transferred from the Financial Sector Supervision Unit to the Authority.

This amount was transferred to the accumulated surplus as at March 31, 2023.

12. Government Subvention

The Authority received an annual subvention from the Government of Saint Lucia to meet its operational costs of $2,326,997 (2022: $2,326,997). A budget is submitted to the Government based on projected cash requirements, and the final amount received is at the discretion of the Government. There are no unfulfilled conditions or other contingencies attached to amounts received in 2023.

13. Administrative and General Expenses

	2023 $	2022 $
Advertisements	1,793	2,111
Audit Fees	12,994	10,800
Amortisation (Note 9)	3,186	1,093
Bank charges	3,473	2,597
Board expenses	6,615	2,910
Board stipends and appeals tribunal	51,750	62,700
Communications	39,080	36,087
Depreciation (Note 8)	72,327	57,969
Grants and contributions	13,407	17,426
Gratuity	113,550	111,900
Hosting and entertainment	10,344	2,915
Legal and professional expenses	35,051	7,563
Consultancy Fees	-	87,550
Maintenance	3,400	1,684
Office and general expenses	56,867	59,894
Public relations	15,047	11,215
Salaries and benefits (Note 14)	1,830,356	1,751,143
Training	12,779	16,358
Travel and subsistence	11,697	-
Utilities	166,909	133,400
	2,460,625	2,377,315

14. Employee and Management Costs

	2023 $	2022 $
Senior Management		
Salaries and wages	537,537	563,388
National insurance	9,000	9,000
	546,537	572,388
Other Staff		
Salaries and wages	1,220,144	1,124,234
National insurance	47,864	45,735
Other	15,811	8,786
	1,283,819	1,178,755
	1,830,356	1,751,143

The average number of staff for the year was 26 (2022 – 25).

15. Related Party Transactions and Balances

During the year, the Authority generated an amount totaling $1,415,438 (2022 - $1,475,522) on behalf of the Government of Saint Lucia for license fees, fines and forfeitures from the financial services sector, in keeping with Section 39 of the FSRA Act No. 13 of 2011.The amounts generated are paid directly to the consolidated fund of the Government of Saint Lucia by the licensees.

Accounts receivable

	2023 $	2022 $
Government of St. Lucia	-	388,182

Revenue

	2023 $	2022 $
Government of St. Lucia	2,326,997	2,326,997

16. 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.

Notes

Notes

Financial Services Regulatory Authority

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