FINANCIAL SERVICES REGULATORY AUTHORITY
SAINT LUCIA

Annual Report 2021/2022

VISION

OUR VISION

"To Become a World Class Financial Services Regulator"

MISSION

OUR MISSION

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

VALUES

OUR CORE VALUES

- Reduction of the risk to the public of financial loss due to dishonesty, incompetence or malpractice by or through the imprudence of persons carrying on the business of financial services in or from within Saint Lucia;
- Protection and enhancement of the reputation and integrity of Saint Lucia in financial matters;
- Upholding the best economic and social interests of Saint Lucia;
- The need to counter financial crime both in Saint Lucia and elsewhere;
- The protection and fair treatment for consumers;
- Stable and secure financial markets;
- Competitive and innovative financial markets (including a choice of organizational options);
- Proportionate, risk-based regulation;
- Prudential supervision and enforcement;
- Management responsibilities (including the maintenance of adequate financial and managerial resources); and
- The application of ethical conduct at all levels of the regulated entity.

Table of Contents

Table of Figures

Listing of Tables

Board of Directors

Board of Directors

Vincent Hippolyte

Chairman

Philip Dalsou

Deputy Chairman

G. Carlton Glasgow

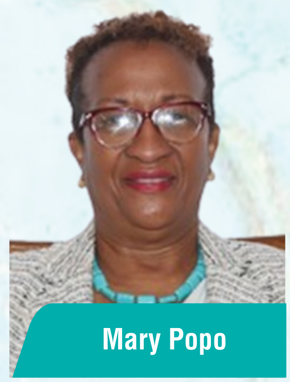
Director

Designated by the Governor of the Eastern Caribbean Central Bank

Esther Rigobert

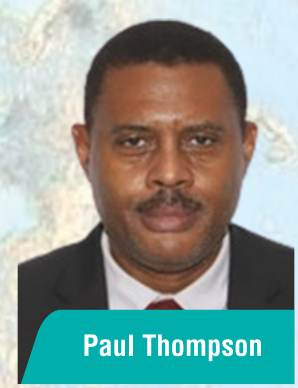
Permanent Secretary

Ministry of Finance



Mary Popo

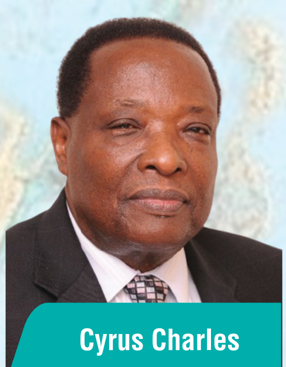
Director



Paul Thompson

Executive Director

of the Financial Intelligence Authority



Cyrus Charles

Director

(resigned in August 2021)

Marcia Vite

Alternate Director to the Permanent Secretary

Ministry of Finance

Management Team

Nathalie Dusauzay

Executive Director

Hubert Deligny

Senior Manager

Hemish Lesmond

Corporate Secretary/ Legal Officer

Sancha Victor

Manager
for International Financial Sector & NBFIs

Shemedia St. Croix

Executive Assistant/ Accountant

Hannah Mc Donald

Supervisor
for International Sector & NFBIs

Cuby King

Supervisor
for Domestic Insurance

Staff Members

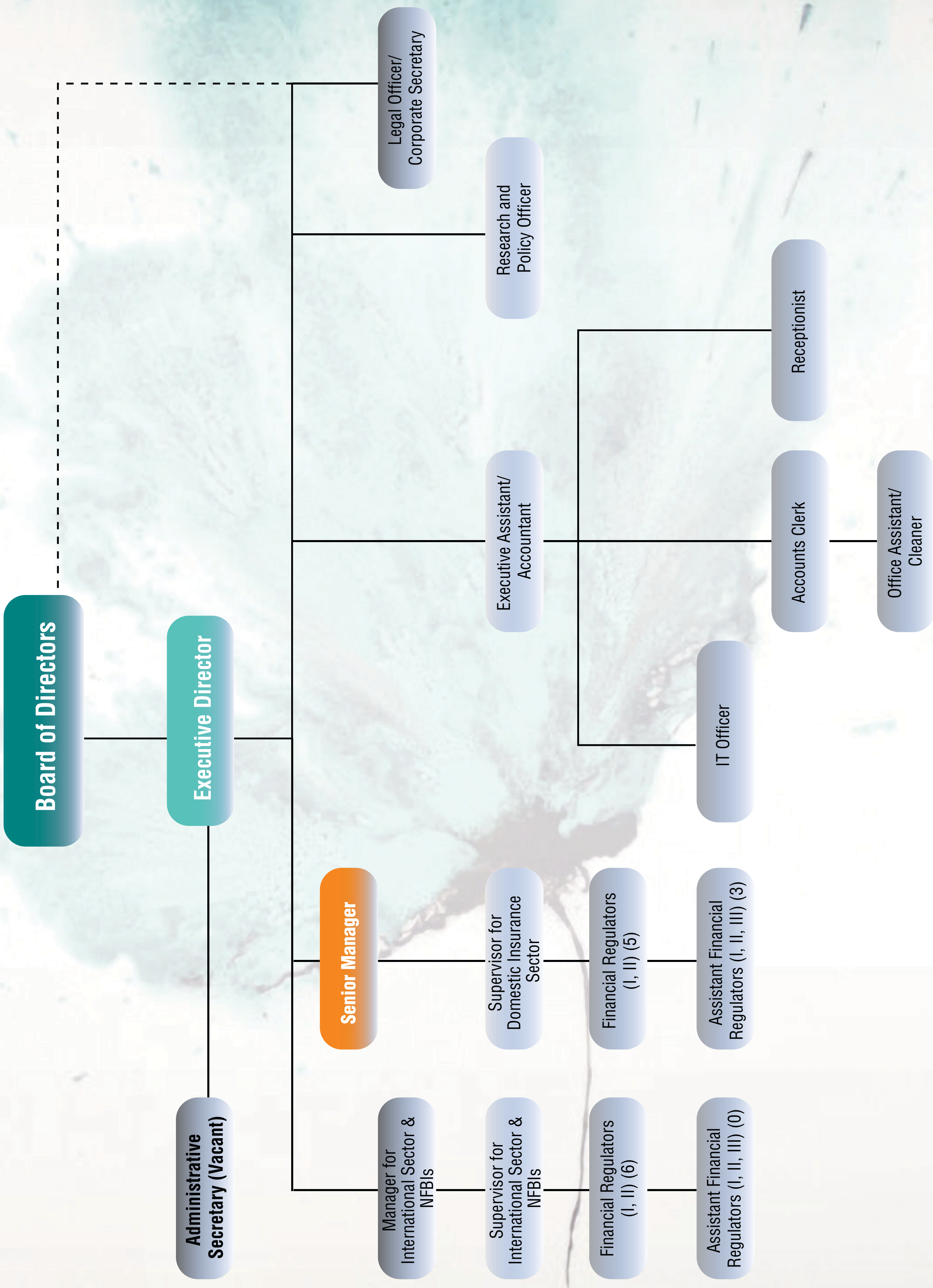
Pictured:
Front row: Kerea Joseph, Hannah Mc Donald, Esther Francis, Krysta Sylvester, Ruan Branch, Sancha Gervais-Victor

Second row: Mary Augusta, Cornelia Francis, Crystal Martyr, Jamica Francis, Susan James, Jacqueline Edward, Kirby Auguste, Nathalie Dusauzay, Kerline Sylvester, Janelle James, Shelevon Louis, Tyller Jules

Third row: Hubert Deligny, Hemish Lesmond, Curtis Paul

Absent were: Cuby King, Stephanie Gustave-Antoine, Roxanne Alexander, Krishna Jn Baptiste, Elva Naitram, Shemedia St. Croix, John Altius

Organizational Chart



Chairman's Message

Chairman's Message

Vincent Hippolyte, *Chairman*

"the FSRA is encouraged by the continued support of its stakeholders, the policy directorate, and the formulation of its Strategic Plan for the year 2022-2025 that will chart the roadmap in re-vitalizing the international financial sector, strengthening the legislative framework..."

The Board of Directors of the Financial Services Regulatory Authority is pleased to submit the Annual Report on its activities and operations for the financial year ended March 31, 2022. During the period under review, the Financial Services Regulatory Authority (FSRA) continued to discharge its mandate as set out in the Financial Services Regulatory Authority Act, Cap. 12.23 of the Revised Laws of Saint Lucia.

As stated in the message of 2021, during the period under review, Saint Lucia continued to enact amendments targeted at correcting deficiencies cited in the 2020 Mutual Evaluation Report of Saint Lucia, and to enhance the powers of the FSRA to foster greater consumer protection. As such, during the period the FSRA had a heavy legislative amendment agenda. Although, the amendment to prohibit shell banks was not enacted, the process to effect same is at an advance stage. However, mention should be made of amendments and policies that seek to correct the aforementioned deficiencies and to enhance the consumer protection powers of the FSRA. These include the amendment to the FSRA Act that widens the powers of the FSRA to enter into Memoranda of Association with Competent Authorities such as the Inland Revenue Department and the Customs & Excise Department. This is to bolster Saint Lucia's compliance with standards set by bodies such as the Caribbean Financial Action Task Force and the European Union. In the area of consumer protection, the Financial Services Regulatory Authority Act was amended to grant the FSRA the power to appoint Receiver-Managers for distressed financial entities. It is anticipated that this provision will enhance the ability of the FSRA to quickly intervene in the operations of these entities and protect the consumers' interests. In the period, the FSRA introduced Consumer Complaint Guidelines to be adopted by the Financial Sector when dealing with depositors and policyholders complaints and Complaint Procedures to guide the internal process for handling such complaints received from the consumers of financial products and services.

In the area of risk-based supervision, as stated in the 2021 message, the FSRA was able to implement the risk-based supervision methodology. Although the methodology was not fully implemented for the entire sector, the FSRA is encouraged by the progress in implementing same for some financial entities. Further, in an effort to enhance transparency and bolster the inclusion of our stakeholders, the decision was taken to publish the methodology for scrutiny by the financial sector.

In closing, the Board of Directors recognizes the continuing challenges facing Saint Lucia, particularly in the area of compliance standards and a shrinking offshore sector. However, the FSRA is encouraged by the continued support of its stakeholders, the policy directorate, and the formulation of its Strategic Plan for the year 2022-2025 that will chart the roadmap in re-vitalizing the international financial sector, strengthening the legislative framework and improving our relationship with all stakeholders.

Vincent Hippolyte
Chairman

Reports

Executive Director's Report

Nathalie Dusauzay, *Executive Director*

"This past year we continued to monitor and assess financial risk adapting our approach to changing financial conditions; but we also began the process of focusing our efforts towards examining the kind of impact that non-financial risks such as climate related risks can have on institutions and how these risks can ultimately have prudential implications."

The fiscal year 2021/2022 marked my first full year in office as the Executive Director of the Financial Services Regulatory Authority (FSRA). 2021/2022 followed one of the most uncertain periods in the history of the FSRA and perhaps the entire world, due to the novel corona virus. However, the period under review saw a gradual but steady economic recovery from the pandemic, particularly during the first three quarters. This was led by improved consumer spending across sectors, as lockdown measures were lifted. Despite the positive momentum, we started to feel the headwinds from global and domestic supply bottlenecks and energy price increases due to the war in Ukraine which started towards the middle of the fourth quarter.

The war added to mounting concerns of a global slowdown, surging inflation and debt. The outlook suggests that the economic impact could reverberate through multiple channels, including the financial sector.

On a brighter note, the FSRA was able to execute the majority of its planned initiatives during the fiscal period, including the successful development of a strategic plan to guide the organisation through the next three years.

As the prudential regulator and supervisor for the international financial sector and the non-bank financial sector, the FSRA's role is to monitor these financial institutions with a view to ensuring that they remain financially sound and prepared to navigate through a variety of circumstances. Doing so ensures that the financial sector can continue to offer viable products and services, for example, money service providers and credit unions can continue making loans and deposits available to the citizenry; insurance companies can pay policyholders; and pension plans can continue to make payments to retirees.

The FSRA also plays an important role in the fight against money laundering and in mitigating against Based Erosion Profit Shifting (BEPS) due to its gate keeping role for the licensing and registration of financial institutions. The effective identification of Ultimate Beneficial Owners (UBO) of financial institutions and their fitness and propriety at the application and registration stages, and the monitoring of UBO registers, are paramount in that regard. During the year under review significant efforts were made towards improving the effectiveness and efficiency of the FSRA in that regard. These measures included collaboration with other competent authorities, conducting legislative reviews and proposing amendments to legislation.

The pandemic has reinforced the need to reassess and strengthen our supervisory and regulatory tools. In that regard, the increased use of stress testing has been an important focus for the FSRA. Also, the pandemic has yielded some efficiencies in the conduct of onsite inspections. The FSRA has adopted more of a blended approach, by carrying out virtual interviews and increased desk assessments, thus limiting the scope of onsite visits without compromising the effectiveness of the overall inspection.

This past year we continued to monitor and assess financial risk adapting our approach to changing financial conditions; but we also began the process of focusing our efforts towards examining the kind of impact that non-financial risks such as climate related risks can have on institutions and how these risks can ultimately have prudential implications. It is anticipated that consideration of climate related financial risk in regulation will gain significant traction during the next few years and will be a core future initiative for the FSRA.

Throughout this challenging economic environment, the FSRA has remained risk-focused, forward-looking and has continued working on several important initiatives. Some of the accomplishments include:

CORE INITIATIVES

• Strategic Plan

During the year under review the development of the 2022/2025 strategic plan was completed. The process involved a wide range of stakeholders, both internal and external. The participation of the financial sector was achieved through the use of questionnaires and surveys whose results were incorporated into the strategic planning process. There was full and complete participation by the Board of Directors, management and staff who were all engaged in discussive sessions with the consultant. Considering the uncertainties of the future economic climate, the plan will provide the FSRA with the necessary strategic direction and keep us focus on what we need to do to achieve our mission.

• Risk Based Supervision

The FSRA continued full steam ahead with its Risk Based Supervision (RBS) pilot project. The intended goal to fully adopt RBS by the fourth quarter was not achieved, however substantial progress was made during the period as the FSRA continue to increase the number of companies assessed through this methodology. During 2021/2022, the RBS framework which was designed by the Caribbean Regional Technical Assistance Centre (CARTAC) was tailored for use by the FSRA and has been published on the FSRA's official website (fsrastlucia.org) for access by all stakeholders. The decision to publish the RBS framework, was to facilitate the sectors' understanding of this new methodology and to provide an indication of what the expectations are for financial entities which are regulated by the FSRA. Additionally, the staff of the FSRA received follow-up technical assistance from CARTAC in the fourth quarter of the fiscal period geared at strengthening technical capacity in the application of the Risk Based Methodology. The FSRA remains committed to ensuring that RBS is fully implemented for the financial sector and to this end, has made it a core initiative in its 2022-2025 strategic plan.

• Climate-Related Financial Risks

Climate-related financial risks are the potential risks that may arise from climate change or from efforts to mitigate climate change, their related impacts and their economic and financial consequences. The countries in the Eastern Caribbean Currency Union are prone to natural disasters, especially hurricanes. With climate change, the frequency of these disasters can increase and may result in physical and transition risks that could potentially impact the safety and soundness of financial institutions.

The impact of physical and transition risks on financial institutions can affect other existing risk categories such as credit risk, market risk, liquidity risk, operational risk and reputational risk. It is therefore important that institutions have an effective risk management framework that will identify material climate risk drivers and their transmission channels; map and measure climate-related exposures and any area of risk concentration, and translate climate-related risks into quantifiable financial risk metrics.

Agence Française de Développement (AFD) has partnered with the Eastern Caribbean Central Bank (ECCB) in its effort to strengthen financial systems to better manage climate risks and foster the green agenda. As part of the results of awareness sessions, representatives of ECCB, Single Regulatory Units/Authorities and National Development Banks within the ECCU, have worked on different roadmaps for their individual jurisdictions, to integrate climate-related risks into stability monitoring and micro-supervision.

In this regard, the ECCB is spearheading this initiative. The FSRA has completed a draft roadmap to bring awareness to stakeholders on the implications of climate financial risk and possible actions to mitigate against such risk.

• IFRS 17 – Insurance Contracts
The FSRA, in collaboration with the Caribbean Association of Insurance Regulators (CAIR) continued with its efforts in monitoring the preparedness of the insurance sector in relation to the implementation of IFRS 17, which will come into effect in 2023. To this end, CAIR commissioned an implementation Committee whose mandate is to act as a catalyst for collaboration among the CAIR membership on IFRS 17 Implementation, geared towards ensuring IFRS 17 preparedness by the industry and supervisory authorities.

Accordingly, CAIR sought and received technical assistance from CARTAC through the engagement of a consultant. A seven-week workshop funded by CARTAC was held towards the end of the fourth quarter with the following objectives:

• Confirmation of members of working/sub-groups to develop proposals to address different elements of IFRS 17 Regional Implementation Plan;

• Exchange of relevant information between Home and Host Supervisors on the status of IFRS readiness by insurers in their respective jurisdictions;

• IFRS 17 implementation plan, including draft template for conducting quantitative impact study communicated to stakeholders (industry, actuarial association) for feedback;

• Develop proposals for amendments to legislation and/or regulations to ensure alignment of regulatory reporting with IFRS (including needed changes, if any, to solvency and statutory fund or admissible assets rules;

• Develop draft reporting template and instructions for conducting quantitative impact study to assess impact (actuarial valuation, solvency, and revenue) of IFRS 17;

• First draft design of regulatory forms (excluding solvency, statutory fund and admissible assets forms).

Legislative Amendments

During the past year (2020/2021) the FSRA conducted reviews of several pieces of legislation aimed at ensuring compliance with international obligations and standards, and enhancing the effective and efficient supervision of the financial sector. We are proud to report that during the current year under review, a large majority of the proposed legislative amendments were enacted/passed.

Legislative amendments include:

Financial Services Regulatory Authority Act
• Amendment to section 38 – The amendment grants the FSRA the power to execute Memoranda of Understanding with competent authorities responsible for combatting money laundering, terrorist financing and proliferation financing. This address legislative deficiencies cited in Saint Lucia's 4th Round FATF Mutual Evaluation Report.

• Amendment to section 33 – The amendment seeks to strengthen the capacity of the FSRA to request information on Politically Exposed Persons (PEPs) from Regulated Entities at the time of application and on an ongoing basis, with a view to enhancing the process of identifying domestic and foreign PEPs.

• Amendment to section 15 – The proposed amendment seeks to ensure that guidelines issued by the FSRA are consistent with the standards promulgated by International Bodies.

• Amendment to section 30 – Approval of Pension Funds Plan. This amendment allows for the delegation of the registration of pension fund plans to the Executive Director, in order to expedite the registration process. The FSRA characterized this sector as one that should be encouraged due to the benefits presented to the local workforce.

"The pandemic has reinforced the need to reassess and strengthen our supervisory and regulatory tools. In that regard, the increased use of stress testing has been an important focus for the FSRA."

• Amendment to section 36 – Appointment of a Receiver Manager. The amendment facilitates the appointment by the FSRA of a person to assume control of a Licensee's affairs, who shall have all the powers of a Receiver/ Receiver-Manager. This amendment bridged the gaps in legislation administered by the FSRA, between intervening in a Licensee's affairs with enhanced monitoring and liquidation or instituting judicial management proceedings.

Insurance Act, Cap 12.08

• Amendment to sections 26 and 57 - The amendments allow for an extension of time for the submission of documents outlined in Sections 26 and 57 of the Insurance Act, beyond the current discretionary 2 months' extension in the event of a State of Emergency or national crisis.

This amendment was a direct response to the Covid-19 pandemic which saw several companies requesting extensions for submission of audited accounts beyond the maximum discretionary period allowed under statute.

Outstanding amendments include:

The FSRA also continued with its legislative review in 2021/2022, during which the following legislative amendments were initiated:

• International Banks Act, Cap 12.17 - Amendment to section 10. The proposed amendment seeks to clearly prohibit the operation of shell banks.

• Cooperative Societies Act, Cap 12.06. The FSRA continued consultations with the credit union sector on the Harmonized Cooperatives Societies Bill. It is anticipated that the Bill will be enacted within the next fiscal period. Areas of continued discussion include (i) Loan Loss Provisioning and (ii) License Fee Structure.

Policies and Guidelines

The FSRA continued its work on several policy documents and guidelines with the aim of bridging policy and procedural gaps, strengthening its internal processes, facilitating international best practice by regulated entities and improving the overall quality of service to both internal and external stakeholders. To this end, the Board of Directors approved several policy documents during the period, including Complaint Guidelines to be observed by the Financial Sector when dealing with customer complaints and Complaint Procedure to guide the internal process for handling complaints received from the public. These instruments will serve to enhance the FSRA's market conduct supervision.

SECTOR OVERVIEW

Credit Union

The credit union sector continues to be a resilient sector during the year 2021 despite the effects of the Covid-19 pandemic. The sector remained at sixteen (16) active credit unions and one (1) credit union league. The capital adequacy performance of the sector was at 15% which is above the minimum 12% requirement. The sector remains liquid with most credit unions showing a ratio above 15%, the minimum benchmark set by PEARLS and legislation. During the year 2021 several credit unions continued to provide loan moratoria to their members which commenced in April 2020 and were for a duration ranging from 3 months to 24 months.

The asset base stood at approximately $1.3 billion an increase of 11% over the prior year (2020: $1.2 billion). For the year, the loans portfolio stood at approximately $891 million representing a 16.3 % increase over the prior year (2020:

$766 million).

Due to the ongoing Covid-19 protocols during 2021, two (2) on-site examinations were conducted for credit unions. Of those, 1 was conducted physically and 1 was a hybrid examination.

Money Services Business Sector

The Money Remitters was the least impacted sector by the Covid-19 pandemic. Remittance inflows continue to increase at a significant pace and this is as a result of families aboard sending monies back home to assist their St. Lucian family members who lost jobs due to the pandemic. Total remittance inflows and outflows increased by 12.3% and 3.3% respectively. The total remittance outflows increased from XCD 16,861,702 to XCD 17,453,284 due to the economy reopening especially in the tourism sector where many Saint Lucia regained employment.

For the Micro-lenders, the total value of loans disbursed for 2021 was $68,070,834 which was a twenty-six percent (26%) increase from 2020. Personal loans represent thirty-two percent (32%) which was the largest category of loans disbursed for 2021.

During 2021, two (2) on-site examinations were conducted for Money Services Business.

International Sector

The international sector continues to show a decline in the number of licensed entities. The total number of regulated entities from the international sector decreased overall by 13% or eight (8) entities (58 in 2020 to 50 in 2021).

Notwithstanding the total asset base of the International Banks for the year ended December 31, 2021, was USD 1,008,438,000 which was approximately fifty percent (50%) increase from the previous year 2020, which was mainly due to increases in the level of investments.

Domestic Insurance Sector

Following a stable performance during the midst of the pandemic in the previous period, the insurance sector continued to show strong resilience during 2021/2022. Conventional indicators of financial soundness for the sector generally pointed to a strong sector as it relates to capital adequacy and liquidity levels.

The sector generated $261.2 million in premium income; a $14.7 million (6.0%) increase from the prior year 2020. Both the general and long-term classes of business contributed to the increase. Total assets also grew by 8% from $731 million to $791 million.

General insurance business registered positive underwriting performance and net operating income, however long-term insurance business reported a net loss before tax despite the increase in premium underwritten, which was attributable to increased policyholder benefits and operational expenses.

LOOKING AHEAD

Looking ahead, we look forward to begin the implementation of our 2022-2025 strategic plan. The FSRA's strategic focus will be on the following:

- Creating a vibrant and attractive jurisdiction with a strong emphasis on stakeholder engagement and consumer protection

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

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

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

Thus, in spite of the challenges ahead due to the uncertain economic outlook, our stakeholders can be confident that we are working hard to protect depositors, policyholders, private pension plan beneficiaries and to ensure the overall stability of the financial sector.

CONCLUSION

The FSRA is grateful for the continued strong support of its staff, the support and cooperation of the financial services sector and agencies of Government, such as the department of finance, the Attorney General Chambers, Inland Revenue Department and the Financial Intelligence Authority. Also, the unwavering support and guidance of the Board of Directors was crucial in helping steer the course through this challenging period.

The FSRA remains committed to forging even deeper relationships with its stakeholders and is confident that this collaborative approach to regulation and supervision will continue to facilitate a strong and vibrant financial services sector.

Nathalie Dusauzay
Executive Director




Strategic Plan

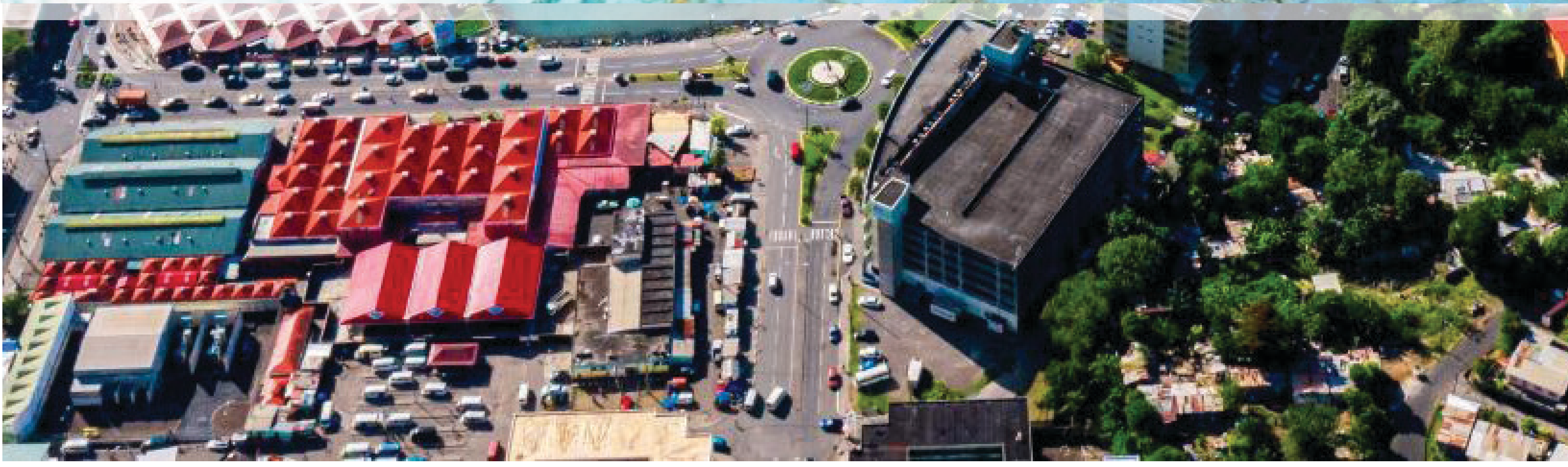
The Authority has established a 3-year strategic plan for the period 2022-2025 in keeping with the Public Finance Management Act, No. 14 of 2020. Therefore, new vision and mission statements have been developed. It is anticipated that the Authority will report on its progress during the next financial period.



Sector Reports

Domestic Sector

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



KEY HIGHLIGHTS 2021

DOMESTIC SECTOR

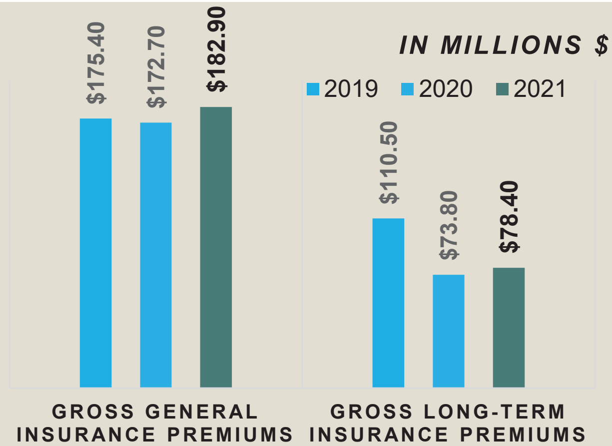
Domestic Insurance Sector

Insurance Companies:
- 2021: 25
- 2020: 26

General Insurers:
- 2021: 14
- 2020: 14

Long-term Insurers:
- 2021: 10
- 2020: 11

Composite Insurer:
- 2021: 1
- 2020: 1

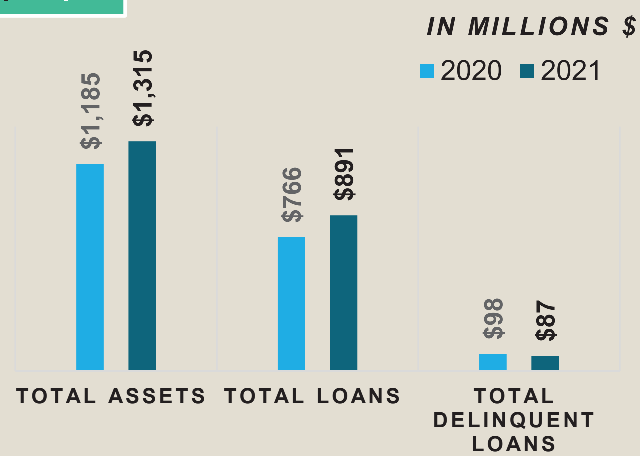


Insurers' Total Assets : $789.8 m — *Increase of* **7.98 %**

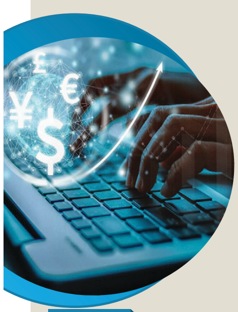
Credit Union Sector

Credit Unions:
- 2021: 16
- 2020: 16

League/Secondary Body:
- 2021: 1
- 2020: 1



Credit Unions' Total Assets : $1,315m — *Increase of* **11%**



Money Services Sector

Money Services Business:
- 2021: 16
- 2020: 13

Money Transmitters:
- 2021: 5
- 2020: 5

Money Transmitters' Inflows: $168.94m — *Increase of* 12.32%

Money Transmitters Outflows: $17.4m — *Increase of* **3.6%**

Domestic Insurance Sector

As at December 31, 2021, Saint Lucia's domestic insurance sector comprised twenty-five (25) registered insurance companies, of which ten (10) are deemed long-term insurers, fourteen (14) deemed general insurers and one (1) is a composite insurer registered to underwrite both long-term and general insurance business. While eight (8) of the long-term insurers actively engaged in increasing their portfolios by underwriting new policies, two (2) long-term insurers have been transitioning out of the market operating under Judicial Management.

During the 2021/22 fiscal period, some of the operations of insurance companies were carried out through twenty-three (23) insurance agents – an increase of one (1) from the prior year. The agencies currently employ approximately one hundred and twelve (112) individuals in St. Lucia and comprise 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 180 individuals as insurance salespersons, some of whom held registration for two companies – one general insurer and one long-term insurer – thus accounting for the 200 licences held during the year 2021.

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-nine (69) individuals.

Private occupational pension fund plans (pension plans) are registered and regulated under Part 9 of the Insurance Act. Pension plans registered at the end of 2021 totalled thirty-three (33), a decrease of one (1) from 2020, as a result of the deregistration of a defined benefit plan following its wind-up. Of the registered pension plans, twenty-six (26) are defined contribution plans, four (4) are defined benefit pans, and three (3) are hybrid plans which operate both defined benefit and defined contribution sections

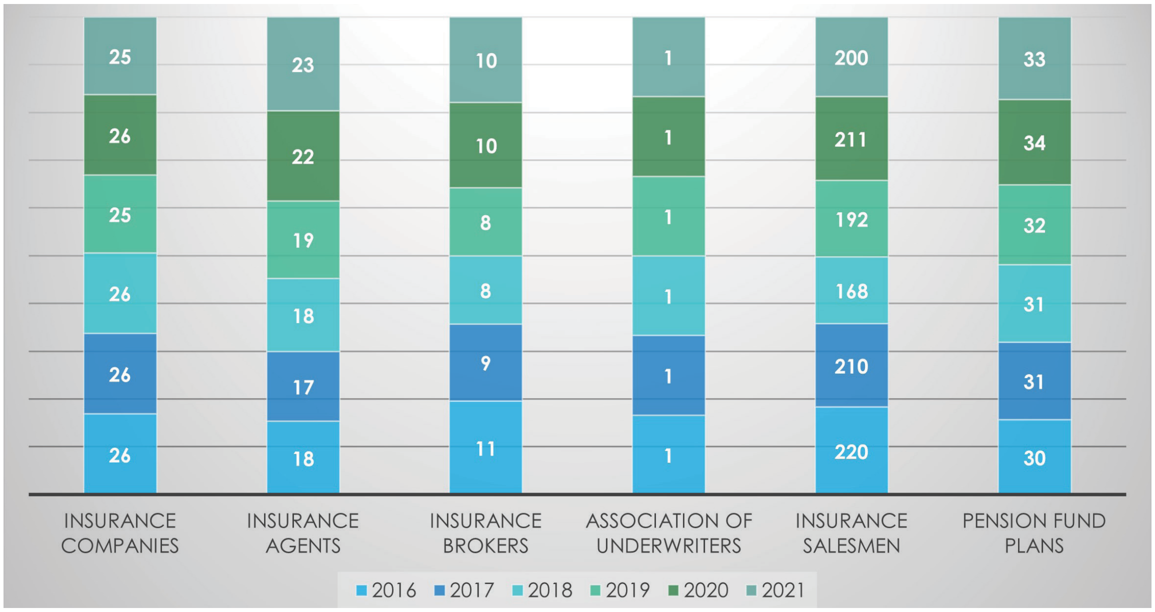


Figure 1: Number of Registered Insurance Entities and Pension Fund Plans

REGISTRATION AND LICENCE FEES

Licence and registration fees collected in 2021 dropped 1.8% in comparison to the previous year, 2020. The $3,850 decrease was largely attributable to a decrease in the number of applications for registration of insurance salespersons.

	2016	2017	2018	2019	2020	2021
Insurance Companies	$149,600	$144,000	$145,000	$144,000	$152,500	$153,000
Insurance Agents	$18,000	$17,000	$19,000	$21,000	$23,600	$22,000
Insurance Brokers	$15,100	$10,500	$12,000	$12,000	$13,500	$15,000
Insurance Salesmen	$20,300	$21,240	$22,900	$23,000	$21,750	$19,500
Total	$203,000	$192,740	$198,900	$200,000	$211,350	$207,500

Table 1: 2021 Licence/Registration Fees Paid by Domestic Insurance Companies and Intermediaries

Licence/registration fees collected from insurance companies and insurance brokers continued to increase for the fourth consecutive year.

SECTOR PERFORMANCE

Insurance companies continued to successfully manage the operating disruptions which started in 2020 as a result of the Covid-19 pandemic. While many companies continued to employ a blended approach to their operations throughout the year, accessibility to insurance services remained uninterrupted for the most part.

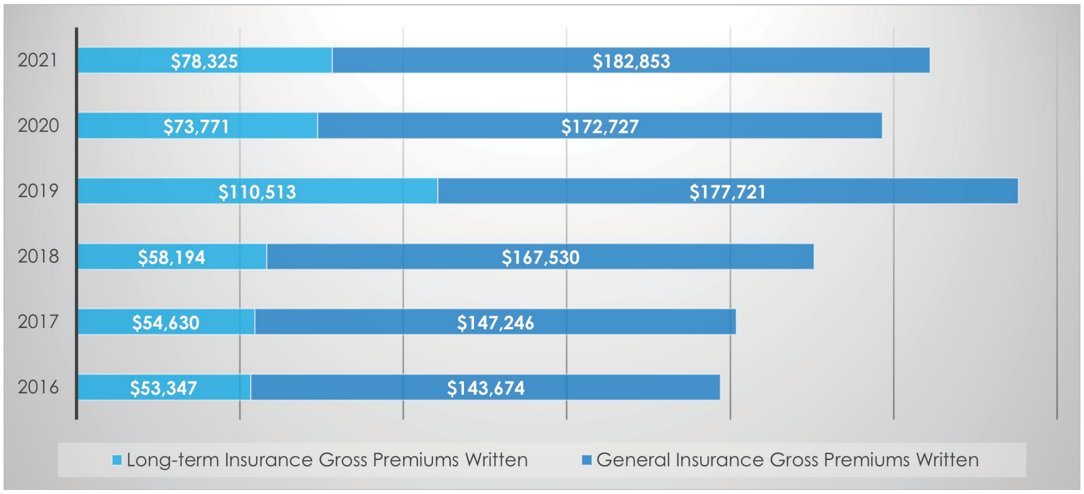


Figure 2: Industry 2021 Gross Premiums

The insurance sector generated $261.2 million in premium income during 2021 ; a $14.7 million (6.0%) increase from the prior year 2020, where $246.5 million was generated. The increase stemmed from increased premiums generated from both general insurance and long-term insurance business. General insurance business increased 5.9% to $182,853 while long-term insurance business increased 6.2% to $78,325.

The amount of premiums retained by insurers, that is, amounts left after ceding to reinsurers, increased almost in the same proportion as premiums underwritten, with a 63.5% retention rate in 2021 compared to 2020's 63.4% retention rate.

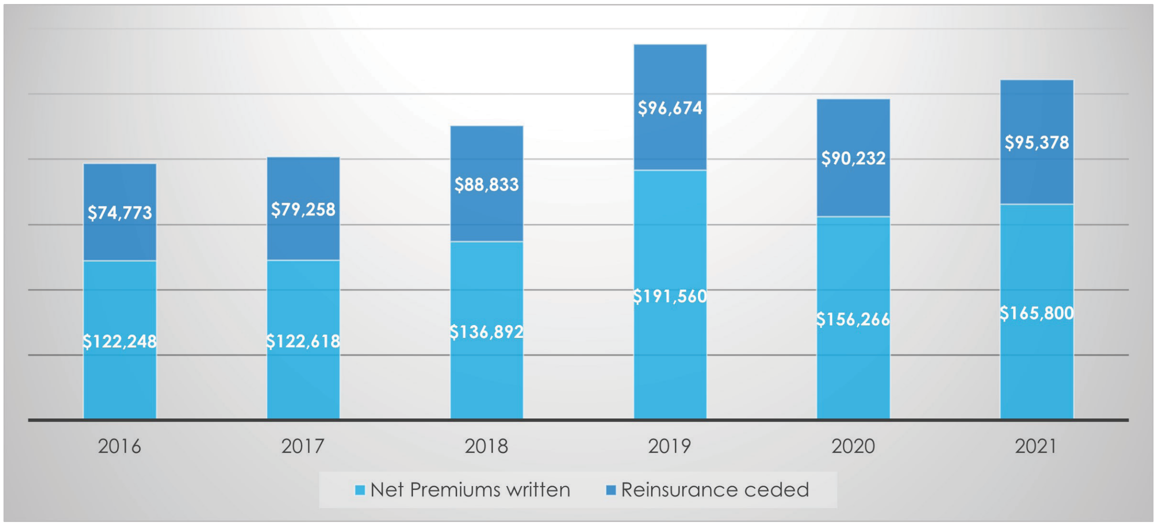


Figure 3: Premiums generated by Domestic Insurers during 2021 FYE ($'000)

Premiums retained of $165.8 million along with other revenue of $24.4 million were just short of meeting the claims, expenses and other policyholder benefits payable by insurers during 2021, totalling $189.8 million. As a result, the sector incurred an operating loss of $0.7 million dollars.

GENERAL INSURANCE BUSINESS

During the reporting period, the general insurance classes of business contributed 70% (or $182.9 million) of total premiums underwritten by insurers. This represented an increase of $10.1 million or 5.9% compared to the prior year, 2020. Net premiums increased by a disproportionate 3.2% or $2.9 million, to $92 million, due to a $7.3 million increase in reinsurance premiums, from $83.6 million to $90.8 million.

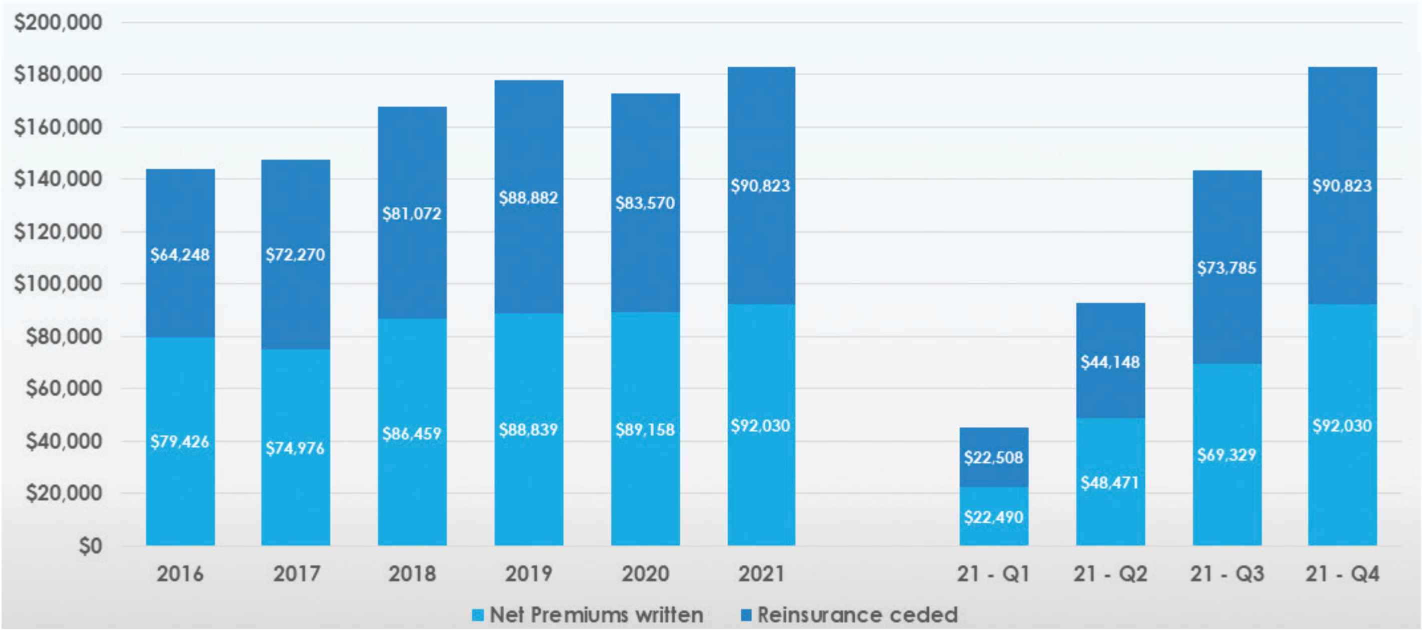


Figure 4: General Insurance Premiums Written

Premiums earned from general insurance business was calculated at $90.6 million while underwriting expenses totalled $90.4 million. These expenses were primarily driven by claims expenses of $60.2 million and operating/management expenses of $23.3 million. The underwriting income generated of $0.2 million was supplemented by other income of $3.4 million resulting in net operating income of $3.6 million.

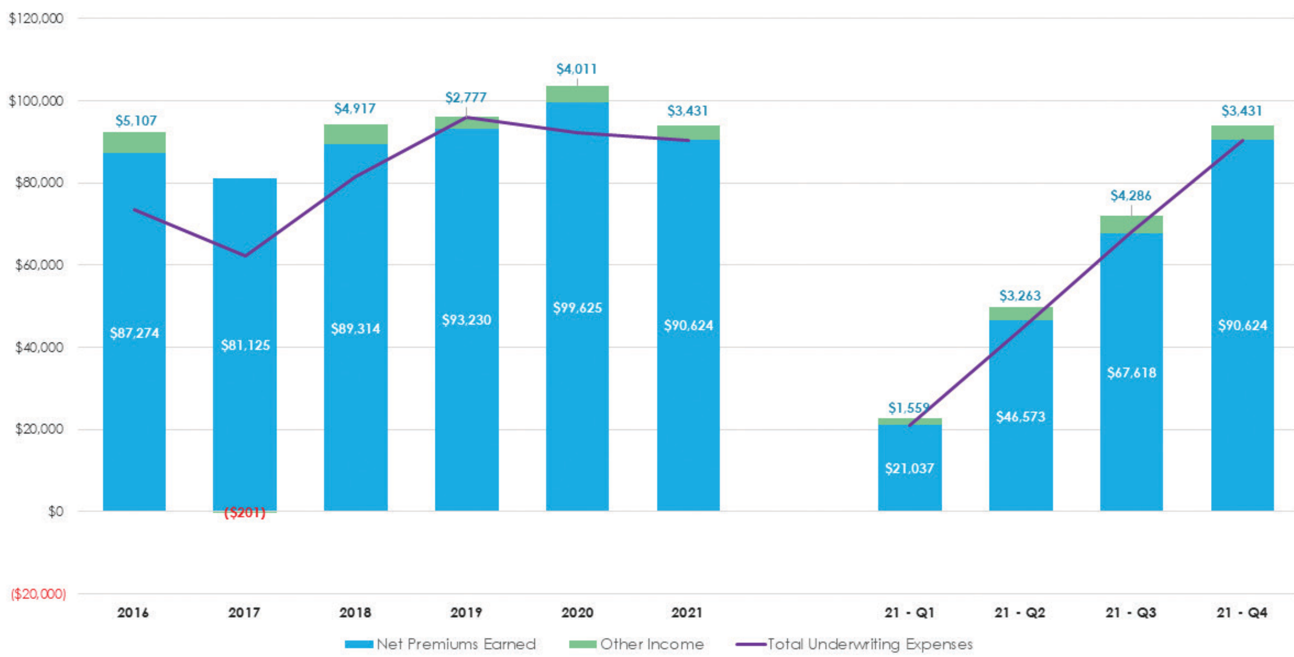


Figure 5: General Insurance Business Profitability

Of the $182.9 million of general insurance gross premiums generated in 2021, property accounted for $78.5 million (42.9%), motor vehicle $50.4 million (27.6%), personal accident $40.7 million (22.2%) while the other three (3) classes of general business (namely liability, pecuniary loss and marine, aviation and transport) accounted for $13.2 million (7.2%) collectively. The overall increase in premiums during 2021 was largely driven by increases in the property and marine classes of business which generated $4.3 million combined, and offset the $2.5 million reduction in premiums among the liability ($1.6 million), motor vehicle ($0.6 million) and pecuniary classes of business ($0.3 million).

	2016	2017	2018	2019	2020	2021
Liability	9,260	10,275	8,172	8,702	9,181	7,596
Marine, Aviation and Transport	3,079	3,211	3,180	3,600	3,221	5,054
Motor Vehicle	41,031	44,490	48,391	53,759	51,087	50,484
Pecuniary	1,433	1,403	1,697	957	854	586
Personal Accident	32,051	29,870	34,048	37,476	38,760	40,677
Property	63,486	63,448	77,644	78,665	77,890	78,456

Table 2: 2021 Gross Written Premiums for Classes of General Insurance ($’000)

LONG-TERM INSURANCE BUSINESS

Long-term insurance business underwritten during 2021 was recorded at $78.3 million; a $4.6 million, or 6.2%, increase in comparison with the prior year. Conversely, reinsurance ceded dropped by $2.1 million, from $6.7 million to $4.6 million, resulting in a $6.6 million (9.9%) increase in net premiums to $73.8 million.

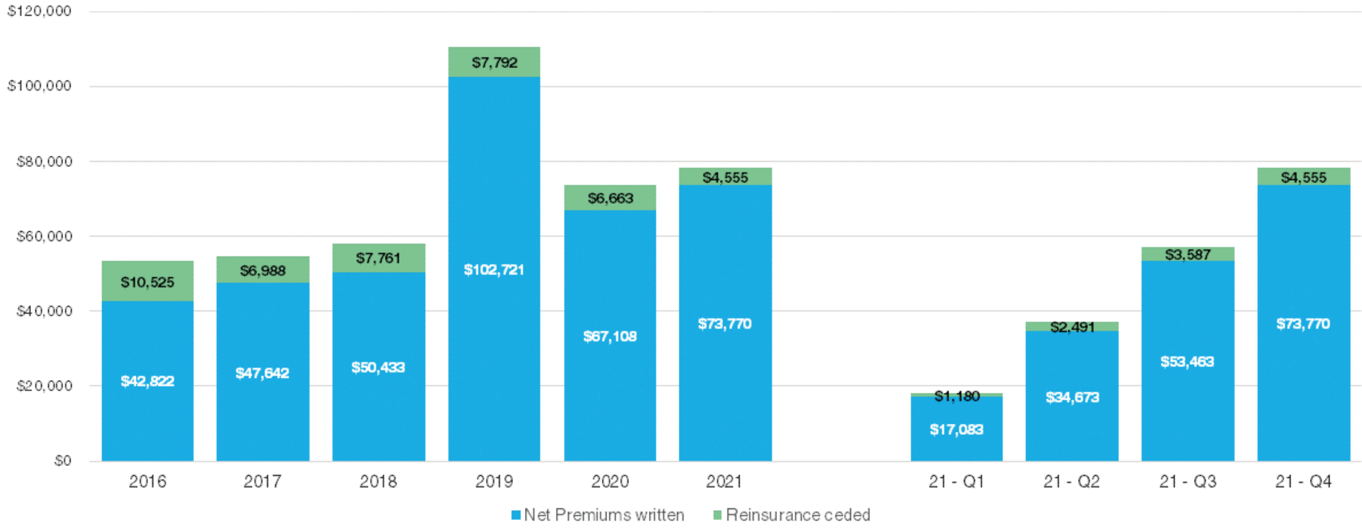


Figure 6: Long-term Insurance Premiums Written

Investment income, a critical revenue source of long-term insurers, also increased by $4.3 million to $16.7 million, and along with other revenue of $7 million, resulted in total revenue of $97.9 million being reported by long-term insurers.

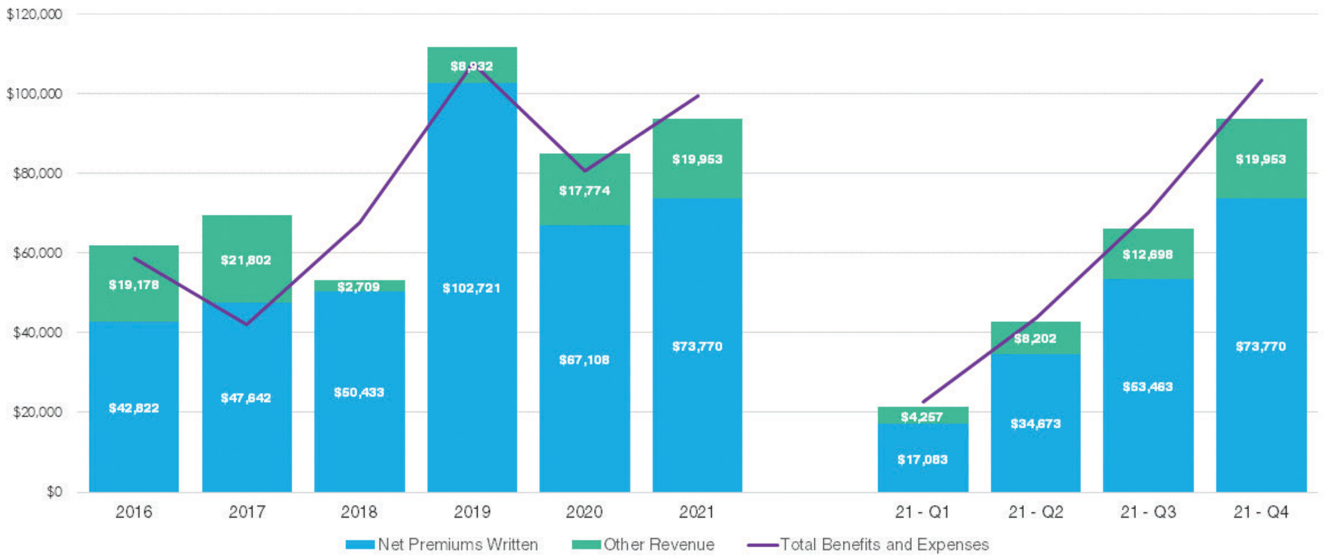


Figure 7: Long-term Insurance Business Profitability ($'000)

Policy holder benefits, which consists of claims, policy surrenders, changes in technical provisions and other benefits all increased during 2021 when compared with 2020 ($67.6 million versus $51.1 million). Operational expenses incurred of $25.9 million (2020: $24.1 million) resulted in total expenses of $103.5 million – a 24.1% increase from 2020. Consequently, long-term business generated a net loss before tax of $5.6 million.

SECTOR POSITION

Insurers' assets totalled $791.1 million at the end of 2021, of which highly liquid and other investment assets made up 76.5% or $605.1 million. An additional amount totalling $48.7 million (6.2% of assets) represented the share of insurance liabilities payable by reinsurers. Total insurance liabilities amounted to $501.9 million or 86.3% of total liabilities which stood at $581.4 million, while total capital and reserves of insurers equalled $209.6 million.

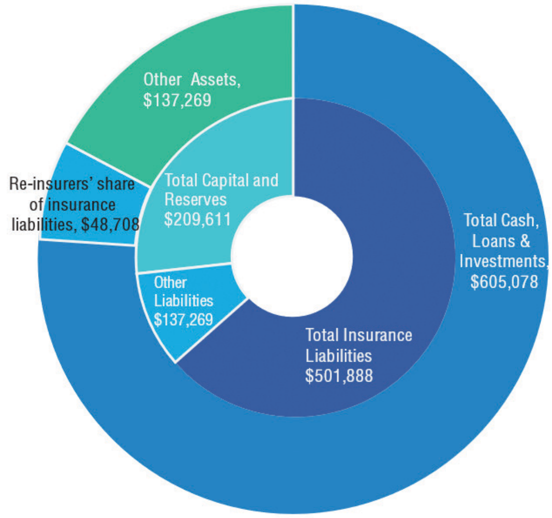


Figure 8: Balance Sheet of Insurance Companies operating in Saint Lucia, 2021 FYE ($'000)

GENERAL INSURANCE COMPANIES

General insurers reported total assets of $304.1 million at the end of 2021, of which cash, deposits, investments in government securities and the reinsurers' share of insurance liabilities (hereafter CDGR assets) amounted to $193.8 million or 63.7%. The other assets which formed 36.3% of total assets comprises other investments (10.8%), liquid assets such as accounts receivable and prepayments (14.2%), fixed assets (5.1%) and other assets including deferred tax assets, taxes recoverable and other miscellaneous assets (6.2%).

Figure 9: General insurers cover of liabilities ($'000)

As depicted in Figure 9, general insurers' assets fell slightly from the prior year's total of $311.96 million. The 3.2% decrease resulted in large part from a $16.2 million reduction in tax and miscellaneous assets which was offset by an increase of $12.3 million in cash and deposits. In total, CDGR assets increased by $6.2 million or 3.3%, covering insurance liabilities 1.4 times and even surpassing total liabilities which increased by $6.8 million to $188.9 million in 2021. For the past six (6) years (2016 to 2021), general insurers' assets have exceeded their liabilities on average by $122.3 million.

Each general insurer maintained assets in excess of liabilities at their respective 2021 financial year ends and fourteen insurers met their statutory solvency margin – one insurer fell short of the requirement as most of its related-party assets were inadmissible in its solvency calculation while all of its related-party liabilities were counted. A general insurer's assets must exceed its liabilities by the greater of $200,000 or 20% of its net written premium in the 12-month period prior to the date of assessment. The solvency assessment of general insurers based on their 2021 (unaudited) accounts is depicted in Figure 10.

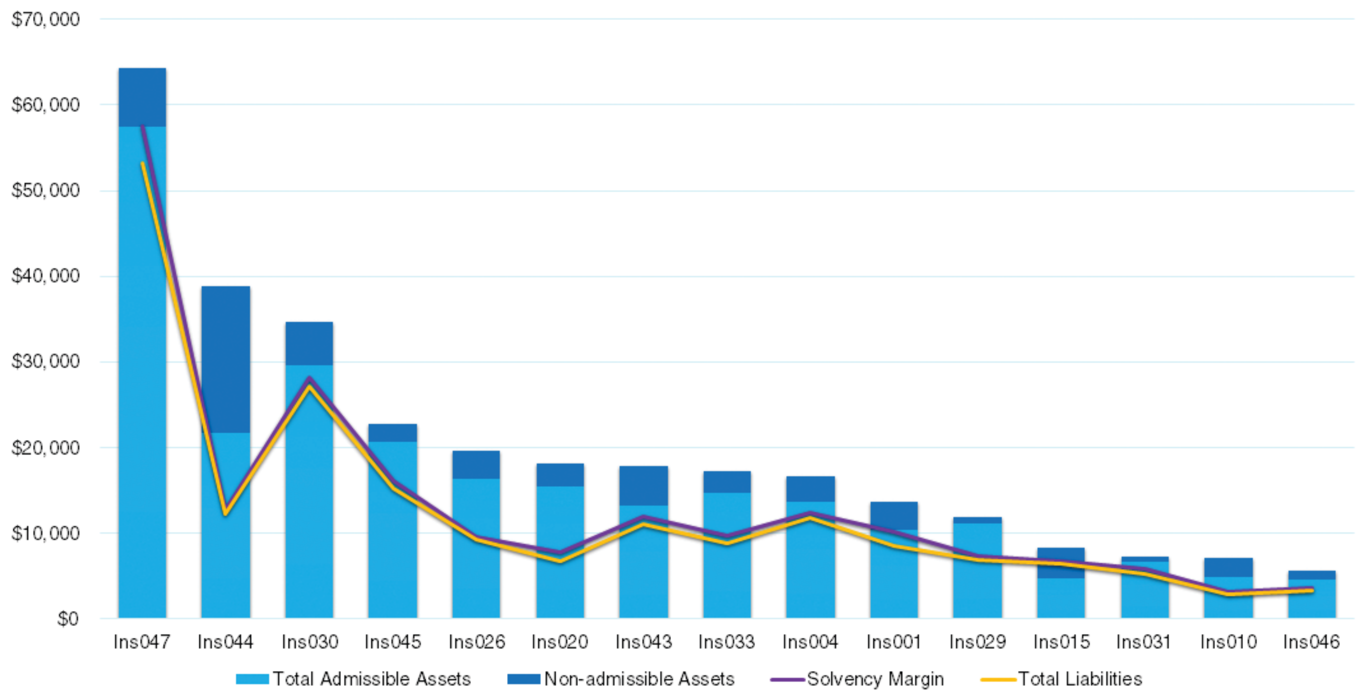


Figure 10: General Insurers' Solvency Position ($'000)

LONG-TERM INSURANCE COMPANIES

The total assets of long-term insurers increased by $132 million (55.6%) from $354.9 million at the end of 2016 to $486.97 million at the end of 2021 and $67.5 million (16.1%) of this increase occurred over the last year, 2020 to 2021. Long-term insurers' cash, bank deposits, government securities and loans to its policyholders, which recorded a $59.2 million increase to $394.5 million in 2021, exceeded insurers' total liabilities of $392.5 million. Insurance liabilities amounted to $365.5 million and represented 93.1% of total liabilities. Long-term insurers reported net assets of $94.5 million.

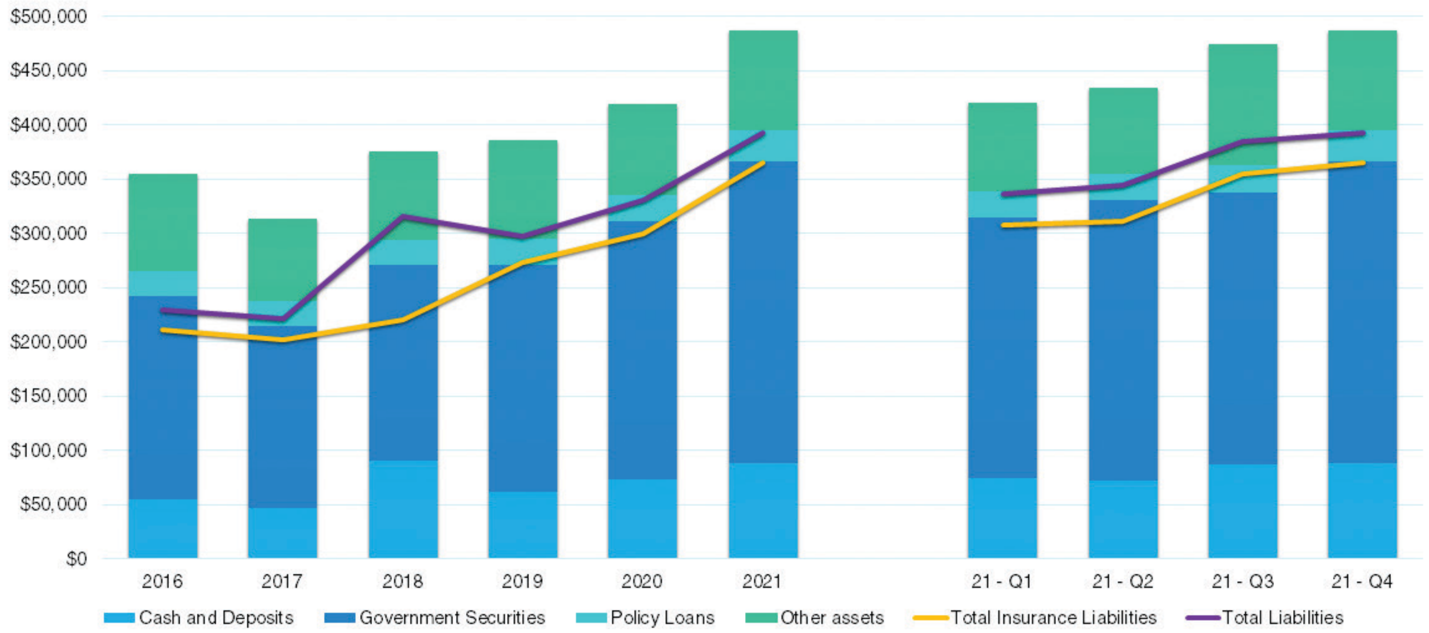


Figure 11: Long-term insurers' cover of liabilities ($'000)

A long-term insurer who also carries on health business must have assets in excess of its liabilities by the greater of $200,000 or 20% of net written premium from health business in the 12-month period prior to the date of assessment. However, an insurer which carries on only long-term business must have assets at least equal to liabilities. The 2021 solvency assessment of long-term insurers is depicted in Figure 12. At the end of each insurer's financial year, all long-term insurers met the statutory solvency requirement.

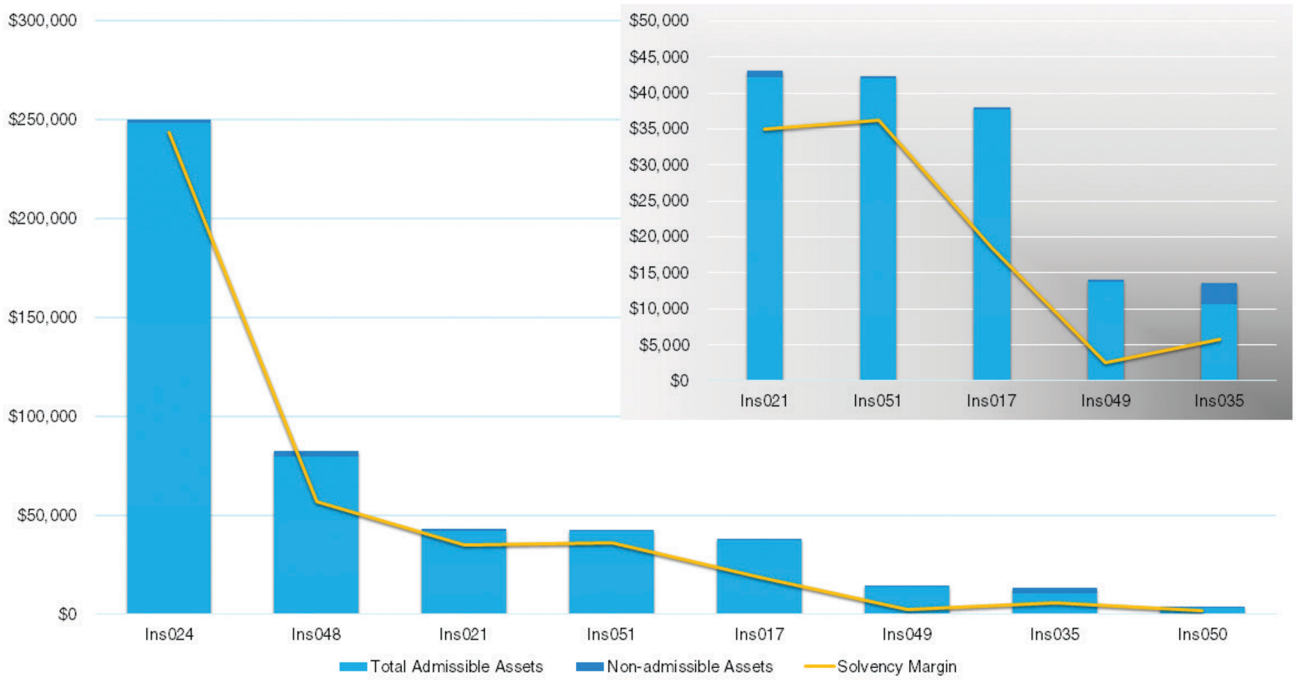


Figure 12: Long-term insurer's 2021 solvency position with inset of smaller insurers ($'000)

SECTOR'S STATUTORY DEPOSIT & INSURANCE FUND OBLIGATIONS

Insurance companies are required under law to maintain specific types of assets equal to their insurance liabilities. Furthermore, the assets relating to an insurer's statutory deposit, motor vehicle insurance fund and long-term insurance fund must be pledged to the Financial Services Regulatory Authority.

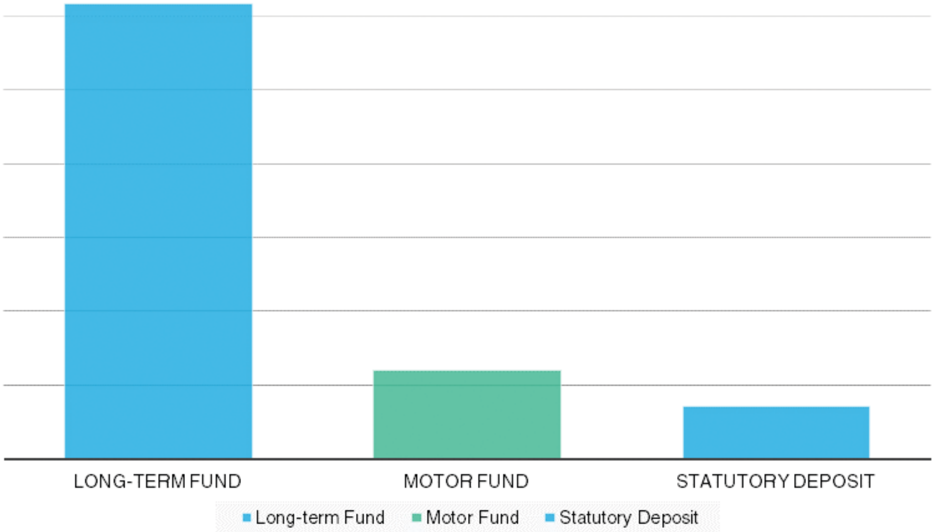


Figure 13: Statutory funds pledged by insurers as at December 31, 2021

As at December 31, 2021 approximately $404.4 million was pledged by insurers pursuant to their statutory obligations, of which $35.7 million related to their deposit requirement, $60.2 million was pledged by general insurers for their motor vehicle insurance requirement and $308.4 million was pledged in respect of the long-term insurance fund requirement.

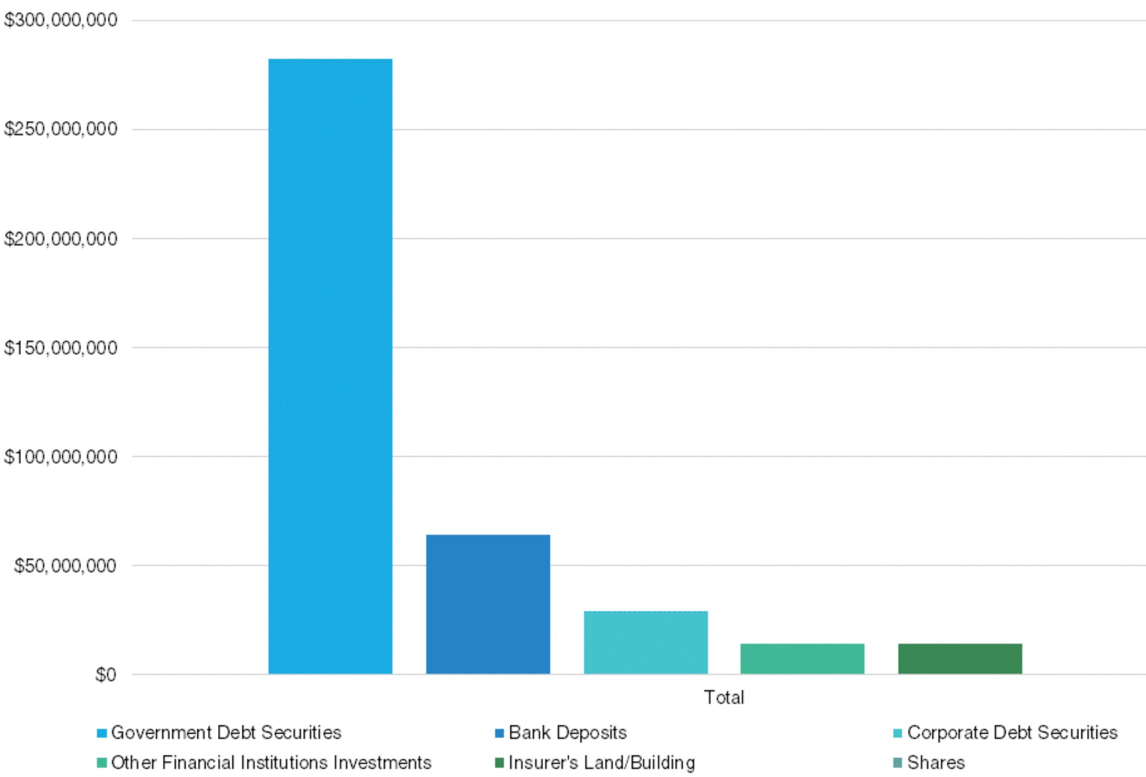


Figure 14: Assets forming the statutory funds of insurers as at December 31, 2021

A majority of the assets pledged by insurers were treasury bills and bonds issued by CARICOM nations, followed by deposits held at commercial banks in Saint Lucia. In total, 254 debt securities amounting to $282.4 million and 111 bank deposits amounting to $64.3 million were pledged. As illustrated in Figure 14, other assets pledged include corporate debt securities, investments in other financial institutions, insurers' own land and buildings, and equity shares. The pledged value of these securities totalled $57.6 million and numbered 52.

STRESS TESTING OF INSURANCE SECTOR

Periodic tests are conducted to examine the impact of shocks to individual insurance companies and the sector as a whole. The results of various worse-case scenarios which were applied equally to all insurers using a simplistic model, are presented in Figure 15.

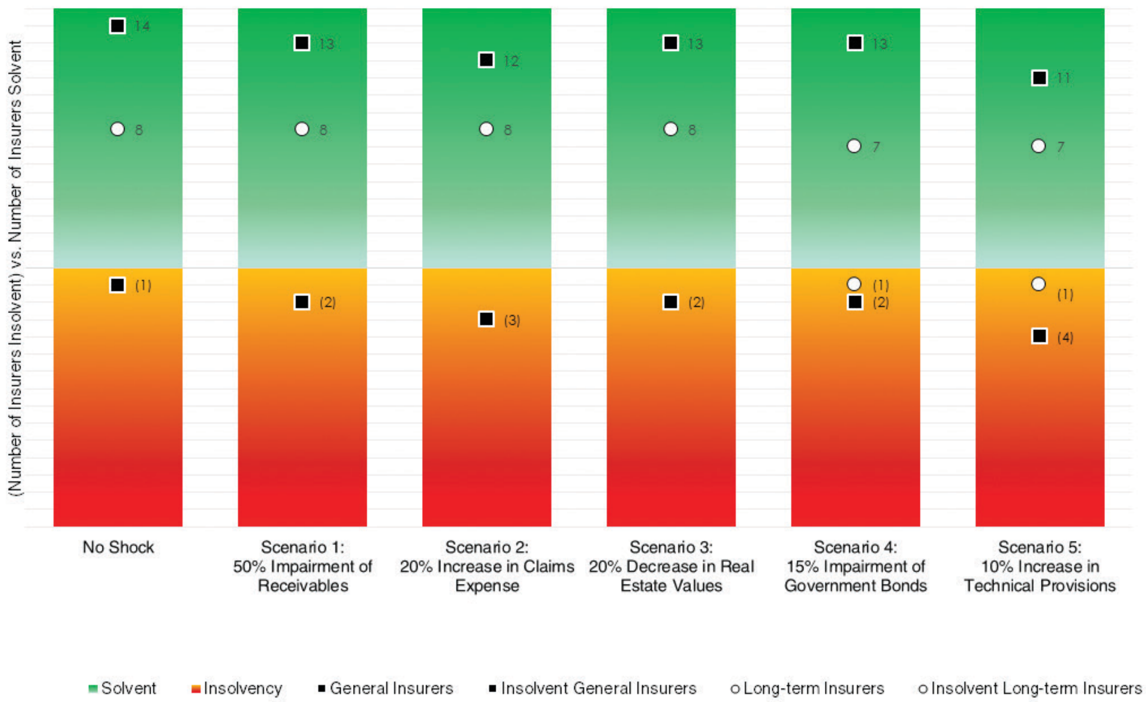


Figure 15: Results of stress testing of insurance sector - December 2021

Out of the 23 insurers actively operating in the market, one general insurer fell short of the solvency requirement at the end of its 2021 financial year as depicted in the first bar. On application of the shocks to the sector (Scenario 1 to Scenario 5), most insurers remained solvent although each shock resulted in at least one additional insurer being insolvent. With the most impactful shock – an increase in technical provision by ten percent (10%) – almost seventy-five percent (75%) of general insurers and almost ninety percent (90%) of long-term insurers remained solvent, however, three (3) additional general insurers and one (1) long-term insurer moved into insolvency. Notwithstanding, in this scenario, the insurance sector was relatively heavily capitalised post shock at $163.5 million. Figure 16 compares the net asset position after each shock with the pre-shock capital level of $209.6 million.

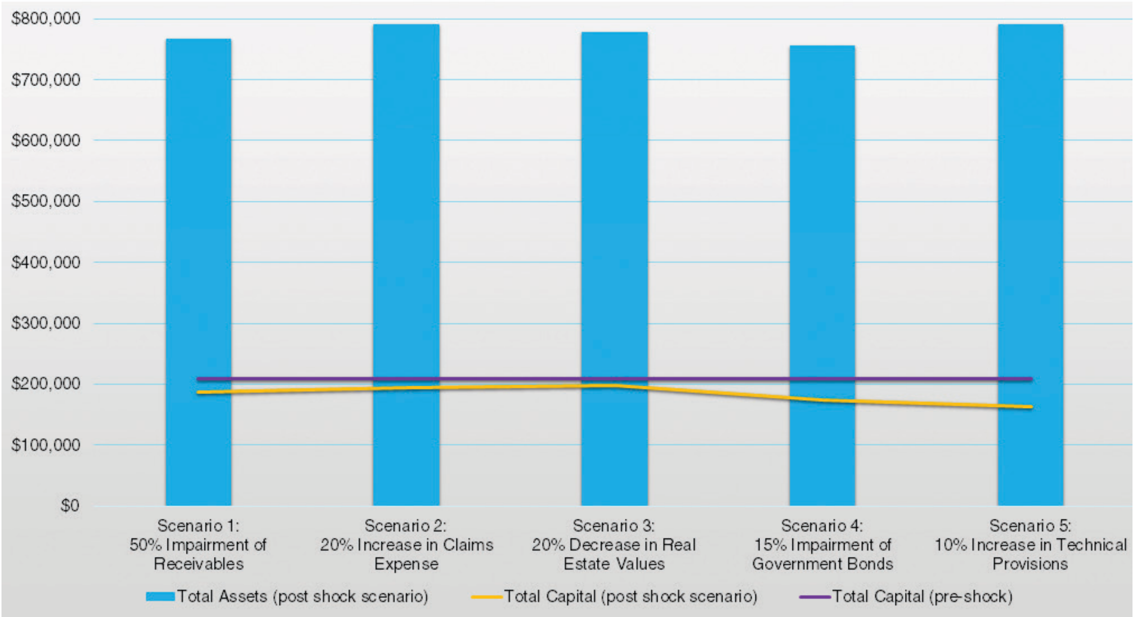


Figure 16: Changes in insurance sector's net assets after shock scenarios ($'000)

The reduction in sector assets in scenarios 1, 3 and 4 cause a corresponding drop in net assets while scenarios 2 and 5 affect net assets through an increase in liabilities. Net assets are least affected by scenario 3 which cause a 5.8% drop in net assets, while scenario 5 caused a 22% drop. On a sub-sector level, the total net assets of general insurers were reduced between 6.1% (scenario 4) and 15.2% (scenario 1), while long-term net assets fell between 6.2% (scenario 3) and 36.1% (scenario 5) of their pre-shock amount.

OTHER DEVELOPMENTS IN THE INSURANCE SECTOR

CLICO RESOLUTION

During the first quarter of 2021, the traditional insurance portfolio of CLICO International Life Insurance Company Limited (CLICO) was successfully transferred to Nagico Life Insurance (EC) Limited and Nagico (Saint Lucia) Limited via a Court approved Scheme of Transfer Arrangement. This came after ten years of the Company being under Judicial Management, from April 11, 2011. Under the arrangement the Life Insurance policyholders of CLICO were able to salvage 85% of the sum assured under their policies with a corresponding 10% reduction in their monthly premiums payable under their policies. The Health Insurance portfolio was transferred with no change to the terms and conditions under the policies. However, given the short-term nature of health policies, those policies may be subject to amendments upon renewal.

The remaining liabilities of CLICO relate to the Executive Flexible Premium Annuity (EFPA) policyholders/investors and persons whose policies matured or were surrendered prior to the effective date of the Scheme of Transfer. It is anticipated that those persons will be settled from the proceeds of sale of the real estate properties of CLICO and its subsidiaries. Therefore, the extent and timing of the payments are dependent on the condition of the real estate market. The Judicial Manager has been appointed by the Court as Liquidator in that regard.

AMALGAMATIONS AND ACQUISITIONS

During 2021 the insurance sector experienced one amalgamation and one acquisition. Additionally, an application for approval of a second acquisition was received by the FSRA. The amalgamation involved two general insurance companies incorporated in Barbados, one of which carried on business in Saint Lucia via a branch operation. The amalgamation resulted in the cancellation of the registration of the previously registered entity and the issuance of a new certificate of registration in the name of the amalgamated entity. The acquisition involved a long-term insurance company which was incorporated in Saint Lucia but owned by a foreign bank. One hundred percent of the shares of this long-term insurance company was purchased by a conglomerate within the CARICOM region.

POLICY ENDORSEMENTS

During 2021, insurers continued making adjustments to their policy contracts as a result of the COVID-19 Pandemic, by way of exclusion endorsements. Exclusions include (i) communicable diseases, (ii) infectious diseases and (iii) epidemics. These amendments were largely influenced by international reinsurers who incorporated these clauses in their reinsurance treaties. The FSRA has issued directives to Insurers regarding those endorsements to ensure that full and complete disclosure is made to policyholders.

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 the 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. The credit union sector (the Sector) in Saint Lucia comprises 16 credit unions and a “Credit Union League” (the League), which serves as a secondary body for the advancement and advocacy of the credit union sector in St Lucia.

The Sector’s primary business is the promotion of thrift, savings and provision of accessible loans to members. In addition, credit unions offer other services to members such as vehicle, medical and family indemnity insurance plans through insurance brokers.

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, delinquency recovery and education.

FINANCIAL & ECONOMIC INSIGHT:

For the period ended December 31, 2021, the credit union sector experienced a paradigm shift in the conduct of business. We present below data of the performance of the sector during the pandemic period along with historical data.

Income Year	Total Assets	Total Withdrawable shares & Deposits	Total Liabilities	Institutional Capital	Percentage of Institutional Capital / Assets	Total Share Capital (Permanent)	Percentage of Permanent Shares / Assets
2013	552,034,054	393,046,497	448,037,150	86,872,722	16%	18,664,445	3%
2014	604,358,592	480,486,613	493,021,469	98,588,790	16%	22,613,683	4%
2015	672,371,519	536,970,193	536,970,193	117,570,935	17%	27,340,439	4%
2016	782,988,581	632,332,205	639,847,975	132,577,697	17%	34,795,966	4%
2017	871,240,735	702,329,185	711,737,295	148,765,822	17%	41,118,809	5%
2018	989,184,726	796,673,487	807,175,677	174,155,350	18%	50,432,055	5%
2019	1,095,856,689	885,074,677	895,904,661	190,416,200	17%	57,851,678	5%
2020	1,185,008,871	961,938,397	976,222,045	190,209,926	16%	62,417,046	5%
2021	1,315,291,928	1,079,836,332	1,097,947,498	202,832,540	15%	69,773,369	5%

Table 3: Key Regulatory Indicator

TOTAL ASSETS:

Total Assets demonstrated an increasing trend over the past nine (9) years and stood at $1,315 million in 2021, representing a 6.64% increase from the prior year. Seven per cent (7%) of total assets represent investments in “Government of Saint Lucia Bonds”.

CAPITAL:

Over the past eight (8) years, the Financial Services Regulatory Authority (the Authority), with technical aid from the Eastern Caribbean Central Bank (ECCB), has conducted several consultations, with the sector and other stakeholders, with the view to the passage of the Cooperative Societies Bill (pending legislation). The proposed Bill has prescribed a minimum share capital requirement (members’ share capital/total assets) where such ratio should be at a minimum of 3%.

Consequently, some credit unions have pre-emptively taken steps to satisfy this provision, which requires at least a minimum of 3%, hence the increasing share capital over the years. (See Figure 1). The Authority has recognized the strides made by the Sector in satisfying this requirement; for instance, some credit unions have increased their minimum share capital per member from $100 to $1,000. In addition, other credit unions have paid dividends to members, a percentage of which has been allocated to permanent shares, among other measures.

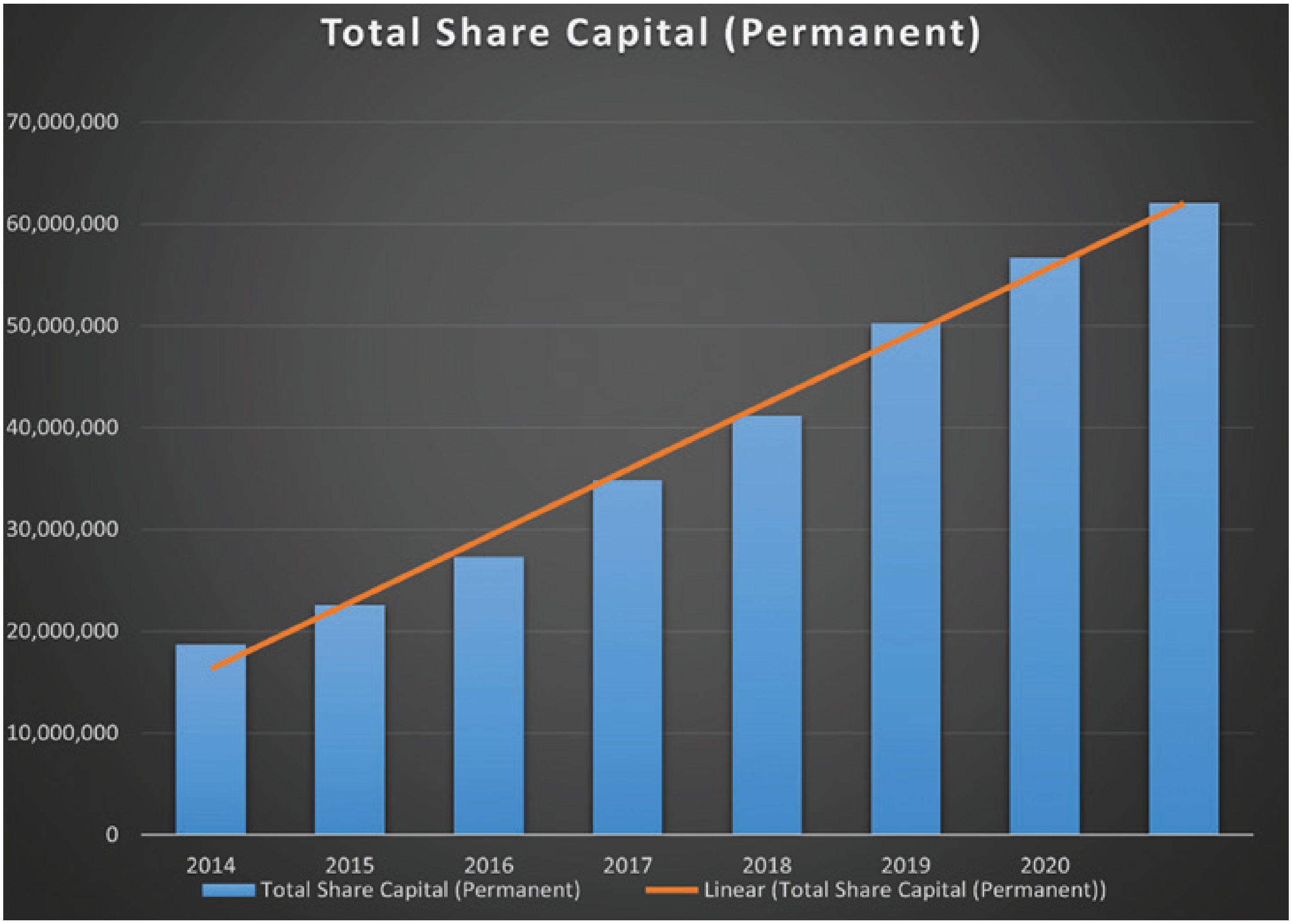


Figure 17: Members’ Share Capital

The Bill also prescribes a Capital adequacy (institutional capital/total assets) level, where such ratio should be at a minimum of 12% (regulatory standard). The institutional capital to total assets ratio remained relatively unchanged over the years with slight variations and stood at 15%, in 2021 a decline of one per cent (1%) from 2020. Overall, the performance is above the minimum benchmark requirement of 12%, offering the sector strength to withstand unexpected losses. (see Figure 18).

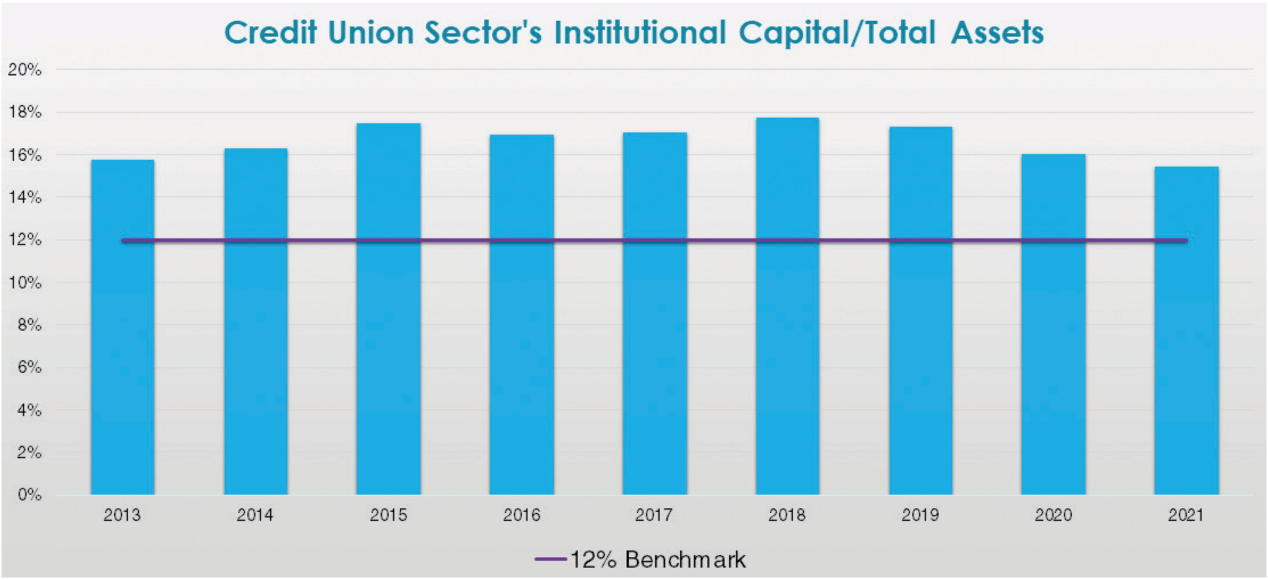


Figure 18: Capital Adequacy Ratio

LIQUIDITY:

The sector remains liquid with most credit unions reflecting a ratio above 15%, the minimum benchmark set by PEARLS and legislation. On the whole, the sector's liquidity position has improved suggesting renewed confidence, after experiencing a dip in the prior year (2020) as a direct financial impact brought about by the pandemic.

Noteworthy, approximately 50% of the sector experienced a contraction in their liquidity ratio for the period ended December 31, 2021, compared to December 2020.

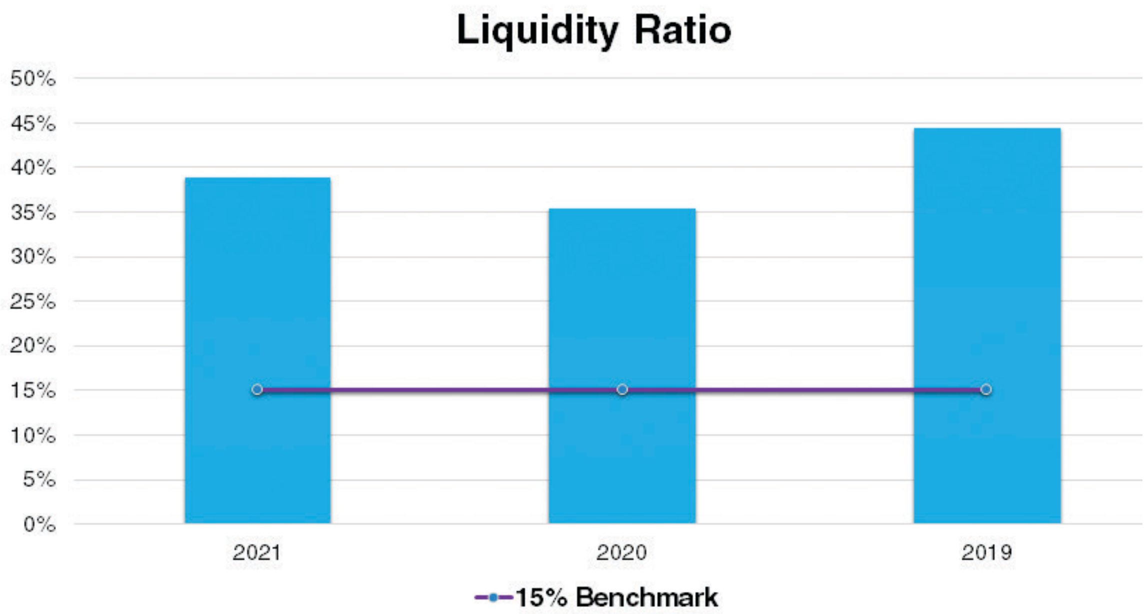


Figure 19: Liquidity Trend

LOANS, DELINQUENCY & PROVISIONING (REGULATION 30)

Income Year	Total Assets	Total Loans	Total Delinquent Loans	Total Delinquent Loans/Total Loans	Total Provisions on Loans	Provisions on Loans/Total Delinquent Loans	Institutional Capital less Delinquent Loans NO PROVISION	Percentage of Institutional Capital less Delinquent Loans NO PROVISION / Assets
2014	604,358,592	439,318,934	50,711,135	12%	16,696,548	33%	64,574,203	11%
2015	672,371,519	505,270,587	56,173,728	11%	16,028,098	29%	77,425,305	12%
2016	782,988,581	568,918,047	58,220,553	10%	14,693,315	25%	89,050,459	11%
2017	871,240,735	628,710,244	64,761,574	10%	13,832,028	21%	84,004,248	10%
2018	989,184,726	694,895,165	62,301,307	9%	24,591,214	39%	136,445,257	14%
2019	1,095,856,689	733,923,615	63,053,292	9%	24,456,916	39%	151,819,824	14%
2020	1,185,008,871	766,277,561	97,812,050	13%	28,214,793	29%	120,612,669	10%
2021	1,315,291,928	891,563,637	87,623,556	10%	39,989,417	46%	155,198,401	12%

Table 4: Total Loans & Asset Quality

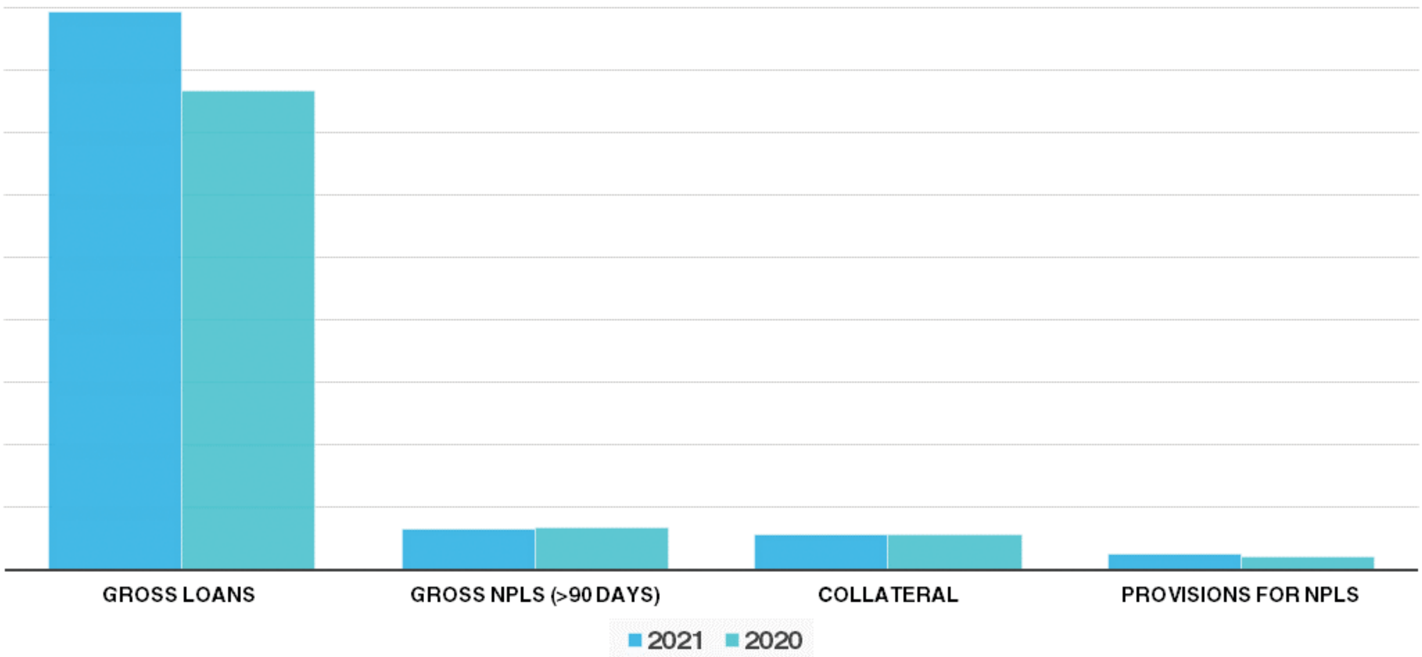


Figure 20: Asset Quality (Sector)

Total loans amounted to $891.56 million for the year ended December 31, 2021, compared to $766.27 million for the prior year ended December 31, 2020. There was a decline in recorded delinquent loans from $97.8 million to $87.62 million, representing a decrease of 10%.

The sector has not met the goal of placing 70-80% of its assets in loans to its members. However, strides are being made with loans to assets increasing by 3% to stand at 68% in 2021 (2020:65%).

Figure 21 indicates that total delinquent loans to total loans have consistently remained above the maximum benchmark of 5%. Despite this, Figure 22 below demonstrates that for the year ended December 2021, provisioning as a percentage of delinquent loans increased to 46% from (the prior year 2020) 29%. However, as depicted by Figure 20 above, whilst the sum of collateral and provisions for NPLs appear adequate in covering the Gross NPLs (>90 Days) it must be noted that the quality and collectability of collateral assigned to these NPL's must be examined with a greater level of scrutiny to ensure that the Credit Union sector's level of provisioning is adequate. Furthermore, as of December 31, 2021, gross loans for the sector increased, after experiencing a decline in the prior years, possibly due to uncertainties in the economy.

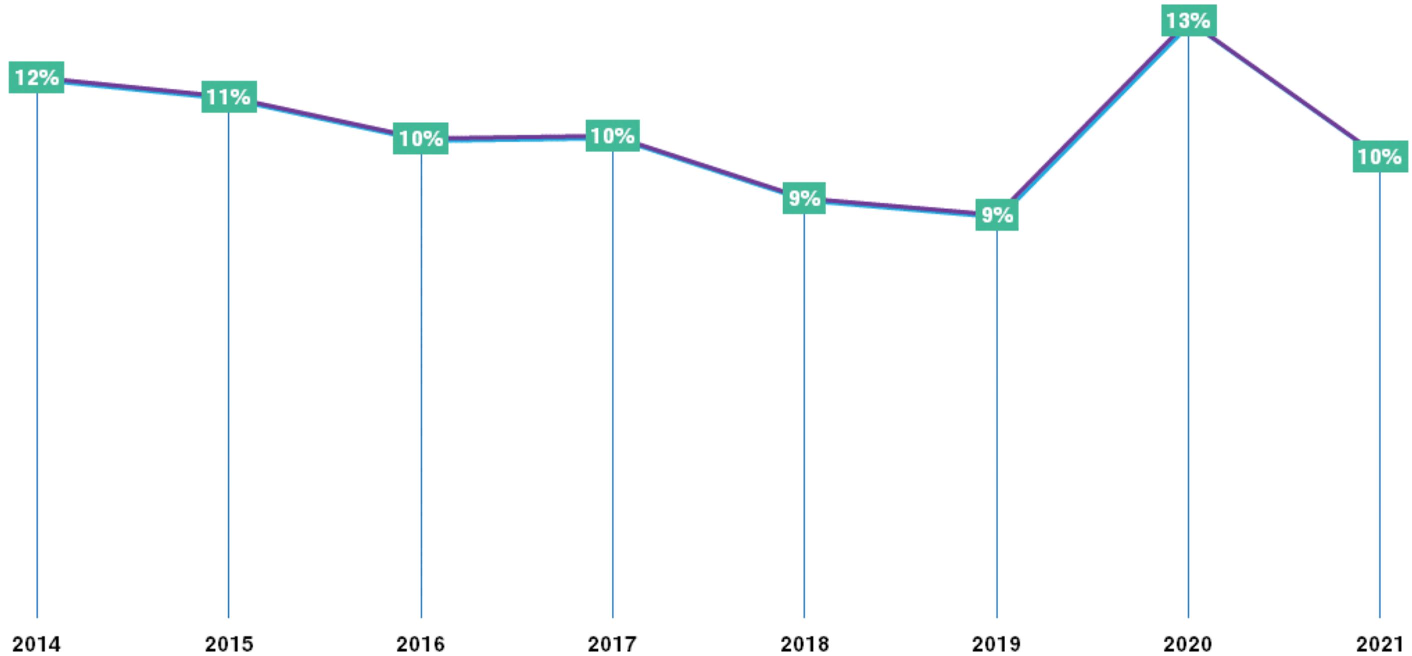


Figure 21: Delinquency Trend

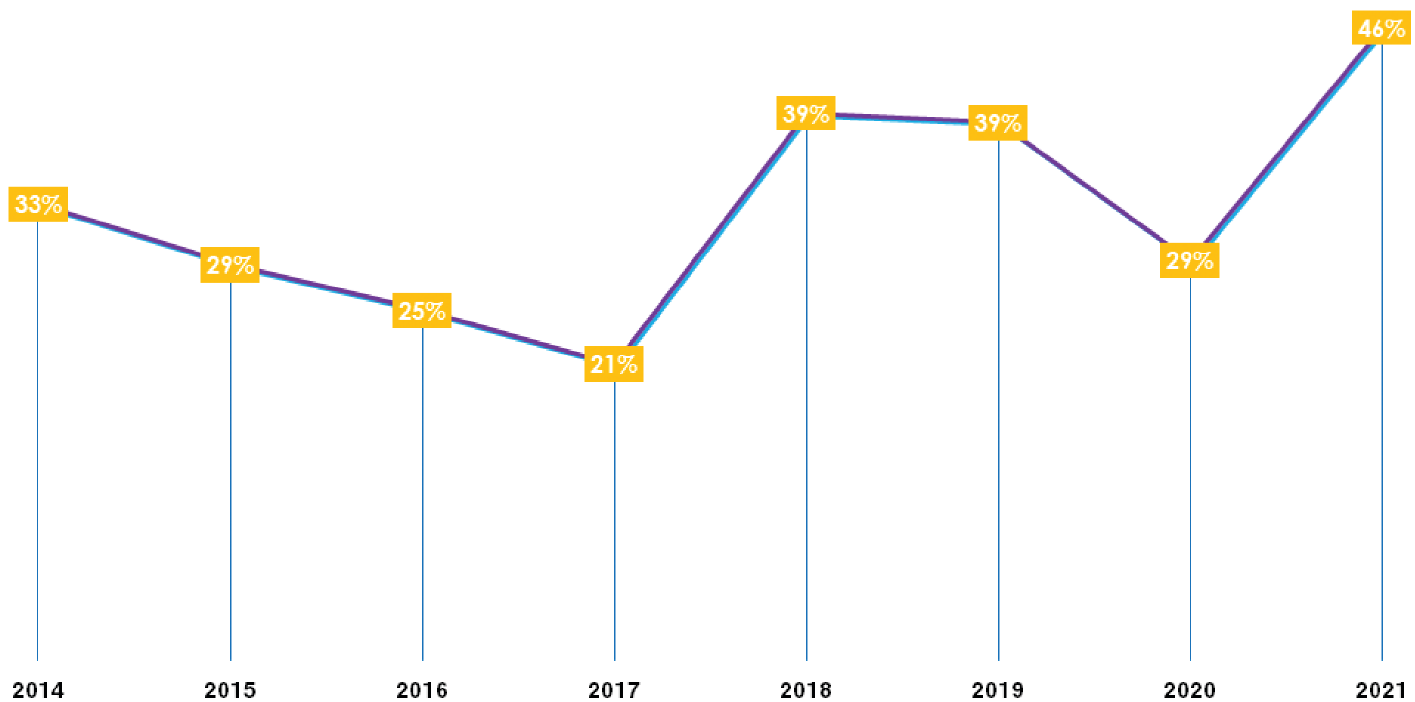


Figure 22: Provisioning

Credit unions are required to include greater disclosure in the reporting to members and the Authority in relation to IFRS 9 and regulatory provisioning for loan loss, in the notes to the Audited Accounts. This disclosure is necessary as it gives members insight into the quality and performance of loans and provides some level of measurement of the Board's and management's performance and regulatory oversight. The credit union is expected to apply the greater provisioning of the two (Regulatory/IFRS 9) when providing for loan losses.

Credit Unions	Implementation of IFRS 9 Dec 2020	Implementation of IFRS 9 Dec 2021
Coop 1	NO	YES
Coop 2	YES	YES
Coop 3	YES	YES
Coop 4	NO	NO
Coop 5	NO	NO
Coop 6	NO	NO
Coop 7	YES	YES
Coop 8	NO	NO
Coop 9	YES	YES
Coop 10	YES	YES
Coop 11	YES	YES
Coop 12	YES	YES
Coop 13	YES	YES
Coop 14	NO	NO
Coop 15	NO	NO
Coop 16	NO	NO

In 2020, 8 CREDIT UNIONS IMPLEMENTED IFRS 9
IN 2021: 9 CUS

Table 5: IFRS 9 implementation

Furthermore, the Authority has proposed amendments to the Co-operative Societies Regulations with regard to the reporting of loan loss provisioning, and charge-offs (Regulation 42 of the Co-operative Societies Regulations). This proposed regulation aims to strengthen the notion of collateral in addition to providing guidance on what should constitute collateral for a doubtful loan (delinquent loans greater than three hundred and sixty-five days).

AREAS OF GROWTH:

Despite still reeling from the onslaught of the Covid-19 pandemic, for the period ended December 31, 2021, the sector also reported growth in other areas, such as, total employment reaching an all time high of 323 persons (309-Dec.2020) and total membership of 126,204 individuals (121,026-Dec.2020).

The financial performance of the Sector has been generally evaluated as being stable with increases in total assets, institutional capital, liquidity and equity, which is reflective of a resilient and sustainable sector, supported by regulatory oversight and supervision.

REGULATORY OVERSIGHT & SUPERVISION:

The Authority engaged in continuous regulatory oversight functions to preserve members' deposits and maintain a stable financial sector industry. Some activities undertaken by the Authority are that of onsite, off-site supervision (risk-based supervision), stress testing and stakeholder meetings (particularly given unprecedented times).

The FSRA utilizes a prompt corrective action Framework which entails five (5) steps to guide its intervention as follows:

1. Watchlist/Increased Reporting
2. Restoration Plan
3. Restricted Action or Restructure
4. Administrator or Merger
5. Merger or sale or closure

Furthermore, training is provided to the industry or specific credit unions upon request or where necessary, in areas such as corporate governance and the role and functions of committees as well as reporting requirements. The FSRA will be seeking to improve the frequency of its meeting with the St. Lucia Co-operative Credit Union League Limited (the umbrella body for credit unions) to coordinate on development areas, remedy sector issues and work together where interventions are required to foster financial stability and growth of the credit union sector.

STRESS TESTING:

A Stress Testing exercise was conducted on specific critical areas including that of capital adequacy to determine the possible impact on credit unions if various economic shocks were to occur that would negatively affect credit unions' financial performance. In the figure below, it is noted that the credit union sector's pre-shock capital/TA ratio stands at 15.4% which is slightly above the prudential minimum of 15%.

A few assumptions of the Stress Testing Exercise include the following:

- 100% uniform asset quality deterioration;
- NPLs in arrears for more than 1 year is provisioned for at 100%;
- Testing of credit union's exposure by assuming 100% default of consumer and mortgage loans with a provisioning rate equal to the average historical rate;
- Default and write-off of the largest 3 borrowers from each institution;
- 3%/2% percentage points downward parallel shift of the yield curve;
- 50% demand deposit run;

The assumptions made were of a worst-case scenario and the stress test shocks applied to the data as at December 31, 2021, when compared to the data was at December 31, 2020, showed that the credit union was less resilient to five (5) of the shocks at year ended 2021 when compared to 2020.

STRESS TESTING:

31-Dec-21	Average
Pre-shock Capital/TA ratio	**15.4%**
Capital/TA after:	
1a- Uniform 100% increase in NPLs	12.9%
1b- Write-off adjustment	13.7%
2a- 100 % Sectoral NPL increase (Consumer)	15.2%
2b- 100 % Sectoral NPL increase (Mortgages)	14.0%
2c- Default of largest 3 loans	13.4%
3 – 3%/2% points downward parallel shift of yield	14.0%
Pre-shock ROA	**1.2%**
ROA after:	
3 – 3%/2% points downward parallel shift of yield	-0.2%
Pre-shock Liquidity ratio	**28.7%**
Liquidity ratio after:	
4- 50% Demand deposit run	16.9%

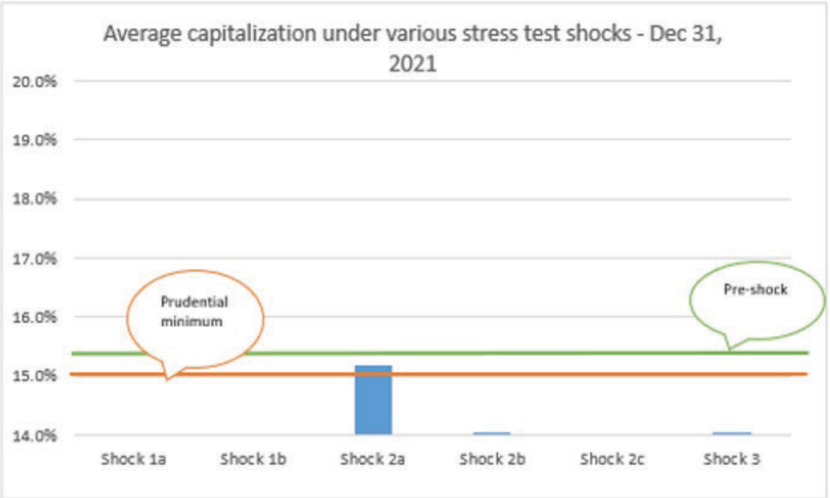


Figure 23: Stress Testing

31-Dec-20	Average
Pre-shock Capital/TA ratio	**16.5%**
Capital/TA after:	
1a- Uniform 100% increase in NPLs	13.9%
1b- Write-off adjustment	15.2%
2a- 100 % Sectoral NPL increase (Consumer)	16.3%
2b- 100 % Sectoral NPL increase (Mortgages)	15.2%
2c- Default of largest 3 loans	14.5%
3 – 3%/2% points downward parallel shift of yield curve	15.4%
Pre-shock ROA	**1.6%**
ROA after:	
3 – 3%/2% points downward parallel shift of yield curve	0.4%
Pre-shock Liquidity ratio	**31.3%**
Liquidity ratio after:	
4- 50% Demand deposit run	15.3%

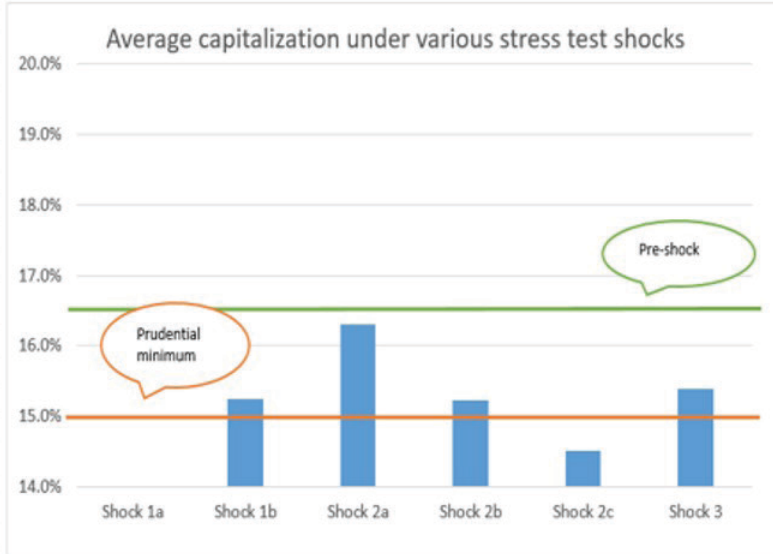


Figure 24: Stress Testing

Notwithstanding, as stated above, the stress test performed was a worst-case scenario and the probability of such occurrences are low. Hence, the credit union sector continues to remain resilient and able to withstand shocks.

OTHER INITIATIVE:

ECCB DIGITAL CURRENCY (DCASH)

Progress on the Digital EC Dollar (Dcash) pilot project continued in 2021. This Pilot project is a strategic initiative of the Eastern Caribbean Central Bank (ECCB) aimed at advancing the socio-economic transformation of our region. The largest credit union (in Saint Lucia) under the supervision of the FSRA, is a participant in the Dcash pilot project.

The road to DCash has been an innovative and rewarding journey though not without its challenges. During the start of the launch of the Dcash pilot project there was limited member onboarding. However, an uptake in the project is anticipated during the next year, as ECCB increases advertising and engagement of local merchants.

Overall, the financial institutions are in support of the ECCB's digital payment platform-Dcash as an avenue for propelling digital transformation and improving financial connectivity across the region.

As we look to the future, ECCB has indicated that several new features will be added to the list of DCash functionalities and tested as part of the pilot. These include the introduction of an e-commerce function, which will allow business owners to accept DCash via their websites and government to consumer payments.

Money Services Business

The Money services business sector is regulated in accordance with the Money Services Business Act, Cap 12.22 of the Revised Laws of Saint Lucia (the Money Services Business Act). The Act has been amended in previous years as necessitated by a changing regulatory environment.

The most recent amendment was approved in May 2021, resulting in the addition of a new class of business, "Class F". The holder of this new class of business can provide lending facilities above $50,000. Therefore, as at December 31st, 2021, the money services business sector comprises a total of sixteen (16) licensed money services business providers (MSB) which include: five (5) Money Transmitters ("Class A"), nine (9) micro-lending entities ("Class E") and two (2) Lending entities (Class "F"). The table below represents a breakdown of the aforementioned.

Type of License	Description	No of Licences 2020	No of Licences 2021
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	8	9
Class F	1. Lending	0	2
TOTAL		13	16

Table 6: Money Services Business - Classes of Licence

MONEY TRANSMITTERS

GROWTH IN THE SECTOR

Inflows

For the year 2021, total remittance inflows for the sector totalled XCD 168.94million, a sharp increase of 12.32% (18.5million) from 2020. Figure 25 reveals a generally increasing trend in remittance inflows for the five-year period 2017-2021, with the sharpest increase experienced during 2019-2021 as opposed to the gradual increase in the previous years. This sharp increase was largely due to the influx of financial stimulus from abroad to buffer the effect of job losses and business closures during the Covid 19 pandemic.

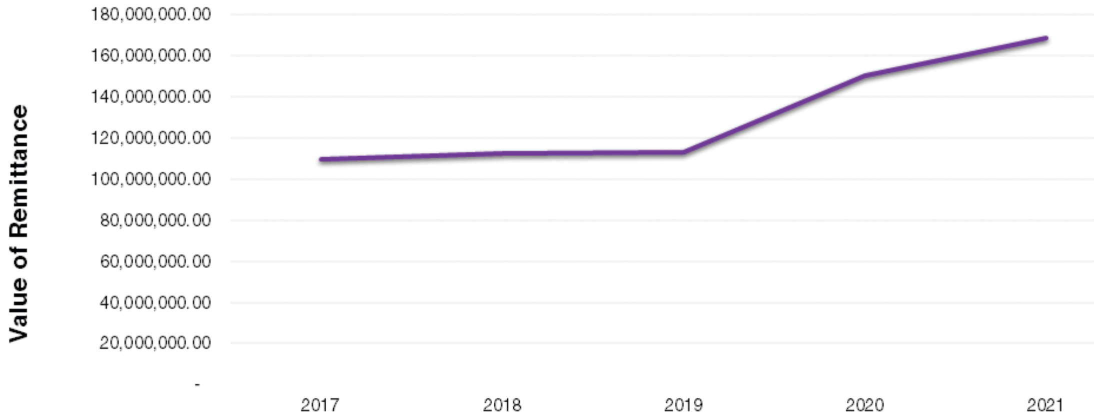


Figure 25: Money Transmitters -Trends in remittance Inflows

Outflows

Total Remittance Outflows totalled XCD 17.4 million for the year 2021. A decreasing trend is observed throughout the five-year period, which coincides with a decreasing GDP growth rate for the country during 2017-2021 . Therefore, with a reduced income per capita, remittance outflows trended downwards. The socio-economic impact of Covid 19 restrictions continues to affect countries globally. It was stated in a World Bank article, posted on April 22nd, 2020, that remittances to low and middle-income countries (LMICs) were projected to fall by 19.7 percent to USD 445 billion, representing a loss of a crucial financing lifeline for many vulnerable households. For our jurisdiction, this resulted in fewer remittances sent abroad in 2020 and 2021 than in previous years. However, a slight incline was experienced in 2021 as compared to the previous year. During the five-year period, an overall decrease of 24% (XCD 5.3million) in remittance outflows was noted.

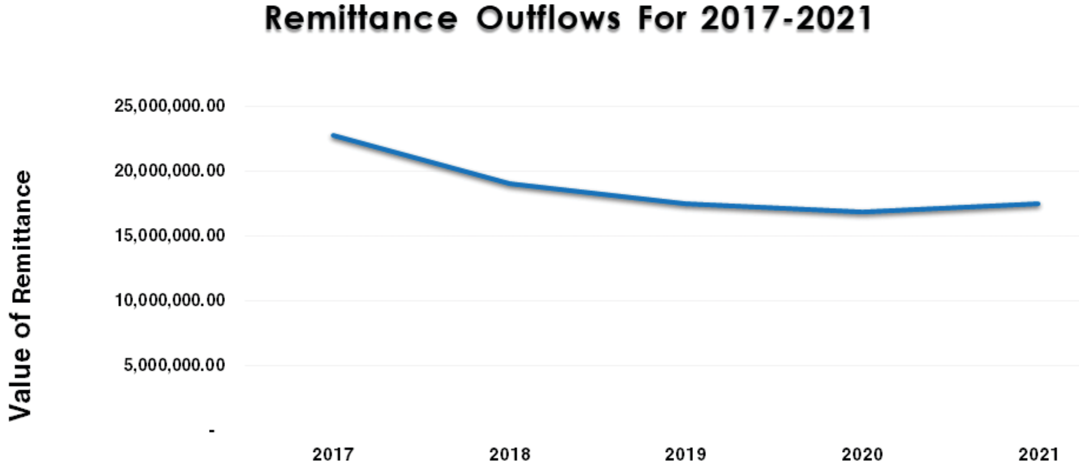
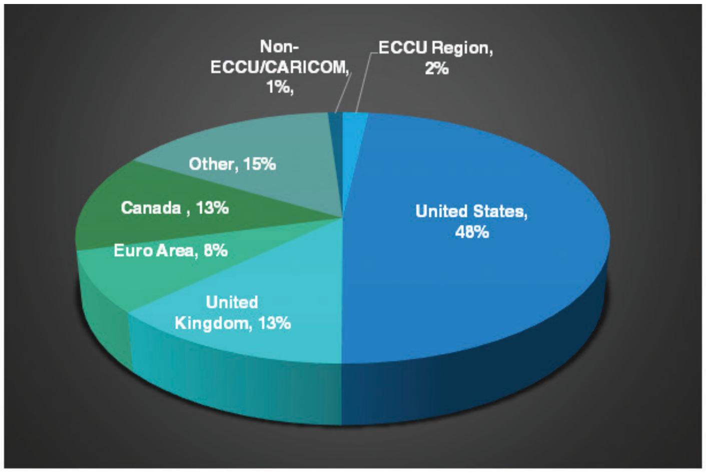


Figure 26: Money Transmitters - Trend in Remittance Outflows

COUNTRY PROPORTION

The United States of America (USA) continues to account for the largest proportion of remittance inflows. Total share of inflows stood at 48%, as seen in Figure 27 which declined by 5% from the previous year. Though Remittances for Canada remained the same, the United Kingdom (UK) and Euro area increased by 1% while Other Nations by 2%. No change in the share of inflows from the UK was experienced and thus remained at 7%. Conversely, inflows from the ECCU region and Non-ECCU/CARICOM fell by 2% and 1%, respectively.

The share of remittance outflows to the USA is lower than inflows but still the highest overall share, at 32% (4% decrease from 2020). Other countries record the second highest proportion at 24%, an increase of 1% from 2020. While the percentage share increased by 1% for Canada and the UK the converse was true for remittances to the Euro Area. Non-ECCU/CARICOM, with the third highest at 15%, experienced an increase of 2% from 2020 while a decrease in remittance outflows was realized for the ECCU of 1%.



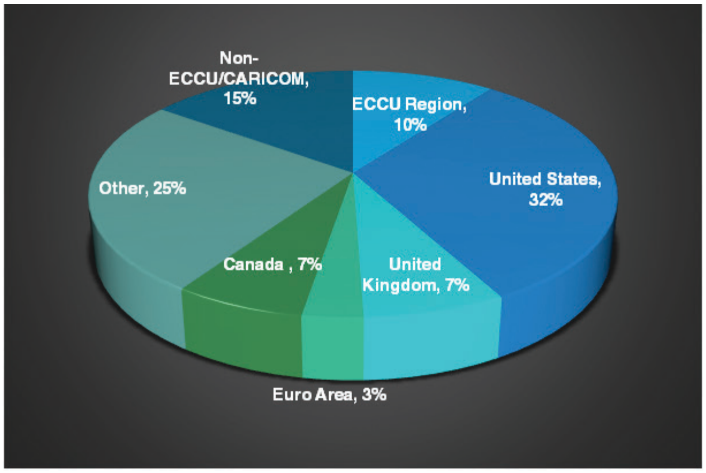


Figure 27: Money Remittance - Inflows during 2021 by region

REMITTANCE INFLOWS 2021					
	2017	2018	2019	2020	2021
ECCU Region	3,152,826	4,612,761.80	4,816,785.95	3,542,370.98	3,088,307.26
Non-ECCU/CARICOM	2,095,697.100	2,035,780.56	2,208,229.71	79,034,859.86	1,777,368.71
USA	58,801,500.510	55,992,339.98	56,522,851.77	18,201,694.81	81,491,678.23
UK	13,986,656.960	14,022,329.23	13,948,275.24	10,722,111.50	21,682,271.77
EURO AREA	6,441,150.11	7,222,773.31	7,418,699.94	19,087,356.18	13,410,676.55
Canada	11,477,658.95	11,643,878.75	11,988,029.59	18,551,574.67	21,414,754.85
Other	13,837,651.85	16,972,791.02	16,380,298.51	1,278,739.15	26,083,286.28
Total	109,793,141.44	112,502,654.65	113,283,170.71	150,418,707.15	168,948,343.65

REMITTANCE OUTFLOWS 2021					
	2017	2018	2019	2020	2021
ECCU Region	1,917,814.53	1,705,389.58	1,584,697.38	1,830,932.23	1,798,542.45
Non-ECCU/CARICOM	1,831,179.65	1,891,613.73	1,834,886.89	6,006,673.07	2,636,412.85
USA	7,110,028.04	6,149,049.70	6,445,543.10	1,153,369.84	5,528,418.23
UK	1,518,704.31	1,441,121.33	1,581,218.17	594,326.92	1,304,530.25
EURO AREA	755,923.04	665,674.39	806,708.59	954,706.61	553,072.56
Canada	1,151,823.22	1,221,828.29	1,242,334.72	4,075,258.21	1,202,311.71
Other	8,518,535.75	5,967,292.52	6,702,252.17	2,246,435.89	4,429,996.62
Total	22,804,008.54	19,041,969.54	20,197,641.02	16,861,702.77	17,453,284.67

Table 7: Total Inflows and Outflows by Region- 2017-2021

MICRO-LENDERS

Analysis of the Sector

Figure 28 below reveals that loans disbursed between the range of $0 to $5,000, account for the largest proportion of Aggregate Loans approved which equals XCD 24.94 million (37.95%, 2021; 42.07%, 2020). The second largest loan range totals 15.24million (23.2%, 2021; 22.84%, 2020). This yearly trend is consistent with third world developing countries where half the population earns an average monthly income of less than XCD2,700 two thousand and seven hundred. The loan range XCD20,000 to >XCD50,000 remains the least subscribed, as given the average income level, persons may not qualify for larger loan disbursements. This pattern is observed throughout the years (7.85%, 11.09%, 6.30%, 2021; 6.94%, 7.12%, 6.59%, 2020).

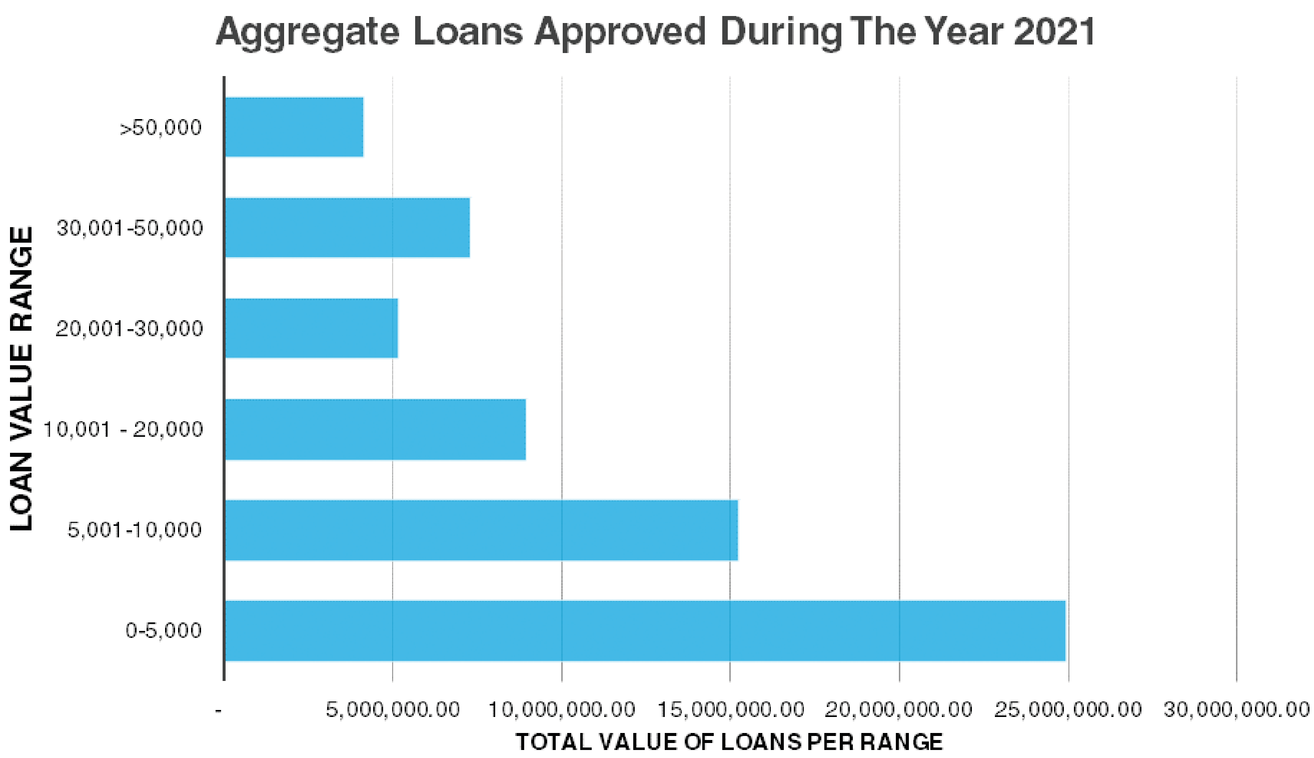
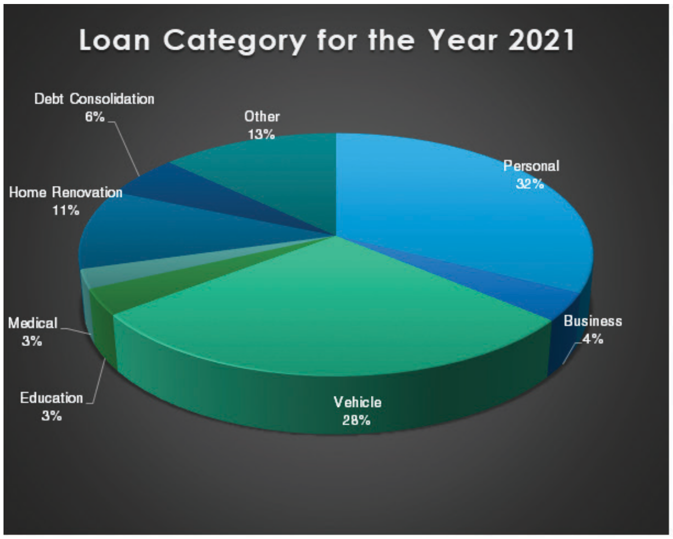


Figure 28: Micro – lenders - Aggregate Loans Approved During 2021

As depicted in Figure 29, personal loans account for the largest portion of loans (32% - 2021; 30%-2020), a slight increase from the prior year (2020). Notably, in 2021, education and medical loans appear to be the least demanded loan categories, being at three percent (3%) respectively. In 2021, a decrease was recorded for debt consolidation (3%), whilst the sector observed increases in home renovation three percent (3%) and vehicle loans eight percent (8%). Despite the economic downturn resulting from Covid 19, total loans increased by 26.1%.



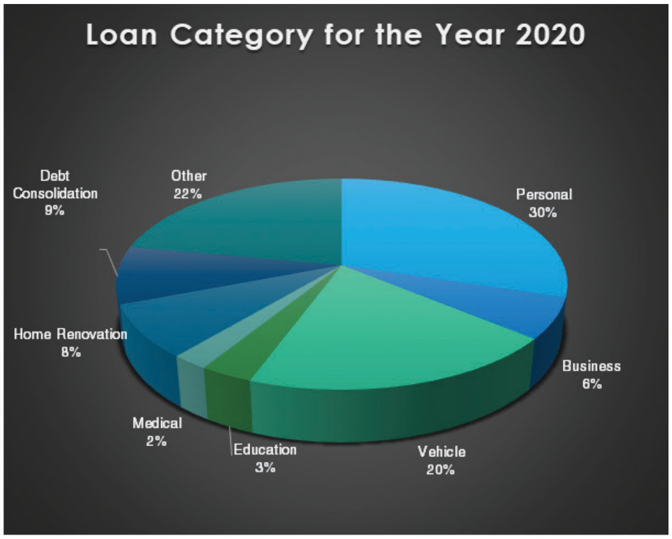


Figure 29: Loan Category for the Years 2021 & 2020.

Type of Loan	Total Amount	Total Amount
	(31, December 2021)	(31, December 2020)
Personal	22,068,858.61	16,076,580.76
Business	2,534,746.08	3,376,088.66
Agriculture	-	-
Vehicle	19,406,560.97	10,530,283.85
Education	2,354,283.99	1,745,321.51
Medical	1,730,839.84	1,217,632.85
Home Renovation	7,312,491.52	4,344,122.93
Debt Consolidation	3,844,262.49	4,765,560.41
Other	8,818,791.01	11,900,305.19
Total	68,070,834.51	53,955,896.16

Table 8: Micro-lenders - Percentage of Loans by Category

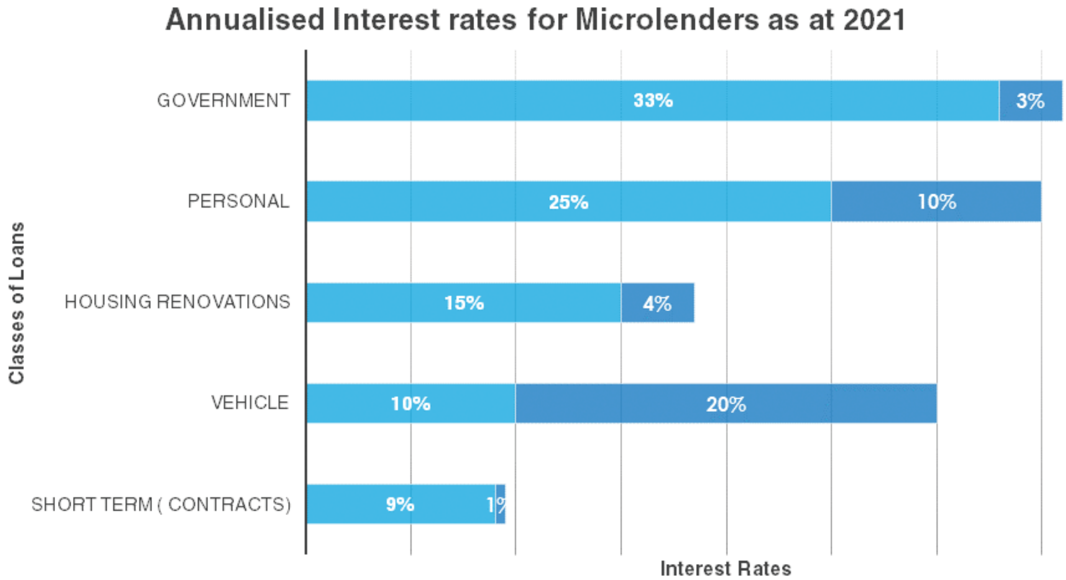
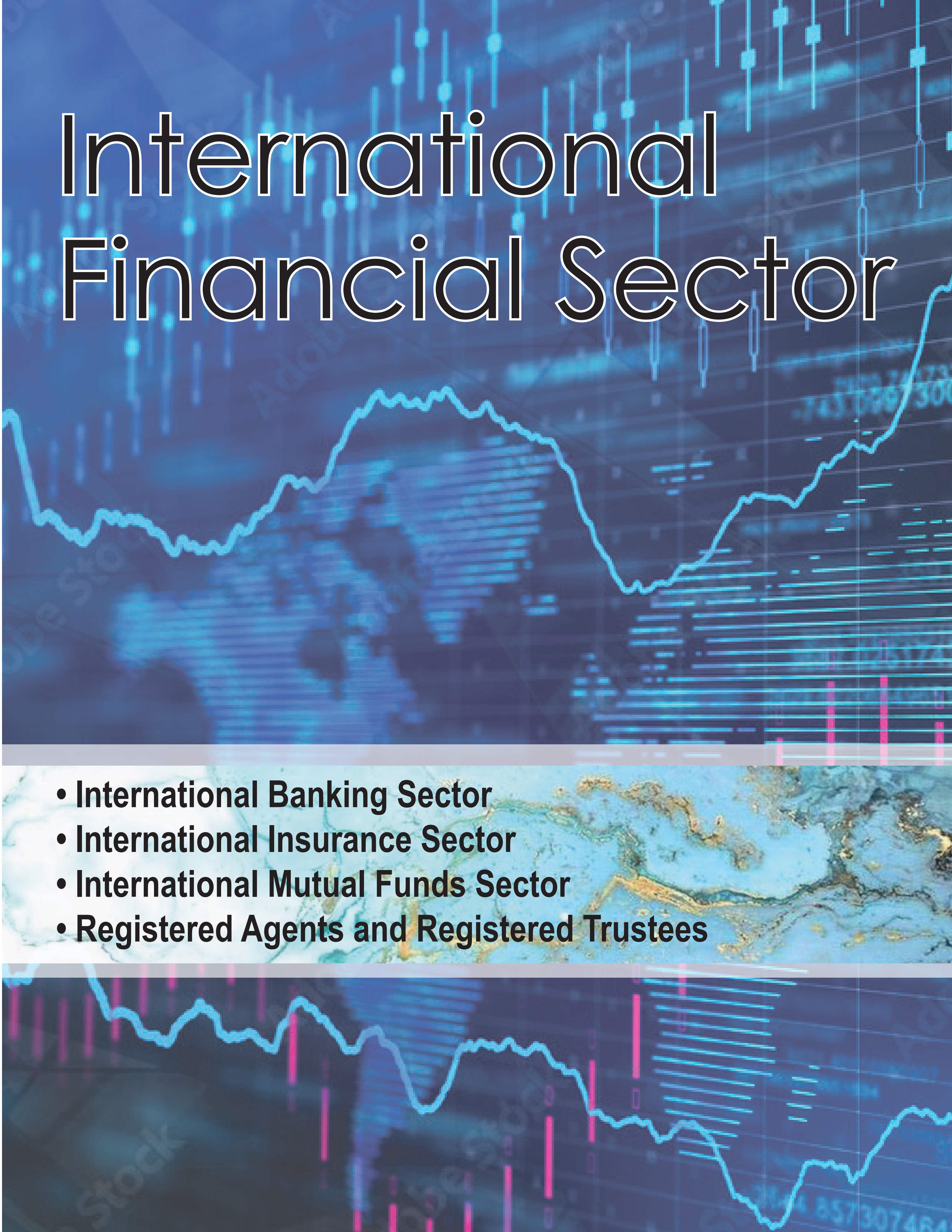


Figure 30: Annualised Interest rates for Microlenders as at 2021

The interest rates of loans offered by microlenders have remained in the same range over the past three years (2019-2021). Figure 30 above details the range of interest rates assigned to the various classes of loans offered by microlenders.

A comparison between microlending loans and traditional loans reveals several differences which affect interest rate levels. These differences are related to the smaller size of the loans; the operational follow-up required on the borrower and the fact that micro-lending institutions have to procure their own capital. Therefore, they represent two distinct business models.

The interest rates applied by microlenders may be presented to customers as a monthly interest rate, as opposed to the annual interest rate. It is to be noted that Saint Lucia does not have any Usury laws that impose interest rate ceilings on loan finance provided by micro-lending institutions. Due to the absence of legislation microlenders usually charge full-cost recovery interest rates. Notwithstanding, the Authority requires microlenders to provide full disclosure to customers on total interest and fees charged during the loan application process in order for the customer to make an informed decision.



International Financial Sector

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

KEY HIGHLIGHTS 2021

INTERNATIONAL SECTOR

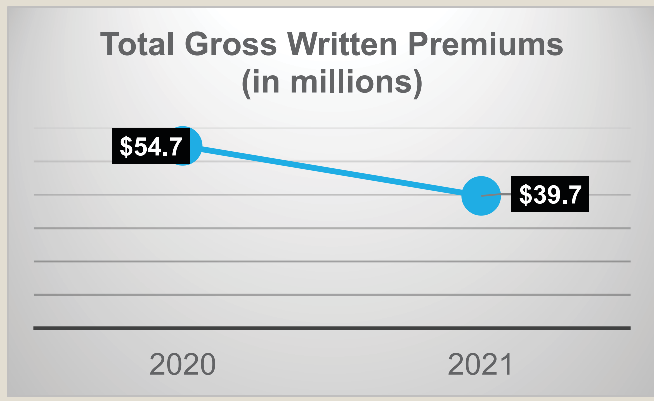
International Banks Sector

International Banks (Class A):
2021: 7 2020: 7

International Banks (Class B):
2021: 4 2020: 4

International Banks Total Assets: $1,008m — *Increase of* **33%**

International Insurance Sector



International Insurance Sector:
2021: 32 2020: 38

International Insurance Companies:
2021: 19

Incorporated Cell Companies :
2021: 4

Incorporated Cells:
2021: 9

Insurers' Total Gross Written Premiums : $39.7 m — *Decrease of* **38%**

International Mutual Funds Sector

Private Mutual Funds
- 2021: 6
- 2020: 7
- 2019: 6

Public Mutual Funds
- 2021: 0
- 2020: 3
- 2019: 3

International Financial Sector

Saint Lucia is an International Financial Centre (IFC) that allows the incorporation of International Business Companies (IBCs) under the International Business Companies Act Cap 12.14 of the Revised Laws of St. Lucia. International Business Companies (IBCs) are registered through the Registry of International Business Companies & International Trusts.

The International Business sector has gone through changes due to the European Union's extensive exercise involving the assessment of the tax regimes in countries around the world to identify harmful tax practices. As a result, Saint Lucia made legislation amendments in relation to Beneficial Ownership and its income tax regime.

The income tax amendments:

• subject international business companies (IBCs) to the same corporate income tax treatment as domestic companies, moving from a tax rate of 1% to 30%, save for foreign source income, which will be exempt from taxation.

• now permit IBCs to do business with residents.

These legislative amendments have severely impacted the International Business Sector as several companies have dissolved or redomiciled to other jurisdictions. As shown in figure 30 below the number of new IBCs incorporated yearly declined steadily from 2017 -2021 (2017:470, 2021: 244). This is also evident in the total number of registered IBCs, which shows a slow rise from 2017 -2021 (2017:2327, 2021:3262).

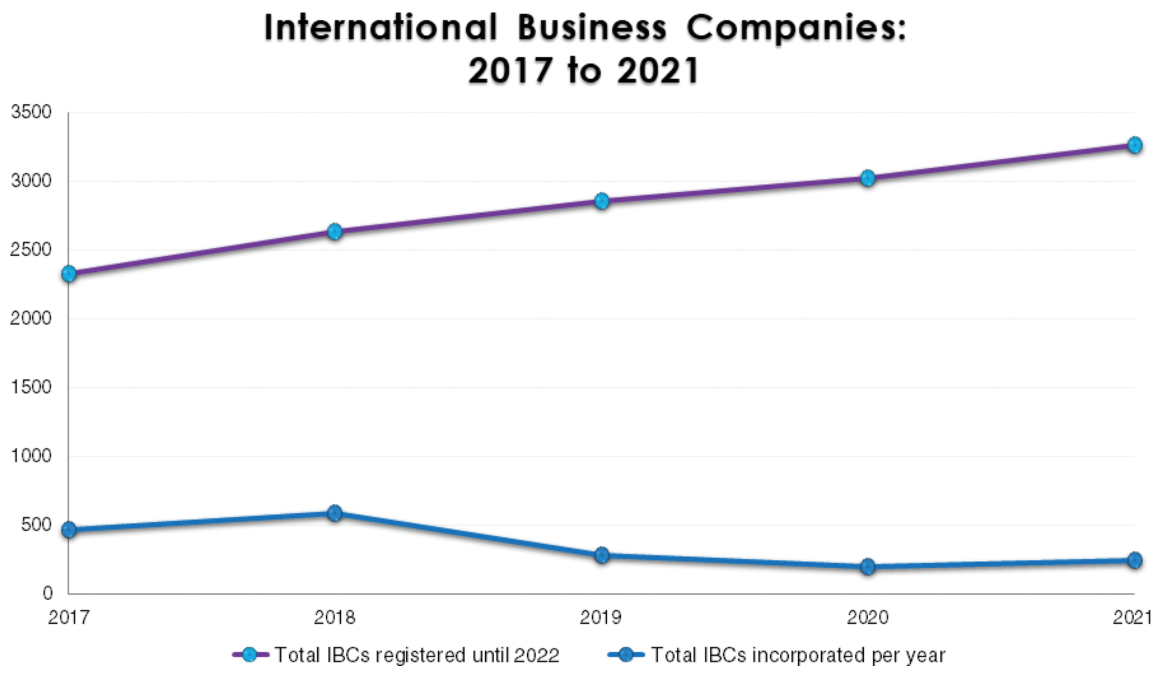


Figure 31: International Business Companies 2017 -2021

International Business Companies (IBCs) that provide financial services such as International Banks, International Insurance, International Mutual Funds (Public and Private) are required to be licensed/registered by the Financial Services Regulatory Authority (FSRA) through powers conferred by the international financial services legislations.

Corresponding to the overall decrease in IBCs, the FSRA has also seen a continued decline in new applications and an increase in licensed/registered entities surrendering of licenses.

International Banks

The International Banking Sector remained relatively stable during the year under review. However, a challenge expressed by new applicants is their difficulty in securing correspondent banking relationships with licensed banks within countries which are members of the Organization for Economic Co-operation and Development (OECD). This has been an ongoing challenge faced by participants within the sector for the past five years.

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 St. 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 10 (ten) persons.

Generally, as indicated in the graph 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 2021. Whilst 2 applications were received during the 2021 period, the Authority reports that for a second consecutive year, no international bank licences were issued. This is attributed to the fact that the applications processed during the 2020 to 2021 period did not satisfy the licencing requirements. However, one applicant 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	2017	2018	2019	2020	2021
Licensed International Banks beginning of period	14	14	14	11	11
Applications Received	1	1	2	0	2
Applications Approved	1	1	0	0	0
Applications Denied	0	3	4	2	1
Pending application	7	4	2	0	1
Revocation or surrendering	1	1	3	0	0
Licensed International Banks ending of period	14	14	11	11	11

Table 9: International Banks – Statistics

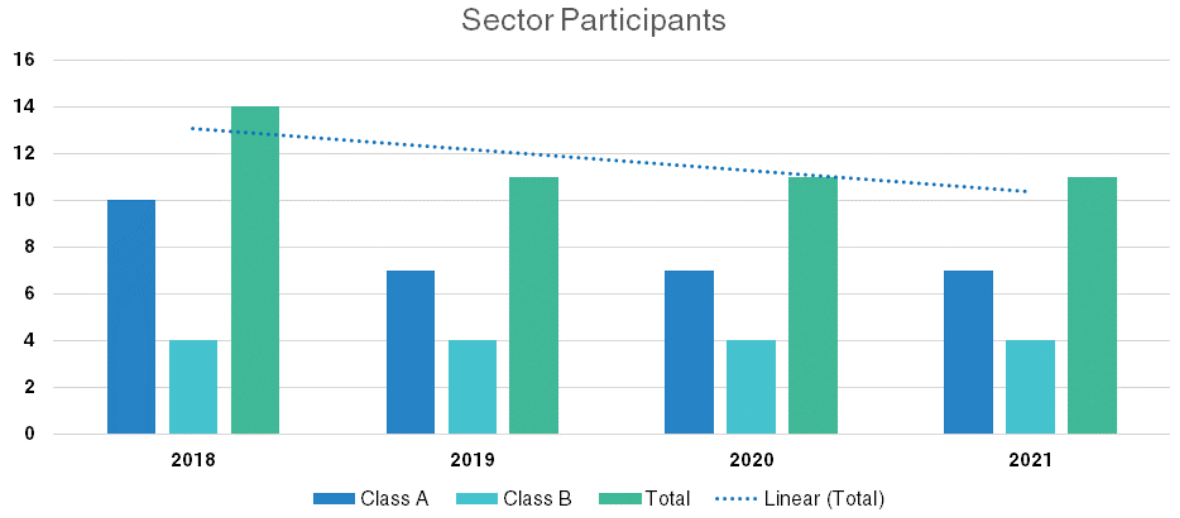


Figure 32: Sector Participants

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

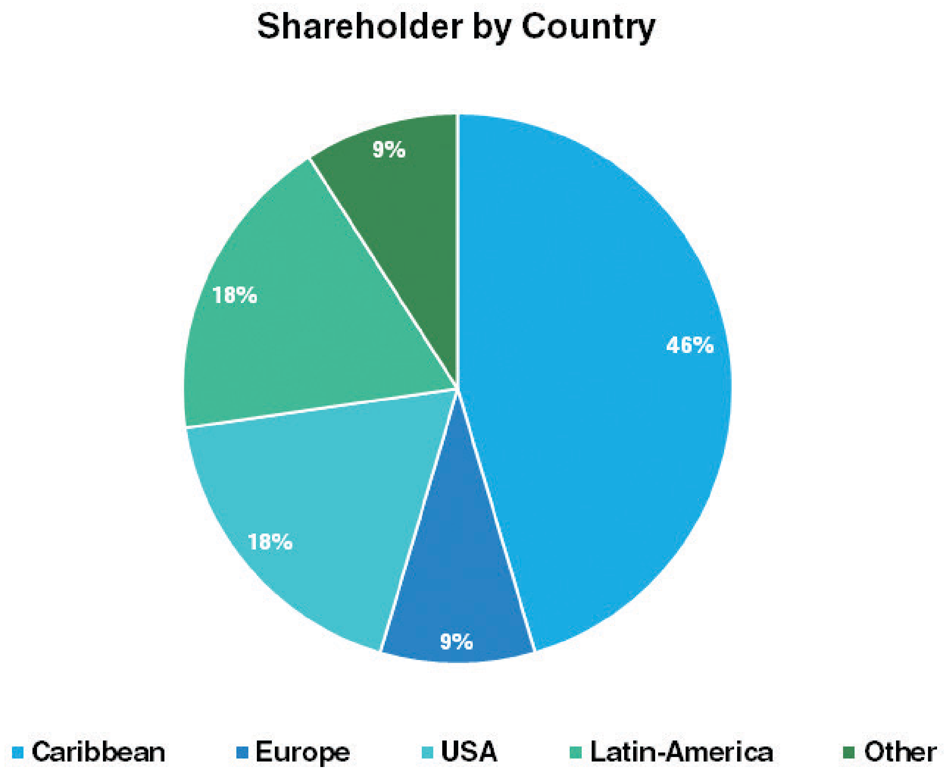


Figure 33: Shareholder by Country

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.

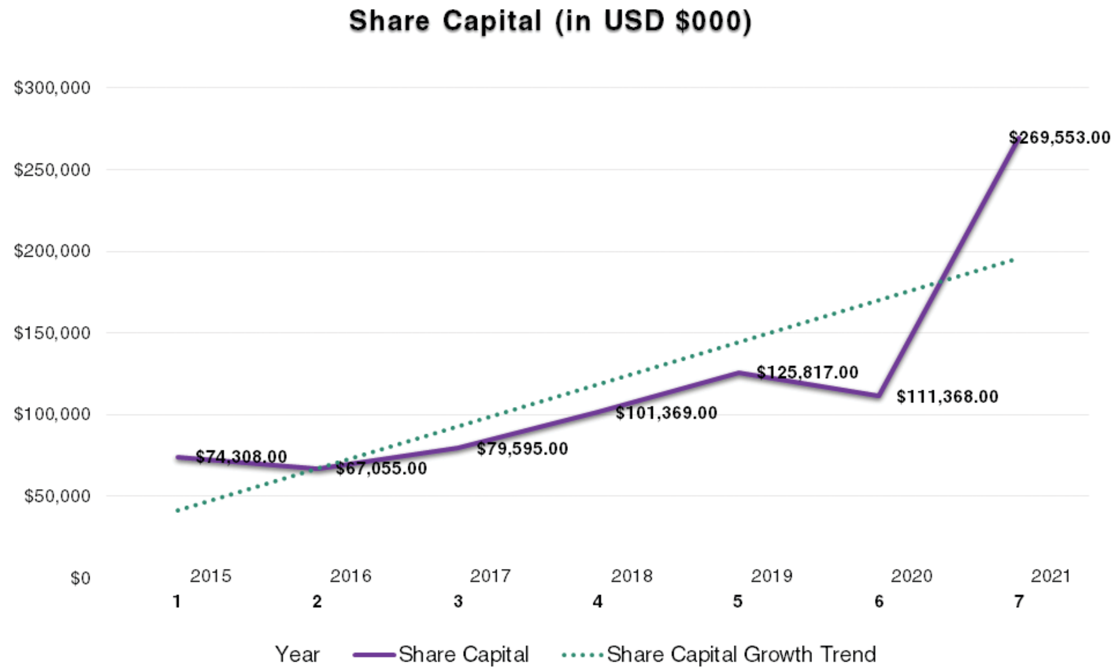


Figure 34: Share Capital Trend

As noted in the above graph, the Sector's upward trend over the past 4 years was disrupted by a reduction of 11% in share capital, which is associated mainly with the revocation and surrendering of three (3) banks in 2019. A significant boom occurred during 2021 with increases across the board in share capital as a consequence of large capital investments undertaken during that period. This is evident by a 142% increase in total sector share capital and a 141% increase in total sector Tier 1 Capital in 2021 as compared to the financial year ended December 2020.

An analysis of table (10) below further indicates a 33% increase in total assets which was mainly due to increases in the level of investments for the period under review. The Sector's local employment impact for the year in review increased to 117 persons as compared to 99 in the prior year (18% increase), which is expected as the sector continues to recover from the negative impact of the Covid 19 pandemic. Furthermore, net income has increased by 48% compared to the year 2020 which indicate banks' recovery post-covid-19. Moreover, the International Bank's Total Asset base continues to increase as evident by the trend of the last five (5) years noted in graph (35) below.

Details	2021	2020	Diff.	Diff.%
Total Assets	1,008,438	672,139	336,299	33%
Share Capital	269,553	111,368	158,185	142%
Tier 1 Capital	374,580	155,350	219,230	141%
Total Deposits	551,520	394,540	156,980	40%
Gross Loans	117,358	123,368	6,010	-5%
Net Income	16,776	11,342	5,434	48%
Total Employees	117	99	18	18%

Table 10: International Banks – Financial Performance (in USD $000)

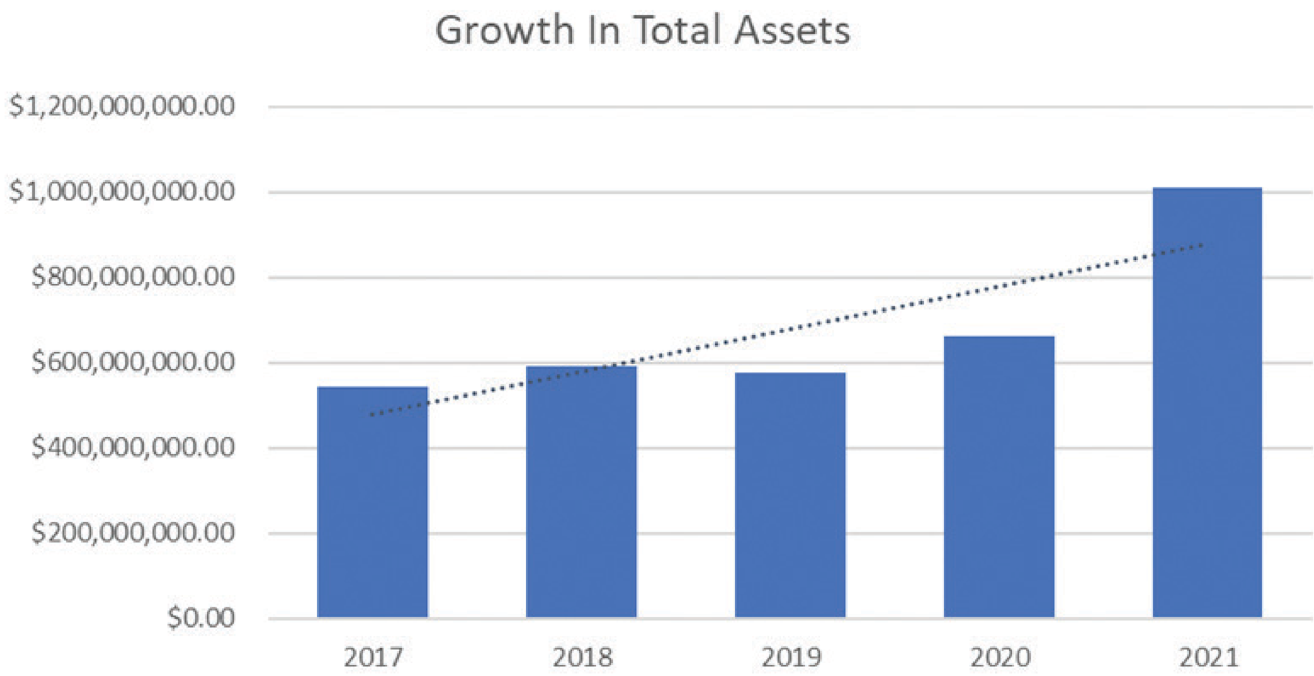


Figure 35: Growth In Total Assets

International Bank Sector Regulatory Amendments

The International Banks Guidance Notes were amended during the 2021/2022 financial year to include guidance notes 10, 11 and 12. Guidance notes 10, 11 and 12 provides guidance on Restrictions on exposures to related parties, Limit on exposures and Limitation in the Guidance notes respectively.

The purpose of this amendment to the International Banks Guidance Notes is to provide clarity and protection to sector participants concerning amounts at risk such as claims on counterparties including actual and potential claims that the licensed International Bank has committed itself to provide, arrange, purchase or underwrite.

Further, this amendment accounts for exposures concerning credit facilities, investments including equities, participations, guarantees and acceptance. Through these amendments, de-risking is emphasized as limitations have been established aimed at strengthening the regulatory framework of the International Banking Sector.

Future initiatives for the upcoming fiscal year 2022/2023

In June 2004, the Basel Committee published the document "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" widely known as Basel II. Basel II aims to build on a solid foundation of prudent capital regulation, supervision, and market discipline, and to enhance further risk management and financial stability.

The move to Basel II will address many of the risks that are not captured under the Basel I framework. The revised Framework provides a range of options for determining the capital requirements for credit risk and operational risk to allow banks and supervisors to select approaches that are most appropriate for their operations and their financial market infrastructure. The Basel Committee defines the operational risk as the "risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". Basel II offers banks three capital calculation methods for operational risk:

- The basic indicator approach
- The standardized approach
- The advance measurement approach (AMA)

The first two approaches are based on fixed percentages of average operating income, with the standardized approach being slightly more granular across business lines than the basic indicator approach. The AMA modelled operational-risk loss exposure using data on each bank's historical experience.

The FSRA considered carefully the benefits of this Framework and as a result, one of the initiatives of the FSRA for 2022/2023 is to request technical assistance from Caribbean Regional Technical Assistance Centre (CARTAC) for the implementation of Basel II for our licensed International Banks.

International Insurance Sector

The International Insurance sector is regulated in accordance with the International Insurance Act, Cap. 12.15, of the Revised Laws of Saint Lucia (the Act). Furthermore, supervision of this sector is supplemented by the Guidance Notes of the Financial Services Regulatory Authority for International Insurance Companies, which set out standardised principles for operational procedures and practices for these entities. Only individuals residing outside of Saint Lucia are allowed to engage in this type of business.

The Act provides for the registration/licensing of:

- **International Insurance Companies:** All companies wishing to do business as an International Insurance Company must do so through an IBC and a registered agent, having a registered office.
- **Incorporated Cell Companies (ICCs):** an international business company (IBC) created for the purpose of doing business using incorporated cells, with each holding separate and distinct assets and liabilities. Each IC therefore transacts separate and distinct insurance business.
- **Incorporated Cells (ICs):** an international business company linked to an incorporated cell company.

The Act allows for three classes of licences as follows:

- **Class A:** This class of Licence primarily deals with general insurance which involves insuring anything other than human life.
- **Class B:** This class of Licence deals with long-term business which involves the insuring of human life.
- **Class C:** This class of Licence deals with both general and long-term insurance business.

These classes can be further subdivided into subclasses relating to set requirements for the statutory capital and statutory deposit which is to be held, as depicted in Table 11 below (USD $'000):

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

Table 11 - Statutory Deposit and Capital (USD$ '000)

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

For the financial year 2021, the Financial Services Regulatory Authority executed the revocation of the licences of three (3) International Insurance Companies, the cancellation of the registration of one (1) Incorporated Cell and approved the surrender of the licences of two (2) International Insurance Companies.

As at December 31, 2021, the Financial Services Regulatory Authority had on record four (4) Incorporated Cell Companies, nine (9) Incorporated Cells and nineteen (19) International Insurance Companies, comprising eight (8) Class A1, ten (10) Class A2, and one (1) Class C2 licensees as illustrated in Figure 36, Figure 37 and Figure 38 respectively, thereby leaving the total number of entities in the international insurance sector at thirty-two (32). Three (3) Incorporated Cells were in the application phase from 2020 due to incomplete submission of documents on the part of the Licensees.

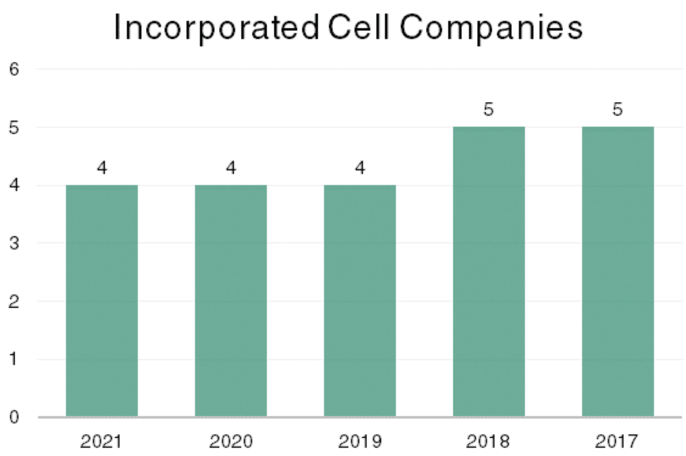


Figure 36 – Incorporated Cell Companies

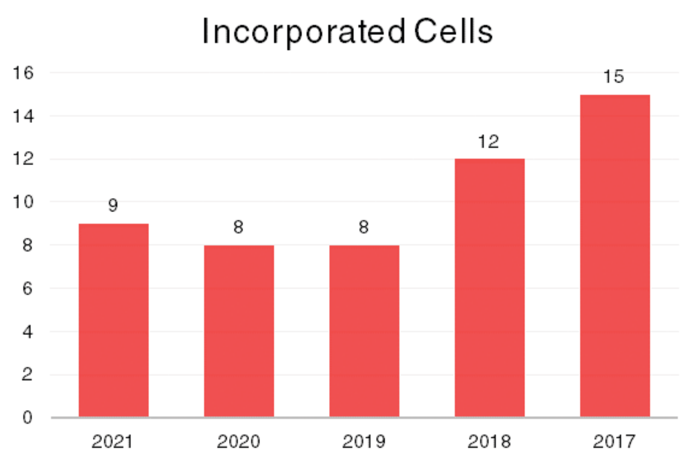


Figure 37 – Incorporated Cells

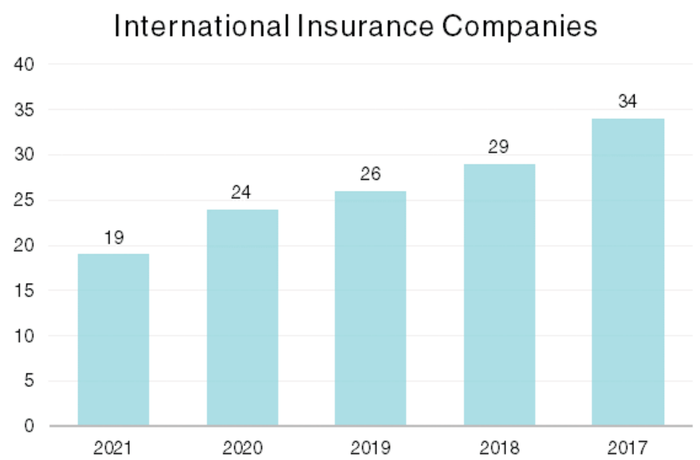


Figure 38 – International Insurance Companies

International Insurance	2017	2018	2019	2020	2021
Licensed International Insurance beginning of period	54	54	49	39	38
Applications Received	4	0	2	3	0
Applications Approved	0	1	1	1	0
Applications denied	0	0	0	1	1
Pending applications	0	3	3	2	4
Revocation or surrendering	0	6	11	2	6
Licensed International Insurance ending of period	54	49	39	38	32

Table 12 - International Insurance Sector – Statistics

As depicted in Table 13 below, revenue earned by the Authority remained relatively unchanged between 2019 and 2020. However, in 2021, there was a 17% decrease in revenue. It would be fair then, to deduce that with the constantly changing economic climate, evidenced by stricter guidelines from the European Union (EU) and the Organization of Economic Cooperation and Development (OECD) via increased economic substance requirements, the decline of companies within the international insurance sector and by default, their associated IBCs, will be further exacerbated.

	2021	2020	2019
Gross Written Premiums	$39,708	$53,310	$48,240
Net Written Premiums	$36,005	$46,441	$42,667
Claims Incurred	$30,327	$6,290	$5,407
Allowable Assets	$287,037	$286,742	$240,186
Liabilities	$130,012	$169,699	$142,984
Revenue earned by the Authority	$172	$206	$205

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

International Mutual Funds Sector

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

• 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;

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 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. There are no requirements for an administrator nor to submit annual audited accounts. The Authority, however, has the power to cancel the registration of a private mutual fund under the Act if it's of the opinion that the fund is not meeting its obligations.

• International Public Mutual Funds Administrators and Managers provide administrative services to international public mutual funds. Some of said 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

The number of companies licenced/registered by the FSRA, has reduced from thirteen (13) in 2020 to seven (7) in 2021. Six (6) companies surrendered their licences in 2021 (1 International Private Mutual Fund, 3 International Public Mutual Funds, 1 International Public Mutual Fund Administrator and 1 International Public Mutual Fund Manager). This steep reduction was mainly 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%. Public mutual funds in particular could no longer take advantage of the double taxation regime and would be taxed the same thirty percent (30%) as domestic companies.

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

Table 14: International Mutual Funds – Registered Entities

International Private Mutual Fund	2017	2018	2019	2020	2021
Licensed International Private Mutual Fund beginning of period	8	8	7	6	7
Applications Received	1	1	1	2	0
Applications Approved	0	0	0	1	0
Applications Denied	0	0	0	3	1
Pending application	1	2	3	1	0
Revocation or surrendering	0	1	1	0	1
Licensed International Private Mutual Fund ending of period	8	7	6	7	6

Table 15: International Private Mutual funds – Statistics

Financial overview of the industry

Table 16 below presents a snapshot of the Mutual Funds sector financial overview for 2021. Please note, that there is no data for private mutual funds as these funds are not required at this time to submit audited accounts. Notwithstanding, International Mutual Funds are required to file unaudited accounts with their respective Registered Agents in accordance with the International Business Companies Act, Cap 12.14.

Mutual Fund Administrators	2021	2020
Assets	$ 496	$ 390
Liabilities	$ 0	$ 0
Equity	$ 496	$ 390
Net Income	$ 106	$ 86

Table 16: International Funds, as at September 2021 (in USD in 000's)

The Covid-19 pandemic has undoubtedly impacted the sector, notwithstanding this, the Fund Administrator experienced an improved financial performance in comparison to the previous year, whereby, assets increased by USD 106,026 (27%) and net income increased by USD 19,821 (23%).

Registered Agents and Registered Trustees

The Corporate business carried out in and from Saint Lucia is regulated pursuant to the Registered Agent and Trustee Licensing Act, Cap 12.12 of the revised laws of St. Lucia (RATLA). Registered Agents (the Agents) and Registered Trustees have a fiduciary duty to International Business Companies (IBCs) and International Trusts (ITs). The Agents must be qualified, of sound reputation, solvent and otherwise fit and proper to carry on the business of international financial services representation. As of July 1, 2021, the Cabinet of Ministers repealed the International Trustee Licensing Act.

The Authority recorded a total of twenty-two (22) Registered Agents and Trustees licences as at December 31, 2021, which comprised nineteen (19) Registered Agents and three (3) Registered Trustees. There was one (1) new Registered Agent registered during the fiscal year.

REGISTERED AGENTS			
1	Abacus Financial Services Limited	11	Financial & Corporate Services Ltd
2	Adco Incorporated	12	Fortgate Offshore Investment & Legal Services Limited
3	AFCS Inc.	13	Foster Capital Inc.
4	Axis Financial Services Ltd.	14	Hewanorra Corporate Services
5	Bespoke Corporate & Fiduciary Services Ltd	15	Island Registered Agents Ltd
6	Boslil Corporate Services Ltd	16	McNamara Corporate Services ltd
7	Brickstone Corporate Services Limited	17	Oceanus International Inc.
8	Colonial Trust Company Ltd	18	PKF Corporate Services Ltd.
9	Corporate Services (St Lucia) 1996 Ltd.	19	Selbourne Trust Company Ltd.
10	Dentons Corporate Services Limited		
REGISTERED TRUSTEES			
1	Hewanorra Trustee Services		
2	Adco Incorporated		
3	Selbourne Trust Company Ltd.		

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

Registered Agents play a gatekeeping role in relation to the availability of beneficial ownership information of International Business Companies (IBCs). As a result, during onsite inspections, the FSRA verify that the following are kept on the IBCs files inter ali:-

- The Share Register & Register of beneficial ownership
- Annual Directors Returns
- Due Diligence documents on promoters of the IBC
- Unaudited Accounts
- Constitutional Documents

To date, there are approximately three thousand two hundred (3200) international business companies (IBCs), ten (10) international trusts and one (1) international partnership registered by RAs and RTs. RAs indicated that the primary business carried out by IBCs was that of serving as Holding Companies, while a few provide consultancy and financial services.

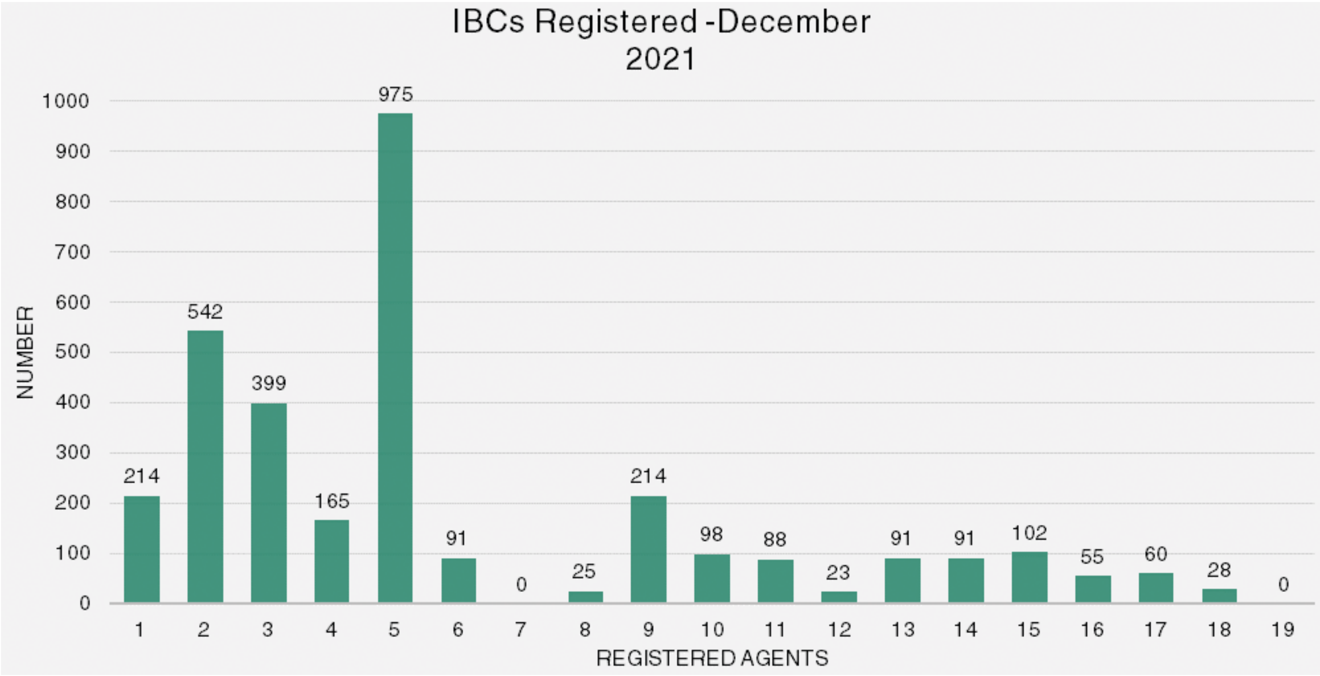


Figure 39: Registered Agents - Distribution of Regulated IBCs

Regulated Entities

There were fifty (50) licensed IBCs regulated by the FSRA as of December 31, 2021 and three (3) new applications received. There were five (5) entities that surrendered, four (4) entities that were revoked and four (4) entities redomiciled their licences. The reasons for the surrender, revocation or redomicile include:

- Non-compliance with the laws
- The parent company redomiciled
- The IBCs no longer required
- The Economic Substance Act, which required all IBCs subject to the same corporate income tax treatment as domestic companies

Registered Agents	2017	2018	2019	2020	2021
Licensed Registered Agents beginning of period	18	18	19	19	18
Applications Received	2	0	0	0	1
Applications Approved	0	1	0	0	1
Applications denied	0	1	0	0	0
Pending applications	0	0	0	0	0
Revocation or surrendering	0	0	0	1	0
Licensed Registered Agents ending of period	18	19	19	18	19

Table 18: Registered Agents - Application & Licence Statistics

Registered Trustees	2017	2018	2019	2020	2021
Licensed Registered Agents beginning of period	4	4	4	4	3
Application Received	0	0	0	0	0
Application Approved	0	0	0	0	0
Application denied	0	0	0	0	0
Pending application	0	0	0	0	0
Revocation or surrendering	0	0	1	1	0
Licensed Registered Trustees ending of period	0	4	4	3	3

Table 19: Registered Trustees- Application & Licence Statistics

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 2021 to March 2022, unchanged from the prior year.

A deficit of $ 50,318.00 was recorded at year ended March 31, 2022. This deficit was largely attributed to the cost of consultancy fees for the development of the three-year strategic plan for the FSRA.

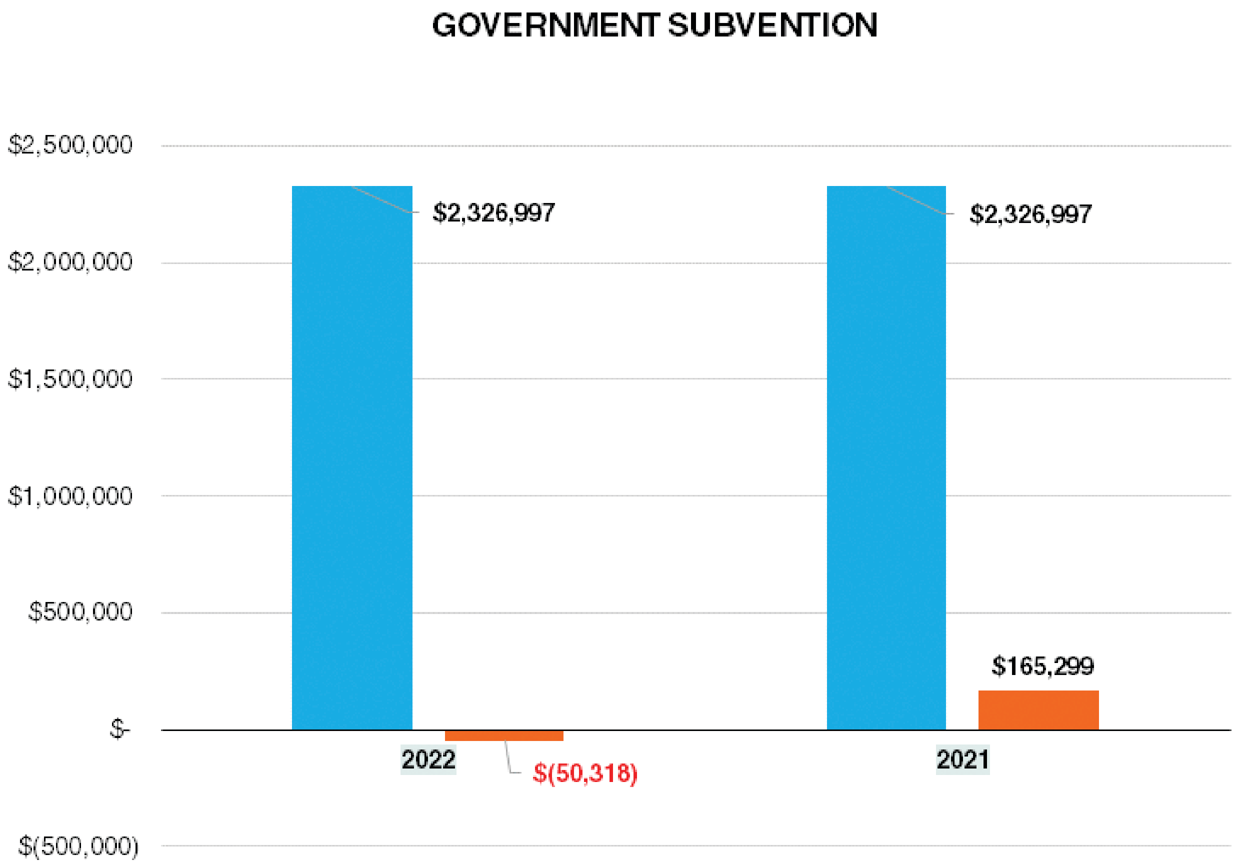


Figure 40: Government Subventions of fiscal years 2021 and 2022

ADMINISTRATIVE EXPENSES

The Administrative Expenses for the fiscal year 2022 can be summarized using the table below:

Administrative Expenses

Expense	2022	2021	% change
Salaries Benefits & Management Compensation	$ 1,863,043	$ 1,823,405	2%
Utilities & Communications	$ 169,487	$ 118,484	43%
Board Expenses, Stipends and Appeals Tribunal	$ 65,610	$ 59,823	10%
Consultancy Fees	$ 87,550	-	100%
Office & General Expenses	$ 59,894	$ 49,346	21%
Legal & Professional Fees	$ 18,363	$ 20,737	-11%
Grants & Contributions	$ 17,426	$ 15,687	11%
Training, Travel & Subsistence	$ 16,358	$ 8,407	94%
Other	$ 79,584	$ 65,809	20%
Total	$ 2,377,315	$ 2,161,698	

Table 20: Breakdown of Administrative Expenses for the financial year ended March 31, 2022

Administrative expenses for the year totalled $2,377,315 up by $215,617 or 9.97 % increase from the prior year. The increase in administrative expenses is largely due to amounts expended in the development of the three-year strategic plan for the FSRA, advantages taken in increased virtual training for staff and increases in the cost of utilities, communications and administrative expenses.

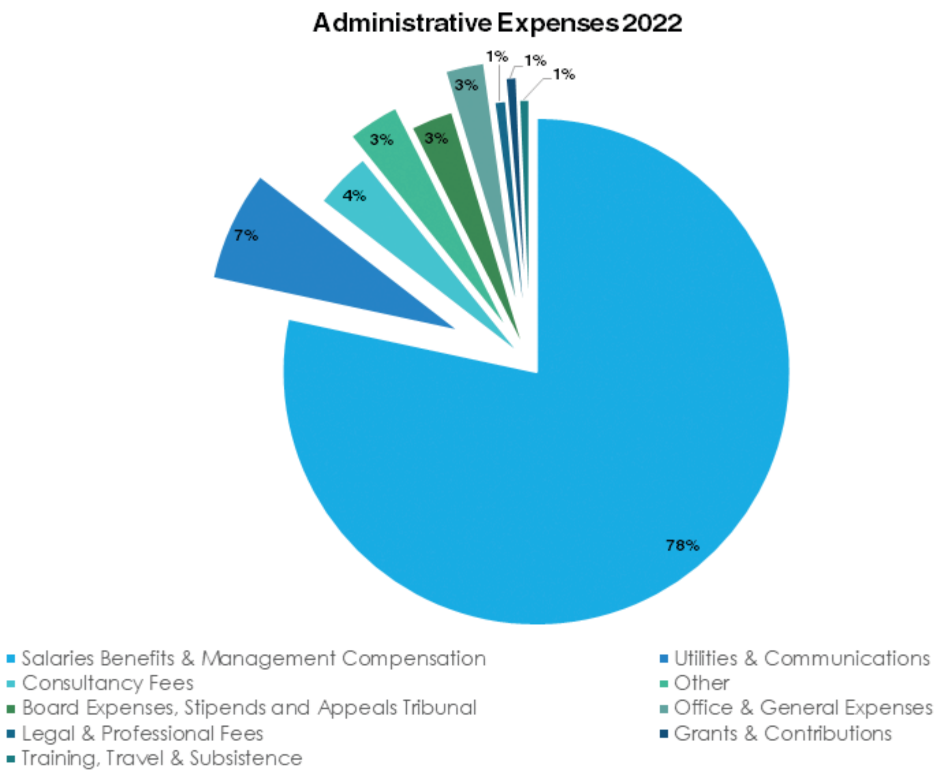


Figure 41: Total Administrative Expenses for the year 2022

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

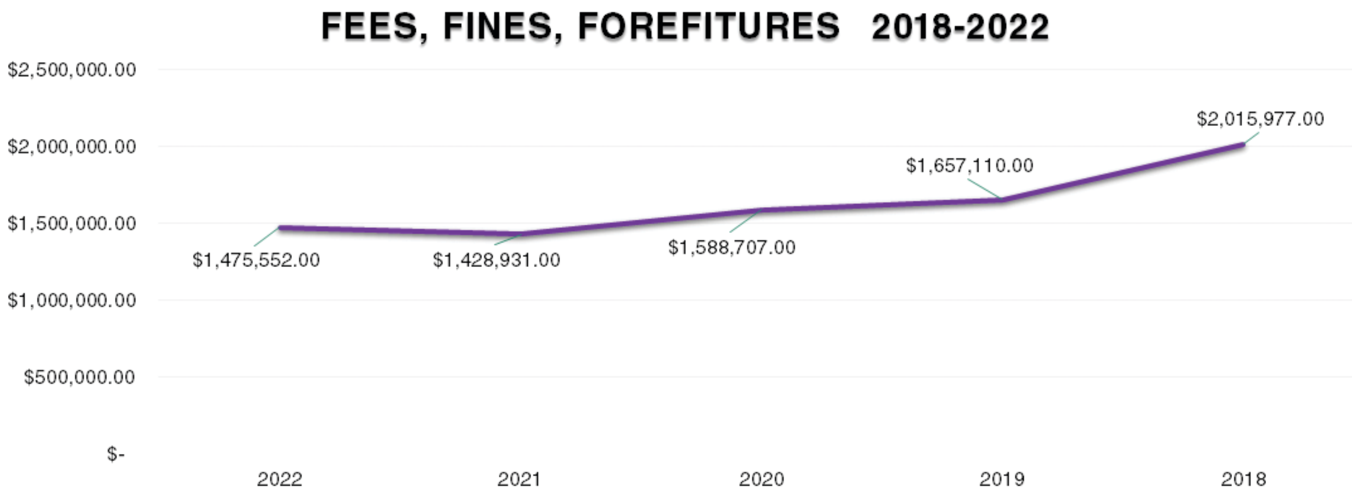


Figure 42: Fees, fines and Forfeitures collected for the financial year ended March 31, 2022

The FSRA continues to report a 3 % decline in fees, fines and forfeitures collected on behalf of the Government of Saint Lucia from Regulated Entities in 2022 when compared to 2020. There has been a steady decline in fees collected over the past five years.

This trend is very concerning, particularly for the International Financial Sector. Saint Lucia as a has lost its attractiveness in the International Financial Sector as international banks and International Insurance companies are redomiciling to other jurisdictions.

STAFF TRAINING

During the year ended March 31, 2022, the staff of the FSRA benefited from a number of training programs in various subject areas as indicated in the table below. Again, most of these programs were held via virtual means allowing a wide cross section of the team to benefit from these training sessions. 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
Certification in IFRS 17 Insurance Contracts	Jun-21	International Business Forum
IFRS Training - IFRS 9, 15, 16 , 17	Sep-21	Institute of Chartered Accountants of the EC
Countering Proliferation Finance and Related Sanctions Evasion Agenda	Sep-21	Pacific Northwest National Laboratory
Public Sector Accounting	Feb-22	Training Division - Dept of Public Service
Chartered Corporate Secretary Training	Mar-22	Caribbean Governance Training Institute
Risk Based Supervision Workshop	Mar-22	CARTAC

Figure 43: Staff Training 2022

AUDITED FINANCIAL STATEMENTS

Financial Services Regulatory Authority

Financial Statements

Year Ended March 31, 2022

(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
Mr. Philip Dalsou – Deputy Chairman
Mr. Paul Thompson – Managing Director, Financial Intelligence Authority
Mr. G. Carlton Glasgow – Designated by Eastern Caribbean Central Bank
Ms. Esther Rigobert– Permanent Secretary Ministry of Finance
Ms. Marcia Vite' –Alternate for Permanent Secretary, Ministry of Finance
Mr. Cyrus Charles- Non- Executive Director
Ms. Mary Popo – Non-Executive Director

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, 2022, 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, 2022, 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.

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
August 31, 2022

Statement of Financial Position
As at March 31, 2022
(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	2021 $
ASSETS			
Current Assets			
Cash	6	712,409	739,583
Accounts receivable and prepayments	7	398,866	418,173
		1,111,275	1,157,756
Long-term Assets			
Property and equipment	8	114,007	109,388
Intangible assets	9	4,497	1,093
		118,504	110,481
TOTAL ASSETS		1,229,779	1,268,237
LIABILITIES AND EQUITY			
Current Liability			
Accounts payable and accruals	10	222,154	210,294
Equity			
Contributed capital	11	61,431	61,431
Accumulated surplus		946,194	996,512
Total Equity		1,007,625	1,057,943
TOTAL LIABILITIES AND EQUITY		1,229,779	1,268,237

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, 2022
(Expressed in Eastern Caribbean Dollars)

	Contributed Capital $	Accumulated Surplus $	Total $
Balance as at March 31, 2020	61,431	831,213	892,644
Surplus for the year	-	165,299	165,299
Balance as at March 31, 2021	61,431	996,512	1,057,943
Loss for the year	-	(50,318)	(50,318)
Balance as at March 31, 2022	61,431	946,194	1,007,625

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

Statement of Income and Expenditure
For the Year Ended March 31, 2022
(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	2021 $
Revenue			
Subventions	14	2,326,997	2,326,997
Administrative and general expenses	12	(2,377,315)	(2,161,698)
(Loss)/surplus for the year		(50,318)	165,299

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

Statement of Cash Flows
For the Year Ended March 31, 2022
(Expressed in Eastern Caribbean Dollars)

	Notes	2022 $	2021 $
Cash Flows from Operating Activities			
(Loss)/surplus for the year		(50,318)	165,299
Adjustments for:			
Depreciation and amortization	8,9	59,062	35,270
Operating income before working capital changes		8,744	200,569
Decrease/(increase) in accounts receivable and prepayments		19,307	(403,078)
Increase/(decrease) in accounts payable and accruals		11,860	(132,628)
Net cash generated from/(used in) operating activities		39,911	(335,137)
Cash Flows from Investing Activities			
Purchase of intangible assets	9	(4,497)	(1,124)
Purchase of property and equipment	8	(62,588)	(90,792)
Net cash used in investing activities		(67,085)	(91,916)
Net decrease in Cash		(27,174)	(427,053)
Cash - Beginning of Year		739,583	1,166,636
Cash - End of Year	6	712,409	739,583

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 August 24, 2022.

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) Basis of Measurement

The financial statement have been prepared using the historical basis.

(c) Functional and Presentation Currency

These financial statements are presented in Eastern Caribbean Dollars, which is the Authority's functional currency. All financial is rounded to the nearest dollar.

3. Significant Accounting Policies (Cont'd)

(d) New standards amendments to standards and interpretations

(i) New standards amendments and interpretations effective in 2022 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, 2021, have been adopted in these financial statements. Note: those new standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2021, which do not affect the Authority's financial statements have not been disclosed below.

- IFRS 9, *'Financial Instruments'*, *IAS 39, 'Financial Instruments, Recognition and Measurement'*, *IFRS 7, 'Financial Instruments: Disclosures'*, *IFRS 4, 'Insurance Contracts'*, and IFRS 16, *'Leases'* were amended to introduce a practical expedient for modifications by the Interest Rate Benchmark Reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed and how the entity manages those risks.

The application of these amendments did not have a material impact on amounts reported and disclosures in respect to the Authority's financial statements.

- IFRS 16, *'Leases'* was amended to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2021.

  The application of this amendment did not 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.

- 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.

3. Significant Accounting Policies (Cont'd)

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

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

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.

- 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.

- IFRS 9, *'Financial Instruments'* was amended to clarify which fees an entity includes when it applies the "10 per cent test" in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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.

- IFRS 16, *'Leases'* was amended to remove from Illustrative Example 13 (which accompanies IFRS 16) the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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.

- IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' was amended to replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also clarify the following:
  - that a change in accounting estimate that results from new information or new developments is not the correction of an error; and,
  - the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

  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.

3. Significant Accounting Policies (Cont'd)

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

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

- IAS 12, *'Income Taxes'* was amended to clarify that the initial recognition exemption does not apply to transactions that give rise to equal deductible and taxable temporary differences.

  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.

(e) Cash

Cash is carried on the statement of financial position at amortised 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.

(f) Accounts Receivables

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.

(g) 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

(h) 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
Furniture	5 - 10 years
Equipment	3 - 5 years

3. Significant Accounting Policies (Cont'd)

(h) Property and Equipment (Cont'd)

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.

(i) 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.

(j) 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.

(k) Accounts Payable and Accruals

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.

(l) 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.

3. Significant Accounting Policies (Cont'd)

(m) Contributed Capital

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

(n) 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.

(o) Expenses

Expenses are recognised on an accrual basis.

(p) 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.

(q) 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.

(r) 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(g)
- Estimated useful lives of intangible assets – Note 3(h)

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, 2022.

(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, 2022.

(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. The financial assets and liabilities are all current 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

	2022 $	2021 $
Cash on hand	500	500
Cash in bank	711,909	739,083
	712,409	739,583

Cash in bank is non-interest bearing.

7. Accounts Receivable and Prepayments

	2022 $	2021 $
Accounts receivable (Note 14)	388,182	386,784
Prepaid expenses	10,684	31,389
	398,866	418,173

The accounts receivable comprises of subventions from Government of St. Lucia not received at the year-end. A provision for impairment of accounts receivable is not required as the amount was settled in full subsequent to the year end.

8. Property and Equipment

	Furniture $	Equipment $	Total $
At March 31, 2020			
Cost	79,693	133,257	212,950
Accumulated depreciation	(69,908)	(90,199)	(160,107)
Net book value	9,785	43,058	52,843
Year ended March 31, 2021			
Opening net book value	9,785	43,058	52,843
Additions	18,344	72,448	90,792
Depreciation charge (Note 12)	(5,018)	(29,229)	(34,247)
Closing net book value	23,111	86,277	109,388
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 12)	(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

9. Intangible Assets

	Software $
At March 31, 2020	
Cost	8,326
Accumulated amortisation	(7,334)
Net book value	992
Year ended March 31, 2021	
Opening net book value	992
Additions	1,124
Amortisation charge (Note 12)	(1,023)
Closing net book value	1,093
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 12)	(1,093)
Closing net book value	4,497
At March 31, 2022	
Cost	13,947
Accumulated amortisation	(9,450)
Net book value	4,497

10. Accounts Payable and Accruals

	2022 $	2021 $
Gratuity payable	144,133	105,410
Vacation accrual	68,193	89,510
Accounts payable	9,828	3,074
Other payables	-	12,300
	222,154	210,294

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

11. Contributed Capital

	2022 $	2021 $
Property and equipment	87,093	87,093
Gratuity payable	(25,662)	(25,662)
	61,431	61,431

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

12. Administrative and General Expenses

	2022 $	2021 $
Advertisements	2,111	4,361
Audit Fees	10,800	10,800
Amortisation (Note 9)	1,093	1,023
Bank charges	2,597	2,181
Board expenses	2,910	3,073
Board stipends and appeals tribunal	62,700	56,750
Communications	36,087	12,824
Depreciation (Note 8)	57,969	34,247
Grants and contributions	17,426	15,687
Gratuity	111,900	110,250
Hosting and entertainment	2,915	5,488
Legal and professional expenses	7,563	20,737
Consultancy Fees	87,550	-
Maintenance	1,684	3,409
Office and general expenses	59,894	49,346
Public relations	11,215	4,300
Salaries and benefits (Note 13)	1,751,143	1,713,155
Training	16,358	8,407
Utilities	133,400	105,660
	2,377,315	2,161,698

13. Employee and Management Costs

	2022 $	2021 $
Senior Management		
Salaries and wages	563,388	729,278
National insurance	9,000	9,000
	572,388	738,278
Other Staff		
Salaries and wages	1,124,234	908,175
National insurance	45,735	39,113
Other	8,786	27,589
	1,178,755	974,877
	1,751,143	1,713,155

The average number of staff for the year 2022 was 25 (2021 – 23).

14. Related Party Transactions and Balances

During the year, the Authority collected funds totaling $1,475,552 (2021- $1,428,931) 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.

Accounts receivable

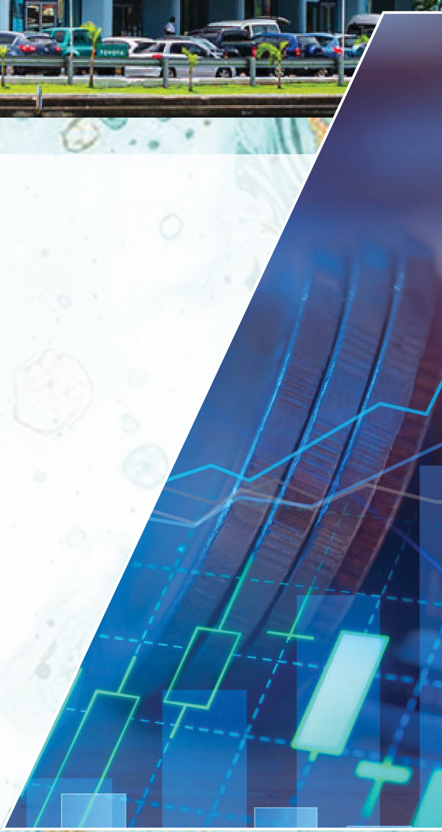
	2022 $	2021 $
Government of St. Lucia (Note 7)	388,182	386,784

Revenue

	2022 $	2021 $
Government of St. Lucia	2,326,997	2,326,997

15. Taxation

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



Financial Services Regulatory Authority

6th Floor Francis Compton Building

Waterfront, Castries

Tel: (758) 468-2990/93

Fax: (758) 451-7655

www.fsrastlucia.org