FINANCIAL SERVICES REGULATORY AUTHORITY
SAINT LUCIA

ANNUAL REPORT 2020/2021

www.fsrastlucia.org

OUR VISION

"To Become a World Class Financial Services Regulator"

OUR MISSION

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

OUR CORE VALUES

- 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 thee regulated entity.

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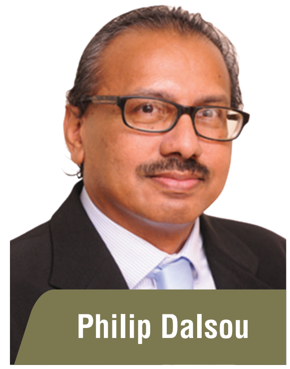
Board of Directors

Board of Directors

Vincent Hippolyte

Chairman



Philip Dalsou

Deputy Chairman

G. Carlton Glasgow

Director
Designated by the Governor of the Eastern Caribbean Central Bank

Esther Rigobert

Permanent Secretary
Ministry of Finance

Mary Popo

Director

Paul Thompson

Executive Director
of the Financial Intelligence Authority

Cyrus Charles

Director

Marcia Vite

Alternate Director to the Permanent Secretary
Ministry of Finance

Management Team

Nathalie Dusauzay

Executive Director

NATHALIE DUSAUZAY worked with the Ministry of Finance for seven years prior to being appointed in 2014 to the post of Senior Manager of the Financial Services Regulatory Authority (FSRA). On September 01, 2020, Mrs. Dusauzay was promoted to the position of Executive Director of the FSRA. During her tenure at the Financial Services Supervision Unit (FSSU), Ministry of Finance, she served as Deputy Director. She also served as Registrar of Insurance during the transitional period of the FSSU to the FSRA. Mrs. Dusauzay gained her experience as an auditor by working with Deloitte and Touche, France and KPMG, Martinique.

Mrs. Dusauzay holds an MBA, a Master's degree in Finance (France) and is a Fellow of the Association of Chartered Certified Accountant of the UK. Mrs. Dusauzay has also completed the Directors Education and Accreditation Programme, which is an advanced training course, aimed at preparing directors for the important role that they play in the governance of corporations.

Hubert Deligny

Senior Manager

HUBERT DELIGNY currently serves as Senior Manager of the Financial Services Regulatory Authority (FSRA). He pursued his interest in Insurance Supervision and Regulation in 2007 when he joined the Financial Sector Supervision Unit in the Ministry of Finance. He is the former Insurance Manager of the FSRA, a position held from December 2015 to October 31, 2020. Mr. Deligny holds a Bachelor of Science in Applied Accounting and is a Fellow of the Association of Chartered Certified Accountants (ACCA). He also holds a Chartered Insurance Institute (CII) certificate in insurance and has completed the Directors Education and Accreditation Programme, which is an advanced training course, aimed at preparing directors for the important role that they play in the governance of corporations.

Management Team

Corporate Secretary/ Legal Officer

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

Mr. Lesmond holds a degree in Economics with Law, and a Post Graduate Diploma in Law, as well as the Bar Vocational Course of England and Wales. Mr. Lesmond is an Attorney at law, who is registered on the Roll of Attorneys at Law, and is entitled to practise as an Attorney at Law. Mr Lesmond has also completed the Directors Education and Accreditation Programme, which is an advanced training course, aimed at preparing directors for the important role that they play in the governance of corporations.

Manager

for International Financial Sector & NBFIs

SANCHA GERVAIS-VICTOR was appointed as Manager of International Sector and Non-Banks Financial Institutions on November 1, 2020. She has several years of experience in the financial services industry of Saint Lucia, having been employed in the banking industry and thereafter in the regulatory field first being employed with the Ministry of Finance (FSSU) and subsequently transitioning to the Financial Services Regulatory Authority in 2014. Mrs. Victor has over fifteen (15) years working in the financial regulatory sector.

As the Manager of the International Sector and Non-Banks Financial Institutions department, Mrs. Gervais-Victor reports to the Executive Director and has responsibility for the day-to-day oversight of the Credit Union Sector, Money Services Business Sector, Saint Lucia Development Bank (SLDB) and the International Sector.

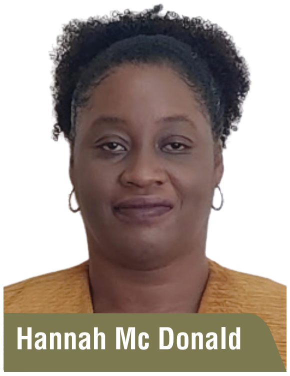
Mrs. Victor is a Certified Financial Services Auditor (CFSA). She holds an MBA in Finance and BSc in Management with Accounts and Finance. She earned the Certified Anti-Money Laundering Specialist designation (CAMS) and also holds the designation of an Anti-Money Laundering Certified Associate (AMLCA) from the Florida International Bankers Associate (FIBA) Inc. in partnership with Florida International University.

Management Team

Executive Assistant/Accountant

SHEMEDIA ST. CROIX is an Accounting Professional with over ten (10) years of successful experience in Accounting and Business Management. She was appointed to the post of Executive Assistant/ Accountant with the FSRA from April of 2019. Her main responsibilities include compiling and presenting reports, management accounts, budgets, and preparation of financial statements.

She is a driven professional, leveraging studies with the Association of Chartered Certified Accountants (ACCA) and Business Management with the Association of Business Executives. (ABE).



Supervisor

for International Sector & NFBIs

HANNAH MCDONALD commenced employment at the FSRA on January 1, 2014 as a Financial Regulator and subsequently was appointed to the post of Supervisor, with responsibility for the International Sector and Non-Bank Financial Institutions sectors. Prior to her employment at the Financial Services Regulatory Authority (FSRA), Mrs. McDonald worked at the Inland Revenue Department for six (6) years (Refunds & Audit Units) and at the Co-operative Department for twelve (12) years (Regulating Co-operative Societies). Her regulatory experience spans for a period in excess of twenty-two (22) years.

Mrs. McDonald holds a Bachelor's Degree and a Master's Degree in Management (with Distinction) from the University of the West Indies.

Supervisor

for Domestic Insurance

CUBY KING has been serving as the Supervisor of the Domestic Insurance and Pension Fund Plans department of the FSRA since his appointment as a Senior Financial Regulator in February 2019. Mr. King has more than fourteen (14) years' experience working in insurance supervision and regulation having worked within the Financial Sector Supervision Unit of the Ministry of Finance from 2007 prior to his appointment at the FSRA on January 1, 2014.

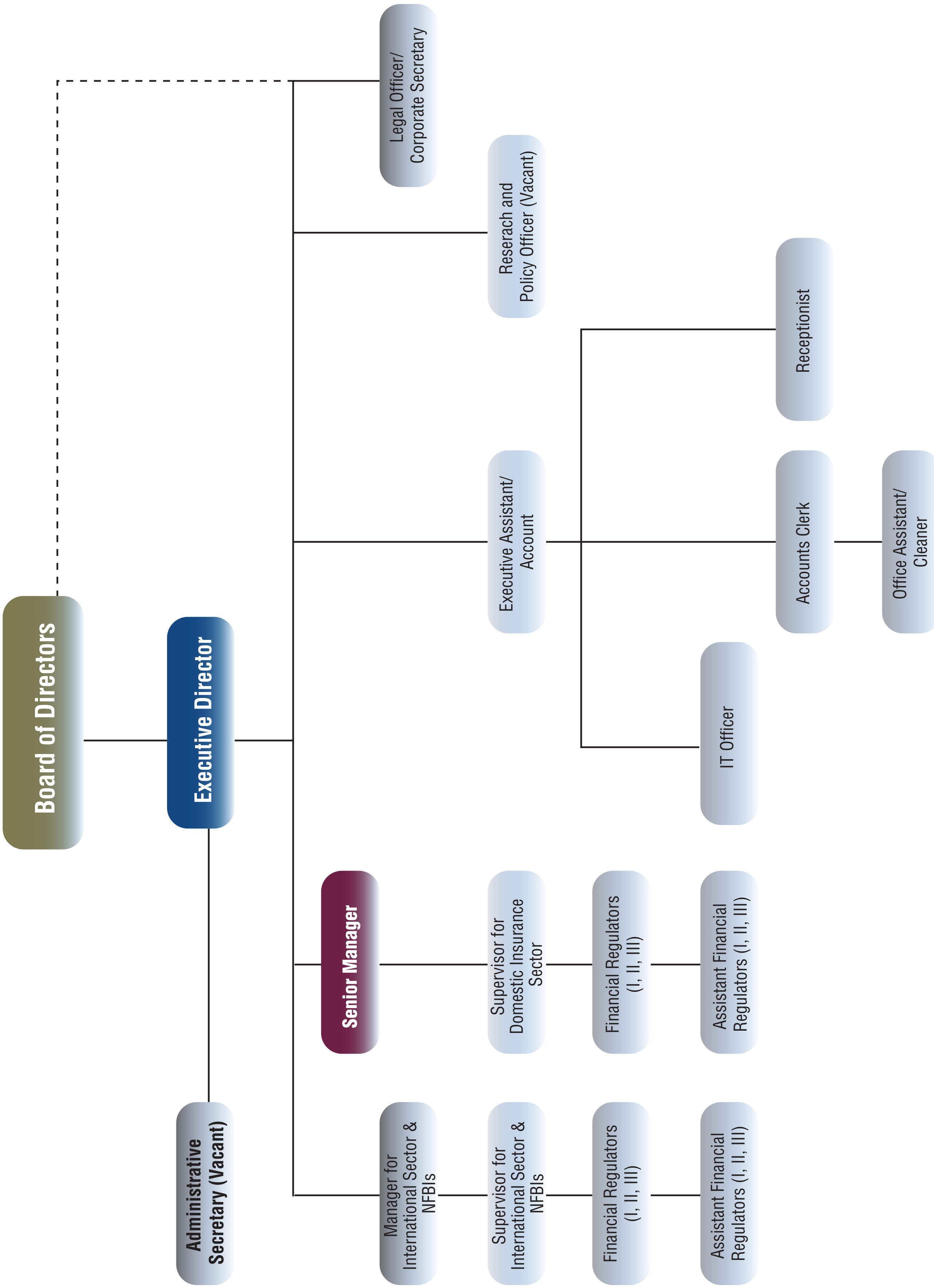
Mr. King holds an MBA in Finance and a Bachelor's Degree in Accounting. He has also met the requirements for licensure as a CPA in the State of Massachusetts.

Staff Members

Pictured:
Front row: Hemish Lesmond, Tyller Jules, Roxanne Alexander, Esther Francis, Stephanie Gustave-Antoine, Hubert Deligny, Elva Naitram, Shemedia St. Croix, Curtis Paul, Kerline Sylvester, Nathalie Dusauzay, Sancha Gervais-Victor, Crystal Martyr, Ruan Branch, Hannah Mc Donald, Cuby King, Suzanne James, Janelle James, Jamica Francis, Shelevon Louis

Not Pictured: Calixte Leon, Krishna Jn Baptiste, Ron Leon, Krysta Anthony, John Altius, Natalia Christopher.

Organizational Chart



Chairman's Message

Vincent Hippolyte, *Chairman*

"The maintenance of the reputation of our jurisdiction as a compliant financial sector continues to be a fundamental objective of our supervisory mandate."

The Covid-19 pandemic has left an indelible mark on financial systems and business models worldwide. In Saint Lucia, the financial year 2020 – 2021, was very challenging for everyone. The impact required the Financial Services Regulatory Authority (FSRA) to become particularly nimbler and adept in discharging its mandate. There was more collaboration with regulated entities to satisfy statutory requirements such as the holding of annual general meetings, and the submission of audited financial statements, where the enacted Covid-19 protocols made the satisfaction of those statutory provisions almost impossible without meaningful adjustments.

However, at the same time, the pandemic underscored for us the need for the Financial Services Regulatory Authority to continue to be strong and purposeful in the face of the difficult challenges which are being imposed by it. This need was highlighted when the Caribbean Financial Action Task Force (CFATF) decided to hold the plenary at which the Mutual Evaluation Report of Saint Lucia was tabled via virtual means. Saint Lucia had the distinction of being one of the first Caribbean islands to have its Mutual Evaluation Report (MER) discussed at plenary via a virtual platform. The difficulties posed by the absence of 'face to face' communication was certainly strained to the limits of what could otherwise have been achieved during the period. This notwithstanding, Saint Lucia improved its ratings significantly when compared to the deficiencies which were reported in the 3rd round of the MER exercise. Already, substantial effort is being made to correct the deficiencies which were reported in the 4th round and were published in January 2021.

In the international banking sector, the process for prohibiting banks from establishing or continuing correspondent banking relations with Shell Banks has begun. Further, it will require all international banks to establish a physical presence in the jurisdiction, within the meaning established by the Basel Committee on Banking Supervision, and endorsed by the CFATF. The limitation in the sharing of information by the FSRA with Competent Authorities, as defined by the Financial Action Task Force, was another reported area of deficiency which will be addressed in the ensuing financial year. Some legislative amendments which are intended to remedy other deficiencies cited in the MER report were commenced during the year under review and are anticipated to be finalized in the next financial year.

With respect to training and its importance particularly to the risk-based supervision approach which was mentioned in last year's message; it was indeed pleasing to have received technical assistance from the International Association of Insurance Supervisors for training. That specific area of training targeted the risk-based capital solvency regime, which is geared towards the insurance sector. Under this regime, the FSRA will cease the 'one size fits all' capital solvency requirement policy and will introduce capital solvency requirements based on the level of risk undertaken by each regulated entity. Despite the continuing setbacks posed by the Covid-19 pandemic, it is anticipated that this new solvency regime will be realized fully in the relatively near future.

"The difficulties posed by the absence of non-verbal communication was certainly strained to the limits during this period."

In keeping with the Public Finance Management Act all statutory bodies are required to implement, and submit a three-year Strategic Plan to their respective Ministers. To that end, during the year under review the FSRA engaged the services of a Consultant to facilitate the design of a three-year strategic plan. The plan will be completed in the ensuing year.

The Board of Directors is grateful to the management, staff and stakeholders who contributed to the work of the FSRA during the period under review. It is particularly pleasing to recognize the manner in which the FSRA responded to the needs of stakeholders; and adjusted to the many challenges which were experienced in the period. A special mention of gratitude is extended to Mr. Calixte Leon, who, having served as the Executive Director of the FSRA from its inception in 2013, retired in August 2021; after having led the FSRA in the initial difficult period of the pandemic. Also, the Board wishes to welcome and congratulate Mrs. Natalie Dusauzay who has assumed the position of Executive Director.

Vincent Hippolyte
Chairman

Nathalie Dusauzay, *Executive Director*

Executive Director's Report

"The financial sector in Saint Lucia remained relatively stable during the fiscal period, albeit some sectors registered increases in receivables and non-performing loans due to the economic downturn."

I assumed the role of Executive Director of the Financial Services Regulatory Authority (FSRA) on September 1, 2020, succeeding Mr. Calixte Leon who had been at the helm of the FSRA from its inception in 2014. Mr. Leon's contribution to the FSRA and the non-bank financial sector is immense, and his legacy will certainly live on.

I am hugely honoured to have been given the opportunity to lead the FSRA team, and to continue to build on the success of the organization. My first year as Executive Director proved to be a most unprecedented period due to the Novel Corona Virus which greeted our shores at the start of the fiscal period. Lockdowns, travel restrictions and closing of borders intensified worldwide in an effort to contain the spread of the virus. The worldwide devastating effect of the virus created a significant slowdown in economic activity globally. However, despite the challenges, the FSRA was able to ride out the storm and achieve most of its set objectives . Moreover, the financial sector in Saint Lucia remained relatively stable during the fiscal period, albeit some sectors registered increases in receivables and non-performing loans due to the economic downturn.

The Financial Sector made several adjustments to their operations in response to the Pandemic, most of which were specifically geared towards stemming the spread of the virus. There were also notable initiatives by the sector, particularly Insurance Companies and Credit Unions, geared at providing financial relief to consumers and ease of access to financial services.

In response to the pandemic, the FSRA invoked its business continuity plan and instituted measures to facilitate remote working by all staff, followed by a blended approach of in-office and remote working hours. The FSRA instituted policy and operational adjustments which facilitated ease of transactions between the FSRA and industry, some of which included the increased use of technology for statutory submissions and the processing of applications. The FSRA also relaxed requirements in respect of timelines for statutory submissions. However, the prudential supervision of the sector remained paramount during the reporting period and increased stress testing of the various sectors were undertaken to assess the sectors' resilience to financial shocks under various plausible scenarios.

The collaborative efforts of the FSRA and the Financial Sector, indeed played a significant role in minimizing the negative impact of the pandemic on the financial system.

In keeping with its work programme, the FSRA continued with several initiatives towards strengthening its regulatory and supervisory regime, to ensure compliance with international best practice and to tighten its internal processes. Due to the necessary adjustments in working arrangements consequent to the pandemic, the milestones for some of the initiatives were delayed and had to be adjusted. Nonetheless, the FSRA made significant progress on several of its planned initiatives.

Strategic Plan

In accordance with its mandate under Section 82 (1) of the Public Finance Management Act, No. 14 of 2020, which states that the board of a statutory body shall submit to the Minister for Finance a three (3) year strategic plan, the FSRA began the process of engaging a consultant to assist with developing the FSRA's strategic plan for the period 2021-2024. It is anticipated that the strategic plan document will be completed within the second quarter of the next fiscal period and will guide the strategic objectives of the FSRA for the next three (3) years.

Risk Based Supervision

In line with international best practice, the FSRA started transitioning its supervisory approach from a predominantly rule-based to a risk-based approach. During 2020/2021 the FSRA continued with its Risk Based Supervision (RBS) pilot project, through the utilization of an RBS tool designed by CARTAC. The aim is to transition to full adoption of RBS by the last quarter of the 2021/2022 fiscal period. This approach to supervision facilitates the systematic assessment of companies' risks using a formalised framework at regular intervals; allowing the identification of companies' strengths and weaknesses and areas where difficulties or challenges exist; encouraging a strong risk management function in companies. This approach will require information from regulated entities on a more granular scale and will in turn facilitate the generating of detailed reports by the FSRA which could benefit the financial sector and inform regulated entities' decision making.

The effectiveness of RBS is enhanced within a risk-based capital solvency (RBCS) regime, a direction being explored by the FSRA for the insurance sector. Under a RBCS regime, the one size fits all approach will be abandoned and entities will be required to maintain a level of capital commensurate with their risk exposure. This regime facilitates the optimisation of capital through sound risk management. Unfortunately, progress on Risk Based Capital Solvency has been delayed due to resource constraints owing in part to the pandemic.

IFRS 17 (Insurance Contracts)

IFRS 17 will require insurers to radically revamp financial reporting practices and financial statements. Insurers will be required to begin to apply IFRS 17 for annual periods beginning on or after January 2023. IFRS 17 is a complex financial reporting standard and has the potential to significantly disrupt the business models and earnings of life insurers in particular. Thus, the implementation of IFRS 17 will be a major challenge to the insurance industry.

The FSRA, in collaboration with other regional regulators continues to engage the insurance sector on the importance of instituting the necessary preparatory measures for the implementation of this radical standard. As part of monitoring insurers' preparedness, an IFRS 17 Implementation questionnaire has been developed and circulated to industry for completion. Insurers are required to update on a quarterly basis and submit to the FSRA to facilitate the monitoring of insurers' preparedness.

Financial Techonology

An important focus in 2020 has been on FinTech and digital assets both for regulation and supervision. The FSRA has engaged in numerous consultations with the Eastern Caribbean Central Bank (ECCB) on the draft virtual assets bill. The bill is currently in its final stage of review. In addition, with the introduction of new fintech products emerging in the market, the FSRA has considered a Regulatory Sandbox approach which will enable innovative products and services to be tested in a safe regulatory environment.

Digital Eastern Caribbean Dollar (DXCD)

Eastern Caribbean Central Bank (ECCB) launched its central bank digital currency (CBDC) pilot, DCash on March 31, 2021. The roll out of DCash initially was in Antigua and Barbuda, Grenada, Saint Christopher (St Kitts) and Nevis and Saint Lucia

> *“The collaborative efforts of the FSRA and the Financial Sector, indeed played a significant role in minimizing the negative impact of the pandemic on the financial system.”*

as part of the ECCB’s Digital Currency Pilot. The DCash pilot aims to create greater financial inclusion in the ECCU as well as increase economic growth and business opportunities.

In Saint Lucia two (2) commercial banks and one (1) credit union are part of the DCash pilot stage. In addition, one (1) of our licensed money services business which is classified as a non-bank financial institution was designated by the ECCB as a DCash Agent to facilitate the onboarding and customer service of consumers who do not have bank or credit union accounts.

Policies and Guidelines

During the fiscal period, the FSRA developed and continued its work on several policy documents and guidelines in an effort to enhance supervisory effectiveness and operating efficiency and to improve its level of service to stakeholders.

Complaint Policies and Guidelines

Complaint Policies were developed to guide internal processes and procedures for handling consumer complaints. Additionally, the FSRA begun the process of drafting Complaint Guidelines to be observed by the Financial Sector when dealing with customer complaints.

Reinsurance Guidelines

The FSRA continued streamlining the draft reinsurance guidelines based on feedback provided by industry and hope to fully implement during 2021/2022.

Electronic Money Guidelines

With the influx of promoters expressing interest in becoming an Electronic Money Services Provider (EMSP) the FSRA has issued guidelines to facilitate the monitoring and supervision of this emerging sector.

Considering the legislative limitations, the guidelines included provisions covering certain specific requirements for the granting of a license, such as:

- The establishment of lower cash thresholds for agents that are not licensed financial institutions;
- Accounts limits/client profile;
- Daily Transaction limits/client;
- Liquidity requirement;
- The appointment of custodians for the holding of client funds;
- The submission of an Informational Technology Audit, at several intervals
- Requirements for KYC and CDD

Legislative Updates

The focus of the FSRA’s legislative review was on ensuring compliance with international obligations and standards, strengthen areas of weaknesses and bridge the gaps in various legislative provisions to facilitate effective and efficient supervision of the financial sector, in keeping with international best practice.

To this end, the following legislative amendments were initiated:

Financial Services Regulatory Authority Act

Amendment to section 38 – The proposed amendment seeks to strengthen the capacity of the FSRA to share information with Competent Authorities. This aims to address legislative deficiencies cited in Saint Lucia’s 4th Round FATF Mutual Evaluation Report.

Amendment to section 33 – The proposed amendment seeks to strengthen the capacity of the FSRA to request information on Politically Exposed Persons 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 Politically Exposed Persons.

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. The proposed amendment seeks to include the registration of pension funds as one of the areas delegated 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 obvious benefits presented to the local workforce.

Amendment to section 36 – Appointment of a Receiver Manager. The amendment is intended to facilitate 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 amend will bridge 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 proposed amendments seek to allow for an extension of time for the submission of documents outlined in Sections 26 and 57 beyond the current discretionary 2 months' extension in the event of a State of Emergency or national crisis.

Due to the Covid-19 pandemic, most insurance companies requested the maximum two-month extension allowed in Section 26 of the Insurance Act for the submission of the statutory accounts. Notwithstanding the granting of the extension, due to the strain on resources caused by Covid-19, the two-month extension was not sufficient to allow for the submission of the aforementioned documents.

Section 26 (9) of the Act also provides that "a company which fails to submit any account, statement or other document required under this section, shall pay a fee of $200 for every day that the account, financial statement or other document remains not submitted after the due date or the date extended by the Registrar." Thus, the FSRA is mandated to impose the aforementioned penalty which, in light of the current extraordinary circumstances, it deems to be unfair.

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.

We are pleased to report that the proposed amendments to sections 26 and 27 of the Insurance Act and Sections 30 and 36 of the FSRA Act were approved by cabinet during the fiscal period. It is anticipated that the remaining proposed amendments will be approved during the next fiscal period.

OVERVIEW OF FINANCIAL SECTOR

Insurance Industry

The insurance sector's performance remained stable during 2020. There were no significant changes in the level of premium written, particularly during the first half of the year which showed a slight improvement over 2019. However, by the second half of the year a reduction in performance was noted which resulted in a modest reduction in the overall sector performance. There were some reports of reduced insurance cover and a small number of cancellations in respect of employer liability due to business shutdowns. Motor Insurance Business experienced a reduction in motor claims particularly during the second quarter of 2020 (the heightened restriction period due to COVID). Business Interruption Policies experienced no claims payment due to pandemic exclusion clauses.

Considering the economic climate and the performance in the last two quarters of 2020/2021, the prospect for 2021/2022 is uncertain.

Other Developments in the Insurance Sector

Amalgamations

During 2020, one (1) insurer started the process of amalgamation with another regional entity. This process was closely monitored by the Authority and the necessary guidance provided to ensure a smooth transition while safeguarding policyholder's interest.

Update on the CLICO Portfolio

The Judicial Manager (JM) entered into a Portfolio Transfer Agreement with Nagico Life Insurance (EC) Limited and Nagico (Saint Lucia) Ltd (the Purchasers). This agreement facilitated the transfer of the health, life and pension policies of CLICO to the Purchasers. In keeping with the provisions of Sections 131-134 of the Insurance Act, due notification was given to CLICO's policyholders of the intended sale, and the scheme of transfer documents were made available for policyholders' review. Under the Agreement: - (1) the sum assured for life policies was reduced by 15% and the corresponding premium was reduced by 10%; (2) the guaranteed rate of return on the pension portfolio was reduced from 3.5% to 2% in line with the recommendation of the JM's actuary; (3) the medical policies were transferred without any changes.

The remaining liabilities of CLICO are largely the unsecured EFPAs and surrendered policies. These will be settled from the proceeds of the sale of CLICO's real estate properties. The percentage and timing of settlement is dependent on the real estate market, which is experiencing a degree of stress due to the pandemic.

Update on the British American Insurance Company (BAICO)
The liabilities of the Saint Lucia branch policyholders of BAICO have been satisfied excepting those policyholders who were part of the ECCU Policyholders' Assistance Scheme (PAS) for which there was a shortfall in funding provided by the Eastern Caribbean Central Bank (ECCB). Those policies represent contracts which had matured/triggered prior to the transfer of the BAICO portfolio and were excluded from the transferring policies. During the reporting period, the ECCB provided additional funds to meet full settlement of those liabilities under the PAS and the Fund Administrator had been making the necessary arrangements to facilitate payments.

Policy Endorsements/Amendments

During 2020, Insurers made several amendments to policy contracts in response to the Pandemic, particularly Travel insurance policies. 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. There are indicators that cost of reinsurance may increase due to large exposure in the international market because of the pandemic.

Credit Union

The credit union sector remained relatively stable during the year 2020 despite the Covid-19 pandemic. The sector remained at sixteen (16) active credit unions and one (1) credit union league. Based on the credit unions' capital adequacy performance, 13 of the 16 registered credit unions satisfied the minimum 10% 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 2020 several credit unions provided loan moratoria to their members.

The credit unions maintained an asset base of approximately $1.2 billion representing a 8% increase over the prior year (2019: $1.1 billion). For the year, the loans portfolio stood at approximately $766 million representing a 4.4% increase over the prior year (2019: $734 million), thereby assisting members in achieving their self-actualisation goals and developmental objectives.

Money Services Business Sector

Money Services Business Sector was impacted during the year 2020 due to the Covid-19 pandemic. Total remittance inflows increased significantly by 32.78% which was due to families aboard sending monies back home to assist their Saint Lucian family members who lost jobs due to the pandemic. Conversely, the total remittance outflows reduced by 16% due to many Saint Lucians especially those in the tourism sector losing their jobs.

The Micro-lenders also felt the impact of Covid-19 in that the number of loans disbursed for the year 2020 reduced to Eleven Thousand, Five Hundred and Forty-Two (11, 542) loans compared to Twenty-Three Thousand, Eight Hundred and Seventy-Nine (23,879) disbursed in 2019.

International Sector

The international sector remained relatively stable during the year 2020 despite the Covid-19 pandemic. The total number of regulated entities from the international sector decreased overall by 1.67% or one (1) entities (59 in 2019 to 58 in 2020). This was as a result of the registration of one (1) international Private Mutual Fund and the revocation/surrendering of two (2) international insurance companies.

Looking Ahead

The outlook for the financial year 2021/2022 is somewhat pessimistic, as Saint Lucia continues to grapple with the challenges of COVID-19. Although the financial sector remained fairly resilient during the reporting period, if the virus is not contained, the prolonged effect of the pandemic may begin to stress the financial system. Additionally, the consequences of legislative amendments to the International Business Companies (IBC) Act, towards satisfying Saint Lucia's obligation/commitment to the EU/OECD on tax practices, may begin to manifest in 2021/2022. These amendments may compromise the international financial sector, introduce a degree of regulatory arbitrage and present new challenges to the domestic financial sector. Thus, the FSRA intends to collaborate with the Ministry of Finance to further review the International Financial Sector Legislation to assess the implication for its regulatory remit and to ensure that the international financial sector remains viable.

Despite these challenges, I remain confident that, as we forge ahead, the FSRA's mission of maintaining the integrity of the financial sector and promoting public confidence in the financial services industry, will continue to be upheld.

Conclusion

The FSRA's achievements during this challenging period would not have been possible without the unwavering commitment and dedicated support of the management and staff. I am very grateful for their continued support, particularly during a period beset with unprecedented challenges and ever-changing demands. I take the opportunity to commend the entire team for their collective commitment to the vision and mission of the FSRA.

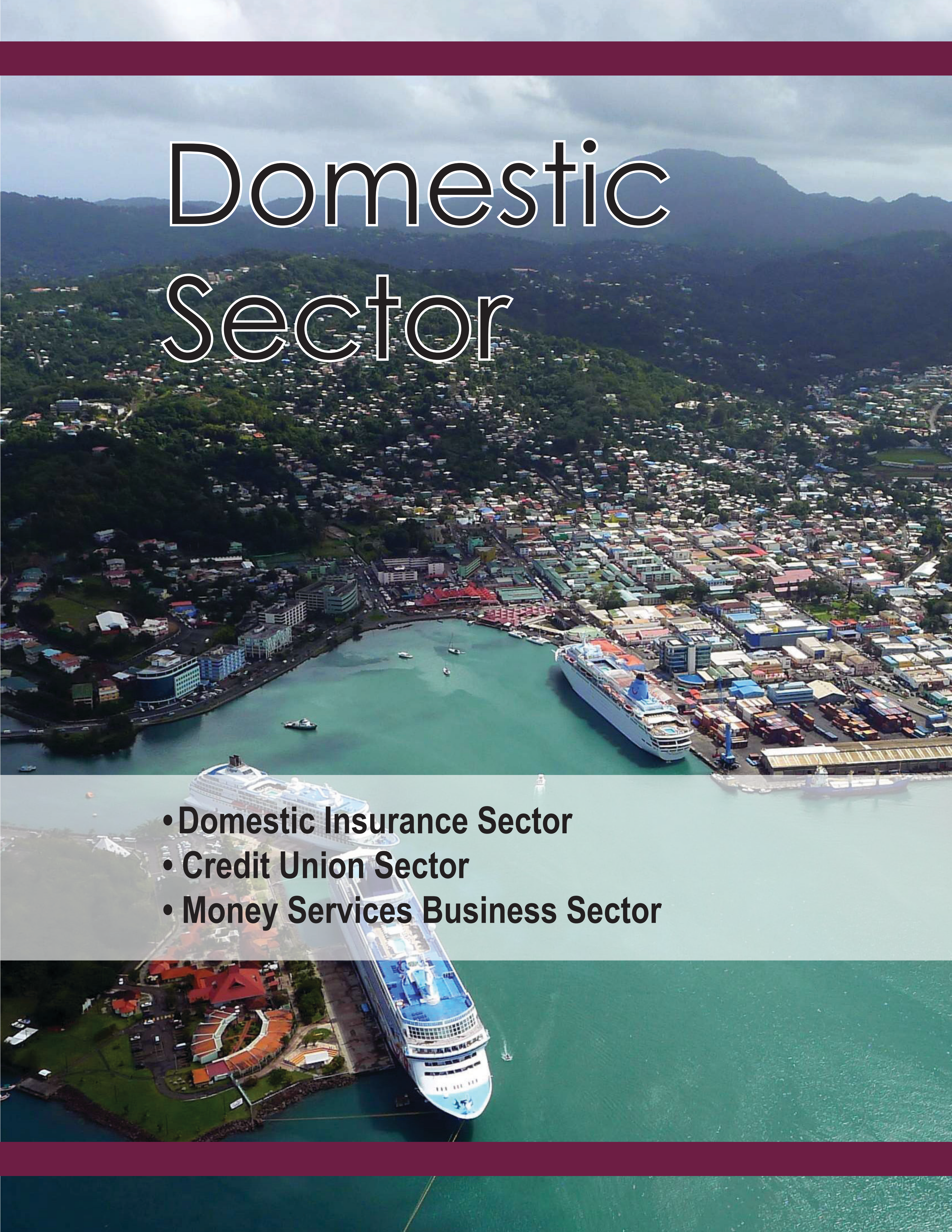
To the former Executive Director and my mentor, Mr. Calixte Leon, I express my sincere gratitude to him for his mentorship and wise counsel over the years and for facilitating a seamless transition to my new role as Executive Director. I wish him a happy retirement and all the best in his future endeavours.

I also wish to recognise the strong and effective support that the management and staff continue to receive from the Board of Directors, under the chairmanship of Mr. Vincent Hippolyte.

The FSRA is also very grateful for the support and cooperation of the various agencies of Government, such as the department of finance, the Attorney General Chambers, Inland Revenue Department and the Financial Intelligence Authority. Success would not have been possible without your continued support. I look forward to our continued collaboration and to forging even deeper relationships in 2021/2022 as we seek to continue to improve Saint Lucia's financial services landscape.

Nathalie Dusauzay
Executive Director

Sector Reports



Domestic Sector

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

KEY HIGHLIGHTS for fiscal year 2020/2021

DOMESTIC INSURANCE SECTOR

- **26** Insurance Companies
- **14** General Insurers
- **12** Long-term Insurers
- **$731.4 m** Insurers' Total Assets
- Increase of **4.4%**

Gross General Insurance Premiums:

- **$172.7m** 2020
- **$175.4m** 2019

Gross Long-term Insurance Premiums:

- **$73.8m** 2020
- **$110.5m** 2019

CREDIT UNION SECTOR

- **$1,185m** Total Assets
- Increase of **8%**
- **$962m** Total Withdrawable Shares & Deposits
- Increase of **9%**
- **$766m** Total Loans
- Increase of **4%**
- **$962m** Total Delinquent Loans
- Increase of **55%**

MONEY SERVICES BUSINESS SECTOR - MONEY TRANSMITTERS

- **$150.4m** Inflows
- Increase of **32.78%**
- **16.8m** Outflows
- *Decrease of **28%**

*Overall decrease of 28% over a period of 5 years

KEY HIGHLIGHTS 2020/2021

Domestic Insurance Sector

The Insurance Sector is regulated in accordance with the Insurance Act, Cap 12.08 of the Laws of Saint Lucia. The year 2020 marks 25 years since the first version of the Insurance Act was enacted. Currently, most of the provisions remain and are the substance for the regulation and supervision of the Insurance Sector although various amendments have been made over the years.

As of March 31, 2021, the register of licensed entities included a total of twenty-six (26) insurance companies, twenty-one (21) insurance agents, ten (10) insurance brokers, one (1) association of underwriters, two hundred and twenty-seven (227) insurance salesmen and thirty-two (32) registered pension plans. As illustrated in Figure 1, the number of insurance companies and insurance agents remained largely the same, however, the number of insurance brokers increased from eight (8) to ten (10) in 2020/2021. There is generally significant volatility in the number of registered insurance salesmen throughout the year due to the nature of their contractual arrangements with the insurers. Thus, a 35% increase has been highlighted in the number of insurance salesmen from one hundred and sixty-eight (168) as at March 31, 2020 to two hundred and twentt-seven (227) at the end of March 2021.

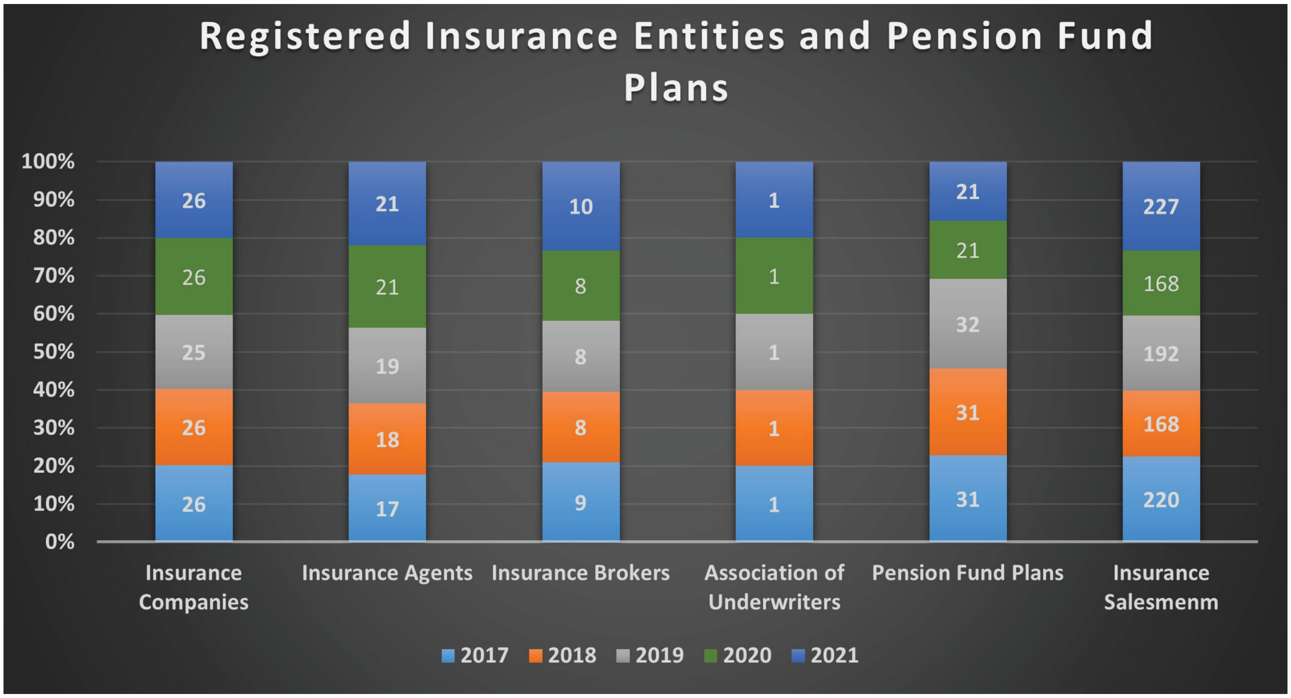


Figure 1: No. of registered Insurance Entities and Pension Fund Plans

The industry provides a major contribution to the Saint Lucia economy through the acceptance of various risks from businesses and individuals, through the payment of license/registration fees and through the collection of insurance premium tax. Licence fees paid during the reporting period totalled just under $155,000 and premium tax payable amounted to approximately $10.8 million dollars. While significant amounts have been paid in the past by insurers as penalty fees for submitting their audited accounts after the statutory deadline, such fees were insignificant during 2020 as special consideration was given to the extraordinary events brought on by Covid-19 causing delays in the preparation and submission of the accounts.

Insurance Companies and Lloyd's Underwriters

Of the twenty-six (26) insurers registered to carry on business in Saint Lucia, fourteen (14) are registered to carry on only general insurance business (general insurers), twelve (12) are registered to carry on either only long-term or long-term and health insurance (long-term insurers), and one (1) is registered to carry on both general and long-term insurance (a composite insurer). The association of underwriters, Lloyd's, is registered to carry on all classes of business.

General insurance business and policies of insurance do not exceed one (1) year and fall into six (6) categories, namely, liability insurance, motor vehicle insurance, pecuniary insurance, property insurance, personal accident insurance, and marine aviation and transport of insurance business. Long-term insurance policies exceed one (1) year and among insurers comprise ordinary long-term, creditor life, group life and annuity business. The number of underwriters for each class of business is depicted in Figure 2 below.

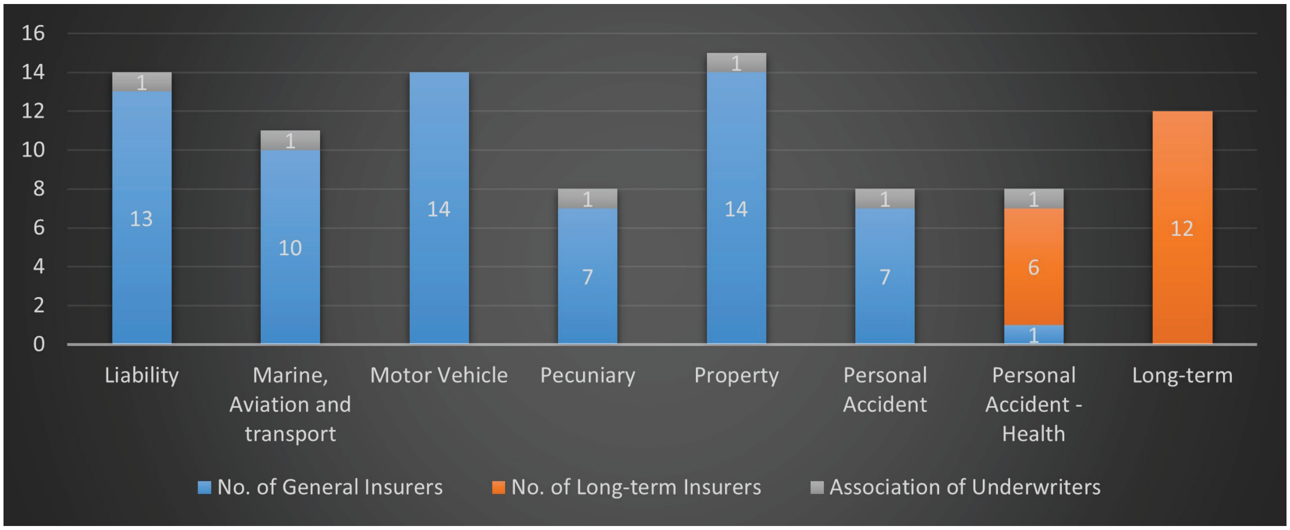


Figure 2: Underwriters of each Class of Business

Although twelve (12) insurers were registered to carry on long-term insurance business, two (2) insurers did not carry-on any business during the year 2020 and another two (2), who's premium and balance sheet data is not included in this report, have been maintaining existing long-term and health insurance policies (no new business) since being placed under Judicial Management.

Gross premiums underwritten in Saint Lucia during the 2020 reporting period totalled $254.8 million. Although this is a 13.2% decline from the prior period where $293.7 million was recorded, premiums written over the last five (5) years increased by 25.1%, from $203.7 million in 2016. The decrease from 2019 was largely a result of a $36.7 million decline in long-term insurance premiums and a $2.7 million decline in motor vehicle premiums. The general and long-term premiums underwritten over the years 2016 to 2020 are stacked in Figure 3 showing the total industry premiums.

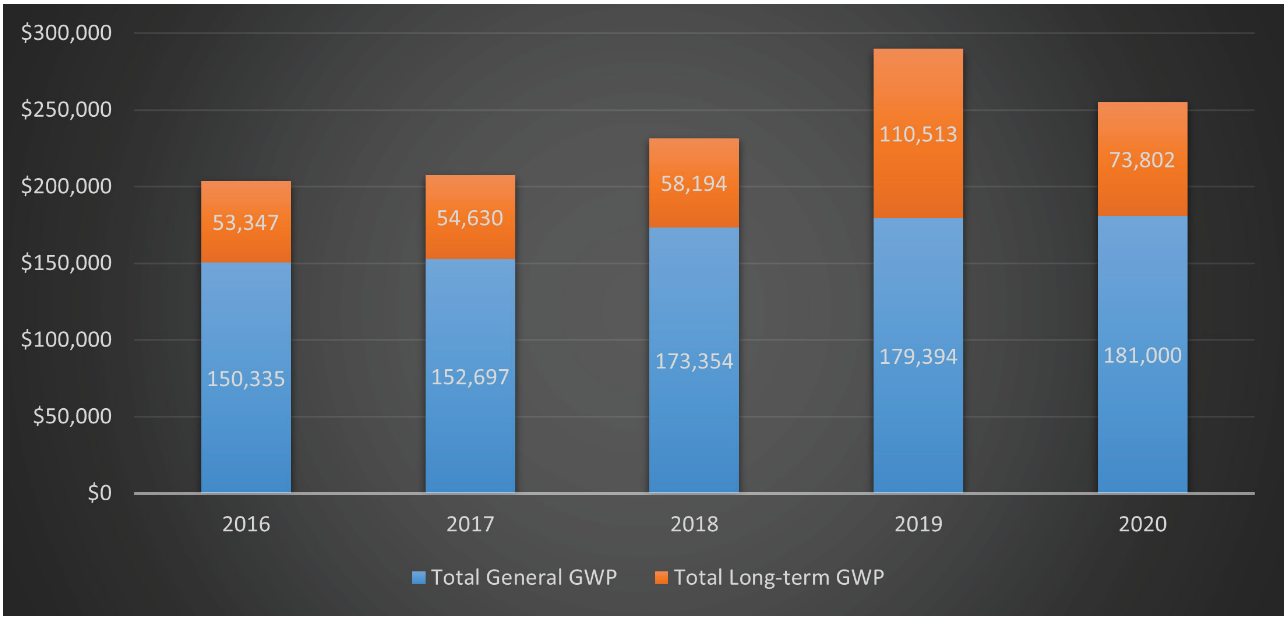


Figure 3: Insurance Industry Gross Premiums 2016-2020 ($'000)

Insurance Companies' Balance Sheet Position

Insurers are required to be solvent at all times, ensuring that their assets exceed their liabilities by prescribed amounts. Assets are considered only to the extent specified in regulations. All insurers had assets exceeding their liabilities as at their 2020-year end. Insurers' assets totalled $731.4 million while liabilities totalled $513.1 million, resulting in net assets of $218.4 million. Key balance sheet figures for the past five (5) years are presented along with the industry's net asset position in Table 1 below.

	2016	2017	2018	2019	2020	Percentage Change 2020/2021
Total investment assets	452,379	411,446	457,459	485,860	528,686	8.8%
Total assets	**609,880**	**584,652**	**653,449**	**701,136**	**731,427**	4.4%
Total insurance liabilities	314,458	306,300	334,927	415,514	433,900	4.5%
Total Liabilities	**366,590**	**366,756**	**481,284**	**488,468**	**513,078**	5.8%
Total capital and reserves	**232,061**	**217,991**	**175,951**	**212,631**	**218,359**	1.2%

Table 1: Insurance Industry Balance Sheet 2016 – 2020 ($'000)

For the third consecutive year, total assets and total liabilities have increased, stemming from increases in investment assets and insurance liabilities respectively. As insurance liabilities must be covered by prescribed assets, largely of which are investment assets, the corresponding increase in both balance sheet line items is a constant feature of industry growth.

Insurance Companies' Statutory Deposit and Insurance Fund

Contained in total investment assets in Table 1 above are assets pledged in trust to the Financial Services Regulatory Authority by insurance companies in compliance with Section 80 (Statutory Deposit) and Section 88 (Insurance Fund) of the Insurance Act which require that assets equalling each insurers' motor vehicle and long-term insurance liabilities be reserved in such manner. Periodically, the amounts are adjusted, either by additional pledging by an insurer or a release of assets by the FSRA, based on the amount of insurance liabilities. As at March 31, 2021 a total of $356.4 Million was pledged by insurers, $318.9 Million pledged to the Insurance Fund and $37.5 Million to the Statutory Deposit. Based on the statutory requirement, the Insurance Fund and Statutory Deposit contained an excess of $10 Million and $12 Million respectively.

Insurance Sector Performance

General Insurance Business

During the 2020 reporting period, gross general insurance premiums decreased by approximately $2.76 million, from $175.48 million in 2019 to $172.72 million. Half of the insurance companies reported reductions in their general insurance premiums averaging $1,080,130 while the other half reported average increases in premium of $775,033. The total reduction of $9.72 million, which was only partially offset by increased premiums of $6.98 million, was primarily driven by two (2) insurers whose gross premiums fell in 2020 by approximately $7.92 million combined.

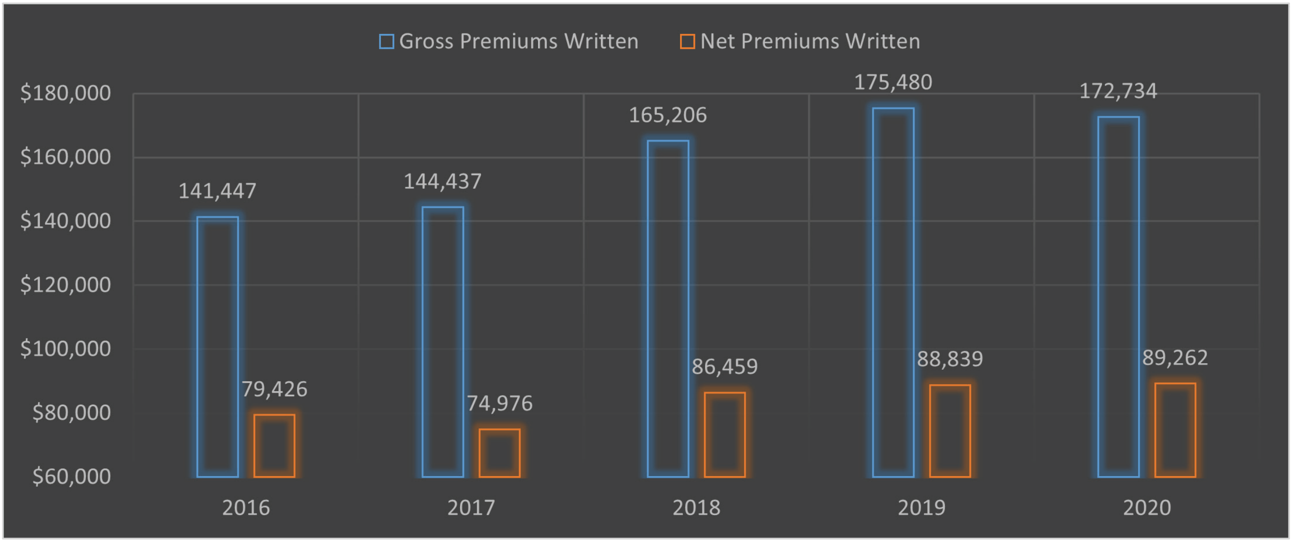


Figure 4: General Insurers Gross Written Premium & Net Written Premium 2016 – 2020

Insurers ceded less to reinsurers in 2020, retaining 51.7% of gross premiums or $89.3 million, compared to 2019 where $88.8 or 50.6% was retained. Insurers' gross and net written premium is depicted in Figure 4 above.

The profitability of carrying on general insurance business improved in 2020, with insurers generating $5.67 million in profits up from a loss of $6.24 million in 2019. Underwriting income contributed $1.82 million while other revenue netted $4.6 million. Save for 2019, general insurance business has been profitable overall notwithstanding its volatility which requires prudent management practices.

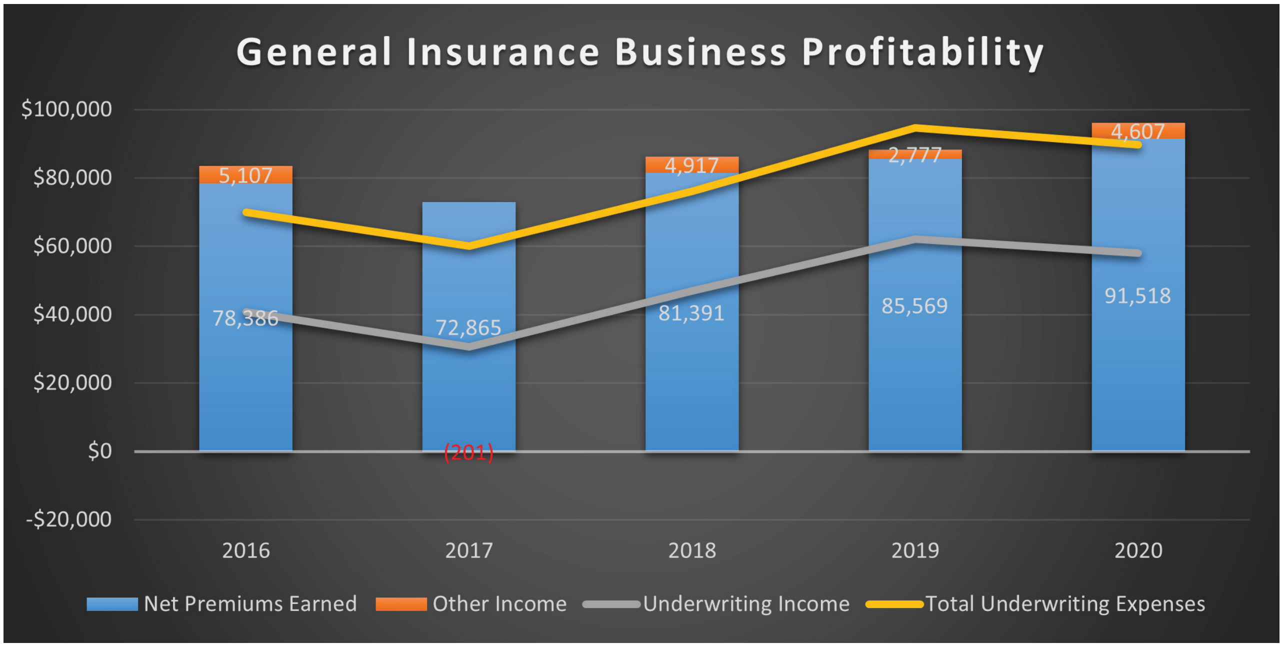


Figure 5: General Insurance Business Profitability 2016-2020 ($'000)

With respect to the individual classes of business, the 1.6% reduction in gross premiums for 2020 was mainly attributable to a 15.2% decrease in motor vehicle premiums of $2.67 million. The huge reduction is notable considering increasing growth in motor vehicle gross premiums over the past three (3) years of at least 8%. Over the 2020 reporting period, ten (10) of the fourteen (14) insurers recorded a reduction in gross written premium with half experiencing reductions of at least 10% compared to 2019.

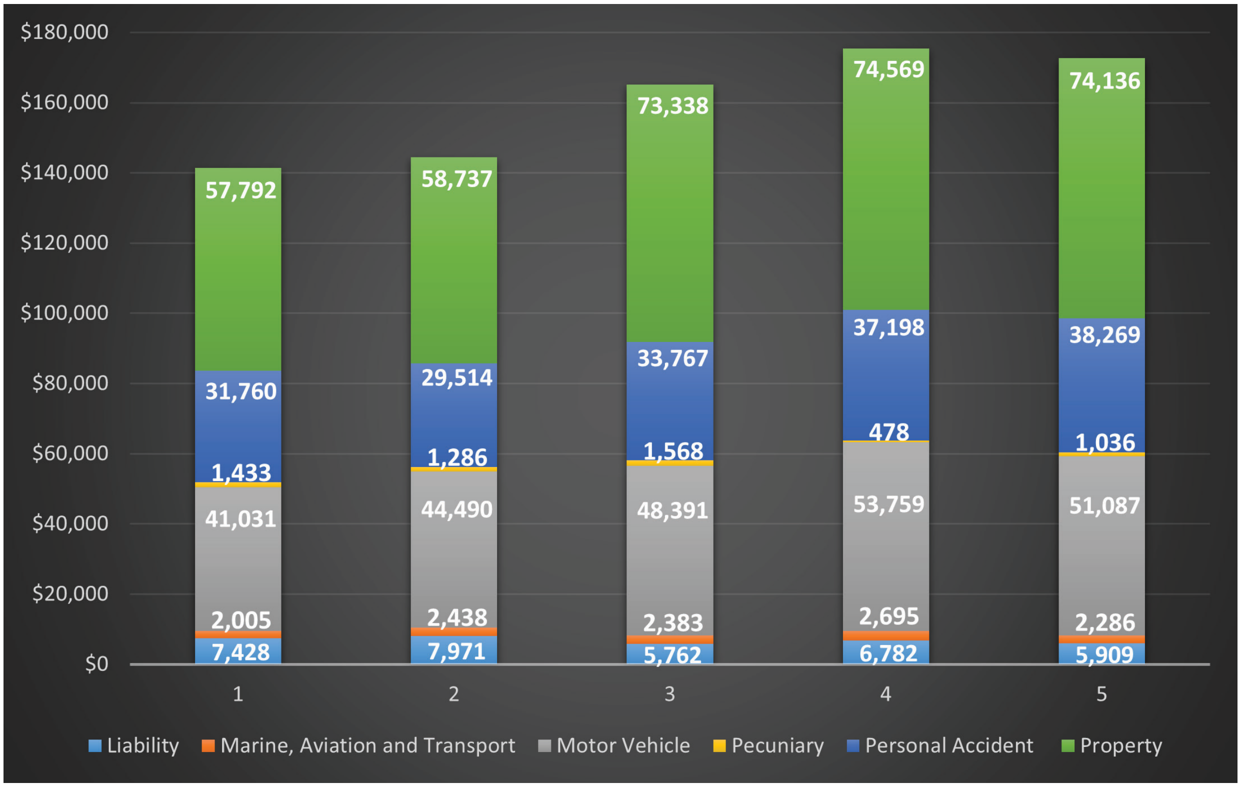


Figure 6: General Business Gross Premiums Written 2016-2020 ($'000)

Sector premiums continue to be led by the property, motor vehicle and personal accident classes of business which account for 94.7% of all gross premiums in 2020.

Long-term Insurance Business

Long-term insurers reported gross written premiums of $73.8 million in 2020. Although premiums are down from 2019, the sub-sector is exhibiting an increasing upward trend in premium collection since 2016.

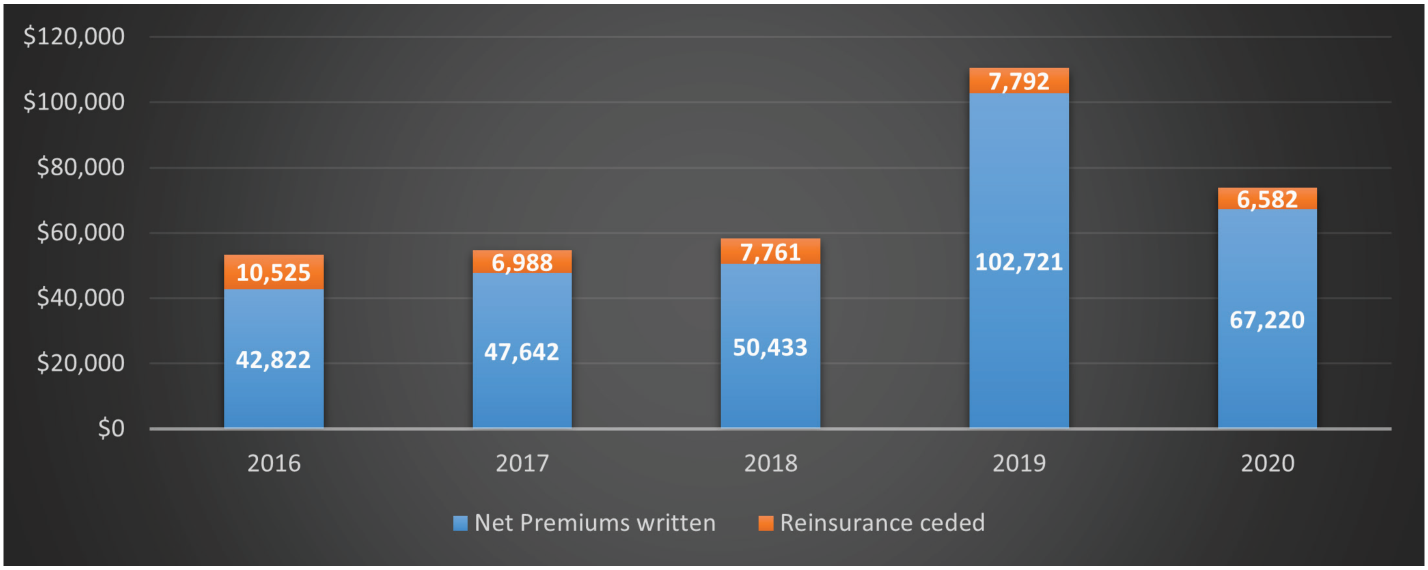


Figure 7: Long-term Insurance Premiums Written 2016-2020 ($'000)

Reinsurance ceded for long-term business remained under 10% for the past two (2) years, approximating $6.7 million or 8.9% in 2020, significantly lower than during the period 2016 to 2018 where premiums ceded ranged from roughly 13% to 20% of gross premiums. Of the eight (8) insurers carrying-on long-term business, two (2) insurers retained 100% of premiums due to the nature and amount of the business being underwritten.

Over the past five (5) years, insurers allocated a total of $220.48 million in policyholder benefits out of $310.84 million in net premiums, averaging $44.1 million a year. For the 2020 reporting year, $51.1 million was allocated to policyholder benefits. Policy surrenders and policy claims continue to make up the majority of direct benefits to policyholders. While claims represented the largest expense category in 2020, being approximately 1/3 of total underwriting expenses followed by policy surrenders which represented 27% of the total, policy surrenders exceeded claims on average by 30% over the period 2016 to 2019.

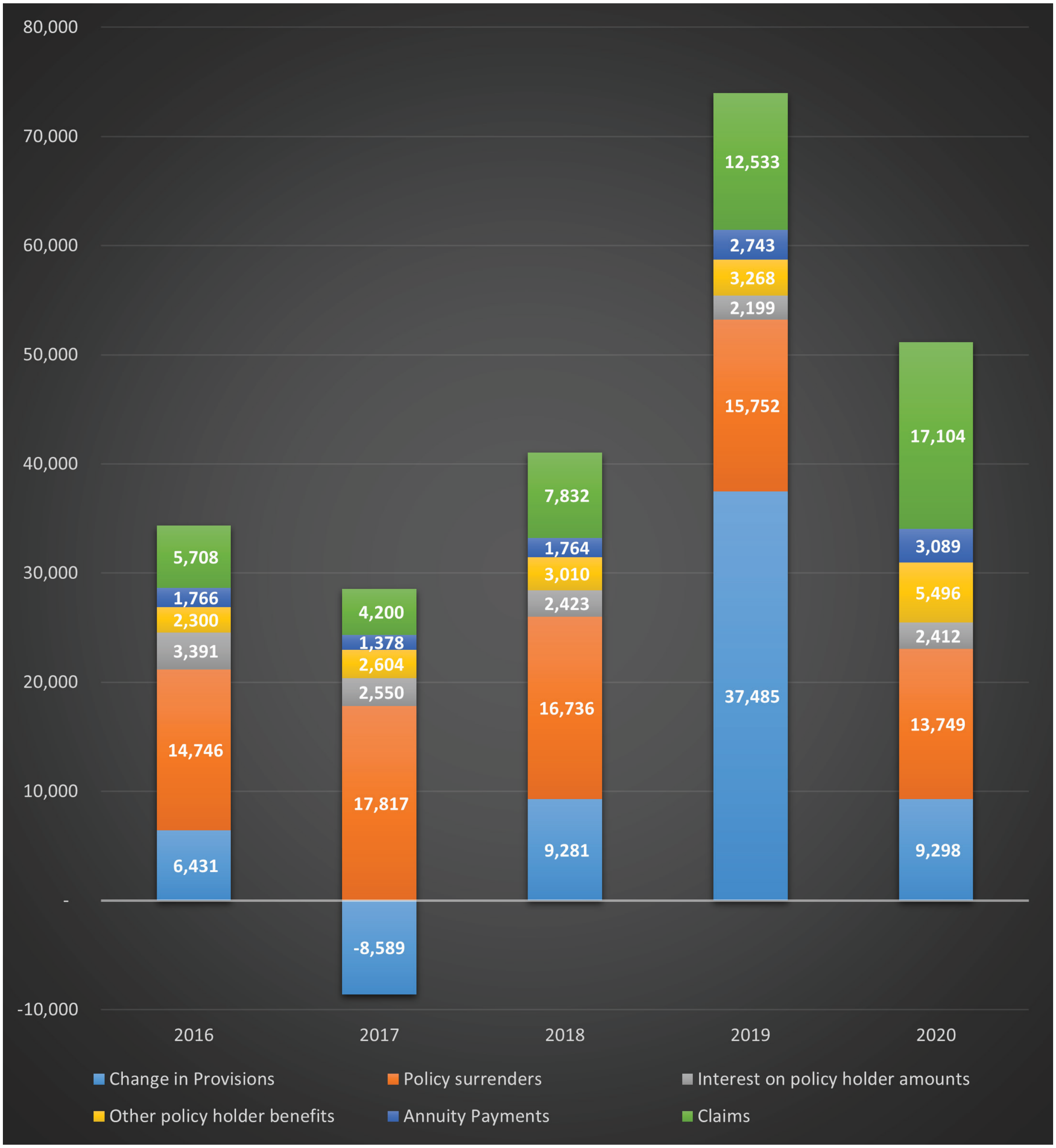


Figure 8: Long-term Insurance Breakdown of Policyholder Benefits 2016-2020 ($'000)

Long-term insurers aim to cover both policyholder benefits and operational expenses from underwriting income and investment income, with an adequate return on investments being necessary to record a profit. In 2020, premium income totaled $67.2 million while investment income and other revenues totaled $17.6 million. With total expenses amounting to $84.8 million or 95% of total income, insurers recorded net income before tax of $4.1 million. During the past five (5) years, the sector suffered losses only once in 2018, when substantial losses on some investments resulted in total investments falling by $19.1 million from the prior year.

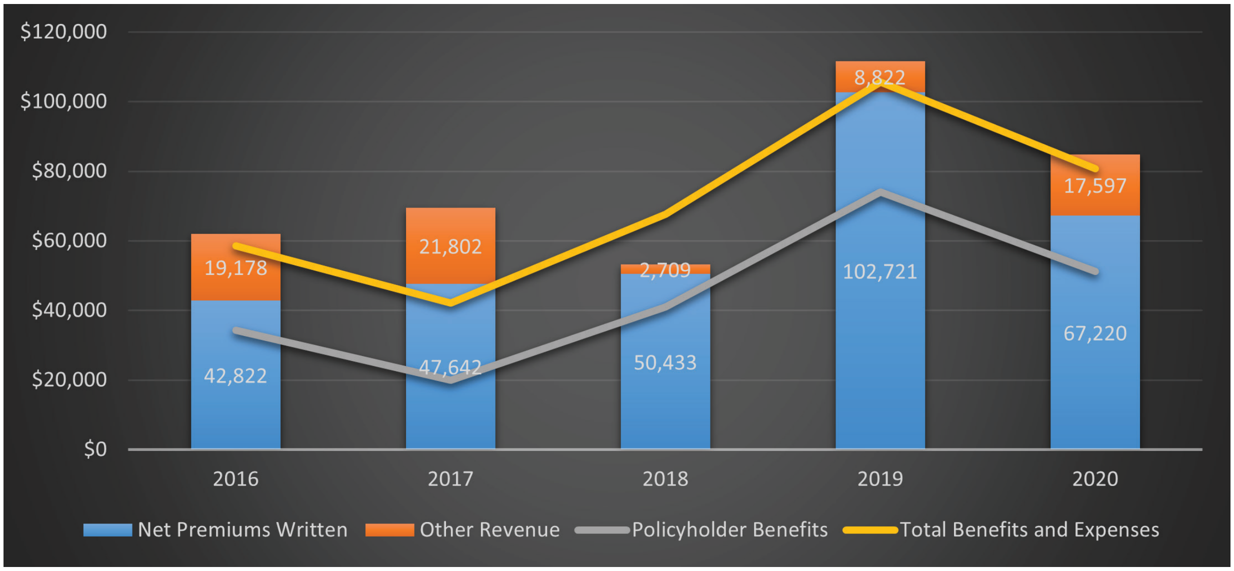


Figure 9: Long-term Insurance Profitability 2016-2020 ($'000)

Total expenses as a percentage of total revenue from 2016 to 2020 were approximately 95%, 61%, 127%, 95% and 95%, respectively. The profitability of the long-term sector in 2020 is attributable to five (5) insurers which reported profit before tax of approximately $7.24 million combined which surpassed the $3.15 million losses incurred by the other three (3) insurers.

Insurance Brokers

During the 2020 reporting period, Insurance Brokers continued to handle a significant portion of business underwritten in the insurance sector, thereby maintaining their reputation as a significant subsector in the industry. The eight (8) longstanding insurance brokers handled approximately one third (33.8%) of all general insurance premiums and just under one quarter (23.4%) of all long-term insurance premiums underwritten by insurance companies in Saint Lucia. In addition, more than half (53.9%) of all direct risks underwritten in Saint Lucia by Lloyd's underwriters were channelled through the insurance brokers.

With respect to general insurance business underwritten by insurance companies in 2020, notable classes of business handled by insurance brokers include the marine, aviation and transport class which amounted to 67.9% of premiums underwritten and the property class where 44.4% was handled. Other general classes of insurance business handled ranged from 16% to 31% of total premiums underwritten by insurance companies. Figure 10 illustrates the value of insurance policies transacted through insurance brokers in 2020 with the corresponding total underwritten in the categories presented.

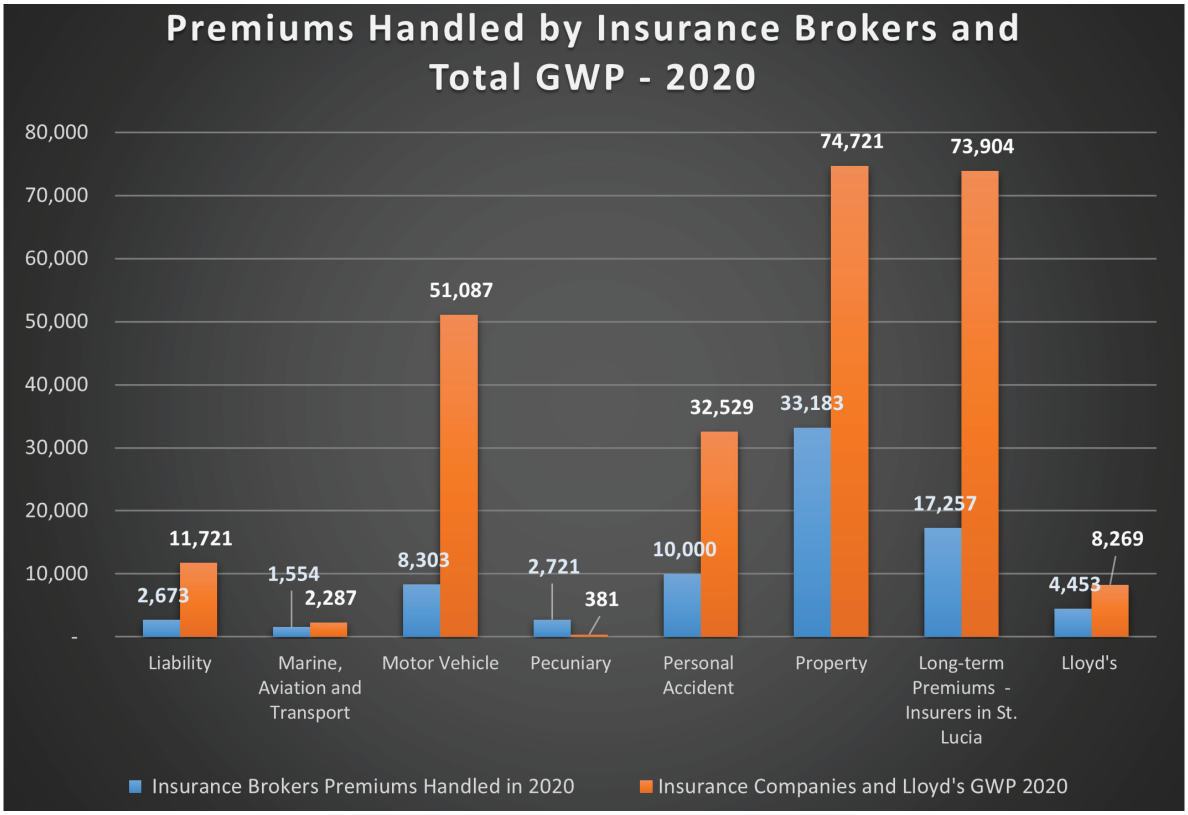


Figure 10: Disaggregated Premiums Handled by Insurance Brokers with Corresponding Totals

Although the brokerage sector handled significant amounts of premiums in 2020, total premiums handled fell four percent (4%) when compared to 2019 (2020: $83,088,694; 2019: $80,144,457). This was mainly due to significant decreases in the pecuniary class, which fell forty-nine percent (49%) from $5,242,584 to $2,621,516, and in the motor vehicle class which dropped by seventen (17%) or $1,728,396 to $8,303,187. Notwithstanding, there were significant increases in premiums handled in respect of the marine, aviation and transport class (2020: $1,553,571; 2019: $1,118,088) and the personal accident class (2020: $10,000,382; 2019: $8,790,548).

The share of business handled by the individual brokers in 2020 mirrored to a large extent their market share in the prior reporting period. Two (2) of the Insurance Brokers dominated the market, handling 51% of total premiums channelled through the subsector, with the third and fourth largest brokers handling a further 35% combined. Thus, 86% of premiums were handled by four (4) brokers in 2020, while the other four (4) handled between 2% and 5% each, totalling fourteen percent (14%) of market share. Figure 11 shows the percentage of business handled by each broker.

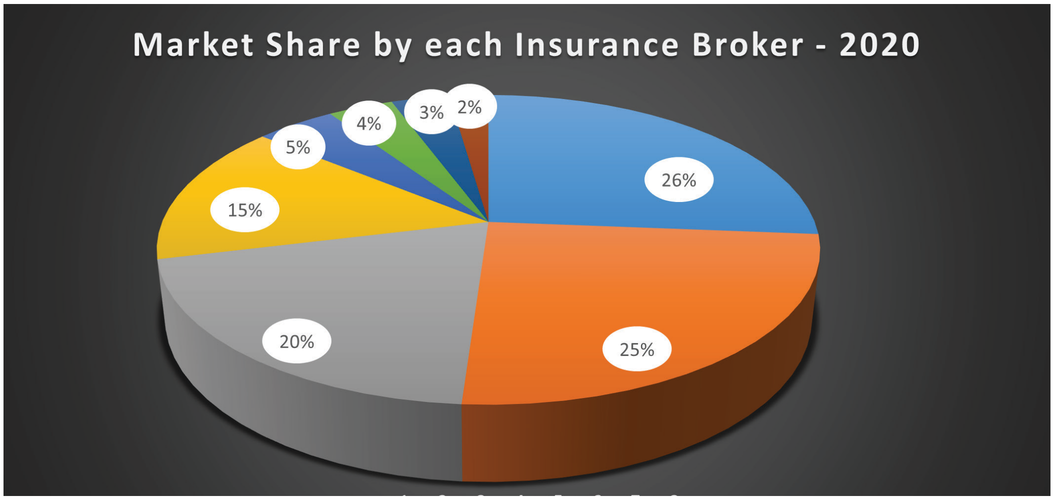


Figure 11: Market Share of Insurance Brokers

Premiums handled by Insurance Brokers ranged from $1.8 million to as much as $21.1 million, with the majority transacting at least five (5) classes of insurance business. Five (5) of the eight (8) brokers placed long-term insurance business with insurance companies, while four (4) brokers placed business with Lloyd's Underwriters.

Income generated by insurance brokers, primarily commission income, amounted to as little as $249,000 and as much as $2.8 million, while expenses incurred ranged from 56% to 147% of income, much of which (40% to 60%) related to staff benefits in all but one of the brokers. Two (2) out of the three (3) brokers which sustained losses during the 2020 reporting period had sufficient capital buffer to absorb their losses, however, one (1) broker was reported as insolvent. Significant exposures to credit risk remained during 2020 as almost one fifth to one third of premiums handled by six (6) brokers remained uncollected as at their year end. As amounts which may be uncollectible are not counted toward a broker's assets, substantial receivables increase the amount which may be deemed impaired, negatively impacting the net asset position. Figure 12 shows the ageing of total amount owing to each broker at their 2020 financial year end.

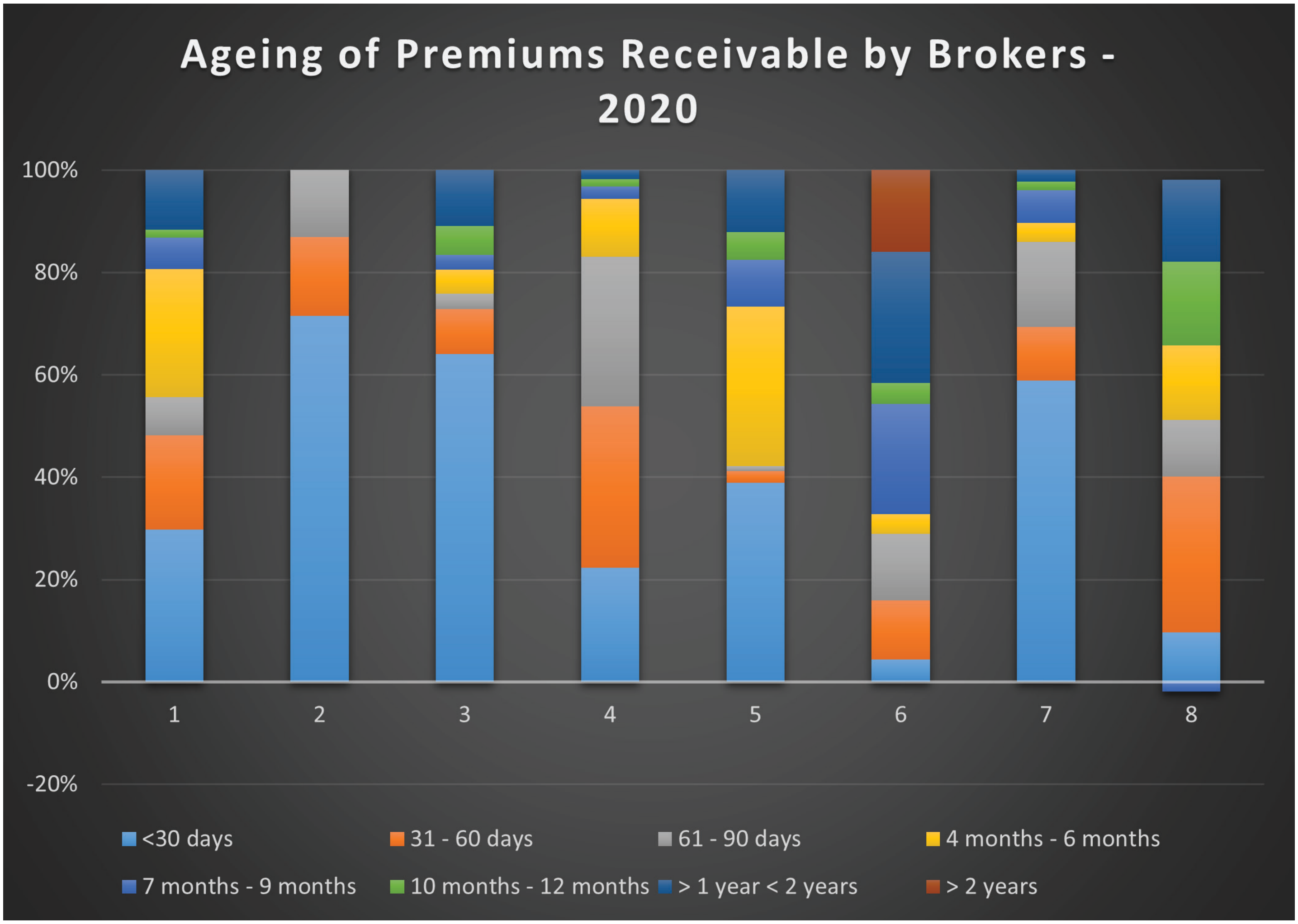


Figure 12: Ageing of Premiums Receivables by Brokers

Seven (7) out of the eight (8) brokers continued to report more than thirty-five percent (35%) of premiums outstanding for less than ninety (90) days, with one (1) broker reporting more than seventy percent (70%) of premiums receivable greater than ninety (90) days. Five (5) brokers had between ten percent (10%) to thirty-five percent (35%) of premiums owing for over one (1) year. Although significant, the extended periods may be reflective of agreed credit arrangements between brokers and their clients as clients tried to manage their reduced cashflows amidst the slowed economic activity brought on by the Covid-19 pandemic. It is envisioned that the resulting impact on the brokers' regulatory solvency position will result in even greater strengthening of their receivables management and/or the building of adequate capital buffers to mitigate against or manage client default.

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.

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 one hundred and ten (110) members. In addition, the Board can also appoint specialized committees to assist with specific oversight functions in areas such as investments, risk assessment, and delinquency recovery.

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

Composition:
The credit union sector (the Sector) in Saint Lucia comprises sixteen (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 Saint Lucia.

Socio-Economic Insight:
For the period ended December 31, 2020, the credit union sector experienced a paradigm shift in how business has been conducted over the years. Given the world pandemic, COVID-19, which still exists today, credit unions implemented advanced information technology systems and online financial services to ensure that the institutions remained relevant to their members while maintaining reliable service. In addition, the increase in online services and implementation of ATM services to members have assisted in providing real-time feedback and guidance to members where necessary. Given the dynamic change in conventional business during the year 2020, 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	Institutional Capital / Assets	Total Share Capital (Permanent)	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%

Table 2: Key Regulatory Indicators

Total Assets:

Total Assets demonstrated an increasing trend over the past eight (8) years and stood at $1,185 million in 2020, representing an 8% increase from the prior year. Twenty-three percent (23.3%) of total assets represent investments in “Government of Saint Lucia Bonds”. The institutional capital to total assets ratio remained relatively unchanged over the years with slight variations and stood at sixteen percent (16%) in 2020 (at the same rate in 2013 & 2014), an overall performance above the minimum benchmark requirement of ten percent (10%).

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 of the passage of the Cooperative Societies Bill (pending Law). The proposed Bill has prescribed a minimum share capital requirement (members’ share capital/total assets) which the current Cooperative Societies Act, Chapter 12.06, does not stipulate. As a result, some credit unions have pre-emptively taken steps to satisfy this provision, which requires at least a minimum of three percent (3%), hence the increasing share capital over the years. (See Graph 1).

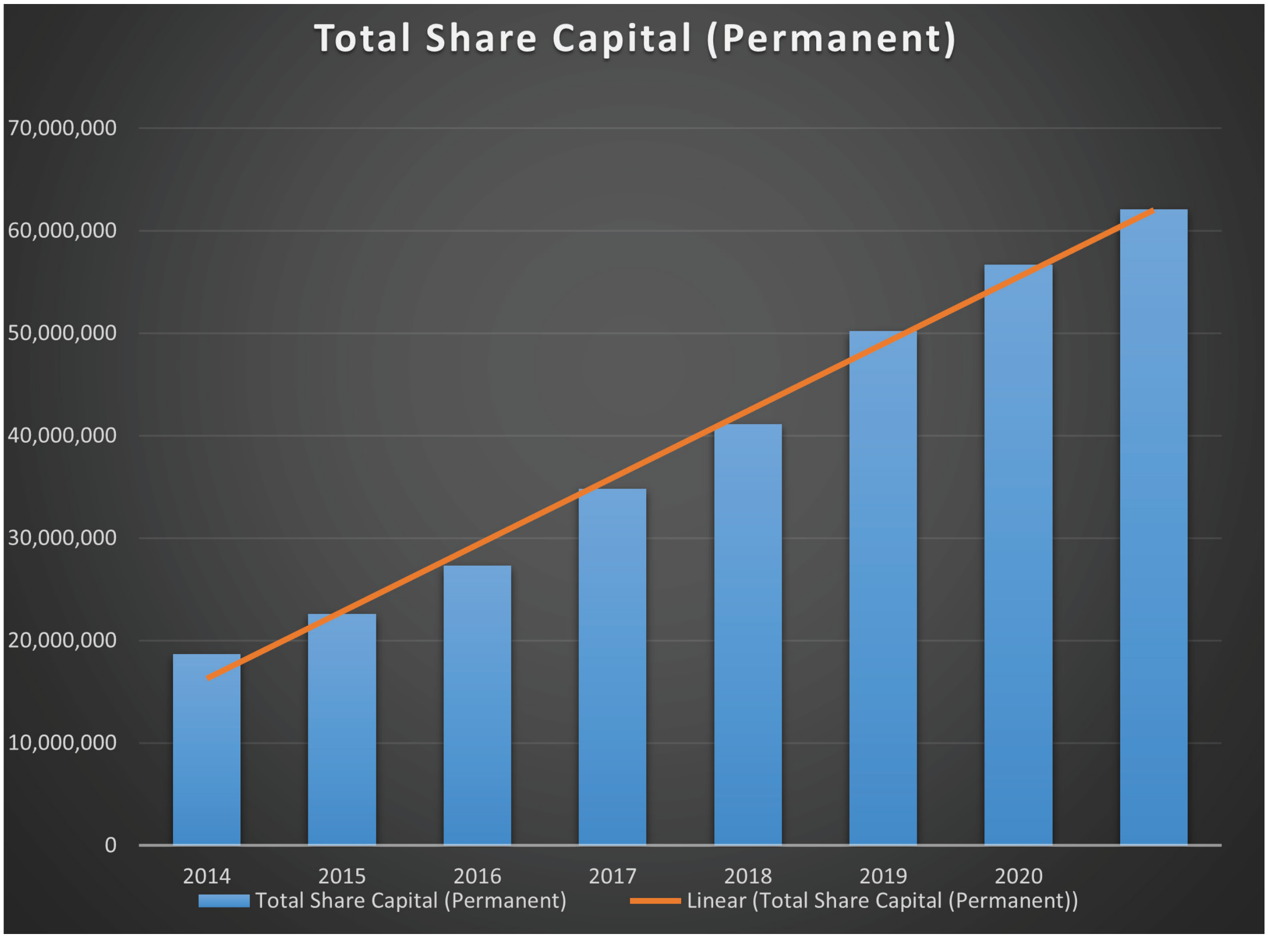


Figure 13: Members’ Share Capital

PEARLS (financial performance ratios to assess credit unions’ performance) suggest that capital adequacy (institutional capital/ total assets) should be at a minimum of 10%. Based on the credit unions’ capital performance, thirteen (13) of the sixteen (16) registered credit unions satisfied this requirement (see Graph 2). 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. Credit unions continue to formulate strategies that will increase and strengthen their capital base to ensure viability over time, particularly given the current world crisis, impacting members' income and financial stability.

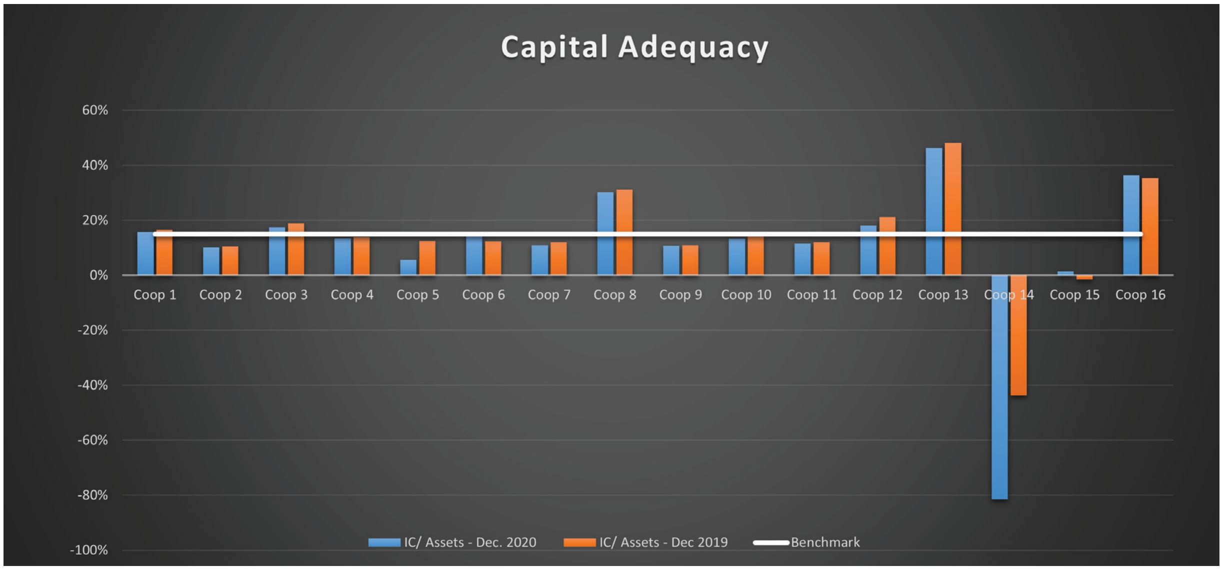


Figure 14: Capital Adequacy Ratio

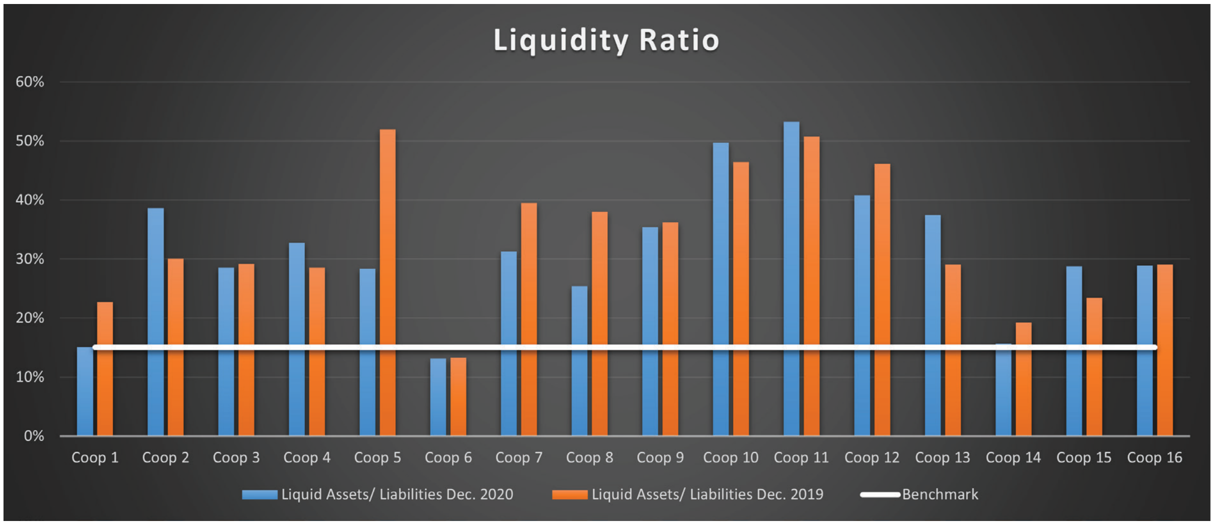


Figure 15: Liquidity position

Liquidity:

The sector remains liquid with most credit unions showing a ratio above fiften percent (15%), the minimum benchmark set by PEARLS and legislation. Noteworthy, approximately fifty percent (50%) of the sector experienced a contraction in their liquidity ratio for the period ended December 31, 2020, compared to December 2019. This can be seen as a direct financial impact brought about by the pandemic.

Income Year	Total Assets	Total Loans	Total Deliquent loans	Total Deliquent loans/ Total loans	Total Provisions on Loans	Provisions on Loans/Total Deliquent Loans	Institutional Capital less Deliquent Loans NO PROVISION	Percentage of Institutional Capital less Deliquent Loans NO PROVISION / Assets
2014	604,358,592	439,318,934	50,711,135	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%	92,397,876	8%

Table 3: Total Loans & Asset Quality

Total loans amounted to $766 million for the year ended December 31, 2020, compared to $733.9 million for the prior year ended December 31, 2019. There was a sharp increase in recorded delinquent loans from $63 million to $97.8 million, representing an increase of fity-five percent (55%) (inclusive of moratoriums). Given that the data presented did not distinguish between loan balances in relation to moratoriums and delinquent loans, one can conclude that the sharp increase noted is inflated. Therefore, the sector's performance reflected by total delinquency/gross loans of thirteen percent (13%) compared to the prior year's nine percent (9%), includes moratoriums. It is anticipated that credit unions will provide refined data to reflect the delinquency situation more accurately. Further, the level of moratoriums granted by credit unions has significantly reduced in the past year. Therefore, subsequent data will reflect a realistic performance in relation to loan performance and allow for greater projections, analysis, assessment and developmental strategies to boost economic growth in the sector.

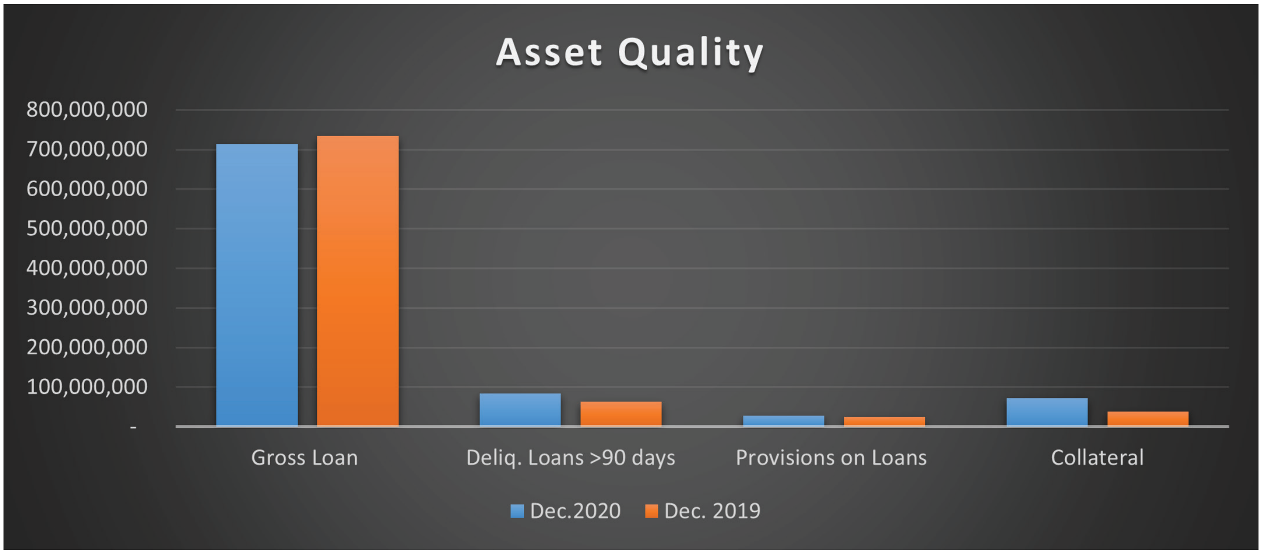


Figure 16: Asset Quality

Regulatory Provisioning (Reg.30) & IFRS 9:

Provisioning as a percentage of delinquent loans decreased from thirty-nine percent (39%) (the prior year 2019) to twenty-nine percent (29%). Figure 16 above depicts the inadequate provisioning in relation to the non-performing loans. The graph above further depicts that as of December 31, 2020, gross loans for the sector contracted may have been due to uncertainties in the economy.

Credit unions are required to include greater disclosure in the reporting to members and the Authority in relation to IFRS 9 and 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 (2) (Regulatory/IFRS 9) when providing for loan losses.

Areas of Growth:

The period ended December 31, 2020, notwithstanding being under the pressures of the Covid-19 pandemic, saw continued growth from a Sectoral standpoint, with total employment reaching an all high of 309 persons (281-Dec.2019) to service a total membership of 121,026 individuals (100,082-Dec.2019). 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 is that of on-sight and off-sight supervision, stakeholder meetings (particularly given unprecedented times). The FSRA continues to utilize a risk-based supervision approach for credit unions designed to assess, risk-weight credit unions, and allocate necessary resources to strengthen individual and national credit union sector financial and regulatory performance. During the year 2020, emphasis was placed on reviewing more granular data and enhanced stressed testing, allowing for greater accuracy in assessing adverse hypothetical situations that may arise. Further, live regular data regarding the financial impact from the Covid-19 pandemic was used to determine the possible extent to which individual credit unions could have allowed for moratorium periods for members, thereby providing financial guidance to the sector and maintaining a sound and stable financial system.

In addition to daily monitoring and supervision activities of the FSRA, both detailed off-site analysis and onsite examinations of entities were conducted. 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 continues to meet with the Saint Lucia Co-operative Credit Union League Limited (the umbrella body for credit unions) periodically 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.

Regional Regulatory Matters/The Way Forward (Digital World Economies):

As credit unions experience dynamic changes due to innovation and value creation, digitization and information technology has evolved and is being utilize even more today, given the changes in world economic systems.

The Eastern Caribbean Central Bank (ECCB) has developed a digital cash (DCash) version of the Eastern Caribbean dollar. This DCash project aims to enhance financial stability by expanding financial inclusion in payment services in the Eastern Caribbean Central Union (ECCU), particularly as it relates to the utilization of digital EC currency (DXCD). In this regard, DCash has been issued by the ECCB and distributed by various licensed financial institutions inclusive of credit unions. At least one systemically important credit union is part of the pilot stage of the project. The DCash has been launched at the specific credit union, advertised and promoted to encourage membership participation. Given the transitional move in our society today, from manual to electronic forms of business, it is anticipated that e-money and other forms of e-business will increase over time as we move towards a paperless society and seek to go green, creating sustainability and greater efficiency for future generations.

Money Services Business

The Money Services Business Sector is regulated in accordance with the Money Services Business Act, Cap 12.22 of the Revised Laws of St Lucia (the Money Services Business Act). The portfolio of Money Services Businesses increased by one (1) class A e-money service business for the year 2020, which brought the total amount of companies regulated under this category to (13). There was no new micro-lending business licensed during 2020.

Type of License	Description	No of Licenses 2019	No of Licenses 2020
Class A	1. Transmission of money or monetary value 2. Issuance, sale or redemption of money orders or traveller's cheques 3. Cheque Cashing 4. Currency Exchange	4	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	8
TOTAL		12	13

Table 4: Money Services Business - Classes of Licence

NEW DEVELOPMENTS

Guidelines for E-money Services

With the emerging trend towards a digital cash system worldwide, the Authority does anticipate more e-money services business applications in future. The guidelines which seek to regulate e-money services, drafted in 2020 adequately, have been approved. The Authority is satisfied that the said guidelines will adequately address the due diligence process and safeguard this jurisdiction from money laundering and will be updated as needed.

MONEY TRANSMITTERS

Growth in the Sector

For the year 2020, total remittance inflows for the sector totalled XCD 150.4 million, a sharp increase of 32.78% from 2019. In the figure below, a segment of the curve can be seen gradually sloping upwards towards 2017 and almost perfectly flattened from 2017 to 2019. However, a sharper increase is seen during the 2019-2020 period. The most likely occurrence giving rise to this significant increase is an increased family financial stimulus due to the job losses and business closures for the five years commencing in 2016; inflows increased by 80%. The trend of Total Remittance Inflows can be seen in Figure 17.

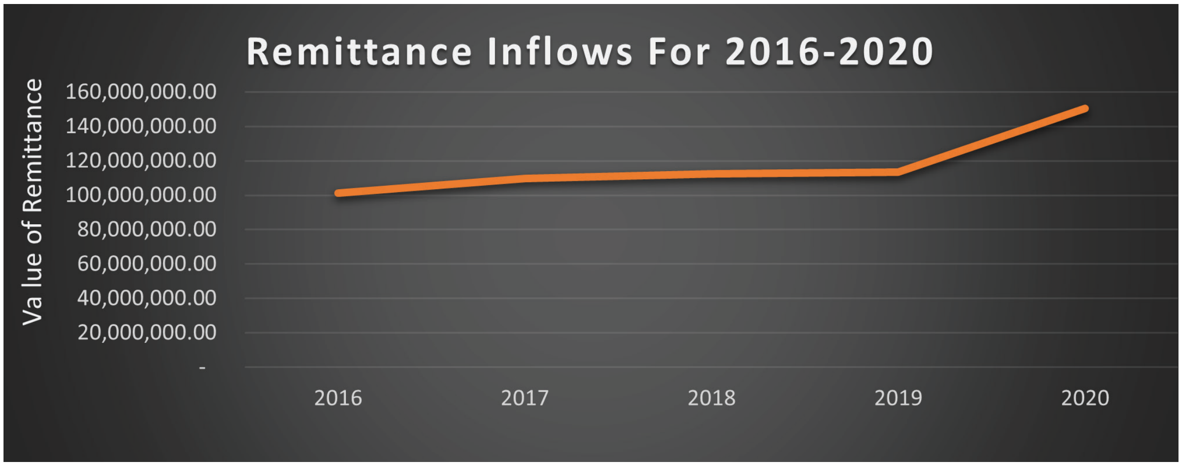


Figure 17: Money Transmitters -Trends in remittance Inflows

Total Remittance Outflows totalled XCD 16.8 million for the year 2020. A decreasing trend is observed throughout the five-year period, which coincides with a decreasing GDP growth rate for the country during 2015-2019. Therefore, with a reduced income per capita, remittance outflows trended downwards. In addition, all the job losses experienced in the Caribbean and wider world during the Covid 19 pandemic, was indicative of fewer remittances sent abroad in 2020 than in any of the previous years, hence the more elaborate downward sloping trend. During the five-year period, an overall decrease of 28% in remittance outflows was noted.

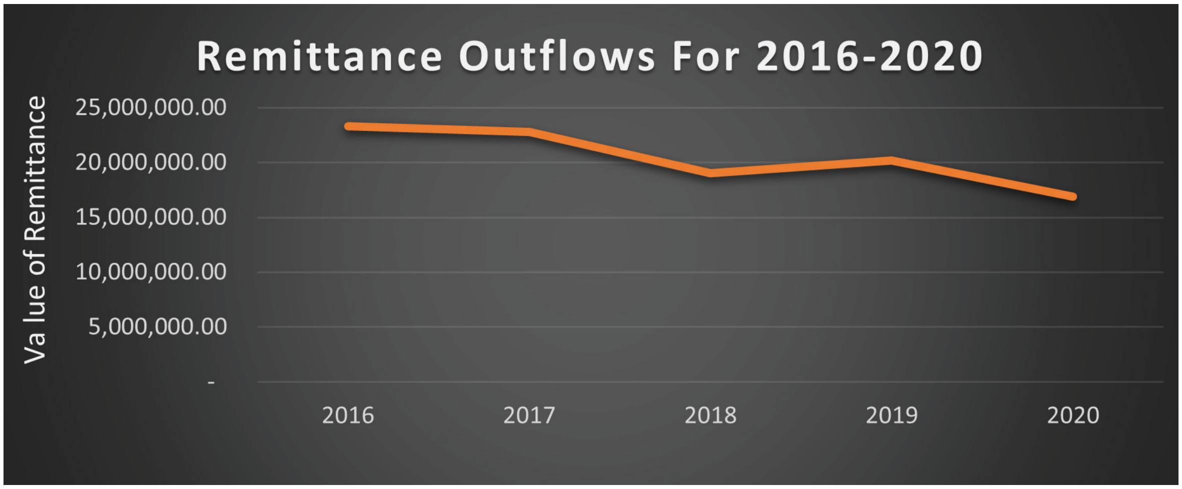


Figure 18: Money Transmitters - Trend in Remittance Outflows

Country Proportion

The United States of America (USA) continues to account for the largest proportion of remittance inflows, resulting from a larger percentage of St Lucian immigrants in the US than other countries in the ECCU and the rest of the world. With a 3% increase in the number of transactions from the US, the total share of inflows stood at 53%, as seen in Figure 19 below. Inflows from the Euro Area remained the same, while inflows from Canada increased by 2%. No shift in the share of inflows from the United Kingdom 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 much less than inflows but still the highest overall share, which is 36% (4% increase from 2019). Other countries have the second highest proportion at 24% (decrease of 9% from 2019) with Non-ECCU/CARICOM, with the third highest at 13%. There was an increase in remittance outflows to the ECCU and Non-ECCU/CARICOM regions of 3% and 4%, respectively. The percentage share remained the same for The Euro Area and Canada but decreased by 1% for The United Kingdom.

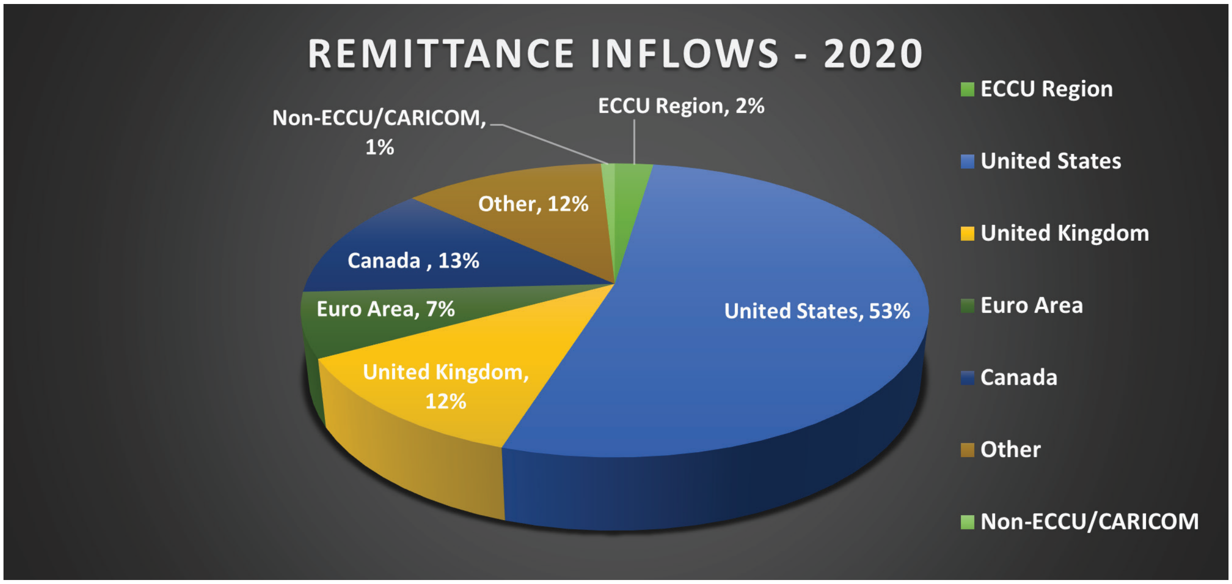


Figure 19: Money Remittance - Inflows during 2020 by region

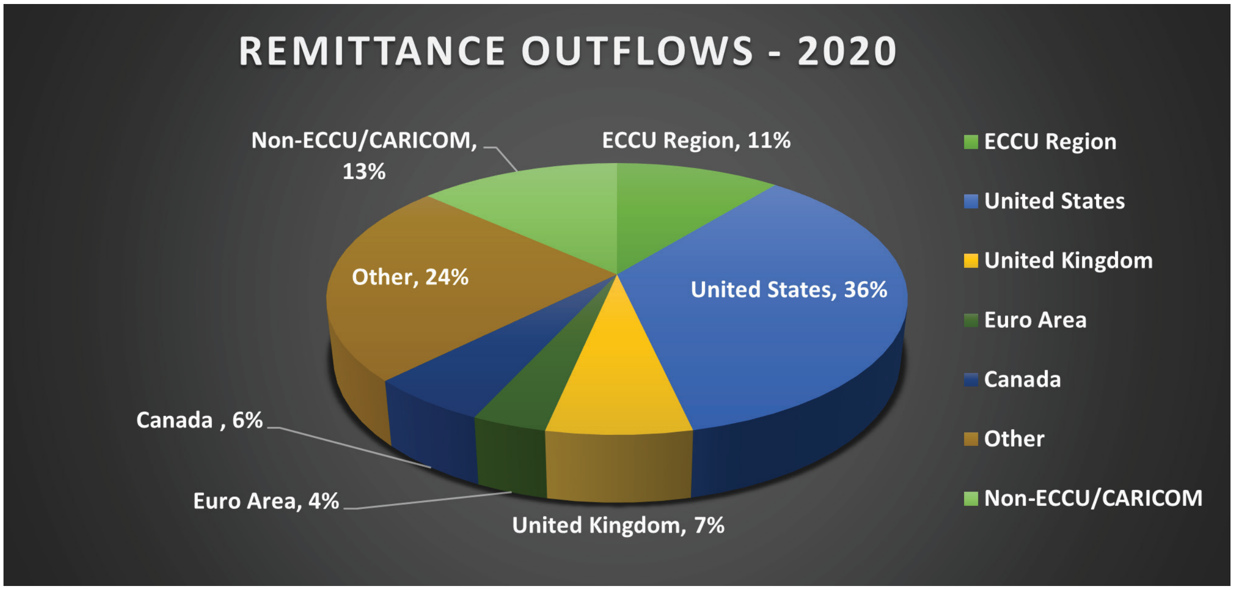


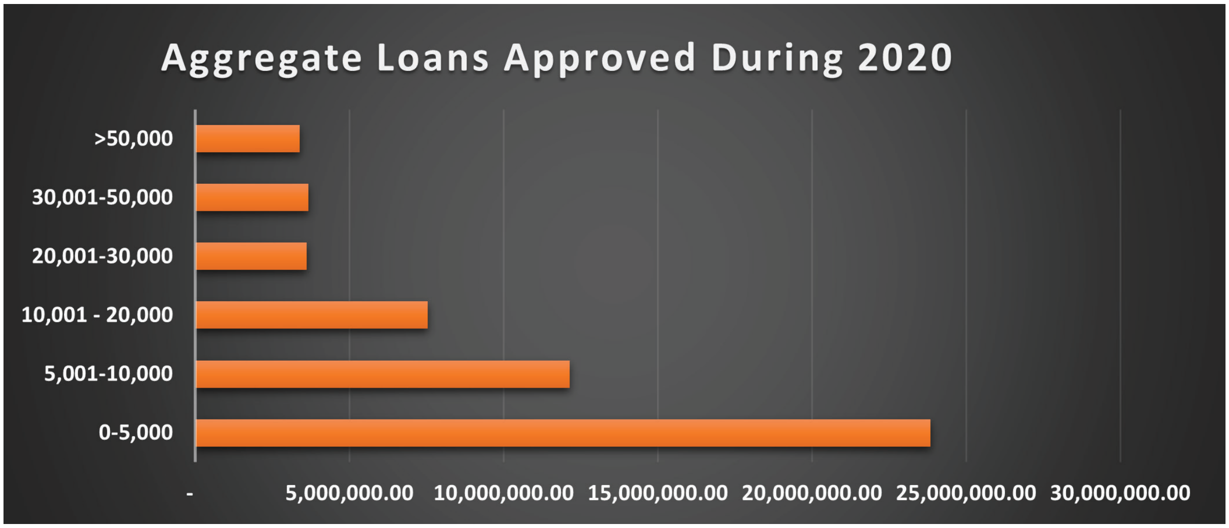
Figure 20: Money Remittance - Outflows during 2020 by region

MICRO-LENDERS

The micro-lending sector remained unchanged for the year 2020, as no new applications were received, leaving the total number of licensed money services businesses at eight (8).

Analysis of the Sector

Figure 21 reveals that forty-two percent (42%) of total loans disbursed fall between the range of $0 to $5,000, followed by the second largest which stands at twenty-three percent (23%). This yearly trend is cohesive with a third world developing country where half the population earns an average monthly income of less than XCD2,700. This also explains why the category XCD20,000 to >XCD50,000 remains the least desired category of loans througout the years. The latter is expected to increase overtime with the change in legislation which might alter the shape of the graph.



(Due to the new money services return forms comparable data is not possible for this 2020 annual report)

Figure 21: Micro – lenders - Aggregate Loans Approved During 2019

Figure 22 reveals that the largest portion of loans (30%) fall in the 'personal category while medical and agriculture remain at the lowest with two percent (2%) and zero percent (0%) respectively. Noteworthy is the large proportion of vehicle loans at twenty-one percent (21%), which at face value, does not coincide with the graph depicted above when considering the costs of vehicles. However, the most likely explanation is that more vehicle loans covered second hand vehicles in the lower range figures.

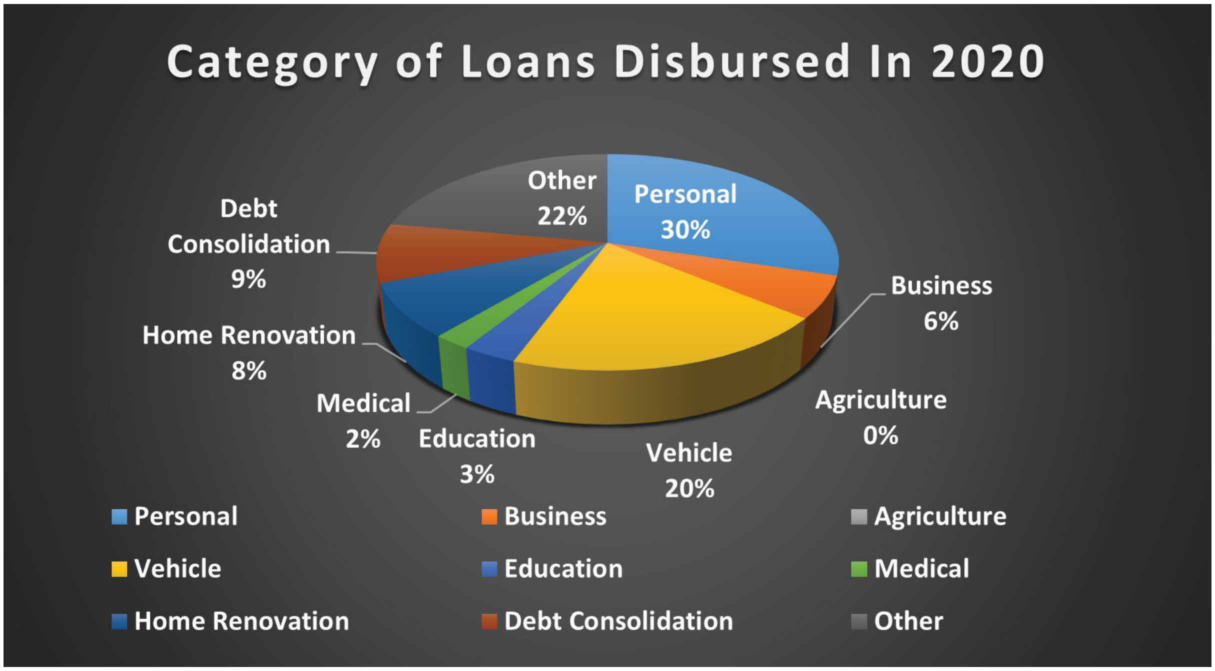


Figure 22: Micro-lenders - Percentage of Loans by Category

International Sector

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

KEY HIGHLIGHTS for fiscal year 2020/2021

INTERNATIONAL BANKS SECTOR

- 11 International Banks
  - Class A: 7
  - Class B: 4
- US$672m Total Assets
  - Increase of 19%

INTERNATIONAL INSURANCE SECTOR

- 34 International Insurance Companies
- US$54.7m Total Gross Written Premiums
  - Increase of 17%

INTERNATIONAL MUTUAL FUNDS SECTOR

Private Mutual Funds

- 7 — 2020
- 6 — 2019

Public Mutual Funds

- 3 — 2020
- 3 — 2019

KEY HIGHLIGHTS 2020/2021

International Banks Sector

The International Banking Sector remained relatively stable during the year under review. However, of the eleven (11) licensed International Banks (IB), one bank has not commenced operations due to its inability to inter alia, secure a correspondent banking relationship with a bank licenced within a country which is a member 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 provides for the issuance of two (2) classes of international bank licences: "Class A" and "Class B" with different capital requirements. The "Class A" licence allows licensees to conduct business with third parties who are neither citizens nor residents of Saint Lucia. These banks are actively engaged in transactional accounts (wire transfers), corporate loans and trade financing, which involve little to no over the counter physical cash transactions. On the other hand, holders of "Class B" licences are restricted to conduct business with a specific group of persons, preferably not exceeding 10 (ten) persons.

Generally, as indicated in the graph below, from a sectoral perspective, we have realized over the past five (5) years an overall downward trend in the number of licensed international banks, with the Class A banks being the most vulnerable. This is due to increasingly stricter regulation and supervision over the years by the Authority on Class A banks, in keeping with new prudential requirements. Notwithstanding, there has been a significantly higher number of applications for Class A banks over the past five (5) years in comparison to Class B banks.

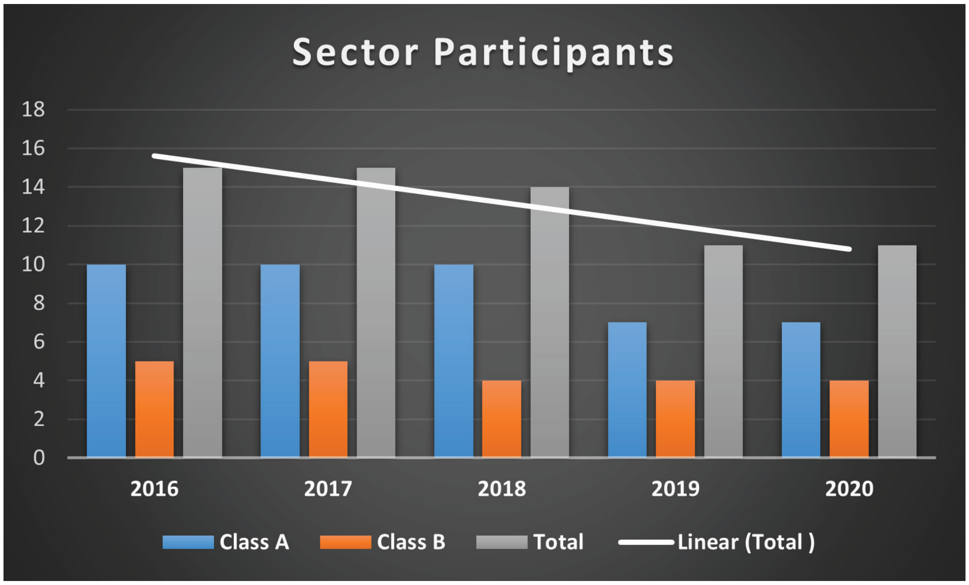


Figure 23: Sector Participants

As at the reporting period, the FSRA continue to report 7 Class A banks and 4 Class B banks of which, three (3) of the four (4) 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). We also report that for the period one, application for a Class A bank License was denied as it failed to satisfy the requirements set by the FSRA for licensing.

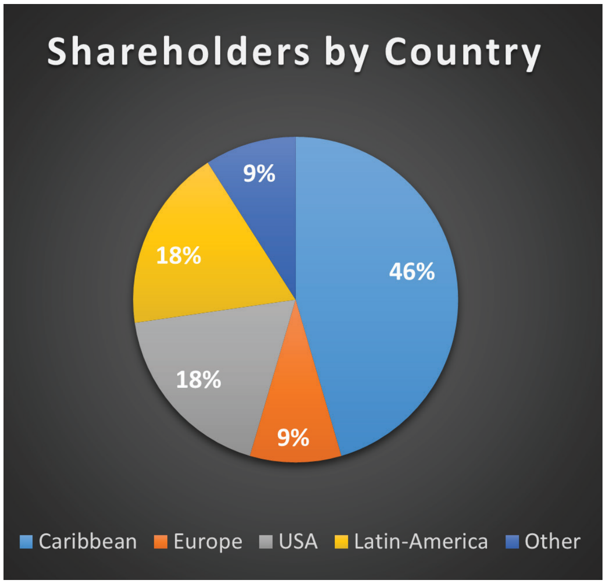


Figure 24: Shareholders by Country

Shareholdings in the eleven (11) licensed banks continue to be dominated by investors emanating from the Caribbean Region, followed equally by those from the United States of America and Latin America. Lastly, investors from Europe and other countries represent 9% shareholdings.
Investor's share capital fell by 11% during the period due to uncertainties occasioned by the Covid-19 global pandemic.

As noted in the above graph, the Sector's upward trend over the past four (4) years was disrupted by a reduction of 11% in share capital, which is associated with the revocation and surrendering of three (3) bank in 2019. An analysis of table (x) below indicates a 20% increase in total assets for the period under review. However, the sector suffered a reduction in share capital and net interest income of -11% and -67%, respectively. The Sector's local employment impact for the year in review remained stable at 99 persons. The figure for net interest income reflects, in part, the slow business activity experienced over the Covid-19 pandemic due to associated uncertainties in the international markets. We also report that the Authority did not issue a bank licence for the first time over the past seven (7) years.

Details	2020	2019	Diff.	Diff.%
Total Assets	672,139	565,015	107,124	20%
Share Capital	111,368	125,818	-14,450	-11%
Net Interest Income	6,839	20,582	-13,743	-67%
Total Employees	99	99	0	0.%

Table 5: International Banks – Financial Performance (in USD '000)

International Banks	2014	2015	2016	2017	2018	2019	2020
Licensed International Banks beginning of period	8	9	12	14	14	14	11
Application Received	2	3	7	1	1	2	0
Application Approved	1	3	2	1	1	0	0
Application denied	0	0	0	0	3	0	1
Pending application	2	2	7	7	4	1	0
Revocation or surrendering	0	0	0	1	1	3	0
Licensed International Banks ending of period	9	12	14	14	14	11	11

Table 6: International Banks – Statistics

International Insurance Sector

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

CLASSES OF LICENCES

The Act allows for three classes of licences as follows:

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

Further, there are three (3) types of entities allowed to be registered/licensed, as follows:

- Incorporated Cell Companies (ICCs): an international business company created for the purpose of doing business using incorporated cells.
- Incorporated Cells (ICs): an international business company linked to an incorporated cell company.
- 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.

These classes can be further subdivided into subclasses relating to set requirements for the statutory deposit which is to be held, as depicted in the table below:

Statutory Deposit and Capital		
International Insurance Company	Incorporated Cell Company	Incorporated Cell
$100,000	$250,000	$50,000
$150,000	$250,000	$50,000
$150,000	$250,000	$50,000
$200,000	$250,000	$100,000
$250,000	$250,000	$100,000

Table 7: Statutory Deposit and Capital

For the financial year 2020 the Financial Services Regulatory Authority executed one (1) revocation and one (1) surrendering within the sector. An additional application for surrendering was submitted however, it was not undertaken due to the incomplete submission of documents. Notwithstanding, the request for the surrendering of Licence was not undertaken, due to incomplete submission of documents. Accordingly, the Financial Services Regulatory Authority has on record four (4) Incorporated Cell Companies, eight (8) Incorporated Cells and twenty-two (22) International Insurance Companies, thereby resulting in a total number of entities in the international insurance sector of thirty four (34) entities. Notwithstanding, there were three (3) new applications received by the Authority, which are currently under review.

The legislation requiring all existing IBCs to pay the same taxes as resident companies will be fully effectuated on July 1, 2021. This stems from legislation enacted at the end of 2018 via an amendment to the International Business Companies Act, Cap.12.14, requiring all IBCs to comply with the Income Tax Act, Cap.15.02 of Saint Lucia. This signifies that an IBC will no longer enjoy the payment of 1% tax or the payment of no taxes. This legislation was already applicable to all new IBCs which were registered after January 1, 2019. Thus, while the composition of this sector remained relatively stable, the effects of these amendments are expected to be manifested in the upcoming years, directly as a result of the inability of IBCs to enjoy low tax benefits.
Thus, one (1) can predict an overall contraction of companies within this sector with relative certainty due to the increased economic substance requirements, coupled by the recent unprecedented changes within the global economic environment. In the foreseeable future, this decline will be a result of fewer new entrants to the market and the exit of existing entrants.

The table below depicts key performance indicators of the sector:

	2020	2019	2018	2017	2016
Gross Written Premiums	$54,736	$48,240	$50,291	$107,642	$105,551
Net Written Premiums	$47,868	$42,667	$45,337	$95,416	$94,203
Claims Incurred	$6,591	$5,407	$2,595	$6,111	$4,836
Allowable Assets	$288,435	$240,186	$224,953	$374,423	$371,568
Liabilities	$169,539	$142,984	$141,483	$230,764	$225,733
Revenue earned by the Authority	$172	$205	$82	$111	$136

Table 8: International Insurance – Key Performance Indicators of the Sector (USD '000) for the past five years

As depicted in Table 8 above, revenue earned by the Authority decreased by eighteen percent (18%) from 2016-2017 and by twenty six percent (26%) from 2017-2018. However, in 2019 there was a notable increase in revenue of one hundred and fifty percent (150%), due largely in part to late fees paid by the various entities. Despite still being in receipt of quite a number of late payments by various entities in 2020, there was a slight sixteen percent (16%) decrease in revenue earned that year when compared to that of the 2019 figure. The following graph displays the revenue earned by the Authority over the past five (5) years.

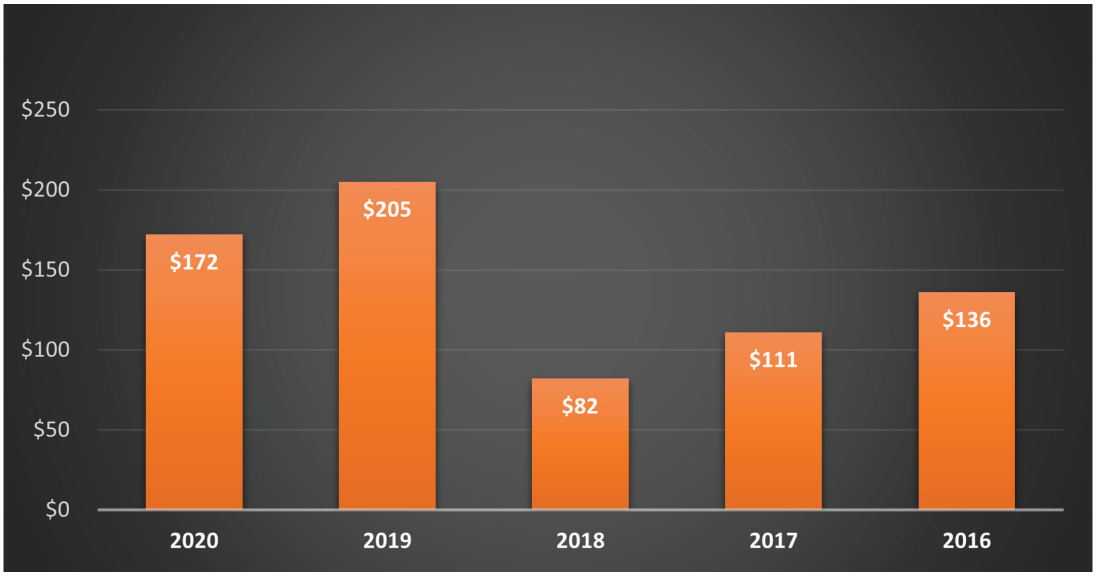


Figure 25: Revenue Earned by the Authority

International Mutual Funds Sector

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

(a) undertaking mutual fund business with any resident;

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

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

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

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

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

The composition of the sector

There has been little change to the number of entities that the FSRA regulates/registered in comparing years from twelve (2019) to thirteen (2020) entities depicted in table below. There was one (1) new International Mutual Fund, licensed in 2020.

International Mutual Funds Sector	2020	2019
International Private Mutual Funds	7	6
International Public Mutual Funds	3	3
International Public Mutual Fund Administrators	2	2
International Public Mutual Fund Managers	1	1
Total	**13**	**12**

Table 9: International Mutual Funds – Registered Entities

Financial overview of the industry

Table below presents a snapshot of the Mutual Funds sector financial overview for 2020. Please note, there is no data for private mutual funds as these funds are not required to report their financial status to the FSRA.

	Assets	Liabilities	Income
Public Mutual Funds	$270,480	$2,221	$6,973
Mutual Fund Administrators	$1,051	$1	$733
Mutual Fund Managers	$3,123	$85	$1,481

Table 10: International Funds - Assets, liabilities and Income for 2020 (in USD in 000's)

Impact of Covid-19

The impact of the pandemic during the months of February – March 2020 showed indexes were at their lowest ever recorded with liquidity taking also relatively low. This could have been a positive outcome for mutual funds that hedged against recessions because of possible large discounts in financial markets; as mutual funds are established to make a profit by beating the market. However, a comparison of assets for the mutual fund entities from 2019 (USD 264,458 million) to 2020 (USD 270,480 million) show a twenty percent (20%) increase in cash and cash equivalents. Although there is no limit for mutual funds for their cash management, a huge increase could signal that there is doubt in the market and fund managers are not making new purchases quickly.

Registered Agents and Registered Trusts

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

Registered Agents and Registered Trustees provide international financial services representation on behalf of IBCs and ITs. In keeping with the Registered Agent and Trustee Licensing Act, Cap 12.12 of the revised laws of Saint Lucia, “international financial services representation” includes—

(a) acting as registered agent or trustee under the law in force in Saint Lucia relating to international financial services;
(b) filing, preparing or otherwise doing any act preparatory to the incorporation, continuation or registration of any entity or trust under the law in force in Saint Lucia relating to international financial services;
(c) providing a registered office in Saint Lucia for a company incorporated, licensed or continued under the International Business Companies Act; and
(d) providing or arranging for the provision of directors, officers or nominee shareholders for companies incorporated or continued under the International Business Companies Act, Cap 12.14

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

Table 11: Number of Registered Agents and Trustees Registered with the Authority.

The service provided by RAs relates almost exclusively to foreign-based residents and corporations. The primary business engaged in by IBCs is that of serving as holding companies.

The Registered Agents and Trustees sector comprise twenty-one (21) licensed agents and trustees as at 31 March 2021, including eighteen (18) Registered Agents and three (3) Registered Trustees. During the year, one (1) Registered Agent and Registered Trustee exited the Saint Lucian market giving way to the entrance of a new Registered Agent.

Currently, there are no overseas Registered Agents or Trustees on record. However, Section 5 (6) of the RATLA Cap. 12.12 makes allowance to grant a licence to a non-resident under prescribed conditions.

RAs and RTS are obligated under statute to ensure that they comply with applicable laws, regulations and supervisory guidelines.

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

This means that RAs and RTs must hold themselves to high professional standards and should inter alia:

- report to the relevant Regulatory Authorities on whether or not an IBC or an IT is in good standing.
- observe high standards of integrity and fair dealing in the conduct of business, act with due care and diligence with their clients,
- take all reasonable measures to determine the identity of their clients and not conduct business with any person unless they have carried out due diligence checks,
- take all reasonable measures to ensure that their services are not being utilized by persons involved in criminal activities.

Additionally, they must keep abreast with new developments and changes in legislation that impact their clients.

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

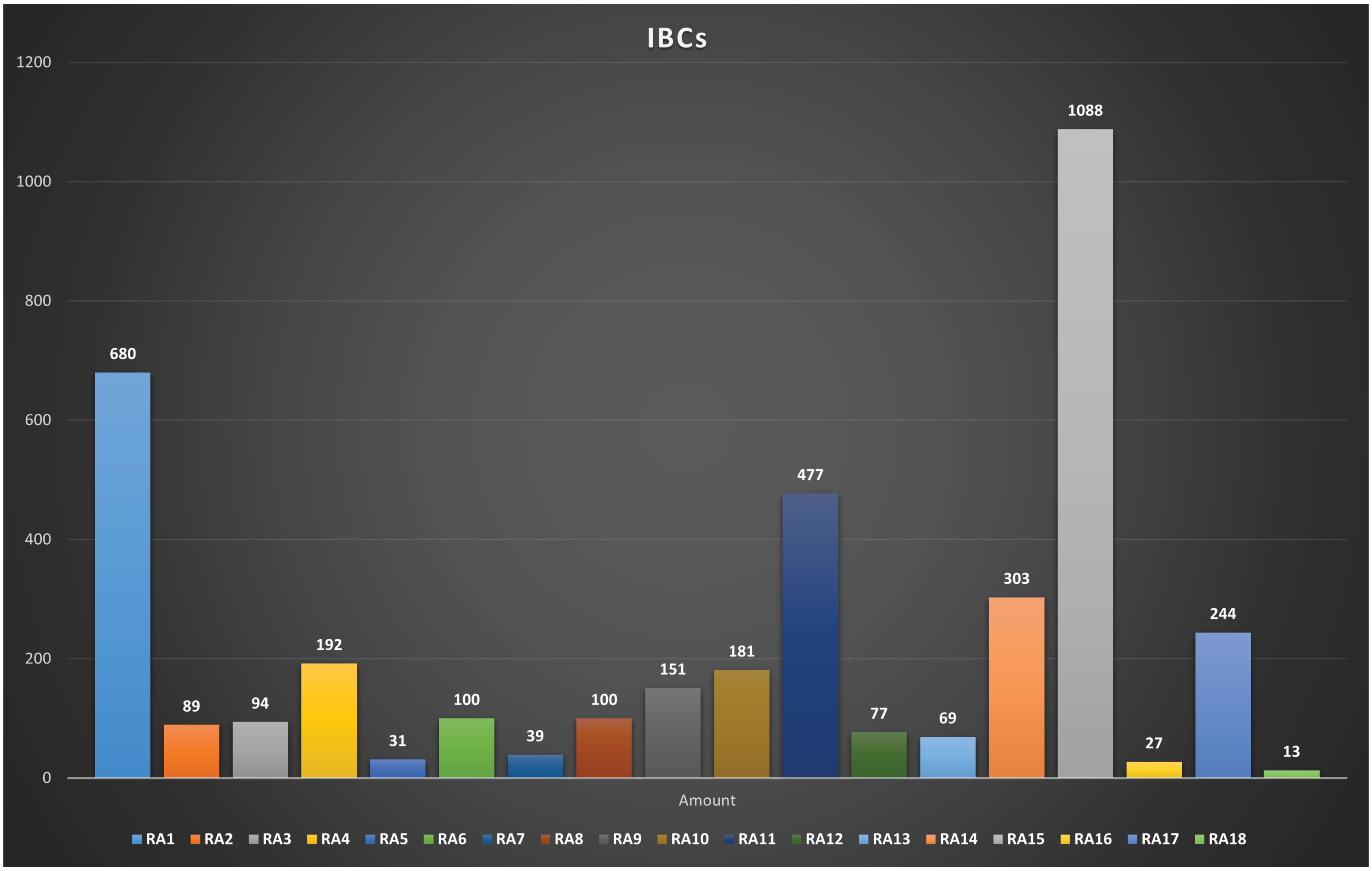


Figure 26: Registered Agents - distribution of regulated IBCs

APPENDICES

MONEY SERVICES BUSINESS:

INFLOWS	2016	2017	2018	2019	2020
ECCU Region	2,537,238.61	3,152,826	4,612,761.80	4,816,785.95	3,542,370.98
Non-ECCU/CARICOM	2,219,904.01	2,095,697.10	2,035,780.56	2,208,229.71	1,278,739.15
USA	53,840,474.74	58,801,500.51	55,992,339.98	56,522,851.77	79,034,859.86
UK	13,865,221.91	13,986,656.96	14,022,329.23	13,948,275.24	18,201,694.81
EURO AREA	7,707,976.48	6,441,150.11	7,222,773.31	7,418,699.94	10,722,111.50
Canada	10,061,273.41	11,477,658.95	11,643,878.75	11,988,029.59	19,087,356.18
Other	11,043,624.34	13,837,651.85	16,972,791.02	16,380,298.51	18,551,574.67
Total	101,275,713.50	109,793,141.44	112,502,654.65	113,283,170.71	150,418,707.15

OUTFLOWS	2016	2017	2018	2019	2020
ECCU Region	1,603,591.61	1,917,814.53	1,705,389.58	1,584,697.38	1,830,932.23
Non-ECCU/CARICOM	1,976,152.77	1,831,179.65	1,891,613.73	1,834,886.89	2,246,435.89
USA	6,496,511.73	7,110,028.04	6,149,049.70	6,445,543.10	6,006,673.07
UK	1,196,368.22	1,518,704.31	1,441,121.33	1,581,218.17	1,153,369.84
EURO AREA	632,061.70	755,923.04	665,674.39	806,708.59	594,326.92
Canada	1,201,275.01	1,151,823.22	1,221,828.29	1,242,334.72	954,706.61
Other	10,196,259.44	8,518,535.75	5,967,292.52	6,702,252.17	4,075,258.21
Total	23,302,220.48	22,804,008.54	19,041,969.54	20,197,641.02	16,861,702.77

MICROLENDERS (LOANS GRANTED):

Type of Loan	Total Amount	Number of Loans	%
Personal	16,076,580.76	4,215	29.80
Business	3,376,088.66	678	6.26
Agriculture	0.00	-	0.00
Vehicle	10,530,283.85	739	19.52
Education	1,745,321.51	662	3.23
Medical	1,217,632.85	527	2.26
Home Renovation	4,344,122.93	1,307	8.05
Debt Consolidation	4,765,560.41	1,238	8.83
Other	11,900,305.19	3,177	22.06
Total	**53,955,896.16**	**12,543**	**100.00**

Accountant's Report

REVENUE- SUBVENTIONS

The Financial Services Regulatory Authority (FSRA) continues to be financed by the Central Government receiving a gross subvention of $2,326,997 for the fiscal year April 2020 to March 2021, registering a surplus of $165,299.00 at year end.

This surplus was largely attributed to the inability of the FSRA to utilize budget line items such as Training, Travel and Subsistence due to the Covid-19 pandemic which impacted travel and mode of training.

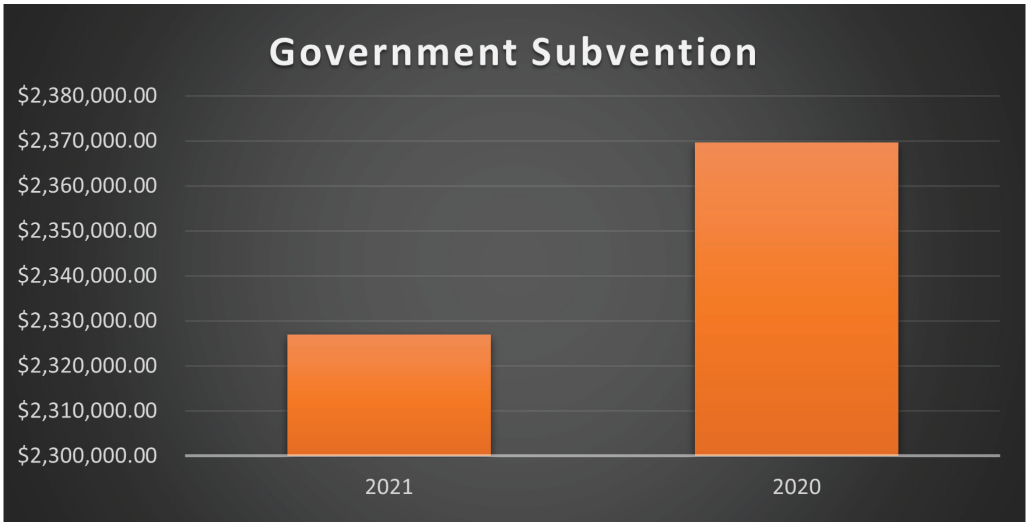


Figure 27: Government Subventions of fiscal years 2020 and 2021

ADMINISTRATIVE EXPENSES

The Administrative Expenses for the fiscal year 2021 can be summarized using the table below:

ADMINISTRATIVE EXPENSES					
	2021		2020		% of overall subvention
Salaries Benefits & Management Compensation	$	1,823,405	$	1,913,409	84%
Utilities & Communications	$	118,484	$	118,872	5%
Other	$	65,809	$	54,809	4%
Board Expenses, Stipends and Appeals Tribunal	$	59,823	$	51,174	3%
Office & General Expenses	$	49,346	$	47,240	2%
Legal & Professional Fees	$	20,737	$	1,688	2%
Grants & Contributions	$	15,687	$	21,125	1%
Training, Travel & Subsistence	$	8,407	$	43,554	0%
Total	**$**	**2,161,698**	**$**	**2,251,871**	100%

Table 12: Breakdown of Administrative Expenses for the financial year ended March 31, 2021.

Administrative expenses for the year totalled $2,161,698 down by $90,173 or 4% below prior year due to a reduction in office operating costs and spending on training, travel and subsistence. As a consequence of the Covid-19 pandemic, employees benefited from virtual trainings which were held in office.

Figure 28: Total Administrative Expenses for the year 2021

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

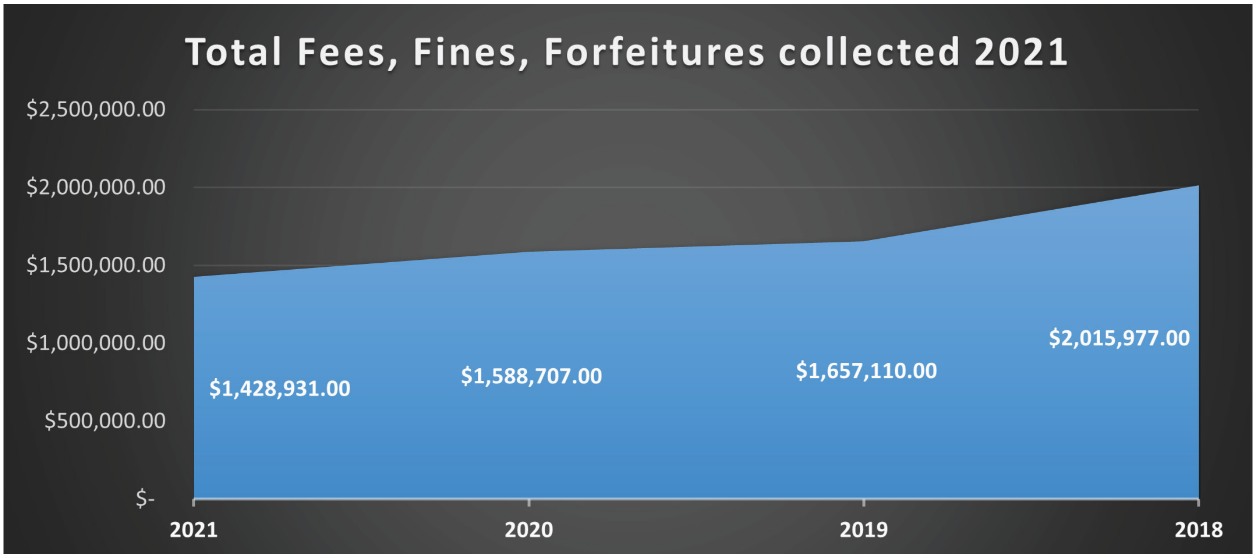


Figure 29: Fees, fines and Forfeitures collected for the financial year ended March 31, 2021

The FSRA continues to report a steady decline in fees, fines and forfeitures collected on behalf of the Government of Saint Lucia from Regulated Entities. There has been a significant decrease in fees (41% decline) in the year 2021 when compared to 2018.

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

STAFF TRAINING

The Covid 19 pandemic presented a unique opportunity for the FSRA in that a wide cross section of the staff compliment benefited from a series of virtual training and workshops across sectors and departments. 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	Sponsor
World Bank Risk Based Approach to AML/CFT Supervision and Monitoring Toolkit project (RBA Toolkit Project) Module 1	May-20	**World Bank**
Selected issues in Financial Sector Policies	Jun-20	**IMF**
Counter Financing on Terrorism (CFT)	Jul-20	**World Bank**
Trade-Based Money Laundering Saint Lucia	Aug-20	**UNDOC/CARICOM Implementation Agency for Crime and CBSI- Connect**
IFRS 9,15,19, IFRS for SMES	Sep-20	**ACCA/ICAC/ICAEC**
for Insurance Supervisors in the Caribbean – Advancing Financial Inclusion and Dealing with Climate Risks.	Sep 2020 to Oct 2020	**CARTAC**
Forum 6- Reflect, Share, Recommit: Selfless Leadership	Oct-20	**CARIBDE/FSRA**
RBS & Development of Key Competencies to Advance Implementation	Nov-20	**CARTAC/Toronto Centre TC**
Combating Cash Smuggling.	Jan-21	**CBSI Connect Learning Platform**
QuickBooks Online Training	Feb-21	**LightSparc**

Table 13: Staff Training, 2021

AUDITED FINANCIAL STATEMENTS

Financial Services Regulatory Authority

Financial Statements
Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

Contents

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Page 6	Statement of Income and Expenditure
Page 7	Statement of Cash Flows
Page 8 - 19	Notes to the Financial Statements

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, 2021, 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, 2021, 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.

Other Matters

The financial statements of the Authority for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 20, 2020.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

BDO

Chartered Accountants
Castries, St. Lucia
June 22, 2021

Statement of Financial Position
As at March 31, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	2021 $	2020 $
ASSETS			
Current Assets			
Cash	6	739,583	1,166,636
Accounts receivable and prepayments	7	418,173	15,095
		1,157,756	1,181,731
Long-term Assets			
Property and equipment	8	109,388	52,843
Intangible assets	9	1,093	992
		110,481	53,835
TOTAL ASSETS		1,268,237	1,235,566
LIABILITIES AND EQUITY			
Current Liability			
Accounts payable and accruals	10	210,294	342,922
Equity			
Contributed capital	11	61,431	61,431
Accumulated surplus		996,512	831,213
Total Equity		1,057,943	892,644
TOTAL LIABILITIES AND EQUITY		1,268,237	1,235,566

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, 2021
(Expressed in Eastern Caribbean Dollars)

	Contributed Capital $	Accumulated Surplus $	Total $
Balance as at March 31, 2019	61,431	713,410	774,841
Surplus for the year	-	117,803	117,803
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

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

Statement of Income and Expenditure
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	2021 $	2020 $
Revenue			
Subventions	14	2,326,997	2,369,674
Administrative and general expenses	12	(2,161,698)	(2,251,871)
Surplus for the year		165,299	117,803

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

Statement of Cash Flows
For the Year Ended March 31, 2021
(Expressed in Eastern Caribbean Dollars)

	Notes	2021 $	2020 $
Cash Flows from Operating Activities			
Surplus for the year		165,299	117,803
Adjustments for:			
Depreciation and amortization	8,9	35,270	23,441
Operating income before working capital changes		200,569	141,244
Decrease in accounts receivable and prepayments		(403,078)	(15,094)
(Decrease)/increase in accounts payable and accruals		(132,628)	176,989
Net cash (used in)/generated from operating activities		(335,137)	303,139
Cash Flows from Investing Activities			
Purchase of intangible assets	9	(1,124)	-
Purchase of property and equipment	8	(90,792)	(48,397)
Net cash used in investing activities		(91,916)	(48,397)
(Decrease)/increase in Cash		(427,053)	254,742
Cash - Beginning of Year		1,166,636	911,894
Cash - End of Year	6	739,583	1,166,636

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

Note 1	Incorporation and Principal Activity
Note 2	Date of Authorisation of Issue
Note 3	Significant Accounting Policies
Note 4	Critical Accounting Judgements, Estimates and Assumptions
Note 5	Financial Risk Management
Note 6	Cash
Note 7	Accounts Receivable and Prepayments
Note 8	Property and Equipment
Note 9	Intangible Assets
Note 10	Accounts Payable and Accruals
Note 11	Contributed Capital
Note 12	Administrative and General Expenses
Note 13	Employee and Management Costs
Note 14	Related Party Transactions
Note 15	Taxation

1. Incorporation and Principal Activity

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

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

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

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on June 22, 2021.

3. Significant Accounting Policies

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

(a) Statement of Compliance

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

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

(b) New standards amendments to standards and interpretations

(i) New standards amendments and interpretations effective in 2021 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, 2020, have been adopted in these financial statements. Note: those new standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2020, which do not affect the Authority's financial statements have not been disclosed below.

- IAS 1, '*Presentation of Financial Statements*' and IAS 8, '*Accounting Policies, Changes in Accounting Estimates and Errors*' were amended to clarify when information is material. In particular, the amendments clarify:

  (a) That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

  (b) The meaning of "primary users of general-purpose financial statements" to whom those financial statements are directed, by defining them as "existing and potential investors, lenders and other creditors" that must rely on general purpose financial statements for much of the financial information they need.

3. Significant Accounting Policies (Cont'd)

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

(i) New standards amendments and interpretations effective in 2021 financial year are as follows: (Cont'd)

- IAS 1, *'Presentation of Financial Statements'* and IAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'* were amended to clarify when information is material. In particular, the amendments clarify:

  The application of this amendment did not have a material impact on amounts reported 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

  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.

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.

3. Significant Accounting Policies (Cont'd)

(b) 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):*

- 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.

3. Significant Accounting Policies (Cont'd)

(c) Cash

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

(d) Accounts Receivables and Prepayments

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

(e) Prepayments

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

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

(f) Property and Equipment

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

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

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

Assets	**Estimated Useful Lives**
Furniture	5 - 10 years
Equipment	3 - 5 years

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

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

(g) Intangible Assets

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

3. Significant Accounting Policies (Cont'd)

(h) Impairment of non-financial Assets

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

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

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

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

(i) Accounts Payable

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

(j) Related Party Transactions

A party is related to the Authority if:

(i) Directly or indirectly the party:

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

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

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

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

(k) Contributed Capital

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

3. Significant Accounting Policies (Cont'd)

(l) Revenue Recognition

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

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

(m) Expenses

Expenses are recognised on an accruals basis.

(n) Contingencies

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

(o) Events after the Reporting Date

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

(p) Comparatives

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

4. Critical Accounting Judgments, Estimates and Assumptions

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

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

The most significant use of estimates and assumptions are:

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

5. Financial Risk Management

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

(a) Credit Risk

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

The financial assets which may potentially expose the Authority to concentrations of credit risk consist of cash and cash equivalents. The Authority places its deposits with a reputable financial institution and as such, management does not believe that significant credit risk exists as at March 31, 2021.

(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, 2021.

(c) Market Risk

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

5. Financial Risk Management (Cont'd)

(d) Fair Value of Financial Instruments

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

(e) Capital Management

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

6. Cash

	2021 $	2020 $
Cash on hand	500	500
Cash in bank	739,083	1,166,136
	739,583	1,166,636

Cash in bank is non-interest bearing.

7. Accounts Receivable and Prepayments

	2021 $	2020 $
Accounts receivables (Note 14)	386,784	-
Prepaid expenses	31,389	15,095
	418,173	15,095

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, 2019			
Cost	79,693	84,860	164,553
Accumulated depreciation	(64,544)	(73,315)	(137,859)
Net book value	15,149	11,545	26,694
Year ended March 31, 2020			
Opening net book value	15,149	11,545	26,694
Additions	-	48,397	48,397
Depreciation charge (Note 12)	(5,364)	(16,884)	(22,248)
Closing net book value	9,785	43,058	52,843
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

9. Intangible Assets

	Software $
At March 31, 2019	
Cost	8,326
Accumulated amortisation	(6,141)
Net book value	2,185
Year ended March 31, 2020	
Opening net book value	2,185
Amortisation charge for the charge (Note 12)	(1,193)
Closing net book value	992
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 for the 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

10. Accounts Payable and Accruals

	2021 $	2020 $
Gratuity payable	105,410	228,031
Vacation accrual	89,510	71,859
Accounts payable	3,074	34,782
Other payables	12,300	8,250
	210,294	342,922

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

11. Contributed Capital

	2021 $	2020 $
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

	2021 $	2020 $
Advertisements	4,361	-
Audit Fees	10,800	8,375
Amortisation (Note 9)	1,023	1,193
Bank charges	2,181	2,787
Board expenses	3,073	2,424
Board stipends and appeals tribunal	56,750	48,750
Communications	12,824	10,950
Depreciation (Note 8)	34,247	22,248
Grants and contributions	15,687	21,125
Gratuity	110,250	120,000
Hosting and entertainment	5,488	9,322
Legal and professional expenses	20,737	1,688
Maintenance	3,409	1,866
Office and general expenses	49,346	47,240
Public relations	4,300	9,018
Salaries and benefits (Note 13)	1,713,155	1,793,409
Training	8,407	17,440
Travel and subsistence	-	26,114
Utilities	105,660	107,922
	2,161,698	2,251,871

13. Employee and Management Costs

	2021 $	2020 $
Senior Management		
Salaries and wages	729,278	533,903
National insurance	9,000	6,000
	738,278	539,903
Other Staff		
Salaries and wages	908,175	1,159,700
National insurance	39,113	40,718
Other	27,589	53,088
	974,877	1,253,506
	1,713,155	1,793,409

The average number of staff for the year was 23 (2020 – 23).

14. Related Party Transactions and Balances

During the year, the Authority collected funds totaling $1,428,931 $(2020- 1,588,707) 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

	2021 $	2020 $
Government of St. Lucia	386,784	-

Revenue

	2021 $	2020 $
Government of St. Lucia	2,326,997	2,369,674

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.

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