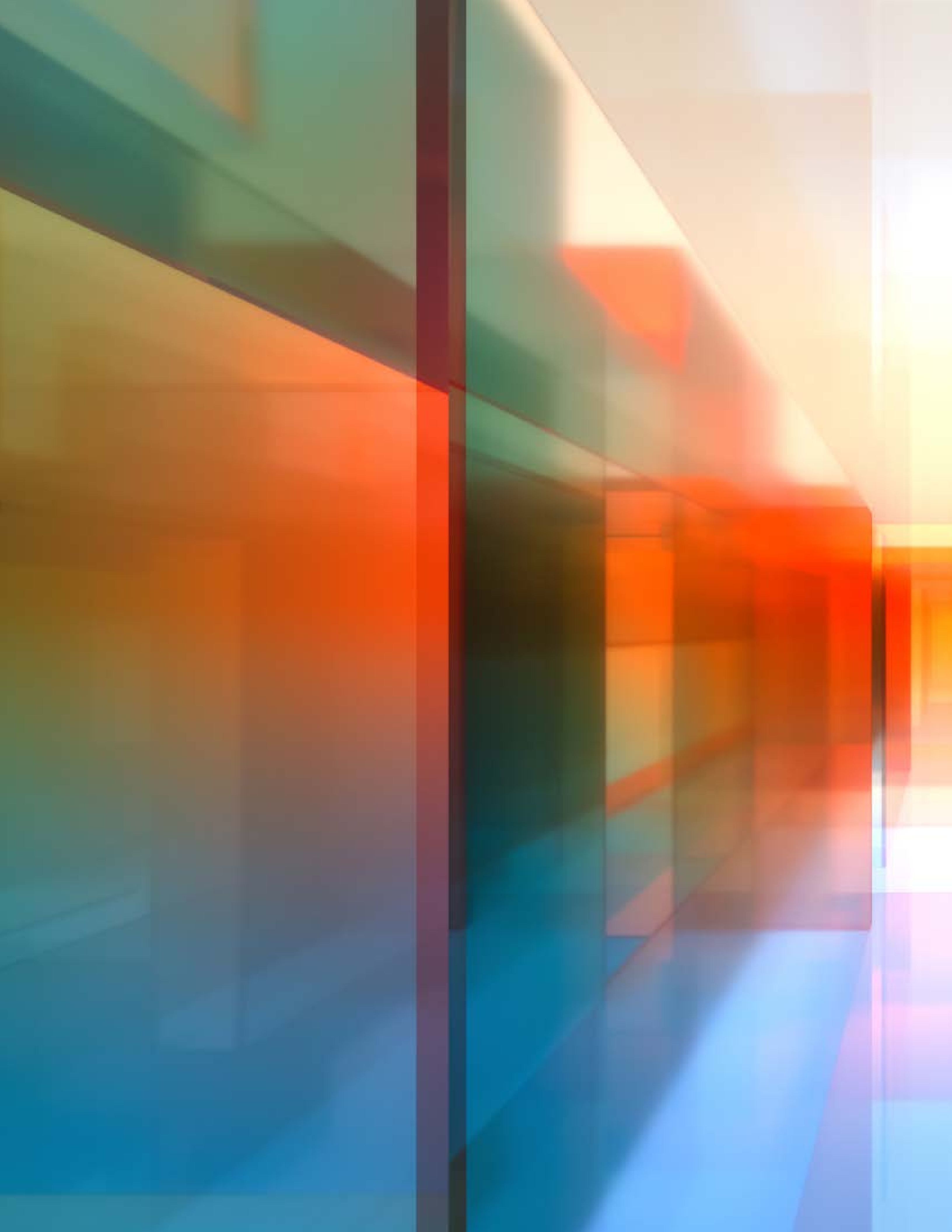
FINANCIAL SERVICES
COMMISSION

annual report
2022-2023



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ACRONYMS & ABBREVIATIONS

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BIBA	Barbados International Business Association
CAIR	Caribbean Association of Insurance Regulators
CAPS	Caribbean Association of Pensions Supervisors
CARICOM	Caribbean Community and Common Market
CARTAC	Caribbean Regional Technical Assistance Centre
FSC	Financial Services Commission[1]
IAIS	International Association of Insurance Supervisors
IOSCO	International Organization of Securities Commissions
NPL	Non-performing Loan
SIFI	Systemically Important Financial Institution

[1] Unless otherwise stated, FSC relates to the Financial Services Commission in Barbados.

ACKNOWLEDGEMENTS

The contents of this report and the all-round work of the Financial Services Commission continue to be well supported by many local, regional and international players and partnering agencies. Now in its twelfth year, the FSC has benefited from their steady and yeoman work.

We especially wish to acknowledge the work of the late Sir Frank Alleyne, former Chairman of the FSC's Board of Commissioners. His visionary leadership, unwavering determination, and commitment to excellence have shaped the very foundation of our Commission. We also extend gratitude to former CEO Kester Guy and General Counsel Cyralene Benskin-Murray, who demitted office during the year under review. They both contributed to the advancement of several priority areas of the FSC, and we extend best wishes to them in their new endeavours.

We celebrate the stimulating contributions of our wider management and staff whose work contributed to this publication.

LETTER OF TRANSMITTAL

July 31, 2023

The Hon. Mia Amor Mottley, S.C., M.P.
Prime Minister, Minister of Finance
Ministry of Finance and Economic Affairs
Government Headquarters
Bay Street
St. Michael

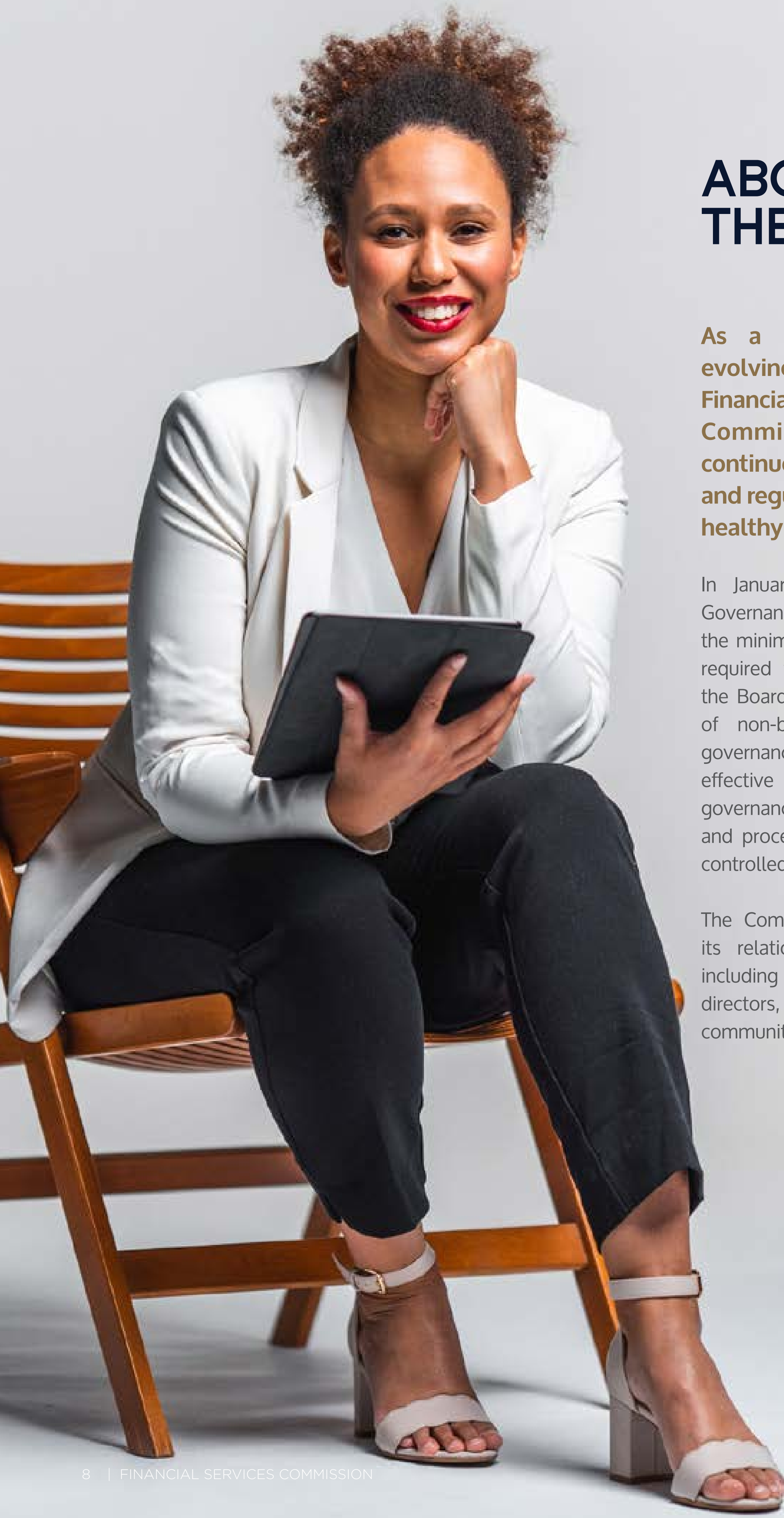
Dear Prime Minister:

I have the honour of submitting for your consideration the Annual Report of the Financial Services Commission for the year ended March 31, 2023, in accordance with the provisions of Section 50 of the Financial Services Commission Act, 2010-21.

Sincerely,

Oliver Jordan
Chairman, Board of Commissioners
Financial Services Commission

Encs.



ABOUT THE COVER

As a regulator of Barbados' ever-evolving financial industry, the Financial Services Commission (FSC or Commission) recognises the need to continuously strengthen its supervisory and regulatory framework, to maintain a healthy financial system.

In January 2023, the FSC issued Corporate Governance Guidelines to the industry, setting out the minimum standards of corporate governance required to be observed and implemented by the Boards of Directors and senior management of non-bank financial institutions. Corporate governance plays a crucial role in ensuring their effective and responsible operation. Corporate governance refers to the system of rules, practices, and processes by which a company is directed, controlled, and managed.

The Commission recognises the importance of its relationships among various stakeholders, including shareholders, management, boards of directors, employees, consumers, and the broader community.

Who We Are

ABOUT THE COMMISSION

The Financial Services Commission (FSC or 'the Commission') is an integrated regulatory body established on April 1, 2011, by virtue of the Financial Services Commission Act, 2010.

It represents a consolidation of the regulatory and supervisory functions previously conducted by the Supervisor of Insurance and Pensions, the Securities Commission, and the Co-operatives Department, insofar as it relates to credit unions. The FSC is, therefore, responsible for supervising and regulating entities in the insurance, occupational pensions, credit unions and securities sectors, which are licensed or registered under the following Acts of Parliament:

- Insurance Act, Cap. 310
- Occupational Pension Benefits Act, Cap. 350B
- Securities Act, Cap. 318A
- Mutual Funds Act, Cap. 320B
- Co-operative Societies Act, Cap. 378A (as it relates to the supervision and regulation of credit unions)

The FSC issues guidelines, establishes standards for institutional strengthening and seeks to increase the competitiveness of the financial services sector. In addition, the FSC endeavours to promote financial stability, public awareness, and instil public confidence in the operations of non-bank financial institutions.

MISSION

To promote soundness, stability, and transparency within Barbados’ non-bank financial sector, using professional staff to provide effective and efficient supervision and regulation in line with acceptable global best practices.

VISION

To be recognised as a financial services regulator that is committed to integrity, excellence, and the development of Barbados as a sound and competitive financial services centre.

CORPORATE VALUES

Excellence

Integrity

Public Accountability

Transparency

STRATEGIC PRIORITIES

To support the FSC's strategic focus over the last year, a number of initiatives were undertaken. The roadmap to continued success included the following main strategic objectives:

Institutional Review

This review is designed to identify required adjustments to strengthen the FSC's organisational structure, operational processes, and capacity to meet its regulatory mandate.

Consolidated Supervision

Consolidated supervision involves an assessment of the overall strength of a banking group together with an assessment of its impact on other parts of the group to which it belongs. The Commission will assess consolidated supervision's current state and implement a relevant action plan to enhance its capacity.

Legislative Reforms

The entire suite of legislation for the non-bank sector is being reviewed and will be updated as required to meet the contemporary requirements of the sector.

Performance Management & Leadership Development

The Commission undertakes to strengthen its leadership complement and institute more performance-driven objectives.

License Approval

To further enhance the marketability of the sector, the Commission will continue to review the application process, with the aim of improving turnaround times.

Delegated Authorities

The FSC's Board of Commissioners will assess and recommend updated Delegated Authorities for approval.

Information Technology Review

This important priority will consider what is required to upgrade the FSC's systems, processes, and workflows.

Other priority areas include Stakeholder Engagement & Communications, AML/CFT and Finance.

CHAIRMAN'S MESSAGE

Oliver Jordan
Chairman

> **... an area of focus will be building out a complete series of sector engagement opportunities, and I look forward to fulfilling this objective.**

Financial regulation has increasingly become an issue of great public interest, although it has always been a fundamental element of public policy.

The financial crisis of 2008, to which we were all spectators, resulted in a global call for increased regulation and is a stark reminder that inadequate regulation and supervision can have a deleterious effect on financial markets. Despite the strengthening of global prudential regulations, recent occurrences worldwide demonstrated that no set of foolproof measures can prevent such incidences.

Closer to home, the regional financial disruptions underscored that we must be continuously vigilant in our industry oversight. Accordingly, the effective regulation of Barbados' non-bank financial sector is targeted toward maintaining confidence, stability, consumer protection, innovation, and growth by mitigating systemic risk. In essence, the goal is a robust and relevant regulatory framework with the capacity to keep pace with evolving markets, business models, and technologies.

During the 2022-2023 period, the focus was on becoming a more agile and responsive regulator through a commitment to regulatory oversight, ensuring compliance with international standards, and capacity building to ensure the organisation can achieve its mandate. The work necessary to accelerate the achievement of the strategic priorities identified in the last reporting period, which were aimed at guiding operations, is at an advanced stage. These include strengthening the structure and operational processes, building human capital, modernising the information technology infrastructure, boosting the regulatory framework through amendments to legislation, developing and updating various guidelines, and improving response times to existing and new registrants. These have been encapsulated into what we have termed the FSC's Transformation Plan, which aims to support the effectiveness of the risk-based regulatory framework and the efficiency of regulatory processes. When completed, the Transformation Plan will reshape the organisation to keep pace with the dynamic environment in which we exist. It will also ensure the right mix of human resources and technological capabilities, while developing and championing a skilled workforce equipped to advance the stated objectives.

We are also pleased to report that the FSC issued Corporate Governance Guidelines in January 2023 and Fit and Proper Guidelines will be issued in May 2023. These guidelines form part of several under development with an objective to bring improved clarity and strength to the industry.

Having identified and committed ourselves to several strategic priorities, I am incredibly proud of the work of staff and the various Board sub-committees whose purpose was to ensure accountability and realisation of the agreed mandates. Of specific note, the Stakeholder Advisory Committee we pledged to establish is in effect and has set a clear focus on supervision and regulation engagement. This priority considers three interrelated areas – service delivery, efficient processes, and supervisory intervention.

In the coming year, an area of focus will be building out a complete series of sector engagement opportunities, and I look forward to fulfilling this objective. The FSC emphasises adopting a more proactive and efficient supervisory process underpinned by the risk-based supervisory approach. We acknowledge that there is still work to be done to build capacity in some areas of regulation and remain committed to the task. Nevertheless, we have made significant strides. Our efforts in promoting innovation have yielded positive results with the entry of new market players, resulting in an expansion of the financial technology ecosystem.

Regulating the non-bank financial sector can be challenging due to the rapidly changing global regulatory arena. We have generally received cooperation from registrants who have responded positively to the various demands placed on them. It is not lost on us that meeting the myriad standards can be challenging, complicated, and costly. We understand business realities, and where possible and merited, we will make 'carve outs' to our guidance. Notwithstanding, with responsibility for a sector that collectively manages billions of dollars in assets, representing significant investments by Barbadians, the FSC aspires to maintain a high level of transparency, while making the decisions essential to ensure stability in the financial system. Consequently, all will be held to the highest standards; and the work required to protect the investing public against fraud, manipulation, and misconduct will be aggressively maintained through enforcement and regulatory examinations.

I am extraordinarily pleased to report that the Captive Review's 2022 World Domicile Update recognised Barbados as the world's fifth-largest captive insurance domicile and the fastest-growing offshore domicile. The principal source markets continue to be Canada at 51%, followed by the United States of America at 25%. Further, AM Best ranked Barbados among the top three (3) jurisdictions in the Americas. This is attributable to a sound business environment supported by right-sized regulation, transparency, and adherence to regulatory processes and approaches that promote flexible oversight. In addition, our undertaking to engage in regulatory innovation, establish strong relationships and ensure regulatory compliance within a framework of international best practices must be lauded. This is the outcome of our work to ensure Barbados remains a jurisdiction of choice for new captive formations.

During the period, the FSC welcomed two members to the senior management team: Warrick Ward to the position of Chief Executive Officer and Dr. Corlita Babb-Schaefer as General Counsel. Mr. Ward brings a wealth of knowledge from his previous roles in both the public and private sectors in the financial arena and is no stranger to the FSC. Dr. Babb-Schaefer is an experienced attorney-at-law whose extensive experience spans both the public and private sectors, locally, regionally, and internationally in the areas of International Trade Law, Company Law, and several other areas. I wish them success in their new roles.

To enhance cooperation and promote the FSC, we continue to seek avenues to forge relations with regional and international regulatory bodies. Consequently, we maintained membership in various bodies, such as the International Association of Insurance Supervisors (IAIS) and the International Organization of Securities Commissions (IOSCO). We also sit on the executive of the Caribbean Association of Insurance Regulators (CAIR) and the Caribbean Association of Pensions Supervisors (CAPS). This ensures that we remain attuned to emerging regulatory trends and practices and allows us to contribute to the decisions that can affect us. Locally, we value our partnership with the Central Bank of Barbados and the Ministry of Finance, Economic Affairs, and Investment in pursuit of our remit. Notably, we have expanded our collaboration with the Central Bank team to ensure that the financial system is regulated and supervised within a consistent framework.

We look forward to the continued success of these mutually beneficial relationships. As always, the Caribbean Regional Technical Assistance Centre (CARTAC) plays a pivotal role in our development. The outcome of our interactions has placed us in a position to build capacity and implement the framework, fundamental to ensuring compliance with international standards while still cognisant of the peculiarities of the domestic financial system. Their support is unwavering and we owe them a debt of gratitude.

Furthermore, we will continue to partner with the Barbados International Business Association (BIBA), Invest Barbados, and others to share perspectives on the latest developments in the non-bank financial sector and the future. This dovetails with our commitment to strengthen engagement, working even more closely with those we regulate, and to adopt novel approaches to regulation.

Engaging in more dynamic outreach and education with our stakeholders and the public will be paramount as we improve the FSC's visibility as an innovative and agile regulator. The importance of financial literacy and consumer education cannot be overstated, as those who interact with market players should be able to do so with confidence and from an informed position. We remain resolute in our commitment to protecting the financial system's health, and we will continue to closely monitor and respond to the ongoing evolution of the financial sector.

On behalf of the Board of Commissioners and staff, I sincerely thank the former CEO, Kester Guy, who diligently served the FSC for six (6) years. The FSC's ability to successfully navigate the happenings of the past three years is owed in no small part to his leadership, and for that, we are grateful. During his tenure, the organisation achieved the longstanding goal of becoming financially independent. I also thank the Executive Committee of Management led by Rosina Knight, interim CEO, during the transition period.

To enhance cooperation and promote the FSC brand, we continue to seek avenues to forge relations with regional and international regulatory bodies.

To my fellow Commissioners, I record my appreciation for your dedication to the FSC's success.

As always, what we do could not have been achieved without the steadfast help of management and staff. We again congratulate The Most Honourable Ian Carrington on being bestowed the national honour, The Freedom of Barbados. Together, we will continue to build a more robust, resilient non-bank financial services sector for the future.

On a sad note, I take this opportunity to recognise the contribution of the late Sir Frank Alleyne, former Chairman of the Board of Commissioners from 2012 - 2018. Sir Frank, the longest-serving Chairman to date, helped pilot the organisation through its developmental period. His guidance and devotion to ensuring its success provided the platform on which the institution could build and develop.

The FSC does not take its regulatory role lightly. With the perpetual changes in the financial landscape, it must evolve similarly, bringing a steady hand in regulating the non-bank financial sector. As we enter the 12th year of operations, a positive future lies ahead as we embark on a journey of effecting change and positioning ourselves to be recognised as a financial services regulator, committed to excellence and the development of Barbados as a sound and competitive financial services centre. Such a process is never easy, but it is indisputable that our role does not allow us to be complacent or stagnant.

We will approach the inevitable challenges and uncertainties with a positive mindset, cognisant that the benefits outweigh any obstacles we encounter. I am confident that under the guidance of the current leadership, the FSC will continue to thrive, thus facilitating the ability of the non-bank financial sector to remain a key driver of economic development now and in the years to come.

BOARD OF COMMISSIONERS

CHIEF EXECUTIVE OFFICER'S MESSAGE

Warrick Ward
Chief Executive Officer

The 2022-2023 financial year can be aptly described as the period during which the Financial Services Commission (FSC) embarked on a journey of reinventing itself and moving forward with many of our stakeholders.

Over the past two reporting periods, we dealt with the impact of the COVID-19 pandemic on operations which required us to quickly pivot and, like many of our registrants, to seamlessly transition to being fully remote. During this time of uncertainty, we worked in tandem with the non-bank financial sector and implemented the measures necessary to aid the sector in navigating the various shocks resulting from an event over which they had no control.

In 2022, we gradually began to see the proverbial "light at the end of the tunnel" and are poised to re-emerge stronger. The FSC's and, by extension, the country's ability to "weather the storm" is owed in no small part to our internal preparations, especially the digital transformation process on which we had previously embarked and the resilience of staff. Credit must also be given to the Government of Barbados, which implemented measures to control the spread of the virus, allowing many to continue to operate seamlessly. Having said this, however, we are patently aware that many suffered. Nevertheless, numerous lessons were learned, resulting in changes to how we operate and the increased utilisation of emerging technologies, allowing for greater ease of doing business.

> "Nevertheless, numerous lessons were learned, resulting in changes to how we operate...

Several initiatives were launched during the reporting period to improve operations. The FSC is presently at a critical juncture of its development, so we have commenced an institutional review designed to identify the adjustments necessary to strengthen the structure, capacity and operational processes. This saw the engagement of consultants tasked with conducting a review of the organisational structure to understand the strategic priorities, regulatory requirements, and desired future state. The objective is to reorganise the FSC to ensure it has the capacity to meet its regulatory mandate and support growth. This is one of our key priorities and is crucial to our ability to regulate the non-bank financial sector effectively and efficiently. In conjunction with this, we continued to work on reviewing and updating all policies and procedures as the new-look FSC, which we envision for the future, requires an enhancement of how we do business.

Another vital component of the overall reform of the organisation has been the further technological transformation required to upgrade the systems, processes, and workflow. To this end, the process of contracting a consultant to perform a comprehensive technology review commenced and should be completed in the 2023/2024 fiscal year. This is a necessary activity in order to determine the technological infrastructure that is required to meet the current and future demands of the FSC, and to make practical recommendations for improvements in our Reg-Tech and Sup-Tech frameworks. It is recognised that a technology and digital transformation engagement of this magnitude must be tackled on a phased basis, considering both human resources and financial capacity. Accordingly, this exercise will continue over the short- to medium-term. The goal is to modernise the current information technology architecture to support growth and ensure that the processes and policies are sufficiently robust and modern.

Another of our key strategic imperatives which will spill over into 2023 is stakeholder engagement. Recognising the mandate of the Communications Unit to give direction and support to the FSC's internal and external stakeholder engagement in a way that best promotes the FSC brand, work commenced on a revamp of the website. It will be converted to a more resourceful and dynamic platform that allows full engagement and optimisation. This process will include, among other things, the compilation of new and up-to-date content for the site with an eventual launch of the new website in 2023. This website will be of a world-class standard aimed at effectively communicating with internal and external stakeholders regarding developments within the FSC and those of the various sectors that we regulate.

On the regulatory front, to ensure a more proactive regulatory approach, we committed to improving our regulatory toolkit to bring about improved clarity and strength to the regulated sectors – insurance, occupational pensions, credit union and securities. Therefore, we released the Corporate Governance Guidelines, which embody enhanced standards that guide how all institutions within the non-bank financial sector are to be governed. In addition, in 2023, we will imminently release the Fit and Proper Guidelines for consultation. These seek to place greater emphasis on the suitability of people acting within the regulated sectors and ensuring that individuals can fulfill their obligations consistently at a high level. Other guidelines, such as those related to Systemically Important Financial Institutions, Technology and Cyber Risk, Business Continuity, and Repurchase Agreements have been completed and will also be issued for consultation in 2023. As feedback is invaluable in developing the framework necessary to ensure the type of regulation "fit for purpose", this consultation process is pivotal.

Regarding the legislative framework, the FSC continues to work with the relevant authorities to update legislation where necessary to support us in supervising and regulating the non-bank financial sector in line with best practices. The FSC is aware of the seemingly constant emergence of new technologies which may require regulation. However, whilst we support cutting-edge technological solutions which may be of public benefit, this must be balanced with effective and efficient regulation. Even though we are keen to engage with innovators, there will be no irresponsible or irrational rush to create special new regimes through legislative amendments or new laws. Managing systemic risk and consumer protection has been the foundation of our regulatory framework and will remain so.

Our participation in the work of regional and international policy-setting bodies continued as we sought to influence regulatory standards. We maintained membership on the Macroprudential Committee of the International Association of Insurance Supervisors and remained on the Caribbean Association of Pension Supervisors (CAPS) Executive. As a key stakeholder in assisting with the management of the "Barbados Business Brand", the FSC was represented by the Chairman of the Board on a Business Forum to Rwanda with other Government of Barbados officials aimed at enhancing economic ties between Barbados and Rwanda by exploring investment, trade, and tourism opportunities. Staff members attended various fora and were invited to sit on panels and present at seminars and conferences. The staff of the FSC

continues to be held in high regard, and we are happy to play our part in supporting and educating the financial sector and general public on issues of national importance.

The FSC continued its engagement with regulatory bodies regionally and internationally. Of specific note, representatives of the FSC engaged with the Ontario Securities Commission to discuss that organisation's supervisory approach, particularly in the areas of innovation and fintech, for which we can retool and adapt some of those processes and procedures for our markets. We also discussed opportunities for the training and development of our staff. Those engagements with fellow regulators proved fruitful, and it is envisaged that soon, the FSC can benefit from collaborating with regulators generally and this entity in particular.

Regionally, meetings were held with fellow regulators as we contemplated using supervisory colleges, allowing for the group-wide supervision of entities that engage in cross-border operations. The importance of such collaborations cannot be overstated, as they provide a forum for supervisors to build relationships and engender greater cohesiveness in cooperating and coordinating supervisory activities.

Our cooperation with local regulators and stakeholders, such as Invest Barbados, the Financial Intelligence Unit, the Barbados International Business Association, the Central Bank of Barbados, the Office of the Attorney-General, various government ministries, and others, continued. These partnerships ensure that we are united in maintaining a robust regulatory framework for the entire financial sector and supporting the Government of Barbados' agenda, which is designed to preserve financial stability and facilitate sustained economic growth.

Concomitant with our intention to continue to work towards greater staff engagement and an improved culture, social activities were held for the first time in over two (2) years. Having been unable to come together socially during the pandemic, these were well-received and widely attended. The FSC is committed to building and fostering a culture that underpins a productive workplace and creating an environment where all staff can thrive and are fully engaged, resulting in a cohesive, purpose-driven staff community. The pandemic laid bare the need for an increased focus on wellness. Consequently, a draft policy document designed to govern the implementation of an employee assistance programme has been developed. It will include services related to stress and similar issues that may impact job performance, along with a financial element.

Over the period, the FSC welcomed Dr. Corlita Babb-Schaefer as General Counsel. Dr. Babb-Schaefer is an experienced attorney-at-law, having been admitted to the Bar almost 30 years ago. Her extensive experience spans both the public and private sectors, locally, regionally, and internationally in the areas of International Trade Law, Company Law, and several other areas. Corlita last served as General Counsel and Legal Adviser at the CARICOM Secretariat, and we are sure her wealth of knowledge and experience will immensely benefit the FSC.

Looking to the future, The FSC is excited about the prospect of hosting a conference in the upcoming year for our industry partners. This is part of our pledge to expand our engagement with stakeholders and the wider public. The overarching goal is for the organisation to be seen as a central point for information. Work will continue developing and implementing a performance management system, advancing the digital transformation process, finalising the implementation of an enterprise risk management system, and completing the onboarding of licensees who are still outside the E-FileIT platform.

Moreover, we will continue enhancing our regulatory framework by developing and updating guidelines governing Risk Management and Internal Controls, Climate Change, Auditor Requirements, and Market Conduct.

> **Sir Frank served in the formative years of the FSC and helped build the solid foundation on which this organisation now stands.**

Additionally, we will strengthen our human capital by filling vacancies caused by resignations or promotions and filling vacant approved positions, all in line with the results of the institutional review process. This will especially include expanding the anti-money laundering unit to boost this critical function. Recognising that we operate in an ever-evolving space, training will continue to be an essential tool in our arsenal, allowing us to be cutting-edge. Our staff is the bedrock of our success, so as we work towards improving the organisation, the capacity of staff to meet the needs of those whom we serve must also evolve.

Overall, we intend to create an environment where all voices are heard, and staff members are championed. This will bolster the capacity of all to operate at a high level of excellence, thus propelling the organisation to the benefit of all stakeholders.

Modernisation, innovation, reinvention, and revitalisation have been the hallmarks of the FSC over the past year. We aggressively pursued these, understanding that the path forward requires us to be tenacious in undertaking the work necessary to help us keep pace with new developments, especially in the fintech arena, changes in the requirements of international standards, and the dynamic technological sphere. All that has been accomplished is owed to our outstanding workforce and the Board of Directors. Without their support and encouragement, the gains that have been realised could not have been achieved. Consequently, the FSC is poised to reach new heights.

On behalf of the FSC, I extend thanks to the former Chief Executive Officer (CEO), Kester Guy, who served the FSC unstintingly for six (6) years, first as Deputy CEO for a short period then as CEO. Mr. Guy led the FSC through the initial stages of the transformative process and has left the organisation on a sound footing. Gratitude must likewise be accorded to Rosina Knight, who acted as interim CEO during the transition period.

I also take this opportunity to remember Sir Frank Alleyne, former Chairman of the Board of Directors over the period 2011-2018, who recently passed away. Sir Frank served in the formative years of the FSC and helped build the solid foundation on which this organisation now stands. We mourn his loss and are grateful to him for his strong leadership in those early days.

In conclusion, we look forward to the future with great optimism. Ultimately, what we do will aid in cementing Barbados as the jurisdiction of choice for investors now and beyond. So, we move forward together with confidence, unwavering in our commitment to the development of Barbados as a sound financial services centre.

MANAGEMENT TEAM

WARRICK WARD
CHIEF EXECUTIVE OFFICER

ROSINA KNIGHT
DEPUTY CHIEF EXECUTIVE OFFICER (SUPERVISION & REGULATION)

CAROL NICHOLLS
DEPUTY CHIEF EXECUTIVE OFFICER (CORPORATE SERVICES)

DR. CORLITA BABB-SCHAEFER
GENERAL COUNSEL

GAYLE MARSHALL
DIRECTOR, RISK ANALYTICS

CURTIS LOWE
MANAGER, CREDIT UNIONS

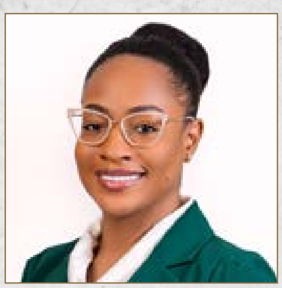
ESTHER GRIFFITH
MANAGER, EXAMINATIONS

J. WAVENEY FORDE
MANAGER, FINANCE AND PLANNING

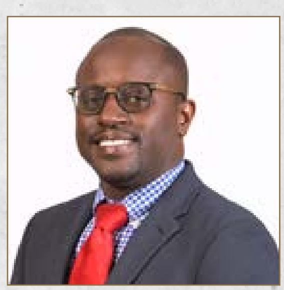
JOANNE MAPP
MANAGER, HUMAN RESOURCES

EMMERSON CADOGAN
MANAGER, INFORMATION TECHNOLOGY

DENISE HINDS-JORDAN
MANAGER, SECURITIES



MELISSA BURROWES
MANAGER, RESEARCH & POLICY



TROY WHITE
MANAGER, INSURANCE

CORPORATE GOVERNANCE

The FSC is governed by a Board of Commissioners appointed by the Minister of Finance, Economic Affairs and Investment. The Commissioners – a chairman and six others – hold office for a period of three (3) years, with each member being eligible for re-appointment.

The Board sets policy and within a framework of effective controls, has ultimate responsibility for providing leadership and oversight to FSC's operations.

There are several sub-committees that support the overall mandate of the Board.

RESOURCE ALLOCATION AND CORPORATE OVERSIGHT COMMITTEE

This Committee is an amalgamation of the former Corporate Governance and Human Resources sub-committees. Its role is to ensure the adequacy of the Commission's human resources plan, including compensation policies and practices and that it is aligned with the Commission's business strategies and that compensation is suitably linked to performance. Further, the committee provides the Commission with recommendations relating to the establishment and implementation of an efficient system of corporate governance and oversees the Commission's compliance with established corporate governance policies, processes, customs, and practices. This team also evaluates, formulates and recommends policies and programmes that are designed to assist the Commission in the efficient execution of its strategic mandate to regulate and supervise the non-bank financial sector.

LEGISLATIVE REFORM COMMITTEE

The Legislative Reform Committee reviews legislation and related issues requiring legislative resolution and provides an overall position to the Board on proposed policy, legislation and regulations. The main aim of the Committee is to develop appropriate solutions and make recommendations on the adoption of appropriate legislative priorities.

APPROVAL AND LICENSING COMMITTEE (WITH RESPONSIBILITY FOR SUPERVISION AND ENFORCEMENT)

The Approval and Licensing Committee considers and determines matters concerning applications made by individuals and financial institutions. It provides recommendations to the Board for authorisation, licensing, and registration in accordance with the relevant legislation. The Committee ensures that all directors of regulated entities satisfy "fit and proper" criteria for the conduct of financial services business.

FINANCE & AUDIT COMMITTEE (WITH RESPONSIBILITY FOR TECHNOLOGY)

The Finance & Audit Committee (with responsibility for technology) aims to assist the Board of Commissioners in fulfilling its oversight responsibilities. In performing its duties, the Committee will maintain effective working relationships with the Board of Commissioners, Management, and the internal and external auditors.

STAKEHOLDER ADVISORY COMMITTEE (WITH RESPONSIBILITY FOR CORPORATE COMMUNICATIONS)

The Stakeholder Advisory Committee focuses on stakeholder engagement and satisfaction. This Committee operates with a purpose consistent with the Commission's public interest and consumer protection mandate, with reference to the Financial Services Commission Act, 2010-21 and related legislation.

What We Do

REGULATION & SUPERVISION

The Supervision and Regulation Department comprises the Credit Unions, Examinations, Insurance, Pensions, Securities and the Registration and Licensing Divisions. Each Division, in its own capacity and collaboratively with the other Divisions undertakes regulation, oversight and related functions in respect of the non-bank financial entities regulated by the Financial Services Commission.

These entities include credit unions, insurance companies (doing business in and from within Barbados), insurance intermediaries and service providers, occupational pension plans, securities market intermediaries, self-regulatory organisations, investment funds, and reporting issuers.

The Department's mandate includes:

- Promoting and monitoring risk management practices of regulated entities employing a risk-focused approach.
- Monitoring for and evaluating emerging risks that can have an impact on the financial system.
- Assessing financial institutions' solvency, financial condition, and compliance and taking measures to remediate or mitigate the deficiencies.
- Engaging the respective sectors in ongoing dialogue regarding developments, concerns, trends, and sector performance.

SUPERVISORY ACTION

Following is a summary report of activities conducted under our supervisory plan, over the last year.

- The Commission appointed an advisor to a Board of Directors for one of its regulated entities to assist in remedying some deficiencies discovered during the course of an examination undertaken in 2022. This was the first time that we employed this supervisory measure from our toolkit. However, this represents one of a few other measures the Commission used recently to enforce regulatory compliance.

- We undertook a thematic review of the insurance brokers during the year. The examination primarily assessed market conduct and governance practices, identified good practices in the industry, as well as noted areas where improvement is needed. This exercise also affirmed the need for updated market conduct guidelines for this segment of the sector.

- The Commission maintained its focus on enhanced monitoring of, and engagement with entities with elevated or specific risks or issues. Entities with identified deficiencies were subject to increased and focused engagement and, where appropriate, were required to submit and implement action plans intended to remediate the issues identified.

PROMOTING EFFECTIVE RISK MANAGEMENT

- In keeping with its supervisory plan for the year, the Commission developed four (4) guidelines for the non-bank financial sector. The Corporate Governance guideline released for consultation in 2022, was the second sector-wide guideline (following the AML/CFT Guideline) released by the Commission, and significantly updated the standards applicable to regulated entities in managing their governance-related risks. It is risk-focused and principles-based, allowing entities to develop frameworks that are suitable for their size and complexity. It also establishes standards specifically aimed at Systemically Important Financial Institutions (SIFIs). A post consultation document was released to the industry and the Guideline was issued in January 2023.

  Other guidelines developed in 2022 including the Systemically Important Financial Institutions Guideline and the Fit and Proper Guideline were scheduled for release for consultation at the beginning of the new financial year. The Commission is incrementally updating and replacing several previously issued guidelines and introducing new guidance where appropriate.

ENHANCING SUPERVISION AND OVERSIGHT

- The Commission advanced recommendations to the Ministry of Finance, Economic Affairs and Investment for legislative changes which would enable Barbados to become a signatory to Multilateral Memoranda of Understanding for exchange of information and cooperation with securities and insurance regulators internationally. The amendments are expected to also strengthen the Commission's access to critical information needed to monitor and effectively supervise entities operating in the regulated non-bank financial services space.

  Miscellaneous legislative amendments to the Financial Services Commission Act, 2010-21 and the specified enactments were enacted in 2022, supporting the Commission's mandate.

- We developed formal guidance for entities seeking to provide, or already providing, novel technology-driven mechanisms and products for the financial services industry. The document primarily clarifies registration and licensing requirements that apply to entities. This document is expected to be soon released to the industry for consultation and feedback.

- The risk-based capital framework for the credit union industry was refined to take into consideration operational and market risk, thereby ensuring consistency with Basel Committee guidance. Consultation was held with the Barbados Cooperative and Credit Union League Limited regarding the framework.

Some of FSC's management among representatives at the 2023 Workshop on Effective Legal Frameworks for Building the Digital Economy hosted by the Commonwealth Connectivity Agenda (CCA) and the Caribbean Telecommunications Union (CTU).

REDUCING REGULATORY BURDEN

- The Commission launched its Expedited Application Process, which will offer certain applicants the option to participate in a fast-tracked process for their applications for registration and licensing. It requires completing certain documentation and submitting a complete application package to be part of the process. The aim of the programme is for applicants to have their applications assessed within a two-week period with a decision on the application to follow thereafter.

BUILDING STAKEHOLDER ENGAGEMENT AND RELATIONSHIPS

- Stakeholder Engagement and Relationship building were identified as key strategic priorities for the Commission. In 2022 senior representatives of the Commission visited and engaged regulators in Ontario, Canada, who supervise similar markets. This exercise enabled the Commission to gain among other things, a more in-depth look into the supervisory frameworks and operation of the regulators in such a mature market. Representatives also met with industry peers from Toronto Centre to discuss training and development programmes being offered by that institution.

- Regionally, we participated in meetings of our member regulatory groupings. Our participation in regional working groups dealing with Fintech and Consolidated Supervision allowed us to contribute to the work being done to enhance and harmonise supervisory regimes in the region. As a member of the Caribbean Association of Insurance Regulators' (CAIR) IFRS 17 Working Group, the Commission benefitted from the work facilitated through CARTAC in assisting CAIR member countries that are preparing for IFRS 17 implementation.

- The Commission hosted meetings with regulated entities and industry groups/associations at which we shared updates on supervision and regulation plans, sector trends and related information and received feedback from the sectors on various matters.

MAJOR SECTOR DEVELOPMENTS

CREDIT UNIONS

Consolidation in the Credit Unions Industry

Credit unions play an important role in providing access to financial products and services. Consolidation in the sector was characterised by expanding assets, membership and technology-driven products and services. The Commission reviewed and approved the consolidation of three (3) credit unions via transfers of assets to other credit unions. These credit unions were part of the "Tier 4" credit unions group, i.e. those with assets of less than BDS$10 million. As of March 31, 2023, there was one pending application for the transfer of assets signalling possible continuation of this trend into the 2023-2024 financial year.

While it is anticipated that the sector will continue to demonstrate growth in membership, assets and products and services, it is likely that the trend toward consolidation will continue in the short term. This trend may be viewed as a sign of the maturity level of the sector, i.e. that in a more mature sector, greater consolidation is likely.

INSURANCE

IFRS 17 Implementation

The implementation of IFRS 17 became a greater focus for the insurance industry as the deadline for implementing this accounting standard approached. Engagement with the insurance sector centred primarily on the status of entities' implementation projects and anticipated results. The FSC also sought to enhance its capacity, working with regional regulators and consultants to develop strategies for monitoring entities' implementation progress, impact assessments and the development of updated reporting forms ensuring compliance with IFRS 17. Revised reporting forms are expected to be released to the industry in the 2023-2024 financial year.

There was one major transaction in the domestic commercial insurance sector, which resulted from the purchase of one medium-sized insurer by an overseas insurance entity with existing operations in Barbados. No new insurers entered the sector and current insurers maintained existing classes of insurance business. Given the maturity of the market, consolidation and a lack of new entrants are generally anticipated.

Entities seeking to carry on insurance business underwriting risks located outside of Barbados for their (i) own shareholders and other related, and (ii) third parties, maintained Barbados as a jurisdiction of choice from which to operate insurance business. Over ten (10) new companies were licensed with the Commission for the financial year, most of them emanating from Barbados' traditional markets e.g. Canada, with Latin America also providing new entrants. Voluntary termination of licences was mainly attributable to companies ceasing operations and exiting the insurance market. Less than five (5) companies changed the class of insurance licence from Class 1[2] to Class 2[3] during the year.

MUTUAL FUNDS

Inflation and External Geo-Political Shocks

The performance of the mutual fund sector was moderated by high inflation and external geo-political shocks, which contributed to falling net assets for both domestic and international funds. There was some recovery at the end of the last quarter of 2022, which coincided with positive market expectations surrounding inflation in the upcoming year and the lifting of restrictions related to the COVID-19 pandemic in one major source market. The sector continues to rely on investing in other mutual funds to achieve its strategy of diversification.

[2] A Class 1 licensee shall be an insurance company that underwrites related party business.
[3] A Class 2 licensee shall include an insurance company that underwrites risks of third parties.

“Being an agile regulator means eliminating regulatory requirements that are no longer supportive of a risk-based framework.”

ROSINA KNIGHT
DCEO Supervision & Regulation

OCCUPATIONAL PENSION PLANS

Wind-Ups

The trend of wind-ups in the pensions sector continued in the 2022-2023 year. Fourteen (14) occupational pension plans were wound-up during the year. Plan wind-ups were attributed to various reasons, however, the predominant rationale was business closures or reduced operations. Administrative costs were also cited by administrators as a contributing factor. It has been noted in some cases wind-ups were triggered by events in previous years, but only finalised in 2022 when wind-up reports were completed, a situation attributable in part to the limited number of service providers. Further wind-ups, particularly of smaller plans, i.e. those with few members, are anticipated. Declines in pension plans' assets were observed and mainly attributed to declines in investment returns.

Overview of the Non-bank Financial Services Sectors' Performance by Numbers

In addition to the corporate bodies (credit unions, insurance companies, insurance intermediaries & service providers, securities market intermediaries, reporting issuers & self-regulatory organisations), and financial services products (occupational pension plans and mutual funds), the FSC has oversight of over 600 individuals who are licensed or registered to operate in the Insurance and Securities markets (Figure A).

Figure A: Number of Regulated Entities (as at March 31, 2023)
Source: Financial Services Commission

Credit Unions	Insurance	Occupational Pensions Funds	Securities (including Funds)
28	416	251	98

Table 1: Number of Corporate Bodies and Financial Services Products by Sector (as at March 31, 2023)
Source: Financial Services Commission

INDUSTRY STATISTICS

A. OCCUPATIONAL PENSIONS

Total assets under management for the occupational pensions sector were estimated to be BDS$3,054.5 million, reflecting a decrease of BDS$30.1 million (1.0%) from December 31, 2021, to December 31, 2022. Mutual funds remain the greatest asset portfolio contributor, accounting for 65.2% of total assets. Fixed-income securities were the second-largest component, followed by cash and cash equivalents at 21.1% and 7.6% of total assets, respectively (Table 2).

	2018	2019	2020	2021	2022
Cash and Cash Equivalents	179.2	196.8	204.1	196.3	230.6
Fixed Income	585.5	619.1	643.0	657.6	643.2
Equity	145.2	158.9	162.5	182.1	172.6
Mutual Funds	1,518.2	1,635.9	1,637.2	2,014.4	1,992.8
Mortgage Loans	0.1	0.1	0.1	0.1	0.0
Joint Ventures	13.6	13.6	13.4	13.6	13.6
Other	29.6	29.7	29.7	20.4	1.6
Total Assets	**2,471.4**	**2,654.2**	**2,690.0**	**3,084.5**	**3,054.4**

Table 2: Asset Allocation for Mutual Funds (for Pensions) in BDS$ Millions (as at December 31, 2022)
Source: Financial Services Commission

Figure B: Registered Occupational Plans (as at December 31, 2022)
Source: Financial Services Commission

There were 248 registered occupational pension plans as at December 31, 2022. This figure comprises 145 defined-contribution plans, reflecting three (3) additional plans from the previous year. In addition, the sector consisted of 79 defined-benefit plans, compared to the 76 plans reported at the end of 2021. There are also 24 hybrid plans, a reduction of 9 plans from the previous period (Figure B). Hybrid plans encompass plans categorised as "Defined Benefit and Defined Contribution Combination", "Defined Benefit and Defined Contribution Combination – Multi-Unit", "Defined contribution – Multi-Unit", "Defined Contribution Multi-Employer", and "Defined Benefit Multi-Unit[4]".

Occupational pension plans span a broad spectrum of Barbados' labour market. As in previous years, companies in the financial, services, tourism and distribution sectors continued to dominate the occupational pensions sector. The Financial/Insurance sector accounts for the largest share of employer-sponsored pension plans at 22.6%. Second is the Services sector which accounts for 20.2%, followed by the Tourism and Distribution sectors, with 14.1% and 13.7% of pensions plans, respectively (Figure C).

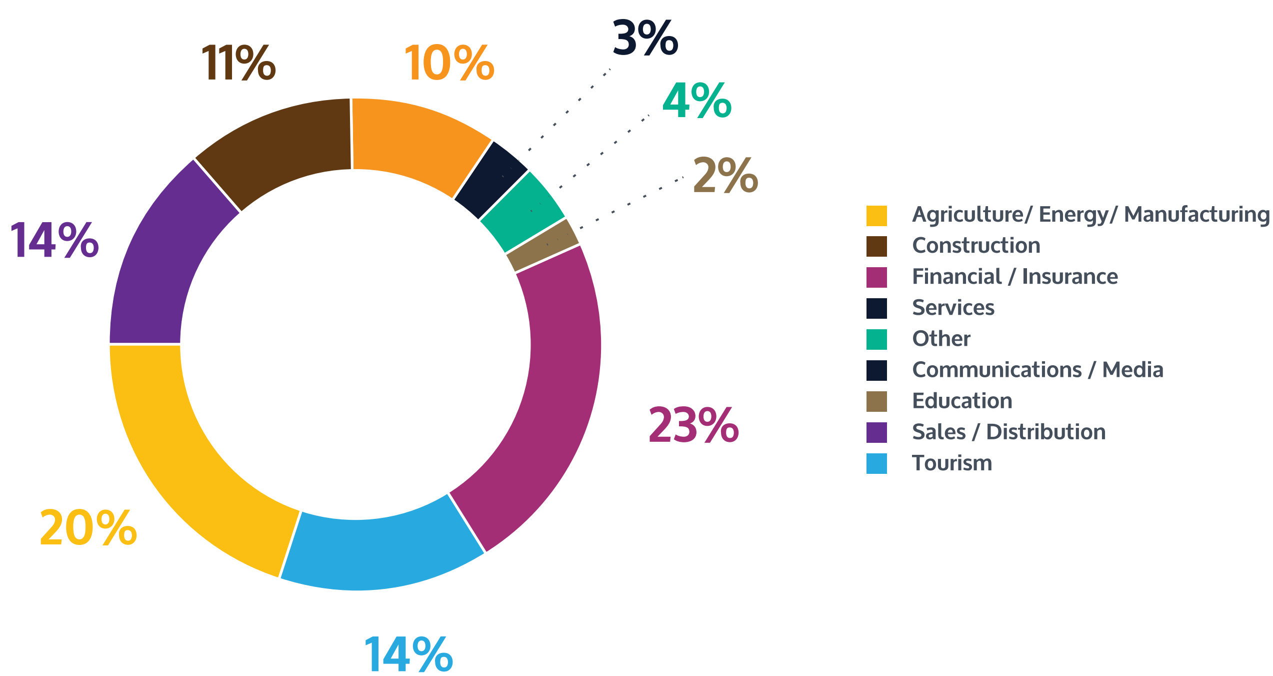


Figure C: Registered Plans by Sector (as at December 31, 2022)
Source: Financial Services Commission

[4] A multi-unit plan may be comprised of more than one employer

B. SECURITIES

As at March 31st, 2023, there were 19 licensed mutual funds conducting business directly with the Barbadian public, comprising: 3 property funds, 6 income funds, 1 multi-strategy fund, 7 growth funds, and 2 balanced funds.

MARKET PARTICIPANTS	2019	2020	2021	2022	2023
Securities Companies	16	19	18	19	18
Brokers	29	31	32	33	32
Traders	16	15	12	11	10
Investment Advisers (Companies)	24	23	23	23	22
Investment Advisers (Individuals)	36	37	41	39	38
Dealers (Companies)	5	5	5	5	5
Dealers (Individuals)	6	7	7	6	6
Underwriters	5	5	5	5	5
Reporting Issuers	41	38	34	36	36
Other Issuers	2	3	4	4	3
Self-Regulated Organisations (SROs)	2	3	3	3	4
Mutual Fund Administrators (General Licence)	9	9	9	9	8
Mutual Fund Administrators (Restricted Licence)	0	0	0	1	1
Mutual Funds (Including Sub-funds)	24	22	22	27	22

Table 3: Market Participants of the Securities Sector (as at March 31, 2023)[5]
Source: Financial Services Commission

Total assets of the mutual funds sector were estimated to be BDS$2,758.3 million, representing a 1.8% decline from the previous year. The contraction in the asset portfolio was primarily driven by equity holdings and mutual fund investments, which declined by BDS$49.3 million (7%) and BDS$44.3 million (3.7%), respectively (Table 4).

[5] Market participants may be registered or licensed in more than one category of registration. Consequently, the figures in Table 3 should not be summed in order to determine the total number of registered or licensed entities.

ASSET ALLOCATION	2019	2020	2021	2022	2023
Cash & Cash Equivalents	129.2	166.4	124.3	113.4	117.8
Equities	580.8	527.5	591.1	700.9	651.6
Fixed Income	387.8	403.5	429.4	438.8	434.4
Mortgages	96.7	113.1	119.6	128.7	145.9
Mutual Funds	816.7	739.3	1,021.0	1,186.7	1,142.4
Real Estate	108.1	135.3	146.9	157.6	171.8
Term Deposits	61.2	23.5	16.3	9.6	6.9
Other	65.34	67.80	96.39	71.89	87.47
TOTAL	**2,245.9**	**2,176.3**	**2,545.0**	**2,807.7**	**2,758.3**

Table 4: Asset Allocation for Mutual Funds (for Securities) in BDS$ Millions (as at December 31, 2022)
Source: Financial Services Commission

The domestic mutual fund net assets under management contracted by 1.3% from the value reported in 2022 to reach BDS$2,714.5 million at the end of March 31st, 2023 (Figure D).

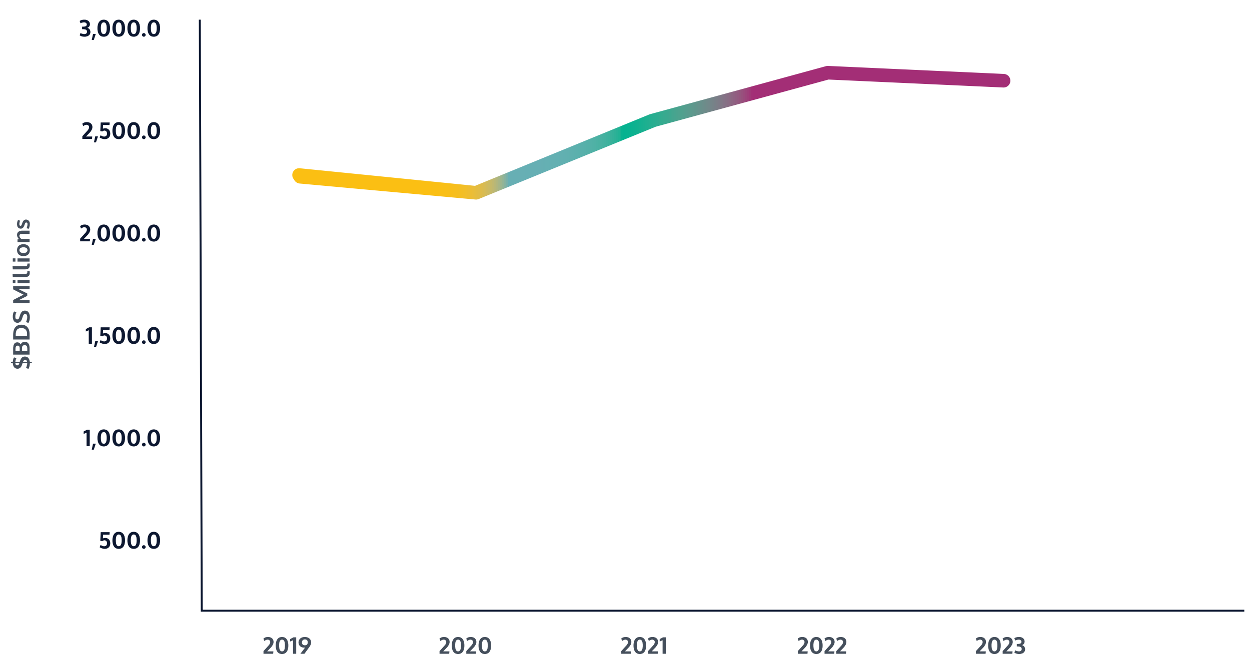


Figure D: Net Assets Under Management (as at March 31, 2023)
Source: Financial Services Commission

As of March 31, 2023, mutual funds mainly remained exposed to Barbados, where BDS$1,241.6 million (45%) of assets are concentrated. During the reported period, the assets held locally increased by BDS$63.2 million (5.4%) over the prior year. Following that, exposures in the United States/Canada totalled BDS$1,005.3 million, representing approximately 36% of total jurisdictional exposure. There were significant declines in asset exposure to other Caribbean territories and the United States/Canada of BDS$39.3 million (34.7%) and BDS$38.0 million (3.6%), respectively (Figure E).

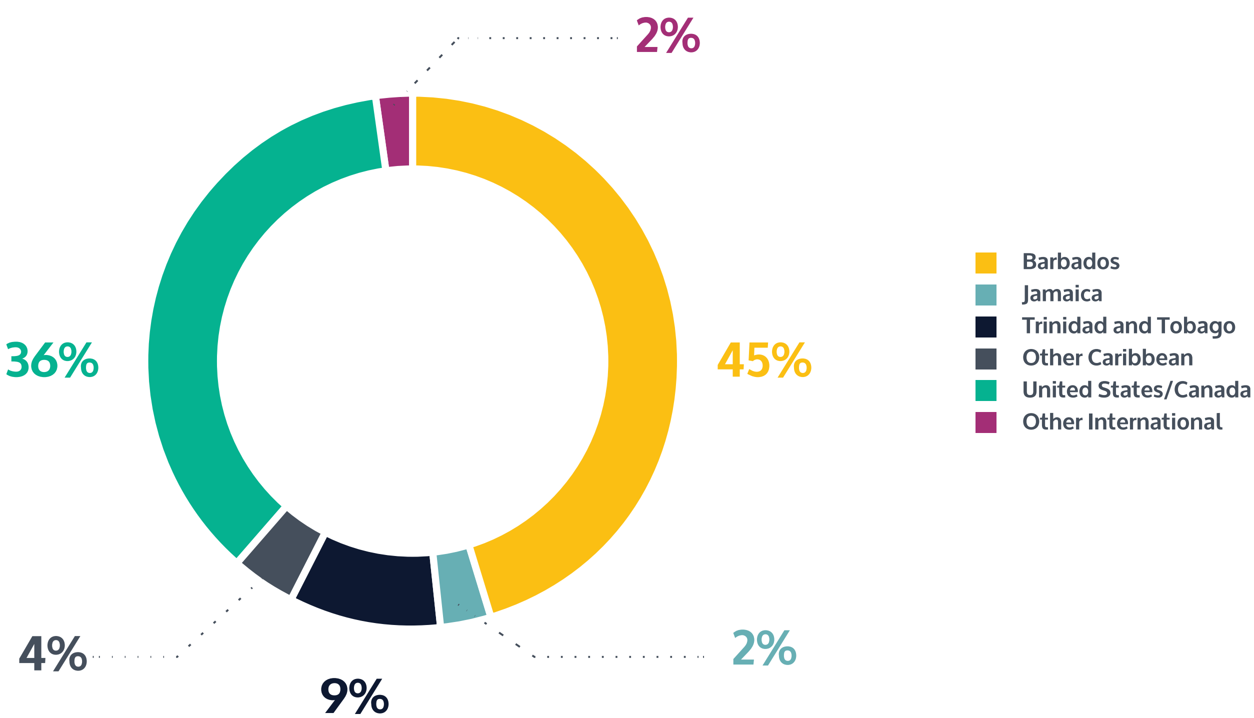


Figure E: Exposure by Jurisdiction (as at March 31, 2023)
Source: Financial Services Commission

Over the review period, total subscriptions to domestic mutual funds were estimated to be approximately BDS$182.2 million, while redemptions were estimated to be around BDS$122.0 million. At the end of March 2023, the sector experienced a net capital inflow of BDS$60.2 million for the year, compared to the BDS$15.6 million inflow recorded in 2022 (Figure F).

Figure F: Subscriptions/Redemptions of Domestic Mutual Funds (as at March 31, 2023)
Source: Financial Services Commission

C. CREDIT UNIONS

At the end of the reporting period, there were 28 credit unions compared to the 31 reported in 2022, reflecting the cancellation of three (3) licences. Over the year, the credit union sector experienced growth in membership of 0.1% to reach a total of 229,800 members (Table 5).

Membership

YEAR	No. Credit Unions	Members ('000)
2019	33	208.3
2020	33	217.9
2021	32	223.2
2022	31	229.6
2023	28	229.8

Table 5: Credit Union Membership (as at March 31, 2023)
Source: Financial Services Commission

Assets

The asset base of the credit unions sector continued to expand during the reporting period, reaching BDS$3,087.4 million as at March 31, 2023. This reflects a BDS$88.9 million (3.0%) increase over the previous year. The growth was primarily driven by loans to members, which increased by BDS$100.2 million (5.3%) and investment holdings, which increased by BDS$40.7 million (8.6%). Gross loans remained the most significant portion of total assets, with a market value of approximately BDS$1,988.6 million (Figure G).

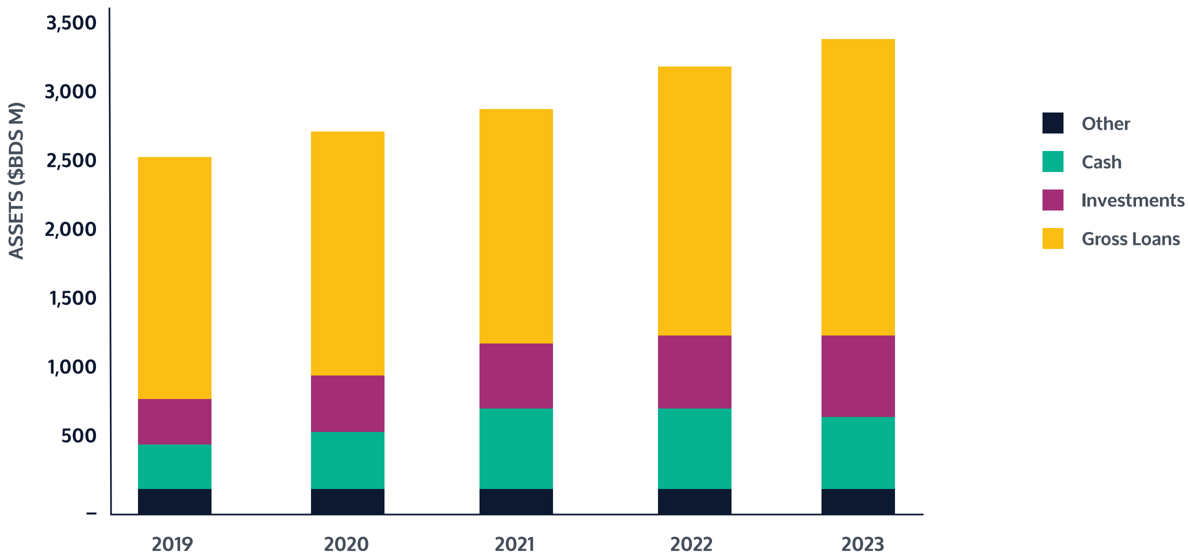


Figure G: Asset Composition of the Credit Union Sector in BDS$ Millions (as at March 31, 2023)
Source: Financial Services Commission

Member Savings

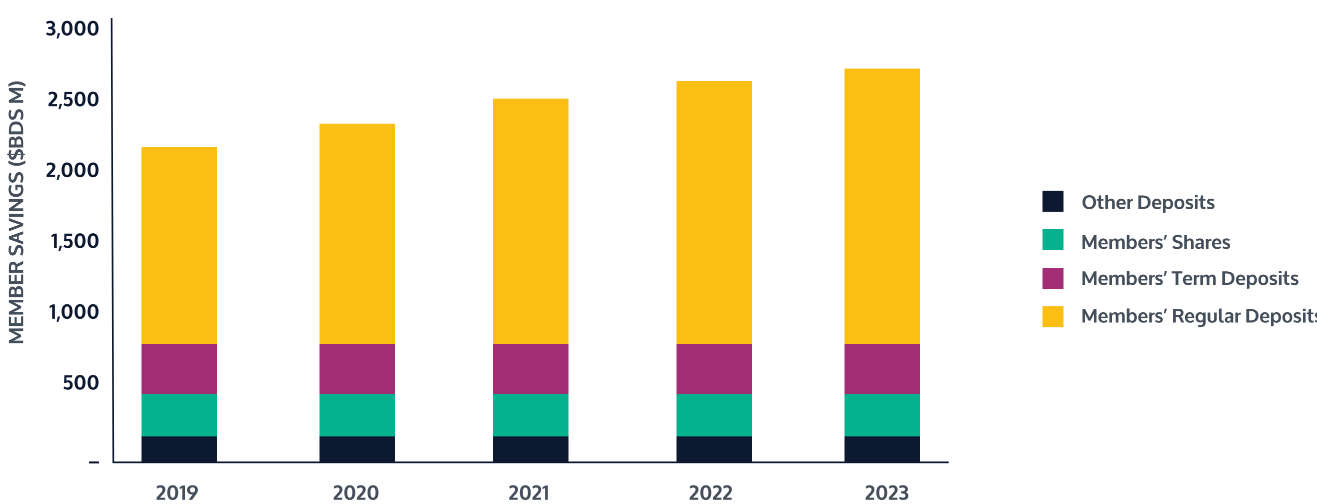


Figure H: Credit Union Member Savings in BDS$ Millions (as at March 31, 2023)
Source: Financial Services Commission

Member savings continued to grow steadily, with total member savings reaching BDS$2,683.5 million at the end of March 2023. This was mainly driven by regular deposits, which increased by BDS$68.8 million (3.8%) to reach BDS$1900.7 million. Other deposits also grew over the reporting period by BDS$15.3 million (14.1%) to reach BDS$123.7 million. Term deposits contracted by 5% to reach BDS$332.15 million at the end of the financial year (Figure H).

	CAPITAL					
	Share Capital	Statutory Reserve	Liquidity Reserve	Undivided Surplus	TOTAL CAPITAL	Capital to Asset Ratio
2019	20.61	200.11	11.07	55.57	287.36	11.5%
2020	21.47	208.59	14.02	46.49	290.57	10.9%
2021	22.02	222.93	15.08	40.30	300.33	10.6%
2022	22.57	231.67	20.54	44.22	319.01	10.6%
2023	23.19	244.72	21.22	40.34	329.47	10.7%

Table 6: Capital Structure of the Credit Union Sector in BDS$ Millions (as at March 31)
Source: Financial Services Commission

The credit union sector continued to reach its legislative capital requirements with a capital-to-asset ratio of 10.7%, 0.1 percentage points higher than the previous period (Table 6). This non-risk weighted capital buffer helps to insulate the sector against any shocks encountered in the financial system.

Profitability

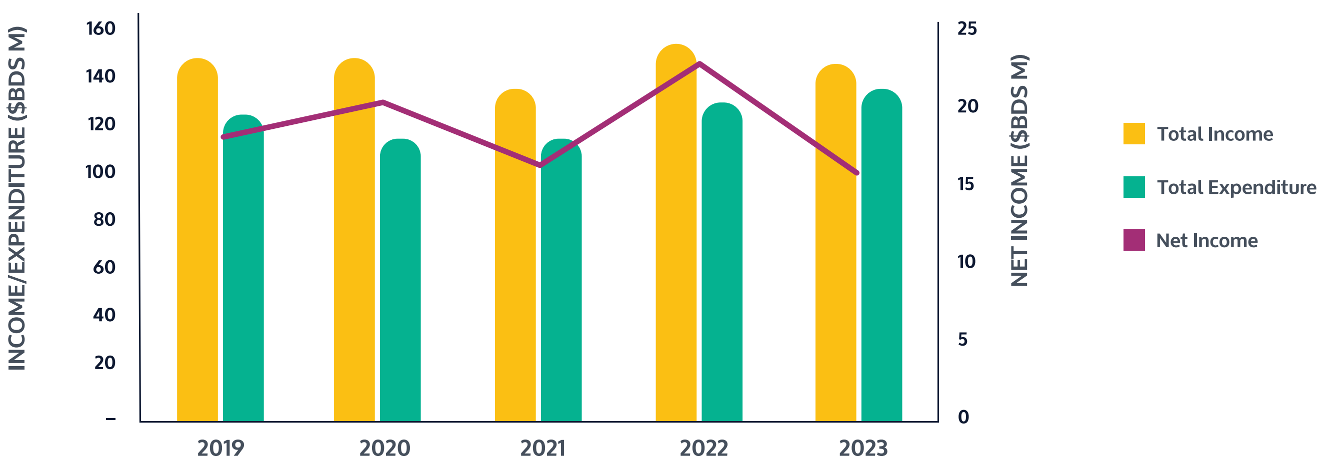


Figure I: Profitability of the Credit Union Sector in BDS$ Millions (as at March 31, 2023)
Source: Financial Services Commission

In 2023, the sector saw a contraction in Net Income of 29.8% to reach BDS$15.8 million. Total income also contracted, reaching BDS$145.6 million, 3.3% lower than the figure recorded in 2022. This contraction was primarily driven by a BDS$4.6 million (3.6%) loan interest reduction. In addition, total expenditure increased by 1.3% or BDS$129.8 million by the end of the reporting period (Figure I).

D. INSURANCE

General Insurance Industry

Assets

The asset base of the general insurance sector recorded a contraction of 2.6% to reach BDS$1,023.9 million as at December 2022. Total cash, loans and investments, and accounts receivable were the primary contributors to the asset base's decline, which fell by 4.0% (BDS$24.42 million) and 12.1% (BDS$15.54 million), respectively. Over the same period, liabilities increased by 5.8% to reach BDS$801.2 million. Claims provisions and other insurance liabilities were largely responsible, rising by 5.2% (BDS$16.1 million) and 52.6% (BDS$16.0 million), respectively (Figure J).

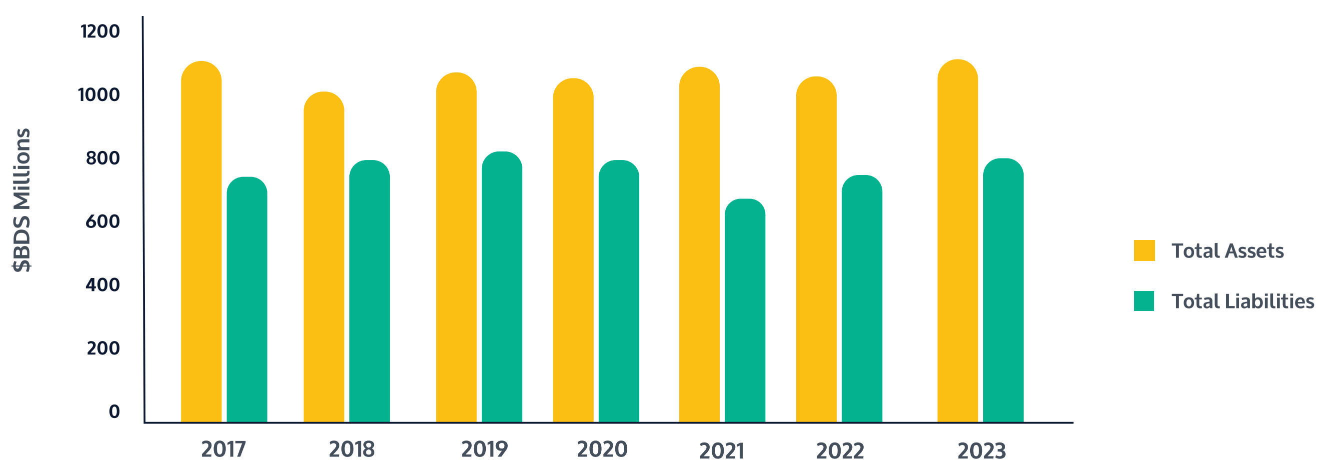


Figure J: Assets and Liabilities of the General Insurance Industry in BDS$ Millions (as at March 31, 2023)
Source: Financial Services Commission

	2018	2019	2020	2021	2022	Q1 2023
Cash & Deposits	210.46	247.71	213.09	231.02	212.05	237.26
Government Securities	146.44	154.81	155.25	141.03	148.38	149.04
Company Bonds & Debentures	83.07	70.43	75.91	68.22	63.06	67.25
Secured Loans	17.34	22.29	21.85	17.58	13.86	16.92
Investments in Real Estate	17.08	17.53	17.54	15.65	15.52	13.53
Shares	50.26	40.45	49.92	83.19	80.47	81.29
Unit Trusts & Mutual Funds	12.36	12.81	2.48	1.85	9.01	8.88
Investments in Related Parties	28.62	37.30	39.33	37.41	29.33	12.60
Policy Loans	0.79	1.11	1.34	1.58	1.81	1.90
Other Investments	15.96	15.76	24.38	16.63	16.24	14.48
Total Cash, Loans & Investments	**582.40**	**620.20**	**601.09**	**614.16**	**589.74**	**603.15**

Table 7: Investment Composition of General Insurers in BDS$ Millions (as at March 31, 2023)
Source: Financial Services Commission

The investment portfolio of the General Insurers experienced a slight contraction as the holdings in Cash and Deposits, and Investments in Related Parties fell at year-end by 8.2% (BDS$19.0 million) and 21.6% (BDS$8.1 million), respectively. By contrast, the most significant upticks were in Government Securities, and Unit Trusts and Mutual Funds, which increased by BDS$7.4 million and BDS$7.2 million, respectively. The investment portfolio, however, increased by 2.3% (BDS$13.4 million) by March 2023 (Table 7).

Profitability

	2018	2019	2020	2021	2022
Gross Premiums Written	468.67	495.96	498.06	495.41	536.89
Net Premiums Written	235.81	258.42	248.62	245.27	249.97
Net Premiums Earned	233.49	254.24	250.55	245.85	244.39
Incurred Claims	152.46	156.88	142.13	155.07	173.27
Total Underwriting Expenses	259.15	259.21	249.03	259.78	281.91
Underwriting Income (Loss)	-25.65	-4.96	1.52	-13.92	-37.52
Net Income Before Tax	**-24.35**	**21.97**	**40.90**	**53.14**	**-29.59**

Table 8: Profitability Data for the General Insurance Industry in BDS$ Millions (as at March 31, 2023)
Source: Financial Services Commission

Gross premiums written increased over the period, reaching its highest recorded level in recent years. Gross premiums written grew by an estimated 8.4% (BDS$41.5 million) to reach BDS$536.9 million at December 31. However, underwriting performance continues to worsen compared to the previous period, with losses increasing from BDS$ 13.9 million in 2021 to BDS$37.5 million. This was driven mainly by greater incurred claims which increased by BDS$18.2 million (11.7%) (Table 8).

Capital

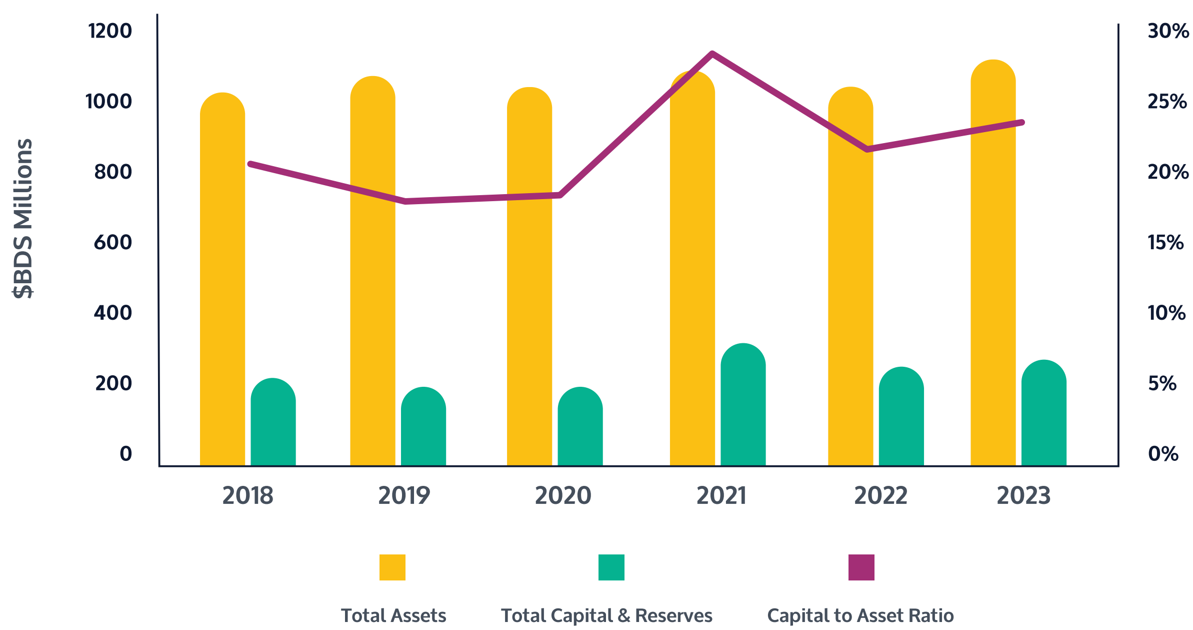


Figure K: Capital to Asset Ratio of the General Insurance Industry in BDS$ Millions (as at March 31, 2023)
Source: Financial Services Commission

The capital-to-asset ratio fell by 6.1 percentage points to reach 21.7% at the end of December 2022. This is as a result of a deteriorating capital position primarily due to a decrease in the retained earnings of the industry, which fell by BDS$45.2 million. The capital-to-asset ratio increased again by March 31, 2023, to reach 24.0%, reflecting a stronger capital position of the industry (Figure K).

Life Insurance Industry

Assets

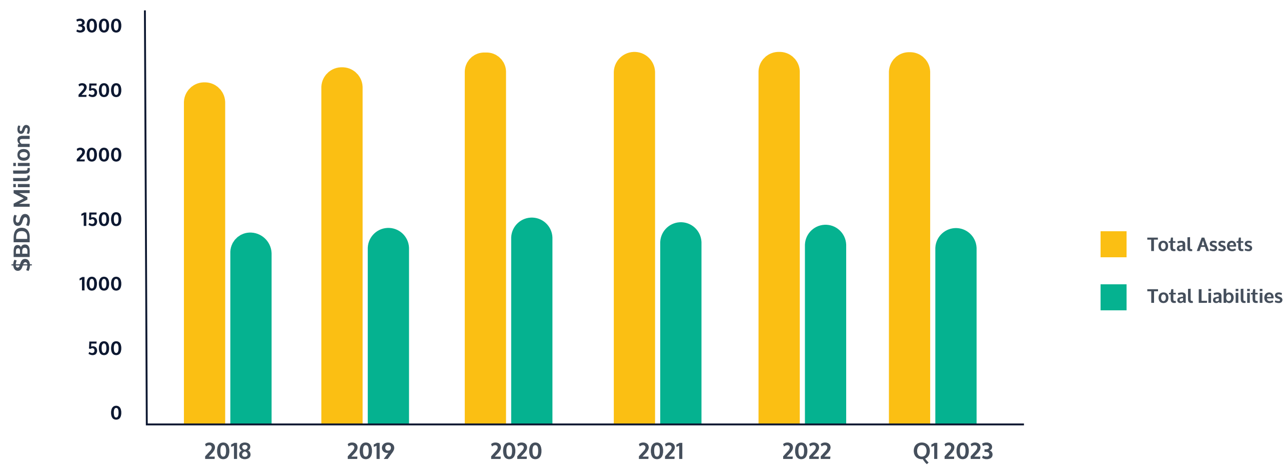


Figure L: Assets and Liabilities of the Life Insurance Industry in BDS$ Millions (as at March 31, 2023)
Source: Financial Services Commission

The assets of the life insurance industry continued to increase for the fourth consecutive year, with a slight uptick of BDS$4.7 million. Liabilities, on the other hand, fell by 1.0% (BDS$14.0 million) at year-end (Figure L). This trend continued in the first quarter of 2023 as total assets for the industry was estimated at BDS$2,780.1 million as at March 31, 2023, whereas liabilities stood at approximately BDS$1,415.2 million.

	2018	2019	2020	2021	2022	Q1 2023
Cash and Cash Equivalents	109.56	108.91	129.59	120.21	95.73	65.29
Government Securities	519.08	537.66	575.73	593.07	600.00	642.13
Company Bonds & Debentures	182.59	159.01	182.68	149.69	108.14	101.36
Secured Loans	122.06	114.71	109.46	115.37	114.15	113.67
Investments in Real Estate	86.44	85.35	83.36	81.24	76.84	76.81
Shares	11.28	14.29	11.02	11.21	7.51	11.99
Unit Trusts & Mutual Funds	2.91	3.64	3.90	3.38	1.86	1.89
Investments in Related Parties	1047.42	1141.65	1233.48	1144.23	1125.91	1128.40
Policy Loans	139.25	144.33	148.53	153.36	161.40	162.08
Other Investments	9.35	9.21	10.39	12.04	12.07	12.63
Total Cash, Loans & Investments	**2229.95**	**2318.75**	**2488.13**	**2383.80**	**2303.63**	**2316.25**

Table 9: Investment Composition of Life Insurers in BDS$ Millions (as at December 2022)
Source: Financial Services Commission

The investment portfolio of the life insurance sector contracted during the period under review to reach BDS$2,303.6 million. This resulted from a decline in company bonds and debentures and cash and cash equivalents, which decreased by 27.8% (BDS$41.6 million) and 20.4% (BDS$24.48 million), respectively. By the end of March 2023, the industry's investment portfolio grew by 0.5% (BDS$12.6 million) to reach BDS$2,316.3 million at the end of the period (Table 9).

Profitability

	2018	2019	2020	2021	2022
Gross Premiums Written	264.80	272.34	262.73	255.04	264.00
Net Premiums Written	234.36	241.39	234.53	236.83	246.44
Total Revenue	301.98	460.99	394.59	403.13	399.42
Total Expenses	147.05	334.60	274.92	305.34	289.63
Net Income Before Tax	**154.93**	**126.21**	**119.67**	**97.79**	**109.78**

Table 10: Profitability Data for the Life Insurance Industry in BDS$ Millions (as at December 31, 2022)
Source: Financial Services Commission

The life insurance sector recorded a profit of BDS$109.8 million at December 2022, an increase of 12.3% (BDS$12.0 million) from the prior year. This increase was mainly due to a rise in gross premiums of 3.5% (BDS$9.0 million) and a significant decline in total expenses of 5.1% (BDS$15.7 million) (Table 10).

Capital

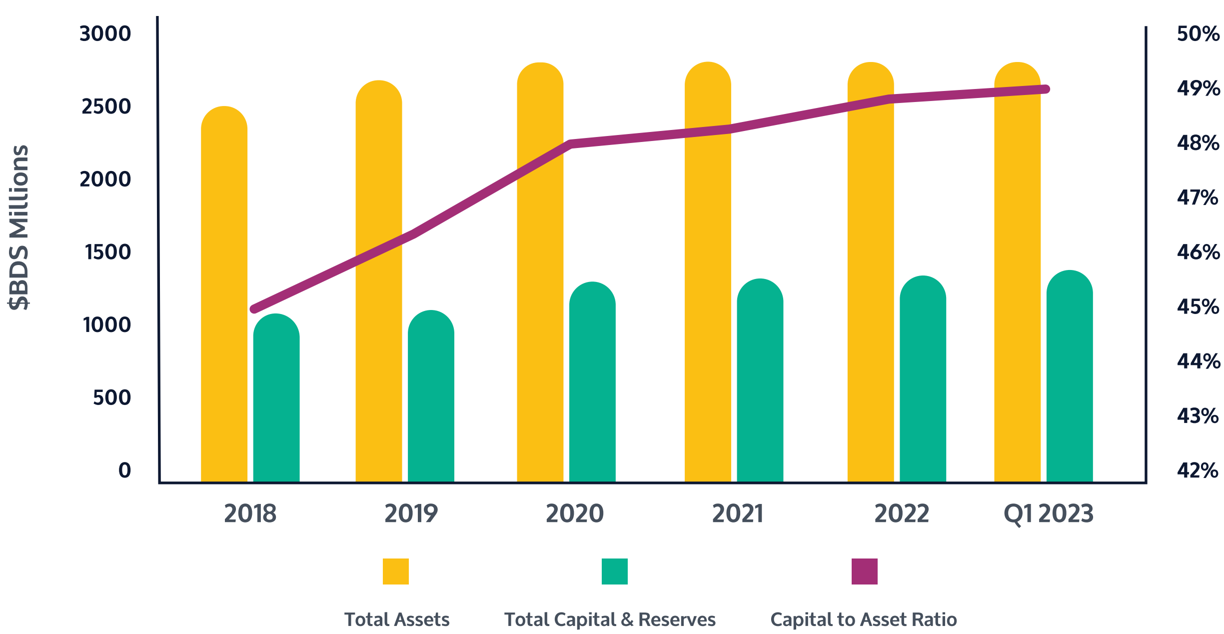


Figure M: Capital to Asset Ratio for the Life Insurance Industry in BDS$ Millions (as at March 31, 2023)
Source: Financial Services Commission

The capital-to-asset ratio of the life insurance industry increased by 0.6 percentage points to reach 49.1% as at December 2022. Capital growth of the life insurance industry outpaced the growth in assets and was mainly driven by reserves and retained earnings which increased by BDS$42.2 million and BDS$32.4 million, respectively (Figure M). The industry's capital-to-asset ratio continued to trend upwards in March 2023, reaching 49.3% at the end of the respective quarter.

SECTOR OUTLOOK

- Strengthening governance within financial institutions and by occupational pension plan administrators is a focal point, as entities continue to manoeuvre through their individual challenges and economic challenges facing the jurisdiction.

  Financial Institutions with demonstrably sound and effective boards and management, and good governance practices which encourage proper risk management and prudent decision-making can help to instil and maintain confidence in regulated entities and the financial system.

- Changes to the pensions landscape are likely to provide occupational pension plan service providers with an opportunity to expound on the benefits of employer-provided pensions plans which can supplement National Insurance Scheme pensions.

  Pension Plan administrators will need to raise the bar in carrying out administration of pension plans to effectively assess and monitor plan funding needs and solvency, plan costs and changes within the pensions sector that may have a negative impact on plan members. Plan administrators and plan sponsors have a role to ensure that plans are not "abandoned" as a result of business closures, and are instead appropriately wound-up, thus creating a more attractive climate for persons to seek and maintain employer-provided pension plans.

- Despite a gradual decline over the past three (3) years, the Credit Union sector is expected to maintain high levels of liquidity for the foreseeable future. The sector, in seeking opportunities for investment, has generally demonstrated maturity in assessing investment risks, and it has emerged that the requirement for credit unions to seek regulatory approval of certain investments has become inconsistent with the risks posed. Adaptation of the supervisory framework in this regard is therefore necessary.

  Despite a very gradual decrease in non-performing loans (NPLs) and an improved coverage ratio as a result of write-offs, the treatment of delinquent loans, non-performing loans and re-negotiated loans and the impact on reported NPLs will continue to be closely monitored.

- Financial Institutions in the sector are expanding their digital operations and promoting digitised services. This occurs against a backdrop of increasing cyber-security threats that can disrupt business operations, expose customer data and result in financial loss to businesses and customers. Effective cyber risk management programmes, and ongoing monitoring and testing will be key for financial institutions along with implementing adequate frameworks for business continuity and crisis communications when dealing with customers if there are data breaches and a loss of client funds.

- Insurance costs are expected to rise as a result of increased reinsurance charges. Insurers, particularly those whose profitability has dampened over the last few years, are likely to pass these costs on to consumers. We will continue to closely monitor the sector's performance as it may become necessary to reassess the capital adequacy and solvency of these financial institutions.

CORPORATE SERVICES

The Corporate Divisions of the Financial Services Commission comprise Human Resources, Finance and Planning, Information Technology and Communications. These departments provide vital support and represent the skeleton of the organisation.

Their combined focus is to provide the necessary infrastructure, institutional capacity and competencies for effective regulation and maintenance of consumer confidence.

Non-bank financial institutions operate in an evolving environment where innovation and technology have transformed the way in which business is conducted. Therefore, as the regulator of this industry, our people and our tools must be fit for purpose. Two of the Commission's strategic priorities concentrated on the transformation that is essential in the areas of Human Resources and Information Technology if its operations are to remain relevant.

A significant portion of the budgeted expenditure for 2022-2023 and beyond was allocated to the update of technology and the alignment of the organisational structure to support a risk-based regulatory framework.

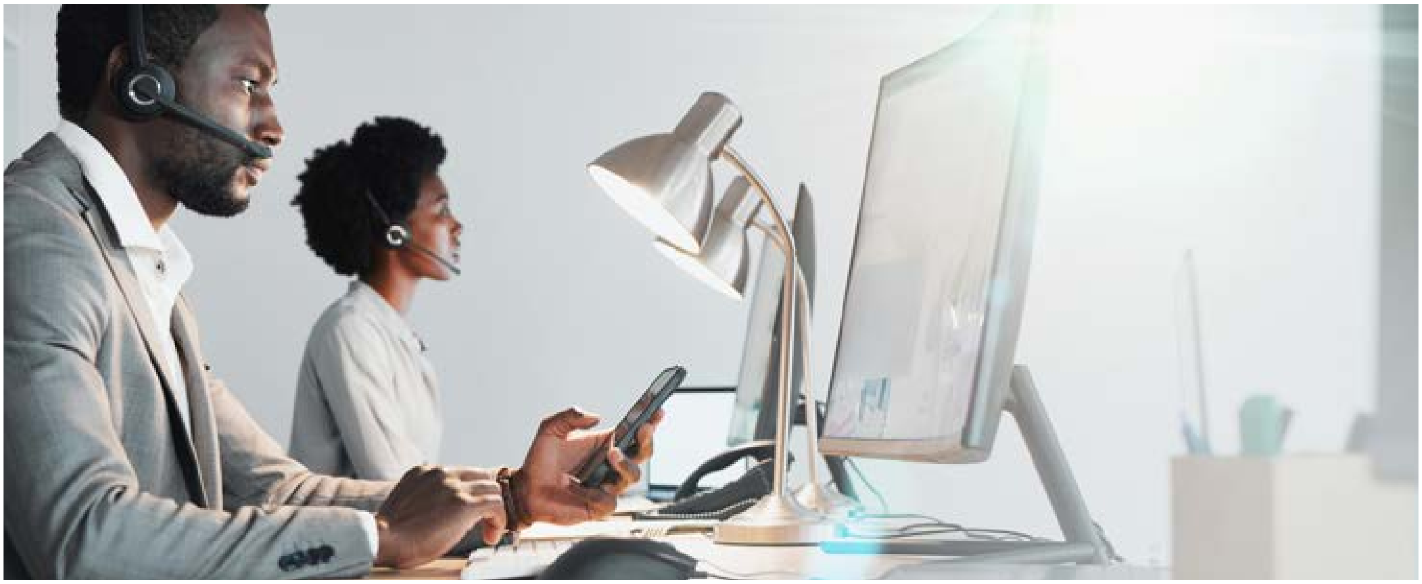
> Non-bank financial institutions operate in an evolving environment... as the regulator of this industry, our people and our tools must be fit for purpose.

HUMAN RESOURCES

The financial year 2022-2023 saw the management of the Commission embarking on an exercise to benchmark its existing capability against best practice. The Commission continued to recruit several positions to harness the skill sets that would better enable it to fulfil its mandate. The staff complement at year-end was 64 persons. Training continued with the opportunities for in-person attendance being welcomed as the teams returned to the office.

INFORMATION TECHNOLOGY

The technology infrastructure continued to be upgraded during the year and particular emphasis was placed on the evaluation of cyber risk and cyber resilience. The IT team provided crucial support in the annual registration process and the issuance of assessments to licensees to facilitate licence renewal.



COMMUNICATIONS

Communication and interaction with stakeholders were amplified during the year as the Commission addressed the emerging trends in the industry. The Commission also participated as a co-sponsor in some high-profile conferences during the year. These initiatives raised the profile of the FSC and sensitised the public to its role.

The transformation of the FSC's website was well underway at the end of the year and is the first stage of a significantly revamped social media presence which is crucial if the Commission is to remain relevant and connected with its external and internal stakeholders.

FINANCIAL PERFORMANCE

The Commission continued to finance its operations without funding from central Government.

The organisation's expenditure is managed against an annual budget approved by the Board of Commissioners. Spending was targeted to key initiatives as the Commission prepares to make significant investments in its human resources and its technology platform.

The FSC earned fees amounting to BDS$14.5 million in 2023, a 2% increase over the previous year. Expenditure decreased by 3% to BDS$10.4 million and the surplus for the year ended March 31, 2023 was BDS$4 million. The surplus is being retained to finance strategic initiatives.

In addition to regular financial responsibilities, The FSC is responsible for the management of unclaimed moneys as referenced in the Insurance Act, CAP 310:

> "all sums of money that became or become legally payable by an insurance company in respect of policies but in respect of which the time within which proceedings may be taken for their recovery has expired, and includes sums of money payable on the maturity of an endowment policy or endowment insurance policy that are not claimed within seven (7) years after the maturity date of the policy".

For the period under review, the FSC received BDS$1,426,814 in unclaimed/undistributed monies and refunded BDS$618,904.

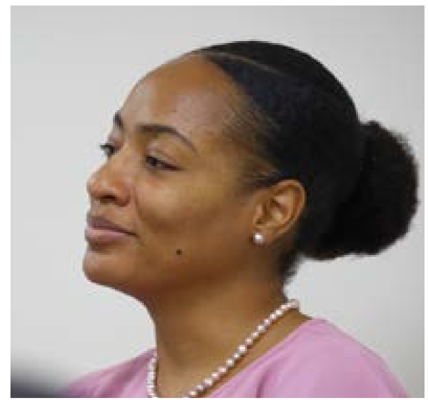
The total in escrow at the Central Bank of Barbados as of March 31, 2023, was BDS$21,009,882. The FSC also maintains records for and custody of securities placed as regulatory or statutory deposits based on the requirements of the Insurance Act, CAP 310. The FSC is a custodian of these funds and as such, they are restricted funds which are not available for use by the FSC.

Details of the results of operations and the financial position for the year ended March 31st 2023 are reflected in the audited financial statements which form part of the annual report.

> “As the regulator of the non-bank financial industry, our people and our tools must be fit for purpose.”

CAROL NICHOLLS
DCEO Corporate





The Outlook

FUTURE STATE OF THE COMMISSION

The future state of the Commission will continue to be shaped by several key trends and challenges. Here are some aspects that will characterise our future state:

TECHNOLOGICAL ADVANCEMENTS

The rapid advancement of technology, including artificial intelligence, big data analytics, blockchain, and digital currencies, will significantly impact the financial industry. The Commission will need to keep pace with these developments, understand their implications, and adapt regulatory frameworks accordingly. We recognise the need to invest in technology infrastructure and expertise to effectively monitor and supervise digital financial services, cybersecurity, and data privacy.

ENHANCED RISK MANAGEMENT

We will continue to prioritise risk management and mitigation strategies to safeguard the stability of the financial system. It is critical that we emphasise forward-looking and proactive supervision, focusing on emerging risks, such as cyber threats, climate change-related risks, and technological disruptions. We will continue to collaborate with the Central Bank of Barbados and other agencies and international counterparts to share information and coordinate efforts in managing cross-border risks.

For each sector the Commission intends to expand the guidance and tools for regulated entities. Additional guidelines including those related to Cyber Risk and Technology Risk, Business Continuity, Market Conduct and Internal Controls are expected to be released for consultation during the new financial year. Additionally, occupational pension plan administrators can anticipate new guidance on internal controls and governance to foster improved and consistent standards for administration of plans. Mutual funds operators should expect enhanced disclosure requirements, particularly for retail-type funds.

REGULATORY SUPERVISION, AGILITY AND FLEXIBILITY

The complexity and speed of financial innovation necessitate a more agile and flexible regulatory approach. The Commission has already started conversations on pilot programmes, and experimental frameworks to foster innovation while managing associated risks. We must explore regtech solutions to streamline compliance processes and enhance regulatory effectiveness.

Our 2023-2024 supervisory plan includes:

- Further stress-testing of credit unions with particular emphasis on the largest credit unions in the sector
- Release of updated reporting forms for insurers taking into consideration IFRS-17 implementation and other data needs
- Updating reporting forms for other regulated entities, including mutual funds
- Assessing entities' implementation of the new Corporate Governance standards through onsite examinations, and desk-based reviews and questionnaires
- Conducting thematic examinations in specific risk areas to ascertain the soundness of various practices by regulated entities
- Employing escalating measures to address deficiencies in risk management, financial challenges including capital and solvency concerns, and non-compliance.

DELEGATED AUTHORITY

The Commission is reviewing and refining its delegation policy, along with others, to bring them into greater alignment with a risk-focused approach. The goal is to streamline processes and thereby reduce processing times, introduce regimes that allow entities to manage certain activities without seeking individual, prior approvals for matters designated as "low risk" by the FSC. Areas of focus in this regard include the registration and licensing process for all entities, insurers' approvals for statutory funds and admissible assets, investments approval for credit unions, and a simplified wind-up process for the natural termination of pension plans.

In addition, we will seek to improve the overall regulatory experience for the industry by providing greater access to requirements, materials and guidance notes on our various processes.

The Commission will also be examining means to eliminate regulatory requirements that are no longer seen as supportive of a risk-based framework. E.g., Supervision of the pensions industry has evolved over the last few years, as requirements for Defined Contribution plans are scaled to match the risks. These and other areas will be reviewed for the purpose of developing the appropriate policy recommendations.

FOCUS ON CONSUMER PROTECTION

The future state of the Commission will continue to emphasise consumer protection, ensuring fair and transparent practices and safeguarding the interests of all consumers in the marketplace. With the introduction of our new website and new social platforms, we intend to leverage these to enhance consumer engagement, facilitate complaint resolution, and monitor market conduct.

DATA AND ANALYTICS

With the continued investment in our technology landscape, we will increasingly harness the power of data and advanced analytics to inform decision-making, enhance risk assessment, and identify potential vulnerabilities in the financial system. We recognise the need to invest in data collection, data-sharing mechanisms, and sophisticated analytics tools to gain real-time insights, enable evidence-based policymaking, and conduct more effective supervision.

LOCAL COOPERATION

In very specific ways, the FSC has its sights set on enriching its engagement with our local industry partners through:

- Hosting regular and ad hoc meetings, presentations, and workshops on burgeoning matters.
- Enhancing existing sector reports and publishing same to website.
- Maintaining representation on various executive committees of regulatory groupings and associations
- Participating continuously in the areas of Fintech and Consolidated Supervision

GLOBAL COOPERATION

Financial regulators of the future must continue to strengthen international cooperation and collaboration. As financial markets become more interconnected, the Commission recognises the need to work together to harmonise regulatory standards, exchange information, and address cross-border challenges. International bodies, such as the Financial Stability Board and Basel Committee on Banking Supervision, will play a crucial role in shaping global regulatory frameworks.

Overall, our future state as a financial regulator will require a balance between fostering innovation, managing risks, and ensuring stability and consumer protection. The Commission must be agile, technologically adept, and responsive to the evolving landscape of the financial industry. By embracing these trends and challenges, we can effectively fulfil our mission of safeguarding the integrity and stability of the financial system while promoting innovation and fostering sustainable growth.

“A positive future lies ahead as we embark on a journey of effecting change and positioning ourselves to be recognised as a financial services regulator, committed to excellence and the development of Barbados as a sound and competitive financial services centre.”

OLIVER JORDAN
Board Chairman

FINANCIAL STATEMENTS

Building a better
working world

Ernst & Young Ltd
P.O. Box 261
Bridgetown, BB11000
Barbados, W.I.

Street Address
One Welches
Welches
St. Thomas, BB22025
Barbados, W.I.

Tel: 246 430 3900
Fax: 246 426 9551
246 430 3879
246 430 1352
www.ey.com

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES COMMISSION

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 2023 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium Sized Entities ("IFRS for SMEs").

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 Commission in accordance with the International Ethics Standards Board of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Commissioners for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS for SMEs, 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

The Board of Commissioners is responsible for overseeing the Commission's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES COMMISSION (CONT'D)

Report on the Audit of the Financial Statements (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 Commission'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 Commission'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 Commission 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.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF COMMISSIONERS OF THE FINANCIAL SERVICES COMMISSION (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with Management 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.

Other matters

This report is made solely to the Commission's shareholder, as a body, in accordance with Financial Services Commission Act, 2010-21. Our audit work has been undertaken so that we might state to the Commission as a body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commission and the Commission's shareholder as a body, for our audit work, for this report, or for the opinion we have formed.

Ernst & Young Ltd

Barbados
29 June 2023

Statement of Financial Position

As at 31 March 2023

	Notes	2023	2022
		$	$
Assets			
Current assets			
Cash and cash equivalents	3	17,121,981	12,074,839
Accounts receivable	4	117,128	183,034
Deposits with Central Bank	5	21,009,882	20,197,290
Prepayments		40,029	91,484
Lease deposits		63,643	63,643
		38,352,663	32,610,290
Property and equipment	7	873,131	1,193,056
		39,225,794	33,803,346
Liabilities			
Current liabilities			
Accounts payable & Accrued Liabilities		1,061,436	837,864
Deferred income	10	10,647,013	10,332,571
Escrow deposits	5	21,009,897	20,197,305
		32,718,346	31,367,740
Represented by:			
Capital contribution	9	3,150,624	3,150,624
Accumulated (deficit) surplus		3,356,824	(715,018)
		6,507,448	2,435,606
Total Liabilities and General Fund		39,225,794	33,803,346

The accompanying notes form part of the financial statements.

Approved by the Commission on 29 June 2023 and signed on its behalf by:

.... Chairman .... Deputy Chairman

Statement of Comprehensive Income

Year ended 31 March 2023

	Notes	2023 $	2022 $
Income			
Fees	10	14,524,458	14,180,642
Interest income		-	19,937
Other income		1,551	1,168
		14,526,009	14,201,747
Expenses			
Salaries and benefits		6,518,789	6,621,562
Professional fees		875,335	589,720
Lease	12	787,288	787,288
Depreciation	7	467,018	1,128,568
Utilities		253,649	252,090
Computer expenses		248,811	148,871
Corporate expenses		159,506	27,115
Miscellaneous		159,242	2,335
Security		143,524	145,049
Membership and registration fees		132,983	146,468
Conferences and meeting expenses		128,852	8,547
Maintenance		111,821	149,264
Training		89,327	245,837
Commissioner fees and allowances		85,800	76,200
Uniforms		72,251	50,000
Subscription		64,308	104,922
Office supplies		51,482	22,141
Advertising		33,258	40,709
Insurance		27,503	25,711
Stationery		17,747	12,367
Vehicle expenses		9,367	11,879
Loss on disposal of fixed asset		9,203	825
Bank charges		6,575	5,598
Refreshments		980	6,007
Travel Expenses		723	171
Bad debts		-	114,067
Tribunal expenses		-	6,808
Discount received		(1,175)	(763)
		10,454,167	10,729,356
Surplus for the year before fees		4,071,842	3,472,391
Fee to Consolidated Fund	14	-	(2,500,000)
Surplus for the year		4,071,842	972,391

The accompanying notes form part of the financial statements.

Statement of Changes in General Fund

Year ended 31 March 2023

	Capital Contribution $	Accumulated Surplus / (Deficit) $	Total $
Balance as at 31 March 2021, restated	3,150,624	(1,687,409)	1,463,215
Surplus for the year	-	972,391	972,391
Balance as at 31 March 2022	3,150,624	(715,018)	2,435,606
Surplus for the year	-	4,071,842	4,071,842
Balance as at 31 March 2023	3,150,624	3,356,824	6,507,448

The accompanying notes form part of the financial statements.

Statement of Cash Flows

Year ended 31 March 2023

	Notes	2023 $	2022 $
Cash flows from operating activities			
Surplus for the year		4,071,842	972,390
Adjustments for:			
Depreciation	7	467,018	1,128,568
Loss on disposal of fixed asset		9,203	825
		4,548,063	2,101,783
Operating surplus before working capital changes:			
Increase in deposits with Central Bank		(812,592)	(2,743,429)
Decrease in Marketable Securities	6	-	3,987,341
Decrease in accounts receivable		65,907	298,690
Decrease in prepayments		51,455	59,671
Increase in accounts payable		223,573	132,189
Increase in deferred income		314,441	423,512
Increase in escrow deposits		812,592	2,743,429
Net cash from operating activities		5,203,439	7,003,186
Cash flows used in investing activities			
Purchase of property and equipment	7	(156,297)	(439,684)
Proceeds from sale of property and equipment		-	1,400
Net cash used in investing activities		(156,297)	(438,284)
Increase in cash for the year		5,047,142	6,564,902
Cash – beginning of year		12,074,839	5,509,937
Cash – end of year	3	17,121,981	12,074,839

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

Year ended 31 March 2023

1. Establishment, principal activity and registered office

The Financial Services Commission ("the Commission") is a regulatory entity, established in Barbados on 1 April 2011 under the Financial Services Commission Act, 2010-21. The principal function of the Commission is to supervise and regulate the non-bank financial services sector in Barbados.

The Commission's principal place of business is situated at Bay Corporate Building, Bay Street, St. Michael, Barbados.

2. Significant accounting policies

Basis of preparation

The financial statements are expressed in Barbados dollars on a historical cost basis and are in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities ("IFRS for SMEs") as promulgated by the International Accounting Standards Board.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Commission's accounting policies, management is required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and liabilities are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Other than in the establishment of routine provisions against accounts receivables, there are no key estimates or judgements which are required in applying policies which may have a material impact on the Commission's reported assets, liabilities, revenues and expenses.

a) **Related parties**

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities.

b) **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and cash at bank.

2. Significant accounting policies (cont'd)

c) Property and equipment

Property and equipment are stated at cost less depreciation and provision for impairment. Cost includes expenditure that is directly attributable to the expenditure of the items. The charge for depreciation is computed on the straight-line basis calculated to write off the cost of the property and equipment over their expected useful lives. The estimated useful lives of the assets are as follows:

Office equipment	5 years
Furniture and fittings	5 years
Motor vehicles	5 years
Computer equipment	3 years
Library books	3 years
Leasehold improvements	5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

d) Revenue recognition

Fees and deferred income

Application fees are recognized on an accrual basis. Annual registration and license fees are due in January, and in March for Credit Unions, of each year and are recognized in income on a calendar year basis. Deferred income represents fees which will be earned over the next financial year.

e) Accounts receivable

Accounts receivable are recognized initially at the fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default and delinquency in payment are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income.

f) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Commission operates ('the functional currency'). The financial statements are presented in Barbados dollars, which is the Commission's functional and presentation currency.

2. Significant accounting policies (cont'd)

Transaction and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

h) Marketable securities

All investments are initially recorded on the trade date, at cost. Investments in government bonds are carried at amortized cost which is generally the amount of principal outstanding, and interest income is recognized when earned.

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2023	2022
	$	$
Cash at bank	17,121,578	12,074,439
Cash in hand	403	400
	17,121,981	12,074,839

4. Accounts receivable

Accounts receivable consist of the following:

	2023	2022
	$	$
Staff receivable	-	1,400
Registration fees receivable	244,057	308,563
	244,057	309,963
Less: Provision for doubtful debts	(126,929)	(126,929)
	117,128	183,034

No interest is charged on outstanding receivables. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired.

5. Deposits with Central Bank

The Commission has a deposit account in the amount of $21,009,882 (2022: $20,197,290). The funds are deposited at the Central Bank of Barbados. The account comprises:

a) A statutory deposit of $8,644,689 (2022: $8,640,008) representing amounts paid by insurance companies to satisfy their requirement under the Insurance Act CAP 310.

b) Unclaimed moneys totaling $12,252,243 (2022: $11,444,332) which are unclaimed monies paid to the Commission by insurance companies, in accordance with the Insurance Act CAP 310 Section 138. These amounts are held in escrow until such time as they are claimed.

c) Residual funds from liquidated credit unions totaling $112,950 (2022: $112,950) representing funds held with the Commission in accordance with the Co-operative Societies Act CAP378A Section 159(2).

6. Marketable Securities

	2023	2022
	$	$
Series B Bond 1 - 3.75% maturing 30 September 2033	-	-

The Government of Barbados debenture comprising 11 amortising strips with maturities ranging from 5 years to 15 years was liquidated on 8 October 2021, at face value.

Notes to the Financial Statements

Year ended 31 March 2023

7. Property and equipment

	Leasehold	Office Equipment	Computer Equipment	Motor Vehicles	Furniture & Fittings	Library Books	Total
	$	$	$	$	$	$	$
2023							
Cost							
Balance – beginning of year	624,675	18,522	3,476,147	187,004	803,015	28,989	5,138,352
Additions	-	-	132,003	-	24,294	-	156,297
Disposal	-	-	(249,478)	-	(805)	-	(250,283)
Balance – end of year	624,675	18,522	3,358,672	187,004	826,504	28,989	5,044,366
Accumulated depreciation							
Balance – beginning of year	161,479	13,627	3,066,226	152,320	525,006	26,638	3,945,296
Depreciation	124,935	996	236,033	27,747	75,821	1,486	467,018
Disposal	-	-	(240,275)	-	(805)	-	(241,080)
Balance – end of year	286,414	14,623	3,061,985	180,067	600,022	28,124	4,171,235
Net book value							
Beginning of year	463,196	4,895	409,921	34,684	278,009	2,351	1,193,056
End of year	338,260	3,899	296,686	6,937	226,483	866	873,131
2022							
Cost							
Balance – beginning of year	590,539	13,544	3,172,424	187,004	731,195	28,989	4,723,695
Additions	34,136	4,978	328,750	-	71,820	-	439,684
Disposal	-	-	(25,027)	-	-	-	(25,027)
Balance – end of year	624,675	18,522	3,476,147	187,004	803,015	28,989	5,138,352
Accumulated depreciation							
Balance – beginning of year	38,178	13,544	2,180,472	122,964	459,219	25,152	2,839,529
Depreciation	123,301	83	908,555	29,356	65,787	1,486	1,128,568
Disposal	-	-	(22,801)	-	-	-	(22,801)
Balance – end of year	161,479	13,627	3,066,226	152,320	525,006	26,638	3,945,296
Net book value							
Beginning of year	552,361	-	991,952	64,039	271,976	3,837	1,884,165
End of year	463,196	4,895	409,921	34,684	278,009	2,351	1,193,056

8. Related party transactions

Key management compensation

The remuneration of members of key management personnel during the year was as follows:

	2023	2022
	$	$
Salaries and other short-term benefits	2,285,007	1,940,972

9. Capital contribution

In accordance with Section 56 of the Financial Services Commission Act, 2010-21.

a) All assets and liabilities of the Securities Commission are deemed to be transferred to the Commission
b) Any right, privilege, duty or obligation conferred on or imposed upon the Securities Commission and existing immediately before the date referred to, shall be deemed to be conferred on or imposed upon the Commission; and
c) Any contract entered into by or on behalf of the Securities Commission before the date referred to have been entered into by or on behalf of the Commission.

In accordance with the above the following assets and liabilities were transferred to the Commission as of 1 April 2011. There were no changes in 2022 or 2023.

	2023	2022
	$	$
Assets		
Current assets		
Cash	838,355	838,355
Lease deposits	20,547	20,547
Property and equipment	41,841	41,841
Total assets	900,743	900,743

9. Capital contribution (cont'd)

	2023	2022
	$	$
Liabilities		
Current liabilities		
Accounts payable	24,090	24,090
Deferred income	388,684	388,684
	412,774	412,774
Capital contribution (initial)	487,969	487,969
Additional Contribution	211,229	211,229
Government Grant E-FileIT 15 (i)	2,451,426	2,451,426
Capital Contribution	3,150,624	3,150,624

A further amount of $211,229 was contributed to the Commission in September 2011 which was added to contributed capital.

The Government of Barbados financed the development of customized regulatory software for use by the Commission. The application was developed at a cost of $2,451,426 and was deployed in 2019. The cost of the system represents a capital contribution made by Government.

10. Fees and deferred income

(a) Fees

Fees for the year consist of the following:

	2023	2022
	$	$
Application and registration fees	14,798,009	14,537,128
Penalties	45,750	21,894
General Processing fees	106,237	45,132
Total fees collected during the year	14,949,996	14,604,154
Add: Deferred income recognised during the year	10,332,571	9,909,059
Less: Income deferred for subsequent period	(10,758,109)	(10,332,571)
	14,524,458	14,180,642

10. Fees and deferred income (cont'd)

(b) Deferred income

Movement in deferred income consist of the following:

	2023	2022
	$	$
Balance – beginning of the year	10,332,571	9,909,059
Income recognised during the year	(10,332,571)	(9,909,059)
Income deferred for subsequent period	10,647,013	10,332,571
	10,647,013	10,332,571

11. Taxation

In accordance with Section 46 of the Financial Services Commission Act, 2010-21, the Commission is exempt from the payment of corporation tax, stamp duty and land tax.

12. Operating lease commitments

The future minimum lease payments under the operating lease are as follows:

	2023	2022
	$	$
Not later than 1 year	787,288	787,288
Later than 1 year and not longer than 5 years	984,109	1,771,397
	1,771,397	2,558,685

During the year, operating lease payments of $787,288 (2022: $787,288) were recognized as an expense.

Notes to the Financial Statements

Year ended 31 March 2023

13. Pension plan

The Commission's defined contribution pension plan commenced on 1 July 2016. Contributions to the plan are determined by an independent qualified actuary. The Commission contributes to the plan at the rate of 2.0% per annum of total pensionable salary up to the NIS maximum plus 5% of any salary in excess of this maximum to the pension plan.

The assets of this plan are held separately from those of the Commission and are invested and managed by its Trustees.

During the year, the total amount of $127,954 (2022: $119,587) was contributed to the plan by the Commission and this amount is included in salaries and benefits in the statement of comprehensive income.

14. Fee to the Consolidated Fund

As per a Board Resolution of the Financial Services Commission duly passed on 26 March 2021, amounts of $2,500,000 may be paid to the Consolidated Fund. Payments to the Consolidated Fund is not mandatory on an annual basis. Payments made to the Consolidated Fund for 2023 amounted to NIL (2022: $2,500,000).