



FINANCIAL SERVICES COMMISSION

FINANCIAL SERVICES COMMISSION

ANNUAL REPORT

2021-2022

Table of Contents

Letter of Transmittal	4
Corporate Profile	5
Chairman's Message	8
Chief Executive Officer's Remarks	10
Board Commissioners	13
Board Committees	16
Management Team	19
Regulatory Overview	22
Insurance	24
Credit Unions	30
Securities	35
Pensions	42
Corporate & Support Services	
Stakeholder Engagement	46
Human Resources	47
Internal Audit	49
Information Technology	50
Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT)	51
Legal	52
Research & Policy	54
Risk Analytics	55
Finance & Planning	56
Independent Auditor's Report	58
Audited Financial Statements	61

LETTER OF TRANSMITTAL

August 17, 2022

The Hon. Mia Amor Mottley, Q.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 ending March 31, 2022, in accordance with the provisions of Section 50 of the Financial Services Commission Act (2010).

Sincerely,



Oliver Jordan
Chairman, Board of Commissioners
Financial Services Commission

Encs.

MISSION STATEMENT

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 STATEMENT

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 service centre.

CORPORATE VALUES

Excellence | Integrity | Public Accountability | Transparency



ABOUT US

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. 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)

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



| Sound Leadership

CHAIRMAN'S MESSAGE

“As we continue to operate in an environment characterised by innovation, our unwavering pledge is to continuously support cutting-edge technological solutions balanced with effective and efficient regulation.”



OLIVER JORDAN

The 2021-2022 financial year was defined by the commitment of the Financial Services Commission (FSC) to consolidate and strengthen the rule-making and regulatory toolkit and enhance the robustness of the FSC, thus allowing it to achieve its goal of right-size regulation. As such, the FSC continued working towards strengthening its regulatory oversight of the industry. Why is this so critical, one may ask? It is because we at the FSC are patently aware of the impact the loss of an investment may have on the average consumer's life. Secondly, the non-bank financial sector does not exist in a vacuum; thus, a failure in any systemically important financial institution would have a deleterious effect on the economy. The essence of financial regulation is ensuring the safety and soundness of the financial system and protecting consumers. Therefore, managing systemic risk and consumer protection has been and remains the foundation of our regulatory framework.

The FSC has identified several strategic priorities to guide its operations. These strategic priorities include the completion of an institutional review designed to identify required adjustments to the organisational structure, operational processes, and the capacity to meet our regulatory mandate. Other strategic priorities include the development of a risk-based supervisory framework, consolidated supervision, legislative reforms, technology upgrades, as well as employee engagement and leadership development. These priorities were assigned to various Board sub-committees whose purpose is to ensure accountability and the achievement of the agreed mandates.

Going forward, the FSC will continuously review these priorities to respond to internal and external developments as necessary.

During the period, the FSC filled the Deputy CEO (Corporate) post, which has been a significant addition to the executive team. It has thus far allowed us to fast-track the digital and technological transformation of the organisation and focus on building out the Communications function to ensure that we are meeting the needs of the various stakeholders. Further, it has also allowed for the commencement of the review and update of all FSC policies and procedures crucial to its operations.

As we continue to operate in an environment characterised by innovation, our unwavering pledge is to continuously support cutting-edge technological solutions balanced with effective and efficient regulation. The Government of Barbados has made it clear that innovation must be supported and encouraged, and the FSC recognises that it has a responsibility to support what is envisaged for Barbados now and beyond. Consequently, the FSC established a Fintech Advisory Committee, which will provide a platform for exchanging ideas on innovative fintech initiatives. The aim is to offer fintech firms the opportunity to present specific regulatory problems being experienced and provide an interface between market participants and regulators to improve the industry's understanding of the parts of the regulatory landscape that are relevant to them and help build our knowledge of this emerging industry.

We desire to strike the right balance between retaining the appropriate flexibility for fintech development and innovation while ensuring consumer protection for those most vulnerable. The intent is to ensure that we play our part in ensuring Barbados becomes a leading fintech and blockchain hub. Generally, the Commission is keen to adopt a more inclusive and collaborative approach and facilitate explicit and open dialogue with innovators to ensure we do not stymie innovation and block ideas that offer a public benefit. Concomitant with this is an initiative to deepen relations with the African continent in the fintech space. The ties between the Caribbean and Africa run deep and are based on a shared history, culture, and sense of a common identity. Fintech has been a catalyst for growth in financial inclusion and innovation in Africa, so the future is ripe with potential and the promise of opportunities to collaborate by forming common regulatory spaces. The goal is to develop a framework for sharing lessons of experience and technology transfer.

Notwithstanding the above, much work remains. A key area of focus will be strengthening the corporate governance environment in our regulated entities. In the coming months, the FSC will issue corporate governance guidelines and develop guidelines for fit and proper requirements for all sectors. We will also focus on improving our stakeholder engagement. Regulatory deliberations will be more inclusive, structured, and staged to ensure wider regulatory views are heard and regulation is as transparent and predictable as possible. Stakeholder advisory committees will be established to serve as consultative bodies to the Board of Commissioners and management. The plan is to create a clear regulatory philosophy that better balances innovation and safety and contributes to the development of the economy.

The environment in which we exist is dynamic and, at times, challenging. Responding to the difficulties that may arise will require the right mix of human resources and technological capabilities and instituting the most appropriate regulatory framework. As such, the Commission is committed to implementing the necessary legislative reforms by reviewing and updating the existing framework where necessary.

I promise that neither excessive complexity nor simplicity will be a feature of an FSC regulatory framework. We are committed to preserving financial stability and ensuring that our regulation is robust enough to accommodate the financial system's hard-to-predict evolution, which comprises the emergence of new business models and financial innovations.

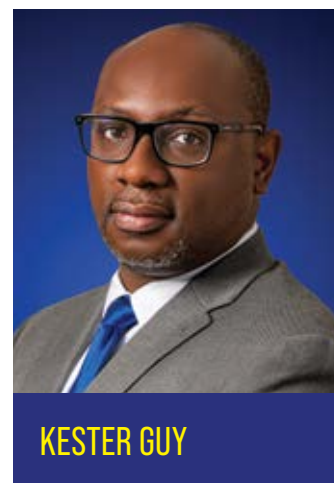
The upcoming financial year, and by extension, the foreseeable future, is therefore expected to be a busy and exciting time for the FSC. Based on the achievements of the past year, I believe that we are more than capable of being the type of regulator suitable for the local environment.

On behalf of the Board, I extend thanks to our stakeholders for contributing to the FSC's achievements. We appreciate the partnerships shared with the myriad organisations that continue to walk alongside us on this journey. To the staff of the FSC, I convey heartfelt thanks. It has not gone unnoticed that despite the challenges associated with the pandemic over the past year, they have continued to be productive and must be credited for their contribution to the FSC's accomplishments. I express gratitude to my fellow Commissioners and those whose tenure also covered a portion of the year under review for their unstinting support, and the Minister in the Ministry and the Minister of Finance, Economic Affairs, and Investment, who remain steadfast in their support as the FSC continues its quest towards becoming a best-in-class financial sector regulator.

I look forward with great excitement as we continue to pursue a mandate that maintains the stability of the non-bank financial sector in Barbados.

CHIEF EXECUTIVE OFFICER'S REPORT

“Although we have not escaped its [COVID-19] disruptive effects, which at this present time continue to affect us all, we remain committed to the development of Barbados as a sound financial services centre.”



KESTER GUY

The 2021-2022 financial year was characterised by a commitment to service to our internal and external customers as we continued operating in a COVID-19 environment. The Financial Services Commission (FSC) worked assiduously towards maintaining excellence in regulation by working in tandem with the non-bank financial sector as it navigated the myriad challenges resulting from the pandemic. Although we have not escaped its disruptive effects, which at this present time continue to affect us all, we remain committed to the development of Barbados as a sound financial services centre. Among our key highlights were the organisation's digital transformation and the commencement of a restructuring process. In addition, we engaged in various activities to consolidate and strengthen the rule-making and regulatory toolkit and enhance the robustness of the FSC, thus allowing it to achieve its goal of right-size regulation.

Over the period, FSC celebrated its 10th anniversary. Although much has been accomplished, it is clear that a restructuring of the organisation is paramount to moving forward and being able to adapt to rapid changes in the environment. This process has thus far involved filling various posts, such as the Deputy Chief Executive Officer (Corporate) with responsibility for the Human Resources, Communications, Finance, and Information Technology divisions. This has allowed us to embark on concluding the review and update of the various policies and procedures that govern FSC functions and facilitate the eventual full implementation of the e-filing system, E-File IT. Moreover, there continues to be an in-depth assessment of current and future staffing needs. The business world is and always

will be dynamic, and so the Commission must keep pace by rethinking what the organisation needs to look like to meet the demands of a changing business environment. The Caribbean Regional Technical Assistance Centre (CARTAC) is providing technical assistance in this regard, and for this, we express our sincere gratitude.

Additionally, the Government of Barbados introduced a performance management system aimed at ensuring accountability in achieving goals. This involved preparing the Commitment for Results document and attending various training workshops. The exercise has proven invaluable as we had earlier commenced work on crafting an FSC-specific performance management system by developing a balanced scorecard framework. FSC's commitment to the accomplishment of the goals contained in the 2021-2023 strategic plan is resolute.

Team building was a focal point and has been at the core of transforming staff into a cohesive unit. Having spotlighted the right mix of skill, attitude, and aptitude the previous year, we focused on ensuring our capacity to operate as a team, creating a culture of trust and a grouping working collaboratively to provide the highest levels of service. Training remained a critical cog in operations, and all staff had the opportunity to access a wide range of areas vital to performance. Staff was also provided the opportunity to take part in training attachments with sister regulators. The impact of the pandemic brought into sharp focus the effect on employees' mental health. To counteract any adverse outcomes, staff had the opportunity to engage with professional counsellors, thus providing a safe space

to share experiences and receive the tools and mechanisms necessary for coping and thriving in this new climate.

In line with our service commitment, we utilised technology to strengthen resources to take the organisation to the next era. We engaged in a significant technology enhancement project to improve efficiency across the organisation. The overarching goal is to boost productivity, allow for quicker decision-making, facilitate the ease of doing business, and strengthen stakeholder engagement and responsiveness to business needs. This transformative process involves the modification of existing or the creation of new business procedures, culture, and customer experiences to meet changing business and market requirements. Cognisant that we are operating in an increasingly contactless business environment, it is evident that continued investment in technology will allow us to persevere and succeed. Ultimately, the goal is to provide world-class service to stakeholders and ensure data security. The reimagining of business in the digital age is digital transformation, and it is our steadfast dedication not to be left behind. In this new world, technology is not a choice but a fundamental business strategy that must be interwoven into every part of our operations, thus giving us a better chance of thriving post-pandemic and being a technologically advanced regulatory institution.

On the regulatory front, the first draft of the peer-to-peer lending regulatory framework was developed. Furthermore, enhancements to the early warning indicators for the insurance and credit union sectors were implemented, and a project to facilitate adjustments to the FSC Act to facilitate the signing of various international Multilateral Memoranda of Understanding (MMoUs) began. Additionally, the Natural Disaster Stress Testing guideline was completed, and an industry meeting held to discuss and respond to queries. Of note, the Anti-Money Laundering (AML) Unit was fully staffed, allowing for a strengthening of the AML programme. The AML team was quite active over the period. It provided training to staff, achieved FSC's completion target for the effective supervision of all high-risk entities through AML/CFT (Anti-Money Laundering/Combating the Financing of Terrorism) inspections, and consistently engaged with entities throughout the post-inspection process as they commenced rectification measures.

The various divisions began a review of their processes to increase efficiencies and assessed the extent of the impact of the pandemic on the different sectors. This allowed FSC to target those entities experiencing issues and

assess and provide support as they sought to implement solutions. We increased focus on enforcement to ensure entities remedied and promptly addressed any concerns. Registrants were sensitised about the FSC's use of a ladder of intervention in addressing non-compliance, prudential and risk management failures, or likely failures.

FSC continued its focus on enhanced communication and public awareness by issuing advisories to the public concerning blessing circles and other potentially fraudulent activities. In addition, we started developing a public education programme on investment and financial literacy. Overall, the period saw the FSC collaborating with a range of regulators and stakeholders, including the Central Bank of Barbados, Invest Barbados, CARTAC, the Barbados International Business Association, and the umbrella groups for the various sectors. Engagement with the sector groupings has been significantly enhanced as we continue to undertake meaningful discussions on any issues being experienced and the potential solutions to address them.

As part of a strategic initiative to improve overall engagement with fellow regulatory bodies, the FSC met with other regulatory agencies across the Caribbean. Of particular note was the bilateral meeting held with the Bermuda Monetary Authority (BMA) on May 25, 2021. Discussions surrounded International Association of Insurance Supervisors (IAIS) matters, COVID-related industry impacts, and the progress of several consultation papers and guidelines being worked on by the BMA for the insurance sector. This meeting was the first of such held for the year, and it is anticipated that this will be an ongoing practice.

To continue enhancing FSC's profile, we maintained membership on the Macprudential Committee of the IAIS. We also remained on the Caribbean Association of Pension Supervisors (CAPS) Executive and participated in a panel discussion at the 2021 CAPS Conference themed The Impact of COVID-19 on the Pension Plans Sector. The Commission also took part in the International Credit Union Regulators' Network Conference, and presented at the Barbados Risk and Insurance Management Conference and the 52nd Annual Monetary Statistics Conference.

As we look ahead, priority will be placed on completing the recruitment process, finalising the restructuring process, and advocating for the implementation of the amendments to the various pieces of legislation crucial to strengthening the regulatory framework. Also on the agenda is completing and implementing the business continuity plan and

developing an enterprise risk management framework. In addition, we hope to execute the signing of MoUs with other regulators to facilitate information sharing.

Finally, I wish to thank the FSC's Board of Commissioners for their unwavering and continued support of our development. Their insight and guidance have helped ensure that the FSC maintains a high standard of good governance, high-quality output, and corporate development. I also wish to express gratitude to all staff for their hard work, dedication, and unstinting support in confronting the diverse challenges over the year. They gave yeoman service and must be congratulated for their patience, commitment, and resilience in difficult times. Overall, it has been a productive and transformative season. While we celebrate these gains, our attention is fixed on continuous improvement as we strive to promote soundness, stability, and transparency within Barbados' non-bank financial services sector.



BOARD COMMISSIONERS



MR. OLIVER JORDAN

CORPORATE DIRECTOR & BUSINESS ADVISOR | CHAIRMAN

Mr. Oliver Jordan is an experienced Corporate Director & Business Advisor. In addition to his role as Chairman of the Financial Services Commission, he is currently Special Advisor on State-Owned-Entity Reform & Restructuring in the Ministry of Finance, Economic Affairs and Investment.

Over the course of his more than three-decade career, he has held a number of executive leadership positions in the Banking, Insurance, Professional Services, and Tourism sectors.

Mr. Jordan is a Board member of the Caribbean Corporate Governance Institute and is also certified by the Institute of Corporate Directors of Canada. He holds an MBA in Banking & Financial Services from the Schulich School of Business at York University, Toronto; is a Fellow of the Chartered Professional Accountants of Ontario, Canada, as well as a Certified Fraud Examiner.



MR. RONALD BASCOMBE

ACCOUNTANT | DEPUTY CHAIRMAN

Mr. Ronald Bascombe is an Accountant by profession, and a Fellow of the Institute of Chartered Accountants of Barbados. He is a member of the Chartered Professional Accountants of Nova Scotia, Canada, and holds a BSc (Accounting) from the University of the West Indies.

Mr. Bascombe was employed in the Public Service for over 40 years. He was Permanent Secretary in the Ministry of Housing and Lands; the Ministry of Energy and Telecommunication; the Ministry of Finance, and held assignments in several other government ministries and departments. He served as a member on a number of statutory boards during that time.



MS. DEBBIE A.P. FRASER

ATTORNEY-AT-LAW

Ms. Debbie A.P. Fraser is an Attorney-at-Law qualified to practise in Barbados and Jamaica and has been in practice since 1992. She is a graduate of the University of the West Indies and the Norman Manley Law School in Jamaica, where she received the Legal Education Certificate of Merit.

Ms. Fraser is the principal of Fraser Law and specialises in the areas of mergers and acquisitions, takeovers, energy law, securities law, project finance and both international and domestic capital markets for debt financing.



MR. HAROLD CODRINGTON

FORMER DEPUTY GOVERNOR OF THE CENTRAL BANK OF BARBADOS

Mr. Harold Codrington was Deputy Governor of the Central Bank of Barbados, where he gave invaluable service for more than three decades. He played an important role in the development of the organisation, particularly as a member of its management team.

Mr. Codrington joined the Central Bank as an economist in 1979 and rose up the ranks serving as Senior Economist, Deputy Director (Ag.), and Advisor to the Governor, before being appointed the post of Deputy Governor in 2011.

BOARD COMMISSIONERS



MS. NIKITA GIBSON

FINANCIAL ADVISOR

Ms. Nikita Gibson is the Vice-President of Clarity Life Insurance Ltd., a company registered in Barbados. Her experience ranges in the financial and insurance industries where she manages the expectations of shareholders, directors, and clients.

In her role at Clarity Life, Ms. Gibson develops bespoke life insurance solutions for high-net worth individuals across the globe for purposes such as generational wealth transfer and asset protection.

Ms. Gibson holds a Master of Science in Actuarial Science from Heriot Watt University and a Bachelor of Science, First Class Honours in Mathematics and Economics from the University of the West Indies, Cave Hill Campus. She is an Associate Actuary with the Society of Actuaries and the Caribbean Actuarial Association.



MR. HENDERSON HOLMES

FORMER EXECUTIVE DIRECTOR, BIBA

Mr. Holmes is the former Executive Director of the Barbados International Business Association (BIBA), for which he is credited with establishing its secretariat and effecting national recognition of the existence and importance of the international business sector. Prior to his role with BIBA, Mr. Holmes held senior positions in central government and in the Barbados Investment and Development Corporation (BIDC), the last of which was that of Director of the BIDC's New York Office. After leaving the BIDC he worked on several local and regional assignments as a consultant in international business, business development, and strategic planning.

He holds a BSC (honours) degree in Industrial Management from the University of the West Indies, St. Augustine, and a diploma in Consulting for Small and Medium Enterprise Development from the International Centre for Advanced Technical and Vocational Training in Turin, Italy. Mr. Holmes is also a member of the Association for Strategic Planning.



MR. IAN CARRINGTON

DIRECTOR OF FINANCE AND ECONOMIC AFFAIRS, MINISTRY OF FINANCE

Mr. Ian Carrington is Director of Finance and Economic Affairs; Ministry of Finance, Economic Affairs and Investment, with responsibility and oversight for the Government's financial management. He holds a Masters of Public Administration and a Post-Graduate diploma in Public Policy from Harvard University, and is a Fellow of the Certified General Accountants of Canada and of Certified Professional Accountants of Canada.

Mr. Carrington is former Director of the National Insurance in Barbados where he was responsible for the administration of Barbados' social security system. He is also former Chief Executive Officer of the Financial Services Commission.

Mr. Carrington has a wealth of expertise and knowledge in the areas of Finance, Insurance, Banking and Economic Affairs.

PREVIOUS BOARD COMMISSIONERS (2021-2022)

*NOT CURRENTLY SERVING



PROF. AVINASH PERSAUD*
IMMEDIATE PAST CHAIRMAN



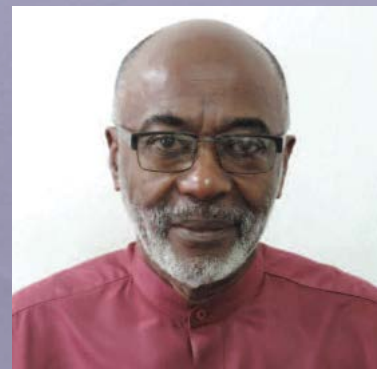
MR. RAWDON ADAMS*



MRS. DESIREE CHEREBIN*



MR. RONALD BASCOMBE



MR. HAROLD CODRINGTON



MR. IAN CARRINGTON



MS. DEBBIE A. P. FRASER

BOARD COMMITTEES

Human Resources Committee

The Human Resources Committee formulates and ensures the implementation of plans, policies and procedures relating to employee recruitment, assessment and development. It also reviews organisational design and development, along with other related administrative functions.

Committee members are:

- Harold Codrington (Chair)
- Debbie Fraser
- Ronald Bascombe

Corporate Governance & Strategy Committee

The Corporate Governance & Strategy Committee is charged with providing recommendations relating to the establishment and implementation of an efficient system of corporate governance and overseeing the Commission's compliance with established corporate governance policies, processes, customs and practices. Further, this Committee is tasked with evaluating, formulating and recommending 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.

Committee members are:

- Oliver Jordan (Chair)
- Ian Carrington
- Harold Codrington

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.

Committee members are:

- Debbie Fraser (Chair)
- Ian Carrington
- Ronald Bascombe

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 authorisations, 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.

Committee members are:

- Ronald Bascombe (Chair)
- Henderson Holmes
- Nikita Gibson

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.

Committee members are:

- Nikita Gibson (Chair)
- Oliver Jordan
- Henderson Holmes

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.

Committee members are:

- Henderson Holmes (Chair)
- Harold Codrington
- Oliver Jordan

SPECIAL COMMENDATION

The current Board of Commissioners, Management and Staff of the Financial Services Commission extend sincere gratitude to those Board Commissioners who served during the year under review prior to January 2022.



THANK YOU

FSC MANAGEMENT TEAM



MR. KESTER GUY
CHIEF EXECUTIVE OFFICER



MS. ROSINA KNIGHT
DEPUTY CHIEF EXECUTIVE OFFICER
SUPERVISION & REGULATION



MS. CAROL NICHOLLS
DEPUTY CHIEF EXECUTIVE OFFICER
CORPORATE SERVICES



MRS. CYRALENE BENSKIN-MURRAY
GENERAL COUNSEL



MS. GAYLE MARSHALL
DIRECTOR, RISK ANALYTICS



MR. CURTIS LOWE
MANAGER, CREDIT UNIONS



MR. TROY WHITE
MANAGER, INSURANCE



MS. DENISE HINDS-JORDAN
MANAGER, SECURITIES



MS. ESTHER GRIFFITH
MANAGER, EXAMINATIONS



MS. MELISSA BURROWES
MANAGER, RESEARCH AND POLICY



MS. J. WAVENEY FORDE
MANAGER, FINANCE & PLANNING



MR. EMMERSON CADOGAN
MANAGER, INFORMATION
TECHNOLOGY



MS. JOANNE MAPP
MANAGER, HUMAN RESOURCES



Watchfulness,
Accountability
& Integrity

REGULATORY OVERVIEW

The FSC's regulatory and supervisory programme continued to focus on our two main themes of (i) consumer protection and (ii) systemic risk. Our supervisory and regulatory strategic priorities were focused on, among other things, (i) enhancing our supervisory framework; and (ii) industry/stakeholder engagement.

Matters progressed included:

1. The update of internal processes to enhance analysis of and streamlining certain types of applications and regulatory processes including those related to “voluntary” termination of licences and acquisitions of significant interests.
2. Completion of stakeholder engagement sessions for each sector on matters of interest to the industry and issues and developments from the FSC. A key focus in these sessions was sensitising the industry to the FSC's heightened focus on employing enforcement measures. Financial institutions were advised of the need to engage in appropriate risk management practices and monitor compliance with regulatory obligations including AML/CFT requirements. Monitoring by the respective regulatory and supervisory divisions had highlighted certain compliance failures which needed to be remedied and the industry participants were given background information on the FSC's use of a ladder of intervention in addressing risk management deficiencies and breaches.
3. Financial institutions with significant breaches and supervisory challenges were identified and measures were taken in an effort to bring resolution to the issues identified. These measures included increased dialogue with directors and senior management of the financial institutions, requirements for the submission and implementation of action plans to address certain deficiencies and where appropriate the advancement of recommendations for directives to be issued to entities and the revocation of licences.
4. FSC became a signatory to the Caribbean Association of Insurance Regulators (CAIR) in October 2021. This step enables the FSC to obtain and share information and cooperate with its regulatory counterparts. It was also a deliverable of the FSC's consolidated supervision programme development plan.
5. The continued impact of the COVID-19 pandemic and the associated protocols affected the ability of some credit unions to host face-to-face annual general meetings for a second year. The FSC provided guidance regarding facilitating virtual or hybrid meetings for credit unions in October 2021. The primary focus was to ensure that members were able to fully participate in the meetings and exercise their voting rights in a transparent and reliable manner.
6. The FSC designated one financial institution as a systemically important financial institution (SIFI) for the first time. This designation heightened the supervisory programme for that entity including the governance standards that will be applicable.

Examinations were undertaken in the credit unions, insurance and securities sectors during the financial year. In addition to looking at corporate governance across the board, the examinations included a review of other specific areas of elevated risk for the reviewed entities. The examinations confirmed the need for enhanced guidance to the industry on:

- Effective governance
- Appropriate and adequate disclosures to investors and prospective investors
- Compliance with regulatory requirements

The 2022 work programme will therefore include focus on these areas.

Ongoing matters

1. Further enhancement of the FSC's risk-based supervisory framework.
2. Continued revision of processes in order to further streamline the processing of applications.
3. Development of the FSC's Consolidated Supervision programme continued during the financial year and remains an area of strategic focus for 2022-2023.
4. Corporate Governance has been identified as a key risk area to be addressed. Work in this regard commenced during the financial year and it is anticipated that new Corporate Governance guidelines will be issued to the industry during 2022. Corporate Governance will be a central aspect of examinations and risk assessments of financial institutions.
5. Additional guidelines or revised guidelines in other areas are being developed, aimed at improving risk management by financial institutions e.g. with respect to technology and cyber risks.
6. Update and development of procedural guidance on various regulatory processes to assist financial institutions in the submission of various requests and applications.

INSURANCE

Stakeholder engagement was especially critical during the dynamic environment that presented over the last few years. Feedback was and continues to be important to improving on legislation where and whenever required. In 2021, the Insurance division focused on the required changes to the Financial Services Commission Act to accommodate the repeal of the Exempt Insurance Act and the Qualifying Insurance Act.

During the review period, the FSC also consulted with the industry on two matters of interest:

- **Material Changes** – this guideline assists financial institutions in identifying the types of information and institutional changes that must be reported to the regulator. It focuses on the importance of institutions' monitoring and reporting changes that potentially impact or significantly impact their operations, fitness and propriety, financial status; and consequently, the regulator's ability to effectively supervise and regulate such entities. The FSC is currently evaluating comments received and will provide an update in due course.
- **Establishing and Managing Insurance Intermediary Relationships** – This proposed guideline outlines the Commission's expectations regarding the way an insurer manages its relationship with intermediaries and provides information on how they should monitor the functions carried out on its behalf by intermediaries.

IFRS 17 – Insurance Contracts

During the year, the Commission worked with representatives in the sector to assess the sector's readiness for the adoption of IFRS 17. As part of this exercise, the Commission undertook a Quantitative Impact Survey which provided insight on the sector's level of preparation and the approach being taken to meet the timeline. The response on the domestic side was lower than desired but generally indicated that institutions

were at various stages of readiness. Most respondents noted that there was an implementation plan and that project teams were in place, with the larger institutions taking a group-wide approach to the implementation. Notwithstanding the stage of implementation, the domestic sector remains confident that it will be ready for the January 1, 2023, adoption date. The response on the international side was more robust with one-third of the respondents indicating that there was an IFRS 17 implementation plan in place. Of the remaining two-thirds, about seventy per cent noted that they were guided by other standards while a further twenty per cent noted that they were in the initial discussion stage. The anticipated completion date reported by international agencies was extended to October 2023. The Commission will continue its engagement with the domestic and international sector on this standard, and intends to issue a more detailed assessment survey to collect information on the size and nature of any impacts in the second half of 2022. In the interim, the Commission continues to work on the new reporting templates which reflect the new standard as well as refining and developing the associated capital and solvency standards.

COVID-19: Implications to Domestic and Captive Markets

COVID-19 created some disruptions to the operations of the insurance industry. The imposition of National Emergency Directives occasioning restricted movement for some time, resulted in a better performance of motor insurance as the number and severity of claims decreased. In the area of Life and Health, the curtailing of travel resulted in a reduction in travel for overseas medical care, thereby leading to a reduction in policyholder benefits.

As part of the adaptation to the COVID restrictions, many participants in the sector increased their use of digital modalities. The increased use of digitalisation continued into the year under review as entities capitalised on the spend in these areas to increase efficiencies and create a "new normal." The sector returned positive performances during 2021, growing the asset base and generating higher all-round profitability.

Risk Outlook

The captive market continues to show signs of growth based on a globally hardening market. This hardening of the market has seen an uptick in the captive market. During the year 2021, there were 34 new captives formed and based on the market outlook, this growth is expected to continue.

The insurance industry like many other sectors will be impacted by the emerging global risks of climate change and Environmental, Social and Governance (ESG) factors. The Commission is currently evaluating the exposure of these risks to our market and the readiness of insurers to adequately mitigate and manage these risks as well as adopt the higher reporting standards. Consultations and guidelines will be issued in the coming year on these matters.

Insurers in Barbados continue to operate within a single legislative framework for all licensed entities. Companies conducting domestic and international business are characterised in the following classes:

Class 1 Licensee: an insurance company that underwrites related party business

Class 2 Licensee: an insurance company that underwrites risks of third parties

Class 3 Licensee: an insurance intermediary, an insurance management company or an insurance holding company

Summary Highlights

Table A: New Formations as at December 31

	2016	2017	2018	2019	2020	2021
Canada	3	2	3	8	9	15
USA	2	1	3	6	–	4
Latin America	3	3	4	3	4	11
Caribbean	4	1		–	1	0
Europe	1	1	1	–	1	2
Barbados	–	–	–	–	1	–
Other	–	–	–	2	–	1
Total	13	8	11	19	16	33

Table B: Breakdown of New Formations by Class and Jurisdiction in 2021

	Class 1	Class 2
Canada	13	2
USA	2	2
Latin America	4	7
Europe	1	1
Other	1	0

Table C: Class 3 Registrations

Insurance Class 3 Statistics as at March 31		
	2021	2022
Holding Companies	9	10
Management Companies	20	21
Underwriters	1	1
Brokers	24	25
Adjusters	9	8
Surveyors	12	13
Agents	48	50
Subagents	1	1
Salesmen	522	517

Table D: Total Number of Companies as at December 31

	2016	2017	2018	2019	2020	2021
Canada	133	137	139	146	147	154
USA	63	70	73	79	73	75
Latin America	9	14	18	21	22	30
Caribbean	28	30	30	30	31	30
Europe	13	15	16	16	17	18
Barbados	20	23	22	22	22	20
Other	1	1	1	3	1	2
Total	267	290	299	317	313	329

A small segment of the **Class 2** group is of systemic importance to the jurisdiction given that this subdivision has direct exposure to the Barbadian public. This sub-group consists of fourteen (14) entities conducting general insurance business and six (6) companies writing life business.

General Insurance Industry

Assets

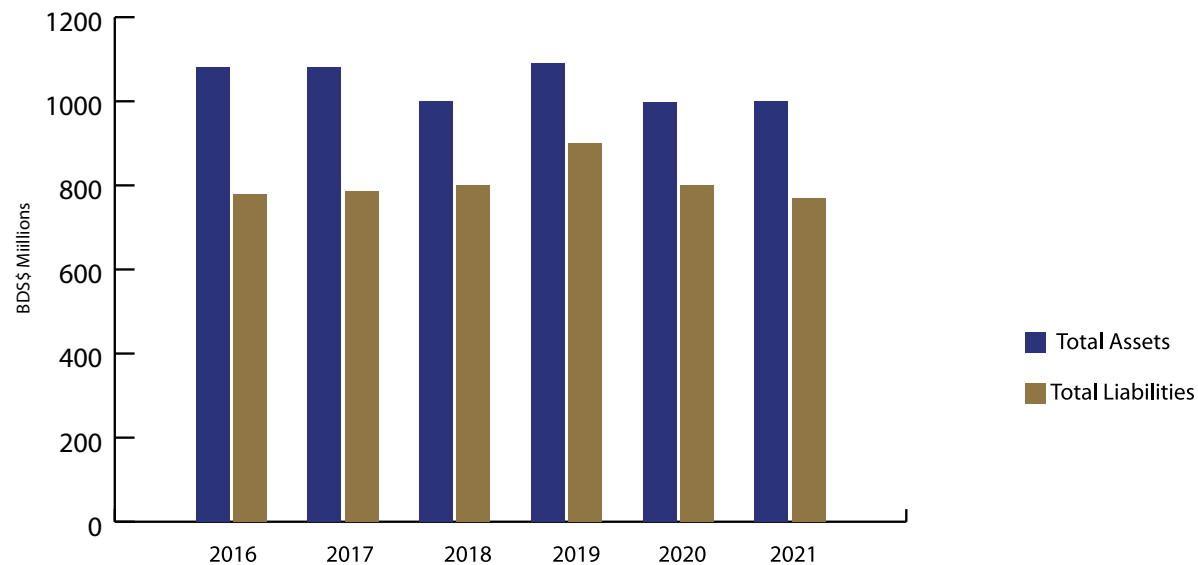


Figure 1: Assets and Liabilities of the General Insurance Industry as at December 31 in BDS\$ Millions

The General insurance sector showed an expansion in the asset base during 2021 as total assets increased by 4.3 % to reach BDS\$1.031.4 million. This growth was driven by reinsurance assets and accounts receivables. Total liabilities contracted during the period by 7% to reach BDS\$752.7 million.

Table E: Investment Composition of General Insurers as at December 31 in BDS\$ Millions

	2016	2017	2018	2019	2020	2021
Cash & Deposits	177.28	182.09	210.33	247.43	206.92	209.96
Government Securities	189.44	176.79	147.25	155.51	152.47	166.26
Company Bonds & Debentures	106.36	106.88	83.07	70.43	75.91	66.78
Secured Loans	22.06	20.65	17.37	22.34	21.90	18.19
Investments in Real Estate	23.05	19.14	17.08	17.53	17.54	17.50
Shares	28.96	46.81	50.26	40.45	49.92	63.51
Unit Trusts & Mutual Funds	12.24	12.29	12.36	12.81	1.78	1.78
Investments in Related Parties	28.08	28.82	30.00	38.94	38.32	38.07
Policy Loans	0.28	0.47	0.79	1.11	1.34	1.34
Other Investments	27.77	27.44	15.96	15.76	24.38	16.63
Total Cash, Loans & Investments	615.51	621.39	584.49	622.31	590.49	600.02

The investment portfolio of General insurers experienced modest growth as holdings of Shares and Government Securities saw an uptick during the period of 27.2% and 9% respectively. In contrast, the most significant decline was seen in Company Bonds and Debentures which fell by 12%.

Profitability

Table F: Investment Composition of General Insurers as at December 31 in BDS\$ Millions

	2016	2017	2018	2019	2020	2021
Gross Premiums Written	447.85	442.34	469.95	496.35	476.04	494.59
Net Premiums Written	220.13	225.45	236.66	258.21	243.33	-19.43
Net Premiums Earned	223.10	220.33	234.64	254.76	246.45	-17.05
Incurred Claims	132.07	145.20	153.77	157.65	141.51	152.66
Total Underwriting Expenses	223.27	247.86	260.27	259.80	245.00	256.67
Underwriting Income (Loss)	-0.18	-27.53	-25.64	-5.04	1.45	-9.30
Net Income Before Tax	22.28	1.43	-22.93	22.54	41.41	37.58

Gross premiums written saw an increase over the period as these returned to almost pre-COVID levels. Gross premiums written grew by an estimated BDS\$18.6 million to reach BDS\$494.6 million. The sector also returned to a negative underwriting experience as incurred claims and underwriting experiences also increased.

Capital

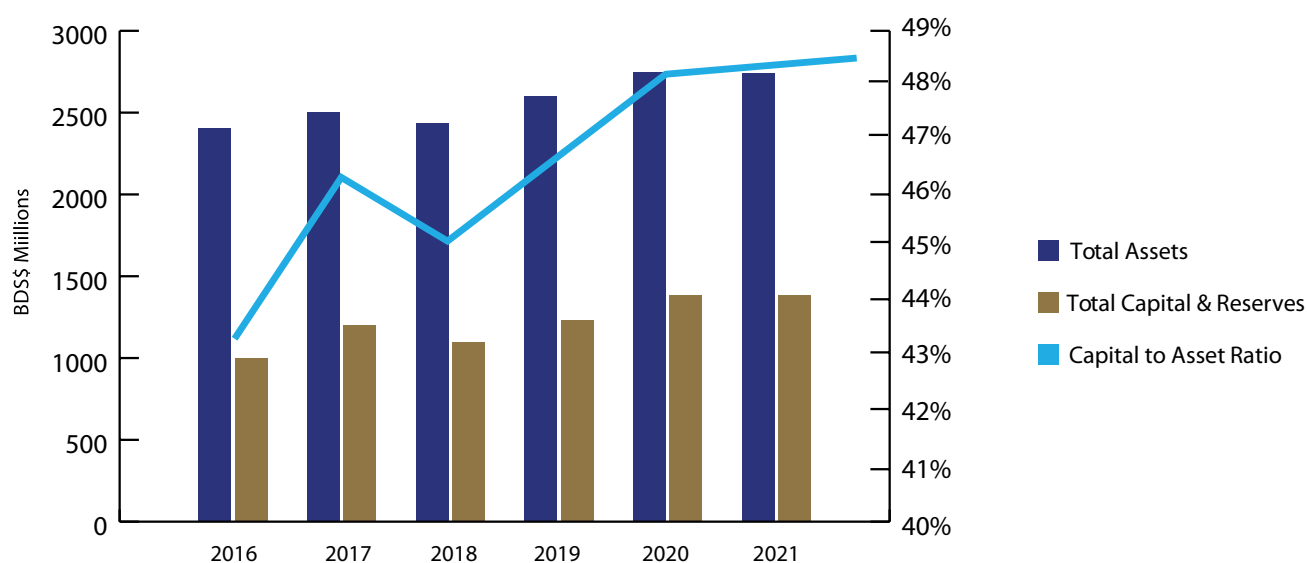


Figure 2: Capital to Asset Ratio of the General Insurance Industry as at December 31 in BDS\$ Millions



CREDIT UNIONS

During the reporting period no applications for registration of new credit unions were received. The FSC does not expect any new applications, given the growing size and complexity of existing credit unions, prudential standards governing the sector and the global trend of consolidation in countries where the financial services sector is well developed and access to financial services is readily available. The FSC expects that while sector assets and membership will continue to increase, the number of credit unions will decrease as a result of consolidation. Consolidation is an attractive option as some credit unions have overlapping or common membership bonds. The number of registered credit unions decreased by one (1) resulting in the number of credit unions totaling thirty-one (31) at the end of March 31, 2022. This resulted from the voluntary decision of the smallest credit union in the sector to cease operations which led to the cancellation of its registration.

Toward the end of the reporting period, two (2) credit unions submitted applications for approval to consolidate their operations with two (2) other credit unions through the transfer of their respective assets and liabilities. These actions, once approved by the FSC will further reduce the number of registered credit unions to twenty-nine (29), with no decrease in assets or members.

The FSC expects that at least two (2) other credit unions will exit the system by way of consolidation during the next financial year.

Emerging Trends

The COVID-19 pandemic and resultant measures to mitigate its impact on the healthcare system proved to be a catalyst for accelerating the transition to electronic services and transactions via the use of automatic banking machines (ABM), online payments and digitisation of routine transactions including loan applications.

The pandemic also served to highlight the dichotomy between larger more sophisticated credit unions which were able to effect measures to enable them to continue to serve members, and smaller credit unions which were

constrained in their ability to do so as the reliance on operating solely from a physical plant inhibited their ability to serve members. This phenomenon is likely to accelerate consolidation within the sector.

The reporting period also saw the repurposing of the Caribbean Integrated Financial Services Incorporated (CarIFS) network, the domestic payments system and the transition of credit unions offering debit card services to chip and pin technology. This debit card facility currently provided via the MasterCard architecture, enables credit union members to access a wider range of online payments services.

It is anticipated that credit unions which directly offer debit card services will partner with less sophisticated credit unions to allow them access to products including prepaid debit cards and top-up cards, among others. These strategic partnerships will broaden access across the sector and allow a wide range of members to seamlessly receive and make payments.

The credit union sector is also expected to play a pivotal role in the transition to a green economy by diversifying its loan portfolio to fund member renewable energy initiatives including household photovoltaic systems and electronic vehicles. Further, the sector is expected to concretise plans to deploy direct investments in renewable energy through a strategic partnership with a co-operative specialising in that field.

In addition to the transition to chip and pin technology and the attendant broadening of financial services, qualifying credit unions are expected to be further integrated into the payments system through participation in the Barbados Automated Clearing House Services Incorporated. This will allow for the electronic settling of transactions between participants while also allowing for direct debits to be performed more efficiently.

The recent Fair Credit Reporting (FCR) legislation coupled with the anticipated establishment of a Collateral Registry (CR) is expected to aid credit risk management across the sector while making lending decisions more efficient.

Risk Outlook

Enhancement of corporate governance practices and capacity are key to ensuring the long-term viability, safety and soundness of the sector. The growing size and complexity of the sector will challenge credit unions to attract appropriately skilled and experienced volunteers to serve as directors. This capacity deficit and shift from volunteerism to professional staff will increase risk particularly in smaller credit unions and provide further impetus for consolidation. Resultant economies of scale and better resourced credit unions will ensure that they are better able to mitigate risk and meet regulatory and compliance standards.

Prevailing high liquidity driven by flat loan demand and above average unemployment levels will continue to challenge credit unions to develop strategies to buttress profitability thereby growing capital and meeting the costs of credit risk. The enactment of the Fair Credit Reporting legislation will serve to mitigate credit risk within the sector by making comprehensive borrower financial information available to credit unions to inform credit decision making. This will ultimately benefit credit unions as lower default rates will lead to reduced costs of provisioning for bad debt and higher income levels.

Operational risk, specifically cyber risk, will become more prevalent as the sector continues to broaden its digitisation of operations and expansion of electronic financial services.

During the next financial year, the FSC expects to update several sectoral guidelines, notably in the areas of corporate governance and capital. The updated Corporate Governance Guidelines will ensure that the growing size and complexity of credit unions is complemented by appropriate standards to ensure that qualified and fit and proper persons serve in the fiduciary roles established by law.

Additionally, the FSC intends to introduce Risk Based Capital (RBC) for the sector. Preliminary work is well advanced with its ongoing development and testing. This tool will allow even the smallest credit union to transition to this new requirement. The introduction of RBC will also allow for comparability with other financial services sectors as well as strengthen risk management by identifying higher risk areas more precisely and the capital level required to mitigate those risks.

Assets

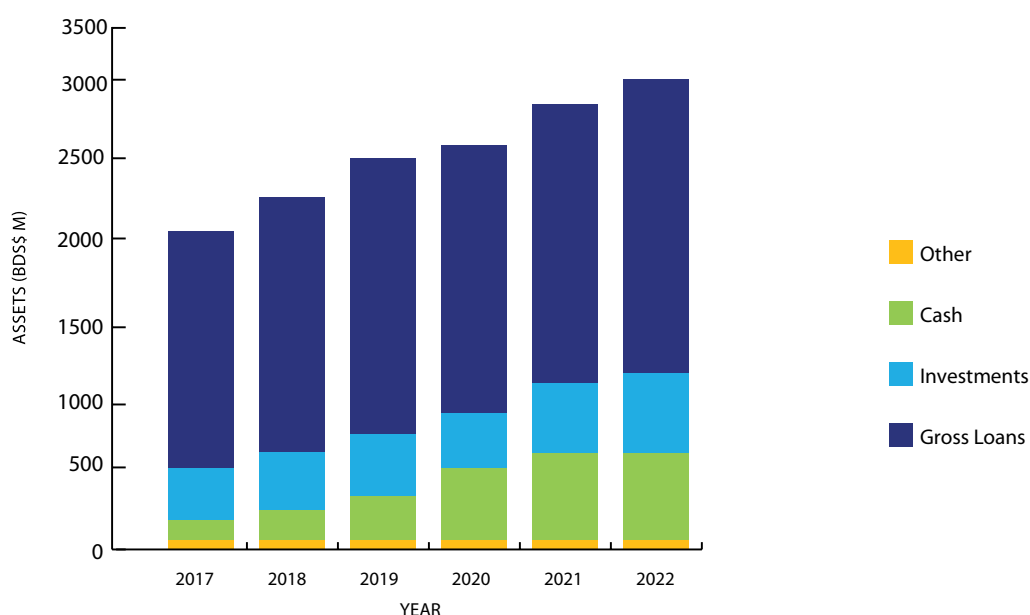


Figure 3: Asset Components of the Credit Union Sector as at March 31 in BDS\$ Millions

The Credit Unions sector continued to expand despite the challenges from the on-going COVID-19 pandemic and general global uncertainty, indicating its preference and reliability in the financial services sector. At March 31, 2022, total assets in the sector were estimated at BDS\$2,998.5 million – an increase of 6% from March 31, 2021. This was primarily driven by the Gross Loans/Loans to Members category which March 31, 2022 increased by over BDS\$100 million during the year. Gross Loans continued to be the most significant portion of total assets with a market value of approximately BDS\$1,888.4 million.

Membership

Table G: Credit Union Membership as at March 31

YEAR	No. Credit Unions	Members ('000)
2017	33	188
2018	33	207
2019	33	208
2020	33	218
2021	32	223
2022	31	230

At year end, there were thirty-one (31) active Credit Unions compared to the previous year's total of thirty-two (32), reflecting the termination of one (1) entity licensed in the sector. Membership grew by about 3% to reach a total of approximately 229,600 members.

Member Savings

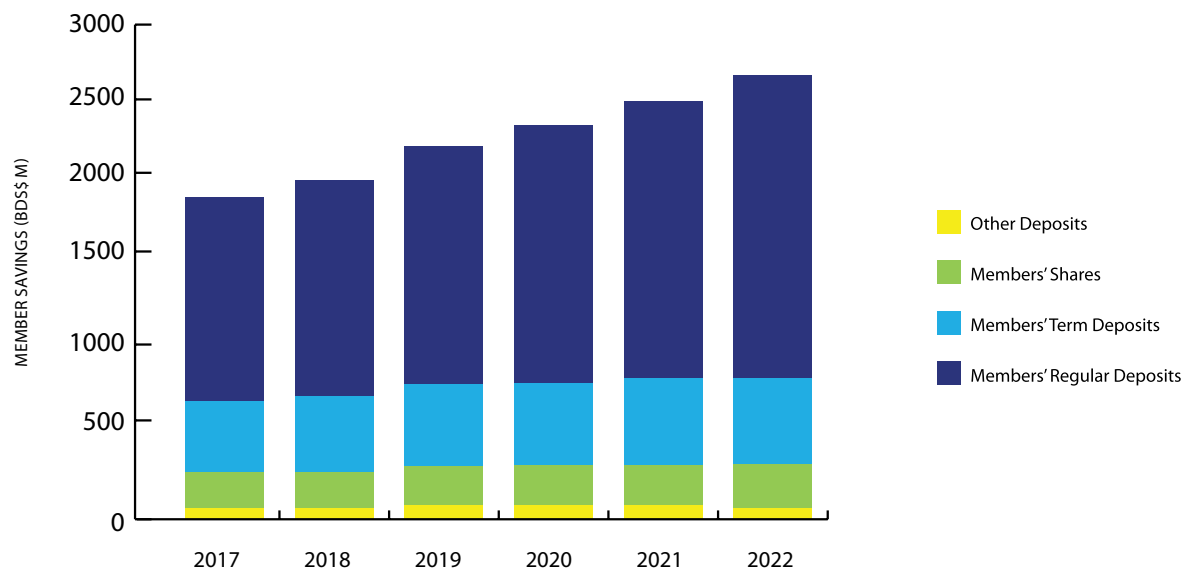


Figure 4: Savings in the Credit Unions Sector as at March 31 in BDS\$ Millions

Over the past five (5) years, savings in the sector continued to show a steady growth pattern with total member savings reaching BDS\$2,609.9 million at the end of March 2022. This was mainly driven by regular deposits and members' shares which increased by BDS\$132.3 million (7.8%) and BDS\$11.9 million (3.9%) respectively. Term deposits however fell by a mere 1.3%, amounting to BDS\$349.5 million at the end of the financial year.

Capitalisation

Table H: Capital Composition of the Credit Unions Sector as at March 31

	Capital				TOTAL CAPITAL	Capital to Asset Ratio
	Share Capital	Statutory Reserve	Liquidity Reserve	Undivided Surplus		
2017	18.81	168.44	9.76	51.43	248.43	11.9%
2018	19.85	183.25	9.87	54.38	267.34	11.7%
2019	20.58	199.69	11.00	55.61	286.89	11.5%
2020	21.63	208.30	14.02	48.16	292.11	11.0%
2021	22.12	222.48	15.08	40.13	299.80	10.6%
2022	22.48	231.66	20.54	44.25	318.92	10.6%

Given the legislative requirements, the Credit Unions sector remained adequately capitalised. The Capital to Asset ratio was 10.6% at March 31, 2022, point zero seven percentage points higher than what was recorded in the prior year. This non-risk weighted capital ratio generated for the period is considered sufficient to insulate the sector against any further shocks that it may experience, i.e. it remains above the 10% threshold for such institutions.

Profitability

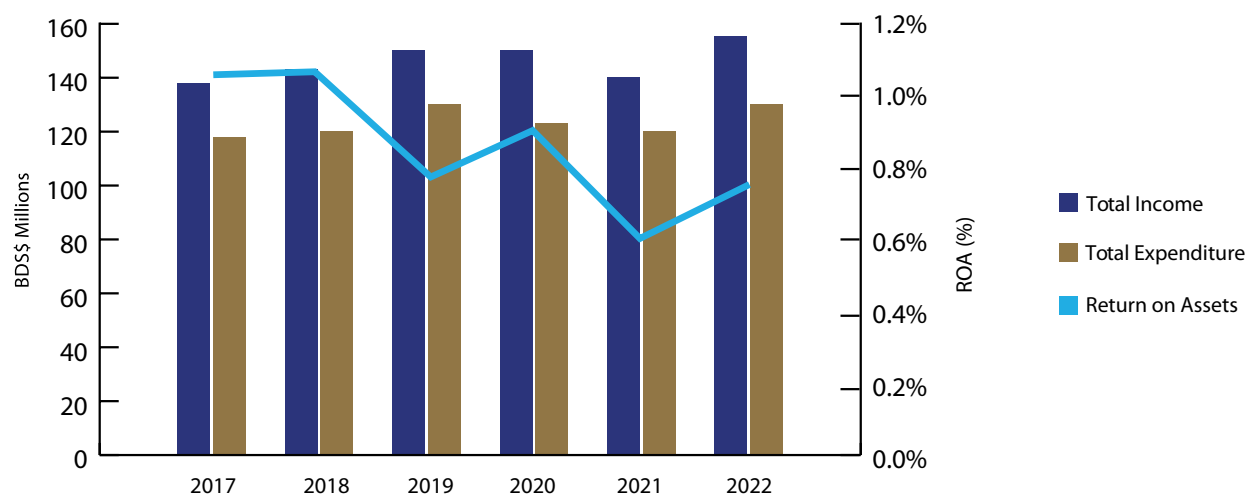


Figure 5: Profitability of the Credit Unions Sector as at March 31 in BDS\$ Millions

In 2022, the sector witnessed a rebound in Net Income of approximately 33.3% to reach BDS\$22.45 million, which was comparable to 2020's intake of BDS\$23.37 million. Total income increased by around 7.9% relative to the previous year, or a value of BDS\$10.97 million. The increased income inflows can be attributed to the termination of moratoria that were issued on loans during the height of the COVID-19 pandemic and improved returns on investments. Expenditures amongst credit unions also increased by around BDS\$5 million to an estimated BDS\$128.1 million at year end.



SECURITIES

The Securities Division of the Commission undertakes the responsibility of regulating Barbados' capital market and investment fund industries under the Securities Act, Cap. 318A and Mutual Funds Act, Cap. 320B respectively. The division's primary functions include determining applications to register and license for corporate bodies and individuals, monitoring their market conduct as well as prudential and compliance requirements, regulating activities to ensure adequate risk management, establishing standards to contribute to a fair, orderly and efficient capital market, and handling enforcement matters.

Legislative Reform

The Commission recognises the need to enhance its regulatory regime and continues its review of the current legislative framework with a view of modernising its approach to the regulation of mutual funds. The proposed amendments seek to *inter alia* expand the regulatory regime to cater to the idiosyncrasies of different fund structures, propose additional prudential requirements with respect to internal controls and apply a risk-based capital requirement. It is expected that this initiative will better position the Commission to apply a risk-based approach to regulation of the sector and improve the ease of doing business in the jurisdiction. During the year the Commission met with representatives of the International Business Unit.

In keeping with the Commission's intention to incorporate international best practices into its regulatory framework, efforts were made to prioritise becoming a signatory to the International Organisation of Securities Commission's (IOSCO) Enhanced Memorandum of Understanding (EMMOU). Globally the EMMOU is recognised as the instrument used by securities regulators to ensure effective regulation and it is anticipated that it will strengthen international enforcement efforts and promote financial transparency in Barbados.

Work is ongoing to advance the dissemination of guidelines governing Business Continuity Plans, Custodial Arrangements and Repurchase Agreements.

Developments in the Fintech Space

There has been burgeoning interest from various stakeholders on the regulatory approach to fintech products and services. The Commission has been in engagement with Corporate Service Providers and special interest groups and received queries relating to trading cryptocurrencies and assets, stablecoins, using cryptocurrencies for payment or storing wealth, and the regulation of utility, governance and reward tokens. The Commission has sought to interpret the legislation in its broadest form in order to provide effective regulation and oversight of the sector. Preparation has been made to provide a circular communicating the specific products which fall within the regulatory perimeter of the legislation.

Work is progressing on the development of a regulatory framework for equity crowd funding. While it is anticipated that this framework will facilitate easier access to capital for Micro, Small and Medium-sized Enterprises (MSMEs), the Commission's primary focus relates to investor protection. This approach will therefore focus on prudential requirements (such as capital and insurance) along with governance, market conduct and disclosures. It is anticipated that this framework will be circulated for comment in the upcoming year with the peer-to-peer lending framework.

Fintech Activities

The Commission has engaged several stakeholders in the fintech space to establish a Fintech Advisory Committee. It is expected this committee will facilitate collaboration and engagement with respect to the regulatory approach to fintech and provide recommendations and advice to the Commission based on its understanding of the industry, review of legislative regimes and interaction with fintech service providers. The Committee is expected to meet during the first quarter of the upcoming year.

The Commission recognises that ongoing training and development in the area of financial technology is critical

if the emerging challenges for regulators are to be tackled frontally. As such, several staff attended training conducted by the International Organisation of Securities Commissions entitled “A Critical Examination of Today’s Crypto Space and the Resulting Regulatory Challenges for Securities Regulators”. The webinar highlighted emerging risks posed by many of the innovative financial products, and this sensitisation remains critical as the organisation encompasses more of an international approach to the regulation of these products.

Many crypto-related services fall between the regulatory perimeter of central banks and non-bank financial services regulators. The Commission partnered with the Central Bank of Barbados to research the regulatory concerns and financial stability implications arising from the provision of crypto-related services with a view to having a common approach to the regulation. This ongoing collaboration will assist with identifying regulatory gaps and the development of specific regulatory regimes to govern this emerging area.

The Division received two applications to the regulatory sandbox which are under consideration. Though digital payments have dominated the sandbox applications, the Commission received an innovative proposal for the establishment of a market infrastructure platform.

Emerging Trends: Risk Exposure and Management

Below are key trends that emerged during the prior year:

Custodian Arrangements

During the past year, the planned exit of the primary player offering custodial services heightened the risks across the financial system, in particular the mutual fund sector. As affected entities sought viable alternatives, the Commission was of the view that there was a degree of urgency required to manage this transition given the role of the custodian to guard against fraud and the misappropriation of client assets. The Commission’s action plan for the transition included:

1. Convening broad engagement with the sector and interested parties through industry meetings;
2. Facilitating dialogue with a new entrant who

was seeking to offer custodial services to several mutual funds.

3. Providing guidance to Mutual Fund Operators on key criteria to be considered prior to establishing a custodial arrangement. These considerations included the proposed custodian’s organisational competence (including human and technological resources), its reputation and organisational structure, its relationship with or network of sub-custodians and its governance structure and any potential conflicts of interest.

By the end of the financial year arrangements were in place for the entire mutual fund sector to transition to another custodian.

Fraudulent Investment Schemes

The onset of the COVID-19 pandemic exacerbated the economic downturn experienced in the jurisdiction. Given the heightened level of job losses, many individuals were seeking quick returns to buffer the effects of unemployment. Through its ongoing surveillance of the securities sector, the Commission was informed that there were several fraudulent initiatives which had emerged. In response to this development the Commission issued an advisory notice cautioning members of the public to be aware of blessing circles, pyramid schemes and other multi-level marketing schemes. The Commission further provided guidance on how to identify a pyramid scheme and advised that it is an offence for people to offer investment advice, sell financial products or deal in securities without the FSC’s approval.

Business Continuity Planning

COVID-19 and natural disasters further highlight the need for companies to ensure that systems and resources critical to their operations are sufficiently robust and that they have adequate back-up measures to ensure continuity during periods of disruption. The Commission is particularly concerned about the critical function of trading venues (Self Regulatory Organisations) in the securities market and the need to ensure fair and orderly trading conditions to protect investors’ interest. Guidance on this matter is expected to be circulated in the upcoming year.

Emergence of Fintech Product Offerings and Adequacy of Disclosures

The emergence of fintech products and offerings provides unique benefits and risks to retail investors/consumers. Regulation of these products and services is still relatively new and the risks may not be well understood, heightening the need for public education as well as adequate disclosure of risks.

Unlicensed Arrangements

The Commission became aware that a number of entities were offering financial services/products to the public without prior registration. The Commission recirculated an advisory notifying the public that these companies are not authorised to conduct mutual fund business or securities business in Barbados. The public was invited to contact the Commission should they have any queries.

Risk Outlook for the Sector

Impact of External Shocks: The effects of global developments such as the COVID-19 pandemic and conflicts in Europe have affected the average household's wealth through unemployment or higher inflation. As a result, there is an increased demand for alternative sources of income and in particular opportunities which promise high rewards/returns. There is greater risk of market abuse and fraud in these circumstances and consumers may be particularly vulnerable to engaging in unlicensed arrangements due to a lack of transparency.

Additionally, there has been elevated risk due to market volatility and the effects on pricing and liquidity. While pandemic induced volatility has largely subsided, it is expected that there will be further external shocks occasioned by geo-political developments in the European market. Mutual Fund Administrators and Fund Managers in particular will therefore have to carefully monitor liquidity and portfolios to ensure that portfolios are repositioned where necessary.

Growth of Fintech: Global trends indicate that new financial products and services are expected to come on board in this constantly evolving technological space. The functions and characteristics of these new products and services diverge from traditional finance (TradFi), and in many instances overlap existing regulatory perimeters, resulting in regulatory grey spaces and activities which fall outside the regulatory scope as outlined by legislation. The Commission is seeking to further develop its regulatory framework to ensure that investors are protected and market integrity is maintained.

With the promulgation and further development of the Fintech space, there is likely to be increasing complexity in product and service offerings. Within this environment there is a need for issuers to ensure their relationship with customers is conducted in a transparent manner by providing clear and timely disclosures on the risks associated with investments.

Evolving Disclosure Requirements: The emergence of Environmental, Social and Corporate Governance (ESG) data reporting requirements for mutual funds and public companies operating in developed markets is expected to lead to further adoption of this standard domestically and particularly for those entities operating within the green space. The standards highlight the corporate responsibility of entities and will be a critical component of the disclosure regime especially for small island developing states vulnerable to natural disasters.

At the end of the 2021-22 financial year, the securities industry was dominated by thirty-nine (39) Investment Advisors (individuals), thirty-six (36) Reporting Issuers, thirty-three (33) Brokers, and twenty-seven (27) Mutual Funds (inclusive of sub-funds). Table I summarises other market players within the securities industry.

Table I: Market Participants

MARKET PARTICIPANTS	APRIL 1, 2021 - MARCH 31, 2022
Securities Companies	19
Brokers	33
Traders	11
Investment Advisers (Companies)	23
Investment Advisers (Individuals)	39
Dealers (Companies)	5
Dealers (Individuals)	6
Underwriters	5
Reporting Issuers	36
Other Issuers	4
Self-Regulated Organisations (SROs)	3
Mutual Fund Administrators (General Licence)	9
Mutual Fund Administrators (Restricted Licence)	1
Mutual Funds (Including Sub-funds)	27

As at March 31, 2022, the number of licensed Mutual Funds conducting business directly with the Barbadian public remained unchanged from that of the previous year at sixteen (16) funds comprising: five (5) growth funds, five (5) income funds, three (3) property funds, two (2) balanced funds and one (1) multi-strategy fund.

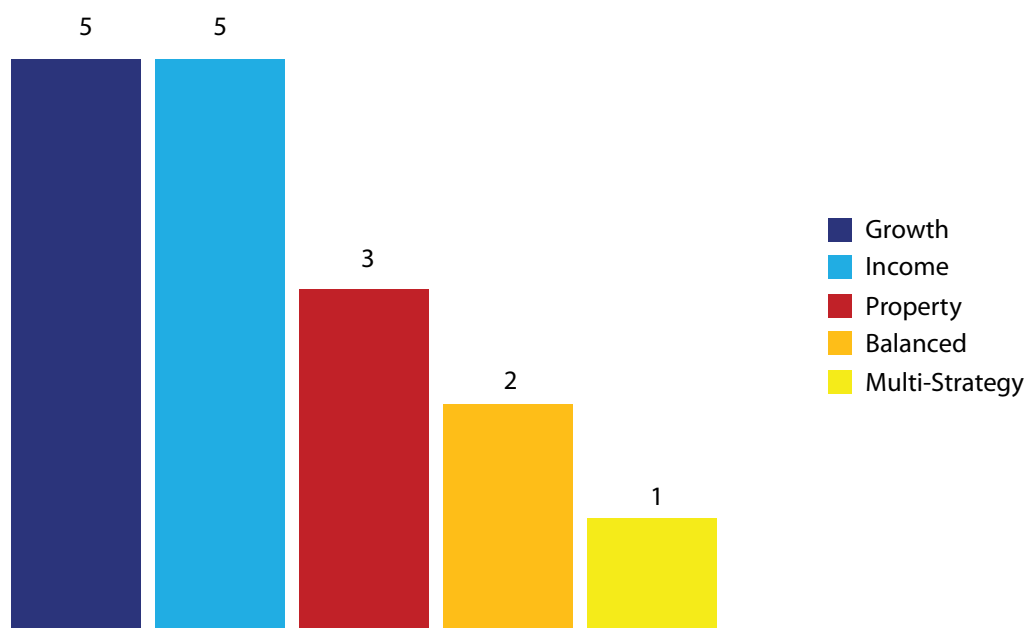


Figure 6: Number of Domestic Mutual Funds by Type as at March 31, 2022

Table J: Number of Registrants/Licensees (Firms) as at March 31

TYPE	YEAR					
	2017	2018	2019	2020	2021	2022
Market Intermediaries	35	35	38	38	38	40
Market Intermediaries (Individuals)	54	58	66	66	66	67
Mutual Funds (Including sub-funds)	23	23	23	22	25	27
Other Issuers	2	2	2	3	4	4
Reporting Issuers	41	42	41	38	34	36
Self-Regulatory Organisations	2	2	2	3	3	3

Table K: Breakdown of Market Intermediaries (Individuals) as at March 31

TYPE	YEAR					
	2017	2018	2019	2020	2021	2022
Securities Company	17	17	16	19	18	19
Investment Adviser	18	20	24	23	23	23
Dealer	5	5	5	5	5	5
Underwriter	6	6	5	5	5	5
Mutual Fund Administrator (General)	9	9	9	9	9	9
Mutual Fund Administrator (Restricted)	0	0	0	0	0	1

Domestic Mutual Funds' Net Assets under Management continued to trend upwards, reaching BDS\$2,727.3 million at the end of the financial year ending March 31, 2022. This reflects an increase of nearly 9% above the net asset value reported in 2021.

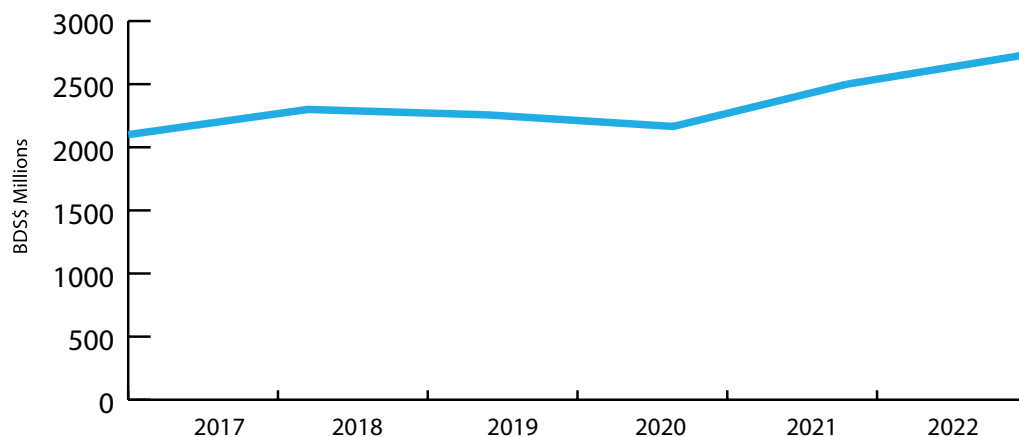


Figure 7: Net Assets Under Management as at March 31

Subscriptions to other mutual funds drove most of the asset growth as investments in this category increased by as much as BDS\$126.1 from 2021. Investments in stock holdings also contributed significantly to the growth in assets, with equities growing by nearly BDS\$109.8 million over the review period.

Table L: Asset Allocation for Mutual Funds (BDS\$ Millions) as at March 31

ASSET ALLOCATION	2017	2018	2019	2020	2021	2022
Cash & Cash Equivalents	177.80	183.84	129.19	166.36	124.32	110.23
Equities	546.27	590.35	580.80	527.46	591.14	700.93
Fixed Income	483.28	475.77	387.85	403.49	429.37	438.84
Mortgages	-	92.57	96.68	113.06	119.62	128.71
Mutual Funds	584.77	666.81	816.73	739.29	1,020.97	1,147.06
Real Estate	115.00	115.68	108.09	135.33	146.87	157.61
Term Deposits	-	67.12	61.18	23.49	16.34	9.58
Other	207.03	63.62	65.34	67.80	96.39	71.89
TOTAL	2,114.15	2,255.77	2,245.87	2,176.29	2,545.01	2,764.84

As of March 31, 2022, mutual funds operating domestically remained mostly exposed to Barbados where almost BDS\$1,175.5 million (40%) of assets are concentrated. Following that, exposures in the United States/Canada totalled BDS\$1,003.5 million, representing approximately 36% of total jurisdictional exposure. The most notable changes in exposure reveal a 21.6% reduction in asset holdings in other Caribbean territories of almost BDS\$44 million and an uptake in assets from other international jurisdictions of more than BDS\$70 million.

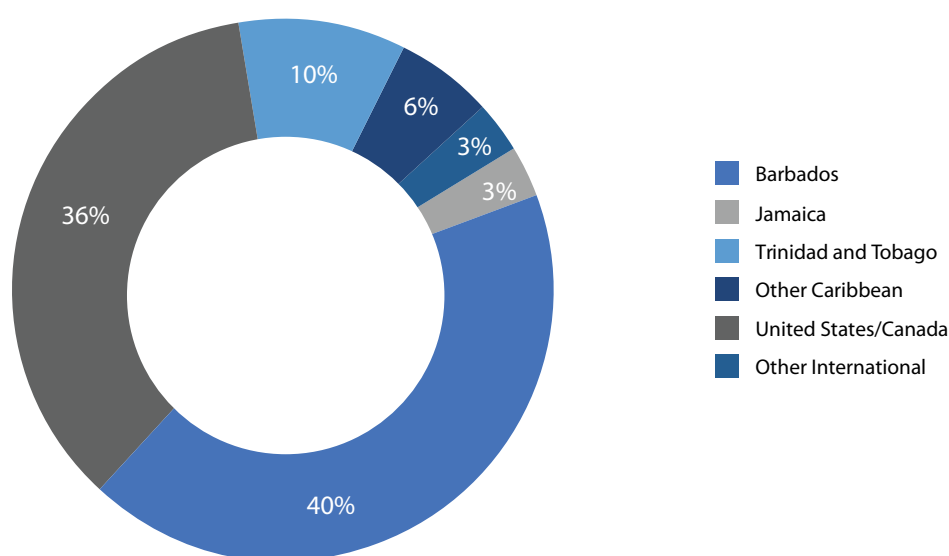


Figure 8: Exposure by Jurisdiction as at March 31, 2022

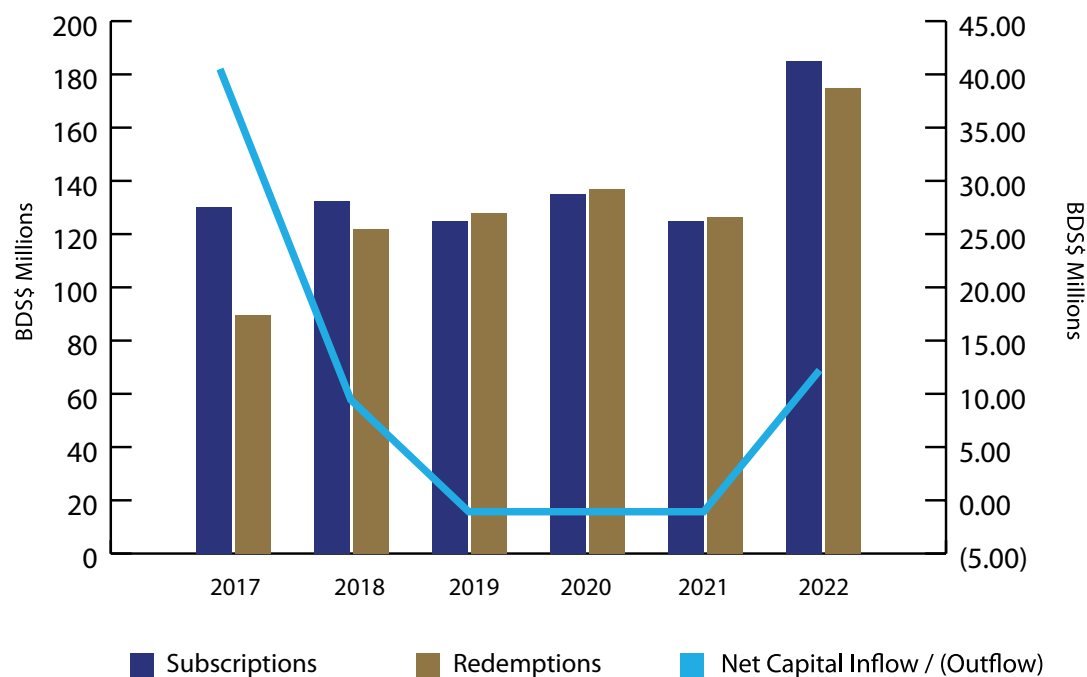


Figure 9: Subscriptions/Redemptions of Domestic Mutual Funds as at March 31

During the review period, overall subscriptions to domestic mutual funds was estimated to be approximately BDS\$186.1 million, while redemptions were estimated to be around BDS\$173.6 million. At the end of March 2022, the sector experienced a net capital inflow of BDS\$12.5 million for the year, compared to the BDS\$0.8 million outflow recorded in 2021.

PENSIONS

A notable risk area for the pensions sector was compliance with regulatory requirements and particularly the filing of financial information needed to assess plans. This was addressed during the financial year in a comprehensive compliance exercise which resulted in a significant reduction in the level of non-compliance.

The assessment of plans with solvency issues included ensuring that the special payments were being made in accordance with actuarial recommendations to reduce deficits. The FSC targeted plans with significant deficits and or challenges with special payments and undertook further engagement with plan sponsors to address those issues.

The FSC issued regulatory reminders and guidance to administrators regarding among other things winding up of occupational pension plans and requirements related to disclosures to pension plan members. Guidance will continue to be developed for the sector for the benefit of administrators, plan sponsors and pension plan members.

During the financial year the FSC observed the wind-up of a number of occupational pension plans. The reasons for wind-up varied and included administrative costs of administering the plans, a reorganisation of businesses, and business closures. The FSC will continue to monitor wind-ups to assess, among other things, whether measures need to be taken in respect of the administrative costs associated with plans.

Pension plans will be monitored with an emphasis on (i) effective and efficient plan administration; and (ii) contributions and solvency. The estimated total assets under management increased by 11.5% from December 31, 2020, to December 31, 2021. Mutual funds continue to be the largest contributor to the assets under management accounting for 77.1% of the 2.45 billion in total assets. Fixed income securities were the second-largest contributor followed by cash and cash equivalents at 11% and 5.5% of total assets respectively.

Table M: Asset Allocation for Mutual Funds (BDS\$ Millions) as at December 31

	2016	2017	2018	2019	2020	2021
Cash and Cash Equivalents	227.8	166.0	198.9	212.8	121.8	135.8
Fixed Income	403.7	491.1	454.4	436.7	247.9	269.9
Equity	285.5	301.8	310.5	285.3	121.2	125.5
Mutual Funds	1244.3	1349.8	1342.5	1426.0	1627.0	1890.7
Mortgage Loans	0.6	0.4	0.2	0.2		
Joint Ventures	47.5	39.7	13.3	43.2	30.1	29.5
Other	3.2	5.1	4.8	3.3	1.5	1.5
Total Assets	2212.6	2353.9	2324.8	2407.6	2149.5	2453.0

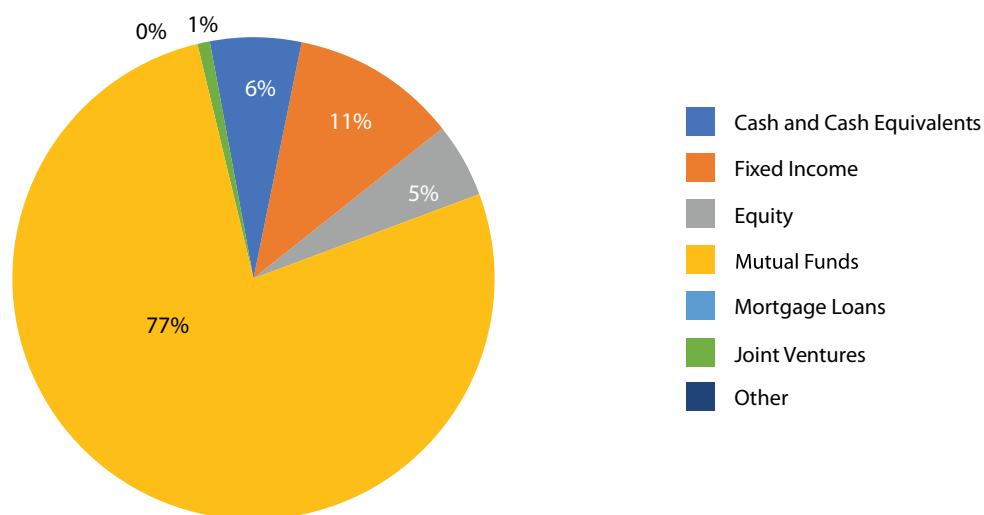


Figure 10: Assets under Management as at December 31, 2021

Occupational Pensions

Occupational pension plans cover a wide cross-section of Barbados' labour landscape. Similar to previous years, companies from the Finance/Insurance, Sales/Distribution, Services, and Tourism industries continued to dominate the occupational pension sector. Finance/Insurance accounted for the largest share of the employer-sponsored pension plans at 21.3%, followed by Sales/Distribution at 19%, Services accounted for 14.3% and Tourism accounted for 13.6%.

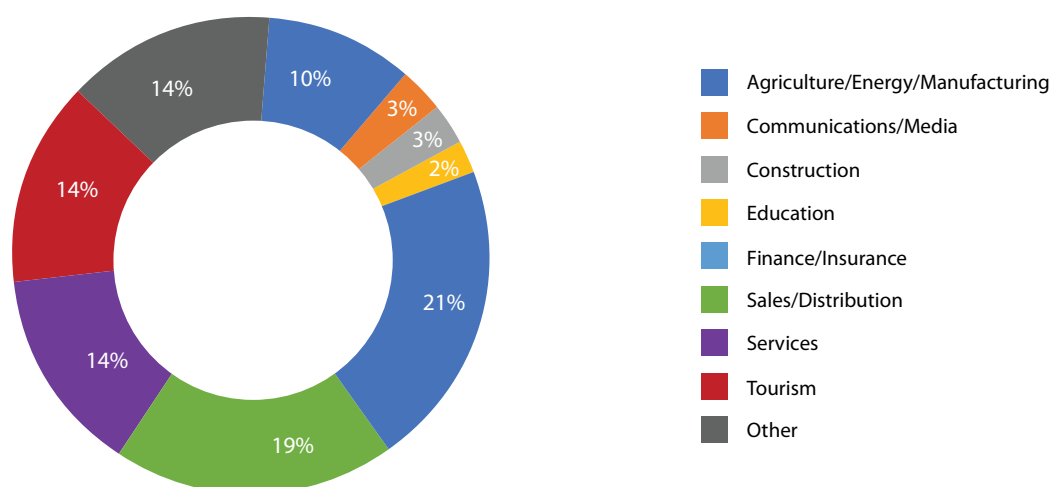


Figure 11: Registered Plans by Industry Type as at December 31, 2021

At December 31, 2021, there were 251 total registered occupational pension plans. Of this figure, there were 142 Defined Contribution plans, a 9% reduction from the prior year, 76 Defined Benefit plans, a 6.2% decline from the prior year and 33 Hybrid plans which increased by 37.5% compared to the prior year. Hybrid plans include such categories 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”. A Multi-Unit plan may comprise more than one employer.

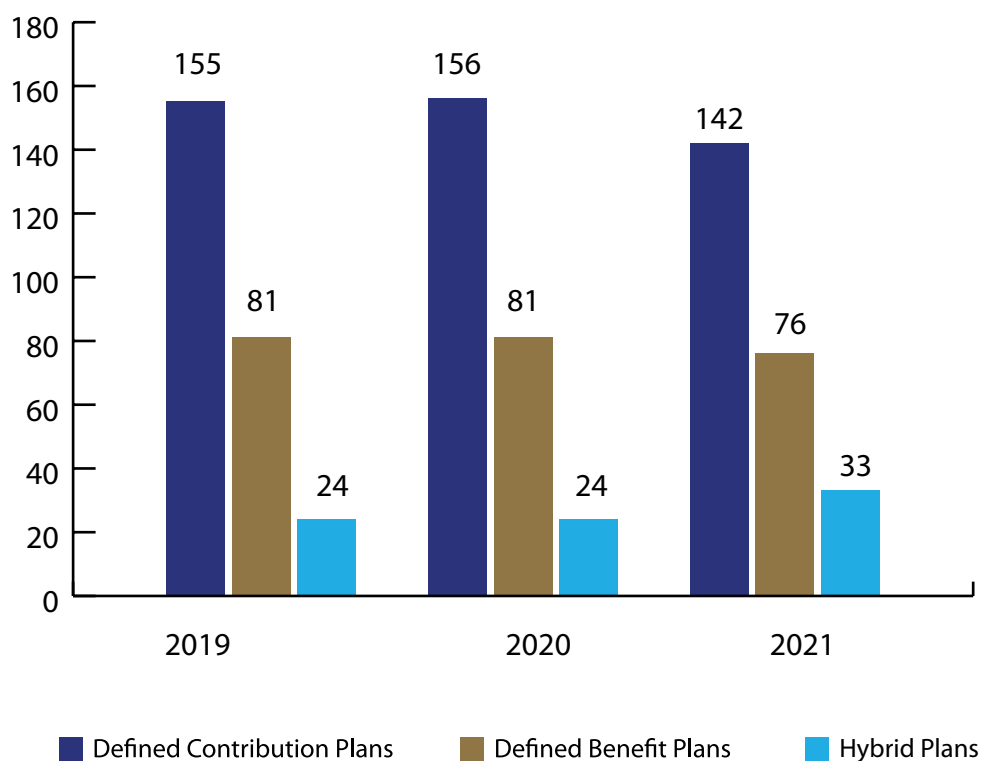


Figure 12: Registered Occupational Pension Plans as at December 31



Supporting Effective Regulation

STAKEHOLDER ENGAGEMENT

As regulator of the non-bank financial services sector with over 700 entities, an elemental function is establishing and maintaining meaningful working relationships with its stakeholders. The Commission's overarching engagement plan continues to reflect its vision of enlisting suitable media and mechanisms to effectively work with its key partners and also build out an annual calendar of events and activities focused on those burgeoning sectoral matters.

The Financial Services Commission while seeking to bolster its stakeholder engagement both internally and externally has maintained fruitful partnerships with several partners to ensure that constituents are well informed and kept abreast of sectoral advancements. Further, the Commission's commitment to ensure that public education is shaped in a way that is most relevant and suitable for the target audiences has been strengthened during the last year as it partnered with the Central Bank of Barbados in hosting the annual Domestic Financial Institutions Conference.

The Conference now in its 12th year, has been transformed from a one-day event for officials to a series of online sessions, allowing the Commission to engage its publics on more growing matters and in a timely way. This new format occasioned by the COVID-19 pandemic has highlighted the upside to what may otherwise be considered a challenging circumstance. Many of these sessions have also been opened to the public which allows for more direct communication channels with Joe public.

Some of the areas covered include the following:

- Increasing Household Investment in Renewable Energy
- Technology and Customer Service in the Financial Sector
- Navigating Risk in the Financial Sector
- Financial Fraud in Barbados

Many of these sessions were moderated by "resident" moderator, Cyralene Benskin-Murray, the Commission's General Counsel.

The FSC's partnership with the Central Bank of Barbados also includes the annual publication of the Financial Stability Report, a document which analyses the soundness of Barbados' financial system. This document was published in September 2021.

The Commission continues to work with entities such as Invest Barbados, Barbados International Business Association, CARTAC and a number of other support agencies to ensure that relationships are strengthened and that respective constituents remain well informed of sectoral developments and any policy advancements.

HUMAN RESOURCES

The 2021-2022 financial year was a very challenging one for the Commission as a result of the COVID-19 pandemic. Increased workload and limited human resources had a negative impact on the Commission's ability to fully achieve its planned objectives.

Staffing and Recruitment

During 2021-2022, there were several vacancies either due to resignation/termination and positions that were not filled from inception. During the year fourteen (14) persons were hired as full-time employees. At the end of the financial year, seven (7) vacancies remained of which five (5) are positions that were never filled.

Over the years the functions of the organisation have evolved and as a result, additional resources have been required to assist in carrying out its normal assignments in both the Regulatory and Corporate divisions. To fill those gaps, the services of temporary employees and independent contractors were sought. Over the course of the year fifteen (15) persons were hired to provide short term services. While these short-term services were utilised in an attempt to fill gaps, optimal staffing has to be addressed and permanent solutions implemented to ensure the organisation can fulfil its mandate effectively.

Training

To ensure the organisation has the adequate resources, several training initiatives were undertaken. Training was delivered virtually during the pandemic. Staff received continuous professional education in a number of areas including Corporate Governance, Risk, Cybersecurity, Facilities Management, Auditing and several others.

In compliance with the FSC's Code of Conduct, annual refresher training was conducted for staff.

The topics covered were:

- Overview of FSC Legislation & Administrative Justice Act
- Sexual Harassment
- Employment Rights Act
- Code of Conduct/Register of Interests
- Legal Principles - Licensing Conditions

The Commission embarked on a programme to review the existing human resources policies and its development of new policies.

Response to COVID-19 Pandemic

With the return to office by limited personnel, the FSC worked diligently to mitigate against the possible spread of COVID-19. Policies were implemented in concert with the national response while maintaining a thoughtful and caring response to staff experiences and concerns. To date while there were incidences of staff contracting the COVID-19 virus, there was no spread within the organisation.



INTERNAL AUDIT

The Commission's Internal Audit Department (IAD) provided independent assurance to the Board regarding the organisation's risk management, governance and internal control processes.

The IAD undertook the following activities during the period and finalised the following reports:

- Internal Audit of the Finance and Planning Division
- Internal Audit of the Credit Unions Division
- Internal Audit of the Information Technology Division

The Department will seek to progress with its mandate and continue to provide support for the Commission in the achievement of its goals and objectives.

INFORMATION TECHNOLOGY

The COVID-19 pandemic whilst challenging aided the Commission over the last year in advancing the work needed to further its digital technology plan. More specifically, this advancement supported the staff in its work from home arrangements. Having made the transition in the previous year, the FSC was able to make the improvements needed to build on efficiency and effectiveness. While the dynamic nature of COVID and the resulting restrictions in movement impacted on the organisation's ability to meet some of its earlier set deadlines, the Commission recognises that some upgrades to its technological infrastructure were still completed within the year under review.

Records Management (E-Filing)

E-File IT, the FSC's electronic filing/document management project was set up to provide the Commission with the tools necessary to collaborate more efficiently with internal and external entities, and the wider public, using an electronic interface. The system, made available in December 2021, is currently being examined to resolve some ongoing challenges. However, to date, the FSC's regulated entities have been invited to register and are on course to make full use of the system.

Website

The FSC regrets that it was unable to complete work to advance the upgrade of its website during the year under review, resulting from some global issues occasioned by COVID-19. However, work is set to recommence in the new year to advance this critical project.

ANTI-MONEY LAUNDERING/COUNTERING THE FINANCING OF TERRORISM (AML/CFT)

As part of the Commission's mandate to provide sound regulatory oversight within the non-bank financial sector, the team continues to ensure a strong framework remains through the use of proportionate and dissuasive penalties, and through direct engagement with its stakeholders.

In 2021, FSC re-rated its registrants by disseminating an AML/CFT/PF (Anti-Money Laundering/Countering the Financing of Terrorism/Proliferation Financing) questionnaire to financial institutions and continued to update initial risk profiles based on inherent vulnerabilities to money laundering, terrorist financing, and proliferation financing risks. Using a risk-based approach, FSC conducted sixteen (16) onsite inspections, nine (9) deemed inherently high-risk financial institutions, and fifty (50) desk-based reviews on medium-risk institutions. Using the Ladder of Intervention, FSC issued twelve (12) directives and two (2) notices of intention to impose fines for non-compliance.

Collaborations and Stakeholder Engagement

FSC continued to engage the industry by issuing regulatory reminders, circulars, and via webinars.

The Commission issued a Regulatory Reminder on Enforcement for Non-Compliance. The document described FSC's approach to enforcing the Money Laundering and Financing of Terrorism (Prevention and Control) Act, 2011-23. Additionally, the circular entitled 'Frequently Asked Questions' provided critical information on AML/CFT Independent Audit.

FSC's webinar sessions over the period provided guidance to the industry on:

- Understanding the FATF review process;
- Sanctions lists;
- Independent audit of AML programme;
- Common areas of non-compliance;
- Recent revisions to the AML Guideline;
- Targeted Financial Sanctions Guidelines;
- Register of Beneficial Ownership;
- Report on general findings of the AML/CFT independent audits;
- Directors' AML responsibilities as they relate to AML in the Credit Union Sector; and
- AML regulation of the Barbados Insurance Industry

The FSC also issued the revised AML/CFT/PF Guidelines to its registered entities in the last quarter of 2021.

LEGAL

The Legal Services Division (“Legal Division”) continued its critical support role to the FSC in the execution of its mandate. Such a role encompassed the provision of guidance, interpretation of legislation, the establishment of guidelines and issuance of directives. The Commission responded to many requests for guidance in third-party transactions, pension plan queries, legislative interpretation, and regulators’ requests.

Legislation

The Commission began and progressed its work on modernising the Financial Services Commission Act 2010-21 with upgrades to its provisions. Some of these include:

- to permit Barbados to become a signatory to the International Organization of Securities Commissions (IOSCO) and International Association of Insurance Supervisors (IAIS) Multilateral Memoranda of Understanding (MMoUs)
- to consolidate and strengthen the rule-making and regulatory toolkit
- to enhance the robustness of the FSC and permit it to achieve its goal of “right-size regulation”.

Also during the reporting period, the Commission reviewed the existing Memoranda of Understanding with local authorities, which were necessary to facilitate compliance with IOSCO/IAIS obligations and thereafter:

- issued a consultation paper to the regulatory sectors and relevant stakeholders;
- prepared and finalised responses to queries;
- prepared a paper which summarised the proposed changes to the legislation; and
- further refined the draft Cabinet paper in anticipation of in-principle approval by the Board.

The Legal and Securities Divisions collaborated to prepare a composite paper setting out the FSC’s position and recommendations on the proposed legislative amendments to the Mutual Funds legislation. Further stakeholder engagement is ongoing in the revision of this legislation.

In addition, the Legal Division prepared a consultation paper on proposed amendments to the Occupational Pension Benefits Act Cap. 350B “OPBA” to permit the unlocking of pension funds due to financial hardship. The proposed amendments are in response to the adverse effects of COVID-19 on the pension sector and propose to allow pension plan members to access up to 25% of their pension plans’ commuted value before retirement/termination of the plan where the member is experiencing hardship. The Commission met with and obtained feedback on the proposed amendment from a sub-group of sector participants. The sector also raised policy-related concerns on critical related matters which are under active consideration by the FSC in order to progress the amendments.

Finally, the FSC reviewed and provided final comments to the relevant stakeholders on various Bills and Orders:

- Financial Tribunal Bill 2021
- Financial Services Commission Fees Order – (suggested changes to the current provisions as well as further amendments to the specified enactments not covered in the Bill).
- National Payments System (Electronic Payment Service Providers) Regulations, 2022
- Draft Insolvency Bill and Regulations, 2020
- Draft Financial Institutions' Resolution and Liquidation Bill
- Companies (Economic Substance) Act, (Act 2019-43).
- Financial Services (Amendment) (No. 2) Bill

Litigation

Litigious matters involving insurance companies continue to be managed by the Court. One (1) such matter is under judicial management.

Complaints

The Complaints Coordinator handled twenty (20) complaints from consumers of non-bank financial services regulated by the FSC. Fifty-five (55) per cent of these complaints related to insurance issues; five (5) per cent to pensions; twenty (20) per cent to credit unions, and twenty (20) per cent to securities. By the end of reporting period, thirteen (13) complaints were resolved and closed.

RESEARCH & POLICY

The Commission continued its management of all regulatory databases within the FSC for the period under review. The Research and Policy team focused on building capacity in all data related areas in order that all officers could effectively discharge their functions. The team has also provided regular updates to the website with accessible industry data for public use.

Stress Testing

The FSC also undertook its first bottom-up stress testing exercise with a focus on natural disasters. This exercise targeted Class 2 insurance companies with exposures to the Barbadian public. This project was deemed a success as it covered over 90% of the insured assets for the sector. As part of enhanced stakeholder engagement, companies were afforded the opportunity to have individual meetings to discuss the findings of the stress test and to determine the way forward. These stress tests will now form part of our annual requirements for insurers.

Projects and Capacity Development

The Research and Policy team participated in an International Monetary Fund (IMF) exercise in November 2021 which resulted in the review and development of plans for further financial soundness indicators (FSIs) in the upcoming year. During the first quarter of 2022, the FSC worked alongside the Caribbean Regional Technical Assistance Centre (CARTAC) and the Caribbean Association of Insurance Regulators (CAIR) CAIR to critically assess the impact of IFRS 17 adoption on the insurance sector. In the upcoming year the FSC will engage the insurance sector periodically on the progress of the implementation. Given the significant changes brought about by IFRS 17, the team will also update the statutory reporting forms and have industry consultations around this project.

Actuarial Function

Following the addition of the Actuarial function to the Commission last year, the team made use of an actuarial review program to complement the Insurance division's approval process. The actuarial certificates for two (2) new products, as well as other reports, were reviewed and feedback provided.

Research

The Commission's Research arm also continued to focus on one of its most important mandates which is "to conduct empirical and policy-based research to further explore areas of critical importance to the regulation of entities under the FSC's purview". This has included significant work towards two shared papers, one individual paper as well as internal research on areas such as Fintech. One paper was presented at the 52nd Annual Monetary Statistics Conference hosted by the Central Bank of Trinidad & Tobago in November 2021 entitled "Estimating the Liquidity-Profitability Frontier: The Credit Union Perspective". A second paper was also produced and awaits publication – "Enhancing Insurance Supervision in the Caribbean: SIFI Identification for Small States".

During the upcoming year the Commission will continue to build capacity in reinsurance training as well as the development of the stress testing frameworks used to assess the build-up of risk in the non-bank financial sector. Additionally, the Commission proposes to make substantial contributions to the research gaps identified by producing empirical and policy research papers.

RISK ANALYTICS

Enterprise Risk Management

To best manage the risks faced by the Commission, the Executive Committee has been actively meeting to discuss same with a view to escalate any critical matters to the Board of Commissioners for resolve. Notwithstanding this structure, the FSC will be implementing its Enterprise Risk Management (ERM) framework during 2022 in an effort to improve its efficiency in managing its risk exposure, both operational and regulatory. This is an initiative that is being undertaken by the Director, Risk Analytics and the Deputy Chief Executive Officer, Corporate. The ERM framework is expected to be the overarching document to govern the way the FSC manages its risks, including business continuity and health and safety, within the organisation.

One of the key aspects of this framework is the initial risk assessment to determine the starting point for addressing risks within the operations from a holistic perspective. The framework will be flexible to facilitate the nimble adjustments which will be necessary if the Commission is to be effective in this very dynamic environment. This is slated to be completed in the third quarter of calendar year 2022.

Facilities and Business Continuity Management

The FSC is working to develop a Business Continuity Management (BCM) System as a means of reducing the length and impact of disruptions to its operations. The BCM system will be managed as a segment of the ERM framework. This framework will point the FSC to identify potential vulnerabilities in its processes that may impede the rapid resumption of services following an unforeseen disruption. This is expected to increase the efficiency of the FSC's operations while ensuring that regulatory services are available with minimum likelihood of interruption.



FINANCE & PLANNING

The Commission reports on a monthly basis to its Management, the Board of Commissioners, and the Ministry of Finance, Economic Affairs, and Investment.

The FSC continues to be able to finance its operations without the need for a subvention from the Government of Barbados.

The organisation earned fees amounting to BDS\$14,180,642 for the year ended March 31, 2022. This represented an increase of 12% over the prior year.

The FSC's expenditure is managed against an annual budget approved by the Board of Commissioners and is monitored closely to ensure that the Commission receives value for money and that expenditure remains within the approved budget. During the year under review, expenditure totalled BDS\$10,729,356.

The Commission as a regulatory authority provides services to a wide range of stakeholders. Pivotal to the delivery of these services is our staff complement. Consequently, the principal category of expenditure is staff costs. During 2021-2022, a number of vacancies were filled and staff costs increased by \$459,206. Other operating costs increased over the prior year as conditions permitted a gradual return to office after the height of the pandemic and the hybrid model replaced the remote model of work. The FSC will continue to manage its expenditure being careful to leverage technology and automation to improve its processes and the efficiency of its operations.

In addition to being responsible for regulatory and operational activities, 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\$2,014,027 in unclaimed/undistributed monies and refunded BDS\$843,234.

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 total in escrow at the Central Bank of Barbados as of March 31, 2022, amounted to BDS\$20,197,290. The Commission is a custodian of these funds and as such they are restricted and are not available for use by the FSC.

The FSC's operations are subject to review and audit from external bodies. In 2022 the FSC engaged an external auditor to examine its financial statements for the year ended March 31, 2022. The auditor issued an unqualified report on those statements on, July 29, 2022.

As reflected in the audited financial statements for the year ended March 31, 2022 the FSC recognised a capital contribution from the Government of Barbados (GOB) amounting to BDS\$2,451,426.36. This was accounted for retroactively to record the investment which was made by the Government. The GOB, in establishing the FSC, procured an E-Filing system for the FSC. The system was custom designed over several years and will improve the efficiency of the Regulatory Division. The primary function of the E-filing system is document management and the facilitation of online submission of applications, filings, etc. The system is still being optimised and its full benefit is expected to be realised in 2023.

Details of the financial position for the year ending March 31, 2022, are contained in the annexed Audited Financial Statements.

FINANCIAL SERVICES COMMISSION

Financial Statements

YEAR ENDED 31 MARCH 2022
(EXPRESSED IN BARBADOS DOLLARS)



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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 2022, 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 2022 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 July 2022

Statement of Financial Position

As at 31 March 2022

	Notes	2022 \$	2021 \$ Restated	2020 \$ Restated
Assets				
Current assets				
Cash and cash equivalents	3	12,074,839	5,509,937	12,383,557
Accounts receivable	4	183,034	481,724	948,106
Deposits with Central Bank	5	20,197,290	17,453,861	12,334,780
Marketable securities	6	-	3,987,341	3,987,341
Prepayments		91,484	151,155	155,735
Lease deposits		63,643	63,643	92,405
		32,610,290	27,647,661	29,901,924
Property and equipment	7	1,193,056	1,884,165	1,732,502
		33,803,346	29,531,826	31,634,426
Liabilities				
Current liabilities				
Accounts payable & Accrued Liabilities		837,864	705,676	160,570
Deferred income	10	10,332,571	9,909,059	8,957,286
Escrow deposits	5	20,197,305	17,453,876	12,334,780
		31,367,740	28,068,611	21,452,636
Represented by:				
Capital contribution	9	3,150,624	3,150,624	3,150,624
Accumulated (deficit) surplus		(715,018)	(1,687,409)	7,031,165
		2,435,606	1,463,215	10,181,790
Total Liabilities and General Fund		33,803,346	29,531,826	31,634,426

The accompanying notes form part of the financial statements.

Approved by the Commission on 29 July 2022 and signed on its behalf by:



Chairman



Deputy Chairman

Statement of Comprehensive Income

Year ended 31 March 2022

	Notes	2022 \$	2021 \$ Restated
Income			
Fees	10	14,180,642	12,673,627
Interest income		19,937	39,873
Other income		1,168	571
		<u>14,201,747</u>	<u>12,714,071</u>
Expenses			
Salaries and benefits		6,621,562	6,162,356
Depreciation	7	1,128,568	941,997
Lease	12	787,288	904,893
Professional fees		589,720	451,329
Utilities		252,090	231,274
Training		245,837	22,278
Maintenance		149,264	56,303
Computer expenses		148,871	42,823
Membership and registration fees		146,468	82,559
Security		145,049	74,552
Bad debts		114,067	70,331
Subscription		104,922	37,404
Commissioner fees and allowances		76,200	93,600
Uniforms		50,000	46,800
Advertising		40,709	10,045
Corporate expenses		27,115	18,520
Insurance		25,711	24,326
Office supplies		22,141	25,247
Stationery		12,367	18,336
Vehicle expenses		11,879	11,747
Conferences and meeting expenses		8,547	4,085
Tribunal expenses		6,808	19,264
Refreshments		6,007	6,464
Bank charges		5,598	4,675
Loss on disposal of asset		825	213
Travel expenses		171	-
Relocation expenses		-	72,900
Miscellaneous		2,335	16
Discount received		(763)	(1,693)
		<u>10,729,356</u>	<u>9,432,644</u>
Surplus for the year before fees		<u>3,472,391</u>	<u>3,281,427</u>
Fee to Consolidated Fund	14	<u>(2,500,000)</u>	<u>(12,000,000)</u>
Surplus for the year		<u>972,391</u>	<u>(8,718,573)</u>

The accompanying notes form part of the financial statements.

Statement of Changes in General Fund

Year ended 31 March 2022

	Capital Contribution \$	Accumulated Surplus / (Deficit) \$	Total \$
Balance as at 1 April 2019, as previously reported	699,198	3,328,153	4,027,351
Prior year adjustment (Note 15)	2,451,426	(979,357)	1,472,070
Surplus for the year	-	4,682,369	4,682,369
Balance as at 31 March 2020, restated	3,150,624	7,031,165	10,181,790
Balance as at 31 March 2020	3,150,624	7,031,165	10,181,790
Prior year adjustment (Note 15)	-	(901,764)	(901,764)
Deficit for the year	-	(7,816,811)	(7,816,811)
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

Statement of Cash Flows

Year ended 31 March 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Surplus /(deficit) for the year		972,390	(8,718,573)
Adjustments for:			
Depreciation	7	1,128,568	941,997
Loss on disposal of fixed asset		825	213
		2,101,783	(7,776,363)
Operating surplus before working capital changes:			
Increase in deposits with Central Bank		(2,743,429)	(5,119,081)
Decrease in Marketable Securities	6	3,987,341	-
(Increase)/ decrease in accounts receivable		298,690	446,383
Decrease in prepayments		59,671	4,580
Decrease/ (increase) in lease deposits		-	28,762
Increase in accounts payable		132,189	545,102
Increase in deferred income		423,512	951,773
Increase in escrow deposits		2,743,429	5,119,096
Net cash from (used in) operating activities		7,003,186	(5,779,748)
Cash flows used in investing activities			
Purchase of property and equipment	7	(439,684)	(1,108,886)
Proceeds from sale of property and equipment		1,400	15,014
Net cash used in investing activities		(438,284)	(1,093,872)
Increase/(decrease) in cash for the year		6,564,902	(6,873,620)
Cash – beginning of year		5,509,937	12,383,557
Cash – end of year	3	12,074,839	5,509,937

The accompanying notes form part of the financial statements.

Notes to the Financial Statements

Year ended 31 March 2022

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.

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

Notes to the Financial Statements

Year ended 31 March 2022

2. Significant accounting policies (cont'd)

An item of property and equipment is derecognised 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 recognised in the statement of comprehensive income.

d) Revenue recognition

Fees and deferred income

Application fees are recognised on an accrual basis. Annual registration and license fees are due in January, and in March for Credit Unions, of each year and are recognised 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 recognised initially at the fair value and subsequently measured at amortised 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 recognised 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.

Transaction and balances

Foreign currency transactions are translated to the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchanges 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 recognised 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 amortised cost which is generally the amount of principal outstanding, and interest income is recognised when earned.

Notes to the Financial Statements

Year ended 31 March 2022

3. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2022 \$	2021 \$
Cash at bank	12,074,439	5,509,537
Cash in hand	400	400
	<u>12,074,839</u>	<u>5,509,937</u>

4. Accounts receivable

Accounts receivable consist of the following:

	2022 \$	2021 \$
Staff receivable	1,400	20,547
Registration fees receivable	308,563	495,362
	<u>309,963</u>	<u>515,909</u>
Less: Provision for doubtful debts	<u>(126,929)</u>	<u>(34,185)</u>
	<u>183,034</u>	<u>481,724</u>

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.

Notes to the Financial Statements

Year ended 31 March 2022

5. Deposits with Central Bank

The Commission has a deposit account in the amount of \$20,197,290 (2021: \$17,453,861). The funds are deposited at the Central Bank of Barbados. The account comprises:

- a) A statutory deposit of \$8,640,008 (2021: \$6,967,371) representing amounts paid by insurance companies to satisfy their requirement under the Insurance Act CAP 310.
- b) Unclaimed moneys totaling \$11,444,332 (2021: \$10,273,540) 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 (2021: \$212,950) representing funds held with the Commission in accordance with the Co-operative Societies Act CAP 378A Section 159(2).

6. Marketable Securities

	2022	2021
	\$	\$
Series B Bond 1 - 3.75% maturing 30 September 2033	-	3,987,341

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 2022

7. Property and equipment

	Leasehold	Office Equipment	Computer Equipment	Motor Vehicles	Furniture & Fittings	Library Books	Total
	\$	\$	\$	\$	\$	\$	\$
2022							
Cost							
Balance – beginning of year	590,539	13,544	2,193,058	187,004	731,195	28,989	3,744,329
Additions	34,136	4,978	328,750	-	71,820	-	439,684
Disposal	-	-	(25,027)	-	-	-	(25,027)
Balance – end of year	624,675	18,522	2,496,781	187,004	803,015	28,989	4,158,986
Accumulated depreciation							
Balance – beginning of year	38,178	13,544	1,201,106	122,964	459,219	25,152	1,860,163
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	2,086,860	152,320	525,006	26,638	2,965,930
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
2021							
Cost							
Balance – beginning of year	349,310	24,637	734,234	187,004	469,969	24,532	1,789,686
Additions	590,539	-	232,341	-	281,549	4,457	1,108,886
Disposal	(349,310)	(11,093)	(245,588)	-	(20,323)	-	(626,314)
Prior period adjustment (Note 15)	-	-	1,472,070	-	-	-	1,472,070
Balance – end of year	590,539	13,544	2,193,057	187,004	731,195	28,989	3,744,328
Accumulated depreciation							
Balance – beginning of year	329,699	24,637	605,159	85,564	459,663	24,532	1,529,254
Depreciation	43,507	-	104,556	37,400	19,879	620	205,962
Disposal	(335,028)	(11,093)	(244,644)	-	(20,323)	-	(611,088)
Prior period adjustment (Note 15)	-	-	736,035	-	-	-	736,035
Balance – end of year	38,178	13,544	1,201,106	122,964	459,219	25,152	1,860,163
Net book value							
Beginning of year	19,611	-	129,075	101,439	10,306	-	260,060
End of year	552,361	-	991,951	64,040	271,976	3,837	1,884,165

Notes to the Financial Statements

Year ended 31 March 2022

8. Related party transactions

Key management compensation

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

	2022	2021
	\$	\$
Salaries and other short-term benefits	1,940,972	1,976,988

9. Capital contribution

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

- All assets and liabilities of the Securities Commission are deemed to be transferred to the Commission
- 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
- 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 2021:

	2022	2021
	\$	\$
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

Notes to the Financial Statements

Year ended 31 March 2022

9. Capital contribution (cont'd)

	2022 \$	2021 \$ Restated
Liabilities		
Current liabilities		
Accounts payable	24,090	24,090
Deferred income	388,684	388,684
	<hr/> 412,774	<hr/> 412,774
Capital contribution (initial)	487,969	487,969
Additional Contribution	211,229	211,229
Government Grant E-FileIT (i)	2,451,426	2,451,426
Capital Contribution	<hr/> 3,150,624	<hr/> 3,150,624

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

The Government of Barbados financed the development of customised 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. (See note 15)

10. Fees and deferred income**(a) Fees**

Fees for the year consist of the following:

	2022 \$	2021 \$
Application and registration fees	14,537,128	13,475,185
Penalties	21,894	40,615
General Processing fees	45,132	109,600
	<hr/>	<hr/>
Total fees collected during the year	14,604,154	13,625,400
Add: Deferred income recognised during the year	9,909,059	8,957,286
Less: Income deferred for subsequent period	(10,332,571)	(9,909,059)
	<hr/> 14,180,642	<hr/> 12,673,627

Notes to the Financial Statements

Year ended 31 March 2022

10. Fees and deferred income (cont'd)

(b) Deferred income

Movement in deferred income consist of the following:

	2022 \$	2021 \$
Balance – beginning of the year	9,909,059	8,957,286
Income recognised during the year	(9,909,059)	(8,957,286)
Income deferred for subsequent period	10,332,571	9,909,059
	<u>10,332,571</u>	<u>9,909,059</u>

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:

	2022 \$	2021 \$
Not later than 1 year	787,288	787,288
Later than 1 year and not longer than 5 years	1,771,397	2,558,685
	<u>2,558,685</u>	<u>3,345,973</u>

During the year, operating lease payments of \$787,288 (2021: \$904,893) were recognised as an expense.

Notes to the Financial Statements

Year ended 31 March 2022

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 \$119,587 (2021: \$129,292) 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 the Board Resolution of the Financial Services Commission duly passed on 26 March 2021, an amount of the \$2,500,000 (2021: \$12,000,000) was paid to the Consolidated Fund.

15. Prior period adjustment

During the year, the following changes have been made retrospectively in accordance with IFRS for SMEs Section 10 Accounting Policies, Changes in Accounting Estimates and Errors resulting in the adjustment of prior period financial information.

(i) Capital Contribution

The E-FileIT technology platform which is used by the Regulatory Division as an electronic filing platform for licensees is a document management system that was funded by the Government of Barbados. This system was developed over the period 2012 to 2019.

The Government of Barbados financed the development of this customised regulatory software for use by the Commission. The application was developed at a cost of \$2,451,426 and was deployed in 2019. The amount of \$2,451,426 qualifies to be recognised as a Government Grant in accordance with IFRS for SMEs. The cost of the system represents a capital contribution made by Government. These costs were not previously recognised in the financial statements of the Commission.

(ii) Property and Equipment

The cost of the E-FileIT technology platforms meets the criteria for recognition as an asset from which future benefit will accrue to the Commission.

The original cost of the asset, related depreciation and capital contribution are being recognised in the financial statements for the year ended 31 March 2022 with the required restatement for prior years.

(iii) Accrued vacation

The cost of vacation entitlement has not previously been recognised as an expense as employees have rendered service to the Commission. The initial adoption of this policy of accrual accounting for vacation entitlement has resulted in an adjustment of \$251,471 being made to retained earnings of prior years. This represents the vacation expense that should have been included in salaries and benefits in previous years. At 31 March 2022, the value of accrued vacation is \$679,462. This is included in accounts payable and accrued liabilities.

Notes to the Financial Statements

Year ended 31 March 2022

15. Prior period adjustment (cont'd)

(iv) Fees

A cumulative adjustment amounting to \$85,744 was required to correct an understatement of fees in prior years.

As a result of the matters identified above, the following adjustments were made to the financial statement line items for the prior periods, as follows:

Impact on Accumulated Surplus/Statement of Financial Position

	30 March 2021	1 April 2020
Depreciation expense / Property and equipment (ii)	(736,037)	(979,357)
Accrued vacation / Accounts Payable and accrued liabilities (iii)	(251,471)	-
Fees / Accounts Receivable (iv)	85,744	-
Net impact on Accumulated Surplus	(901,764)	(979,357)



**FINANCIAL SERVICES
COMMISSION**

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