FINANCIAL SERVICES REGULATORY AUTHORITY
SAINT LUCIA

ANNUAL REPORT

2019

OUR VISION

"To Become a World Class Financial Services Regulator"

OUR MISSION

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

www.fsrastlucia.org

OUR CORE VALUES

The following comprise our value proposition

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

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BOARD OF DIRECTORS

VINCENT HIPPOLYTE
Chairman

MARCUS JOSEPH
Deputy Chairman

COINTHA THOMAS
Permanent Secretary, Ministry of Finance

SOPHIA HENRY
Alternate Director to the Permanent Secretary, Ministry of Finance

G. CARLTON GLASGOW
Director Designated by the Governor of the Eastern Caribbean Central Bank

KAREN FONTENELLE-PETER
Director

PAUL HILAIRE
Director

PAUL THOMPSON
Executive Director of the Financial Intelligence Authority

MARCIA VITE
Alternate Director to the Permanent Secretary, Ministry of Finance

MANAGEMENT TEAM

JOHN CALIXTE LEON
Executive Director

NATHALIE DUSAUZAY
Senior Manager

HUBERT DELIGNY
Insurance Manager

GERMAINE ISSAC
Executive Assistant, Accountant

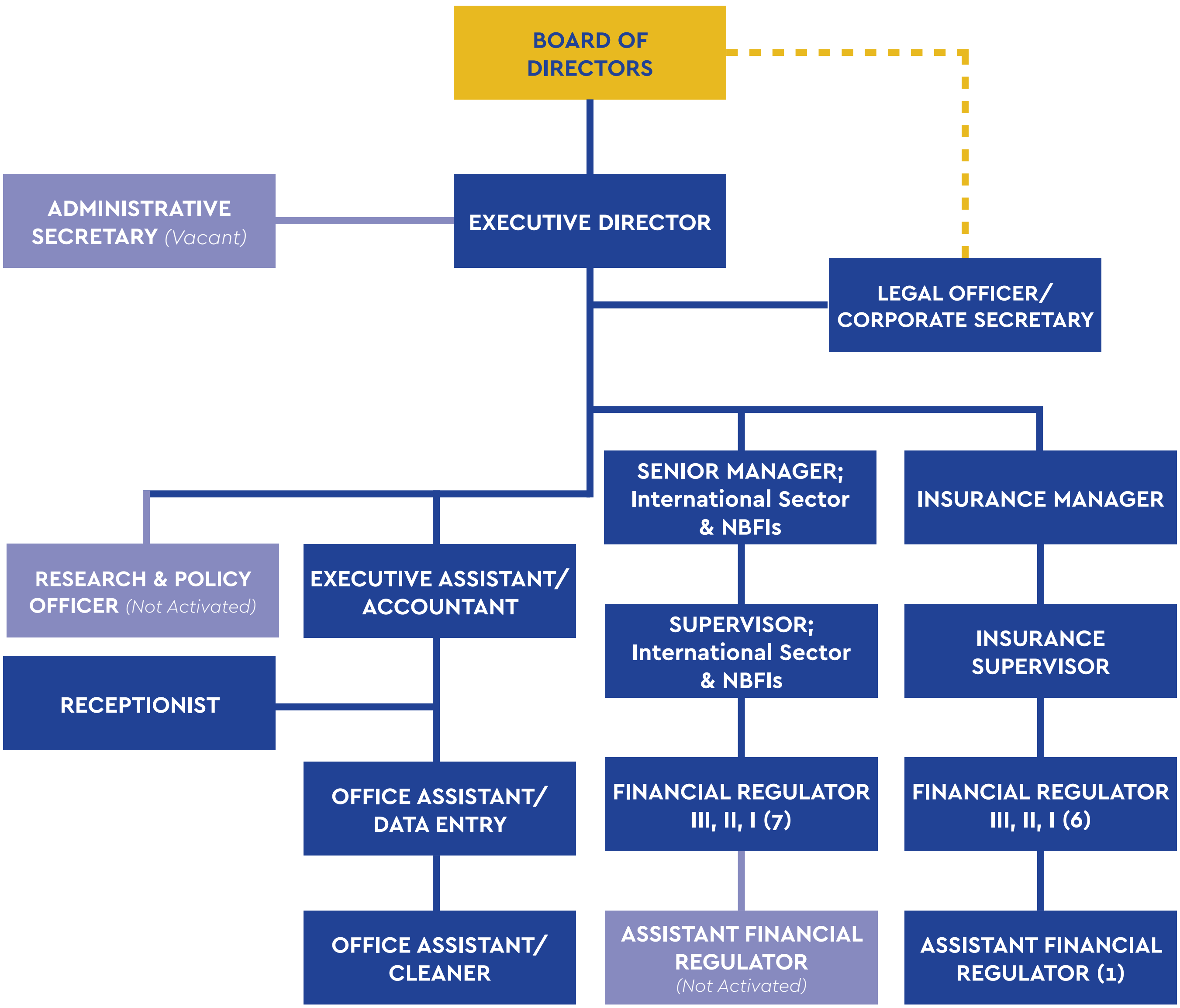
HEMISH LESMOND
Legal & Coroporate Secretary

STAFF

FSRA Staff :
Calixte Leon, Hemish Lesmond, Nathalie Dusauzay, Hubert Deligny, Tyller Jules, Suzanne James, Krishna Jn Baptiste, Germaine Isaac, Sancha Gervais Victor, Curtis Paul, Krysta Anthony, Esther Francis, Shelevon Louis, Astrid Augustin, Francine Felicien, Cuby King, Kerline Sylvester, Elva Naitram, Germaine Maxwell, Ayanna Caesar.

Not present on the photos: *Hannah Mc Donald, Stephanie Gustave Antoine and Janelle James.*

ORGANISATIONAL CHART



CHAIRMAN'S MESSAGE

During the year under review particular emphasis was placed on working collaboratively with international bodies to redress Saint Lucia's compliance status in respect of international standards and recommendations.

The effort underscored the extent to which Saint Lucia's national policy, with respect to international financial services, is greatly influenced by supra-national international bodies, such as the European Union and the Financial Action Task Force. The influence of these international organizations, and sovereign states operating vicariously through them, has highlighted the fact that small sovereign states, and International Financial Centres (IFCs) within them can no longer operate in echo chambers. Small sovereign states must by reason of being signatories to a number of multi-lateral agreements, adopt and incorporate the objectives of those international bodies into their legislative framework, and thereby altering the orientation of their national policies.

One of the unanticipated consequences of the 2008 global financial crisis, was the realization by several member states in the European Union (EU) of the need to protect much needed governmental revenues. Those member states, operating vicariously through various European Union bodies, have deemed the operation and inherent features of some

IFCs as harmful to their collection of taxes. As a result, the EU has stated its intention to stem or eliminate the flow of revenues and profits to those IFCs it has deemed to have harmful tax practices. Moreover, the crisis highlighted to them the need to close legislative loopholes in their member states, and to ensure that the legislative framework of IFCs do not easily attract the registration of legal persons and arrangements that are a part of revenue reducing/profit shifting corporate structures.

In early 2018, as a condition of being removed from the EU blacklist and placed on the grey list, Saint Lucia gave a high-level commitment to abolish or amend legislation that was deemed harmful under the EU tax criteria for Fair taxation. The Executive Director will cover this area in greater detail, but suffice to say that in the period under review, legislation was amended that will lead to the cessation or altering of various aspects of the international financial services sector in the year 2021, in order to comply with international standards promulgated by the EU.

In light of the concerns associated with the EU's stance on blacklisting, the FSRA began assessing the composite risks in the domestic and international financial services sectors. The assessment coincided with Saint Lucia's obligation to implement recommendation 1, of the Caribbean Financial Action Task Force (CFATF) 40 Recommendations, in preparation for the CFATF 4th round Mutual Evaluation assessment in the latter part of 2019. The implementation of Recommendation 1, which involved a nationwide assessment of the Anti-money laundering and Terrorist Financing risks by key public and private sector stakeholders, had the effect of accelerating the pace with which the FSRA's assessment was conducted.

A fortuitous and unintended consequence of the convergence of the implementation of the risk based supervision and Recommendation 1 is that the FSRA is now better informed of the inherent risks in the different sectors under its purview. Consequently, the utilization of resources was and will be optimized and allocated judiciously to enable and sustain the desired status.

As in previous periods, the FSRA delivered in the enhancement of its technical capacity through further training of its staff. Intense periods of training, sponsored by the Caribbean Regional Technical Assistance Centre (CARTAC), were conducted in the area of Risk Based supervision. Moreover, in going forward it is anticipated that the knowledge gained from risk based supervision training and the implementation of Recommendation 1 will be enhanced by Stress Test training that is planned for the next financial year.

The FSRA continues to position itself to be able to pro act and also react to the many challenges which are developing and are anticipated to develop in the international financial space. Together with other national statutory organisations, the FSRA will promote and support every initiative necessary to safeguard the interest of Saint Lucia's financial services sector.

VINCENT HIPPOLYTE
Chairman

EXECUTIVE DIRECTOR'S REPORT

Another fiscal year has ended and I am pleased to provide the Financial Services Regulatory Authority of Saint Lucia's (FSRA) Annual Report for 2018–19. The annual report is a time to ponder the events that occurred during the period under review and strategize on the way forward.

Saint Lucia continues to be impacted by pressures, demands and expectations of international community for increased transparency by financial institutions. As a result, the Authority has had to balance the need for responding to global demands while remaining focused on its primary mandate as gatekeeper of the financial sector.

Right from the start of the period under review, a substantial number of staff of the Authority were involved in supporting the jurisdiction's response to the European Union's list of non-cooperative tax jurisdictions and preparing for the National Risk Assessment of Saint Lucia. Both activities have occupied a great deal of our time and effort. However, I can report that the Authority remained vigilant with enforcement actions of both the domestic and off-shore financial sectors.

National Risk Assessment

In 2018, Saint Lucia received technical assistance from the World Bank for the conduct of its National Risk Assessment (NRA). This assessment is necessary to respond to the requirements of Recommendation 1 of the 40 Recommendations of the Financial Action Task Force/ Caribbean Financial Action Task Force (FATF/CFTAF) Standards. The standard requires a country to identify and assess the Money Laundering and

Terrorist Financing (ML/TF) risks for their jurisdiction with the objective to efficiently allocate resources and mitigate the risks identified. Accordingly, the exercise was launched through a Sensitization Workshop on July 11-12, 2018 and was coordinated by the National Anti-Money Laundering Oversight Committee (NAMLOC), of which the FSRA is a member.

The NRA exercise involved a range of inquiries, outreach and caucus meetings with private and public sector representatives. The findings of the NRA were then communicated to key stakeholders in the second quarter of 2019.

The global community has submitted that "Offshore areas are a powerful source that absorbs international organized crime, operating as a channel of capital exploitation in the country, money laundering and tax evasion."1 This saying is supported by the outcome of the NRA of Saint Lucia, which concluded that international banks present a high threat and vulnerability for money laundering.

CFTAT Onsite Visit

In preparation for the onsite visit scheduled for September 2019 by the CFATF, the FSRA team has continued to work assiduously in providing details of its supervision program in relation to the combatting of money laundering and the financing of terrorism. In keeping with section 15 of the Financial Services Regulatory Act, Cap 12.23 of the Revised Laws of Saint Lucia, the Authority may issue guidelines in administering the provisions of the Act to regulated entities and their affiliates in respect of prudential guidelines relating to anti-money laundering and combating the financing of terrorism. Therefore, the Authority continued issuing guidelines to the financial sector in relation to AML/CFT.

During the period under review, most regulated entities were advised of the requirement to undertake an independent audit at least annually to assess their AML controls. Onsite inspections of regulated entities ensured that aspects of firms AML/CFT control programs were assessed. As well, the FSRA continued its outreach program to the sector through caucus meetings and other face-to-face activities. Noteworthy, the FSRA has prepared a 4-year onsite inspection schedule based on the results of the NRA and knowledge obtained from its supervisory program.

European Union's list of non-cooperative tax jurisdictions

Tax transparency and the exchange of information came to the fore as a result of the global financial crisis and the collapse of economies. Sovereigns, with the help of international organizations, such as the Global Forum on Tax Transparency and the Exchange of Information (Global Forum) and the Organization for Economic Cooperation and Development (OECD), are now concentrating efforts towards protecting much needed government revenue by preventing tax avoidance and promoting good governance principles such as tax transparency, fair taxation or international standards against tax base erosion and profit shifting (BEPS) .

In October 2017, the European Union (EU) requested a high-level political commitment from Saint Lucia to either abolish or amend practices which were considered harmful under the EU tax criteria for Fair Taxation and to take the necessary steps to join the OECD's (BEPS) Inclusive Framework and commit to adhering to its minimum standards, by December 31st, 2018. Saint Lucia made such commitments to the EU and was officially delisted in March 2018 from the "black list" by the European Union and placed on the "grey list". In that regard, Saint Lucia was required to make all the necessary legislative changes by December 31st, 2018 to avoid being placed on the black list again.

As part of the commitment to the EU, Saint Lucia joined the OECD Inclusive Framework on BEPS in May 2018, satisfying criterion III of the COCG. December 2018, Saint Lucia made legislation amendments in relation to Beneficial Ownership and its income tax regime. The income tax amendments were facilitating the opening up of the International Financial Services (IFS) sector to Saint Lucians as International business companies (IBCs) are now subjected to the same corporate income tax treatment as domestic companies, save for foreign source income which will be exempt from taxation. This option for existing companies was available from January 2019 or the IBC could opt to remain with the current regime and be grandfathered until June 2021.
By letter of February 2019 from the EU, Saint Lucia was informed that the country was scheduled for another round of peers reviews and assessments under the 2016 Methodology in the second half of the year 2019.

Legislative updates

Given the need to comply with the international standards in relation to the FATF 40 Recommendations and the country's commitments to abolish or amend legislation deemed harmful under the EU tax criteria for Fair Taxation, Saint Lucia has passed the following legislation:

International Business Companies Act, Cap 12.14

- Beneficial ownership information with respect to new and existing international business companies must be available to the Competent Authority (CA) (Amendment to Sections 2 and 52).

- Pre-existing IBCs (incorporated before 1st December 2018) should not engage in new business or acquire new assets in new business ventures (Amendment to Section 3).

- No IBCs were allowed to register from 1st to 31st December 2018.

- All IBCs are subject to the Income Tax Act and should have economic substance in this jurisdiction.

- Grandfathering provisions apply to all IBCs incorporated before 1st December 2018 and will continue to apply until 30th June 2021 (Amendment to Section 12 and 109).

International Trust Act, Cap 12.19

- Beneficial ownership information with respect to existing international trust must be available to the CA (Amendment to Sections 2, and 52)

- An International trust established before 1st December 2018 should not acquire intellectual property from a related party (Amendment to section 10).

- Existing trusts will continue to enjoy the current benefits until June 30th, 2021 (Amendment to Section 4).

- New trusts are not allowed to register using the current/existing International Trust Act (Amendment to Sections 8 and 9).

- Existing international trusts are not allowed to acquire new assets or engage in new business from December 31st 2018 (Amendment to Section 10).

International Partnership Act, Cap 12.21

- Beneficial ownership information with respect to existing international partnerships must be available to the CA (Amendment to Sections 2 and 7)

• Regime has been abolished with grandfathering until June 30th, 2021. The objective provisions embodied in the Act have not materialized from inception. (Only 1 entity was registered.) (Amendment to Section 3).

• Pre-existing International Partnership (incorporated before 1st December 2018) should not engage in new business or acquire new assets in new business ventures (Amendment to Section 24).

Income Tax Act, Cap 15.02

• Definition of permanent establishment revised. This is necessary in relation to economic substance and will help determine if entities have a real presence in the jurisdiction (Amendment to section 2) or not.

• Foreign source income of a company (income received from a source outside Saint Lucia) made exempt (Amendment to sections 8 and 10).

• Income is deemed to be from a foreign source if it is:

Profit derived from and permanent establishment outside of Saint Lucia.

Derived from immovable property outside of Saint Lucia for example (rental income from another jurisdiction).

Interest not specified in Section 10(1)(c)

Derived from investment in securities issued outside of Saint Lucia.

Management charges paid from a non-resident outside of Saint Lucia if the costs associated to these charges are not related to a permanent establishment in Saint Lucia.

Royalty payments received from a non-resident permanent establishment.

• Foreign source income will only be exempt for companies (Amendment to section 33) and payments of expenses associated with foreign source income will be exempt from withholding tax (Amendment to Section 76)

• All persons are required to provide information regarding foreign source income when filing a return (Amendment to Section 84).

Companies Act, Cap 13.01

• New requirements make notice of beneficial owners, to maintain a beneficial owners register and to make such information available to the Competent Authority (Amendments to Sections 69A and 177, 190, 344, 355,377C, 377K and 551).

Overview of Industry Participants

Insurance Industry

The composition of the insurance sector remained relatively unchanged during 2018/2019 recording slight movements in the numbers of registered insurance companies and insurance agents. As at March 31, 2019, the industry comprised (1) association of underwriters, twenty-five (25) insurance companies; (twenty-three (23) active and two (2) inactive), nineteen

(19) insurance agents, eight (8) insurance brokers, thirty-two (32) registered pension fund plans and one hundred and ninety-two (192) registered insurance salespersons.

The insurance sector reported total assets of $678 million for the financial year ended December 31, 2018; representing a 16% increase over the prior year (2017: $584 million); total liabilities for the sector was $504 million for the same period; a 35% increase over the prior year (2017: $373 million). Gross written premiums increased by 6% during 2018 (2018: $223.4 million; 2017: $210.3 million) with the long- term sector contributing 25% ($58 million) and the general insurance sector contributing 75% ($165.2 million).

Credit Union

Credit unions sector consists of sixteen (16) active credit unions and one (1) credit union league (umbrella body for advocacy and sector development). The Credit Unions employ 279 individuals and engage approximately 110 volunteers who serve on various committees (Board of Directors, Supervisory/Compliance and Credit Committee) thereby contributing to the socio-economic development of Saint Lucia. The credit unions maintained an asset base of approximately $989 million representing a 13.5 % increase over the prior year (2017: $871 million); during 2018 and provided loans for provident purposes in excess of $694 million representing a 10.4 % increase over the prior year (2017: $629 million) to members thereby assisting them in achieving their self-actualization goals and developmental objectives.

Money Services Business Sector

The Money Services Business Sector comprises seven (7) micro-lenders and four (4) money remitters. The Authority approved three (3) applications for Money Services Business in the year 2018; two (2) micro-lenders and one money remitter.

Twenty-one thousand and ten (21,010) loans were disbursed by micro-lenders for 2018 with a total value of $99 million. The majority of the loans disbursed by micro-lenders were below the $5,000 range.
Total remittance inflows and outflows for 2018 stood at $112 million and $19 million respectively. Noteworthy, 50% of remittance inflows came from the United States of America.

International Sector

The total number of regulated entities from the international sector decreased overall by 11% or 9 entities (82 in 2017 to 73 in 2018). This was primarily due to the surrendering of eight entities in the international insurance sector. No new international insurance licences were granted in 2018. The number of International Banking licences (14) remained unchanged. In addition, the licence of one international mutual fund was cancelled bringing its total on the books to 13.

Supervision

During the period under review, increased focus was placed on face-to-face activities and regular dialogue with firms, through on-site examinations, outreach and annual review meetings. The Authority also dealt with a number of enforcement actions.

Domestic Sector

- *Insurance* – During the period under review the Authority continued intervention in the affairs of one insurance company due to undue delays in the settlement of claims. The Authority also intervened in the affairs of a second insurance company due to its working capital ratio falling below the prudential benchmark. In exercising the power of intervention, the insurance company was required to provide an action plan and monthly reports on the affairs of its business to the Authority. Additionally, targeted onsite inspections were conducted on both companies in order to corroborate offsite assessments and the progress made on their action plans. To-date, one of the companies has made significant improvements in its operation, including its working capital ratio. It is anticipated that the requirements imposed by the Authority on this company will be rescinded in due course.

- *Credit Union* – During the period of review, three (3) on-site inspections were conducted. In addition, meetings were held with the Board of Directors of individual credit unions as well as presentations made to general membership at annual general meetings. Based on on-site examinations conducted and critical meetings held, some observations were made:

    The credit union sector is not adequately prepared, at this time, to ensure the implementation of IFRS 9.

    Corporate governance continues to be an area requiring more focus, training and education.

    Loan administration/ underwriting requires more attention to reduce the level of delinquency in credit unions.

    Special attention must be placed on policy review and update in keeping with relevant industry standards and best practices.

    There is need to strengthening accounting systems in some cases.

    Adequate attention and monitoring must be placed on the recovery of delinquent loans.

    Anti-money laundering prevention awareness exists, notwithstanding, adequate documentation of client profiles and information along with relevant reporting requirements can be improved as too much reliance may be placed on knowledge of members as opposed to financial capacity of members.

The Financial Services Regulatory Authority remains committed to providing guidance and working with credit unions to ensure overall financial performance and compliance with relevant laws and practices in keeping with international standards.

International Sector

The Authority continues to be vigilant with enforcement actions particularly in the Off-Shore/ International Sector. This sector poses significant challenges given the complexity of the products and services being offered. As mentioned in the 2018 annual report two (2) International Banks were placed into liquidation. The liquidation processes were completed mid-2019.

For the period under review three (3) international bank applications were denied. The three (3) applications were denied as the "fit and proper" characters of the promoters were called into question.

The Authority also conducted a number of outreach and training exercises with international banks regarding the preparation for the CFATF mutual evaluation of Saint Lucia which was scheduled for September 2019.

Way Forward

2018 marks the 5th year of operation for the FSRA. This has been a very challenging period in particular as we had to work with a new regulatory work force, respond to the ever increasing pressure of the setters of international standards and undertake enforcement actions against the inappropriate action of some regulated entities.

Looking forward, we anticipate further challenges from the outcome of Saint Lucia's CFATF 4th Round Mutual Evaluation and its OECD 2nd Round of PEER Review. Hence, the FSRA will continue to develop its analytical capability to be able to respond quickly and effectively to circumstances as they affect/impact our regulated entities, consumers and all other stakeholders of the financial sector in Saint Lucia and our region. In that regard, the FSRA continues to explore opportunities for training of its staff. We continue to cooperate/ collaborate with the Caribbean Regional Technical Assistance Centre (CARTAC). The FSRA was able to schedule two (2) critical technical assistance workshops with CARTAC in the areas of Risk based Supervision (RBS) and supervisory Stress Testing of Credit Unions. While the FSRA has had the benefit of receiving technical assistance on RBS as early as 2014, we welcome the additional guidance of CARTAC on the RBS methodology. This TA will allow the staff of the Authority to reinforce their understanding of the methodology and generally facilitate application in the conduct of supervisory practices. In the case of the second technical assistance, supervisory Stress Test is the conservative application of risk measurement fundamentals to assess credit union balance sheet resiliency and credit union capital adequacy under stress scenarios. These two regulatory methods should assist in strengthening market conduct oversight.

The Authority is also seeking to obtain TA on its approach to Fintech/digital currencies. Noteworthy, is the number of providers seeking to offer products and services in the new world of technology and payment systems. Therefore, our efforts are aimed in ensuring that consumer welfare is protected.

In conclusion this year's achievements reflect not only the efforts of the Authority but strong collaboration with, and support by, industry.

I am indebted to the talented and dedicated employees of the FSRA for their ongoing dedication and willingness to serve on various committees. In these demanding times, the continuing support, challenge and guidance of Board or Directors is also hugely appreciated.

J. CALIXTE LEON
Executive Director

DOMESTIC NON-BANK FINANCIAL SECTOR

- Insurance Sector
- Credit Union Sector
- Money Services Business

DOMESTIC INSURANCE SECTOR

The Insurance sector is governed by the provisions of the Insurance Act Chapter 12.08 of the 2008 Revised Laws of Saint Lucia. It plays a critical role in the sustainable growth and development of the economy by enabling the management of loss, financial stability and promoting trade and commercial activity. The insurance sector is regulated by the Financial Services Regulatory Authority (FSRA); a statutory body with the authority to supervise and monitor all insurance licensees for the benefit and protection of policyholders and the maintenance of market stability.

As part of its mandate, the FSRA pays close attention in ensuring that companies comply with Section 80 (Statutory Deposit) and Section 88 (Insurance Fund) of the Insurance Act; which require insurers to set aside funds equivalent to their motor and long-term insurance liabilities by pledging assets to the order of the FSRA. The pledged assets serve as a safety net for policyholders in the event of failure. As at March 31, 2019 a total of $297 million were pledged by insurer's operating in the industry. The total comprised of $30 million pledged to the Statutory Deposit and $267 million to the Insurance Fund. The distribution of pledged assets to the Statutory Deposit and Insurance Fund is depicted in the graph below by type of insurance business (long-term and general).

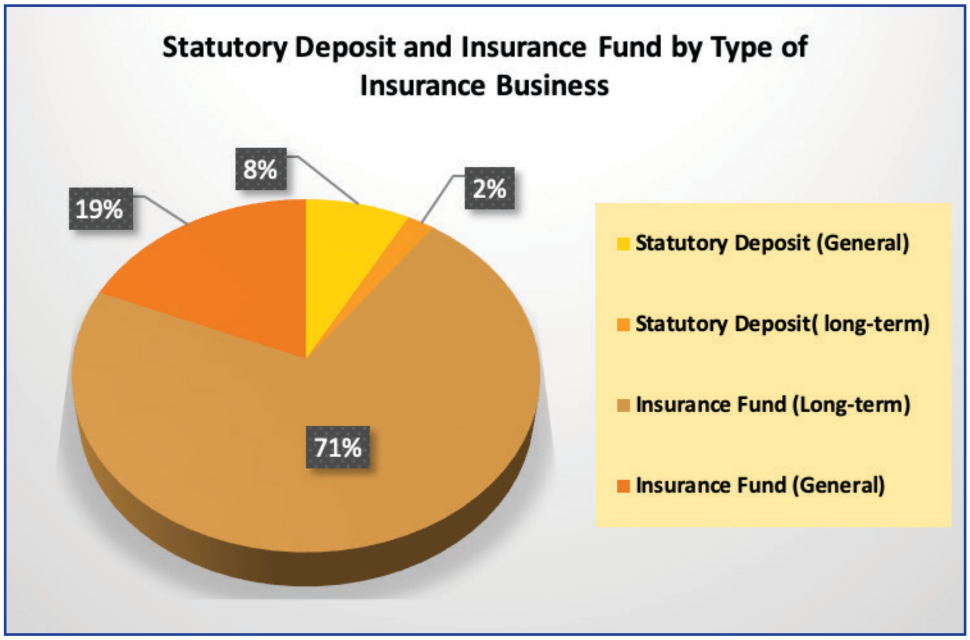
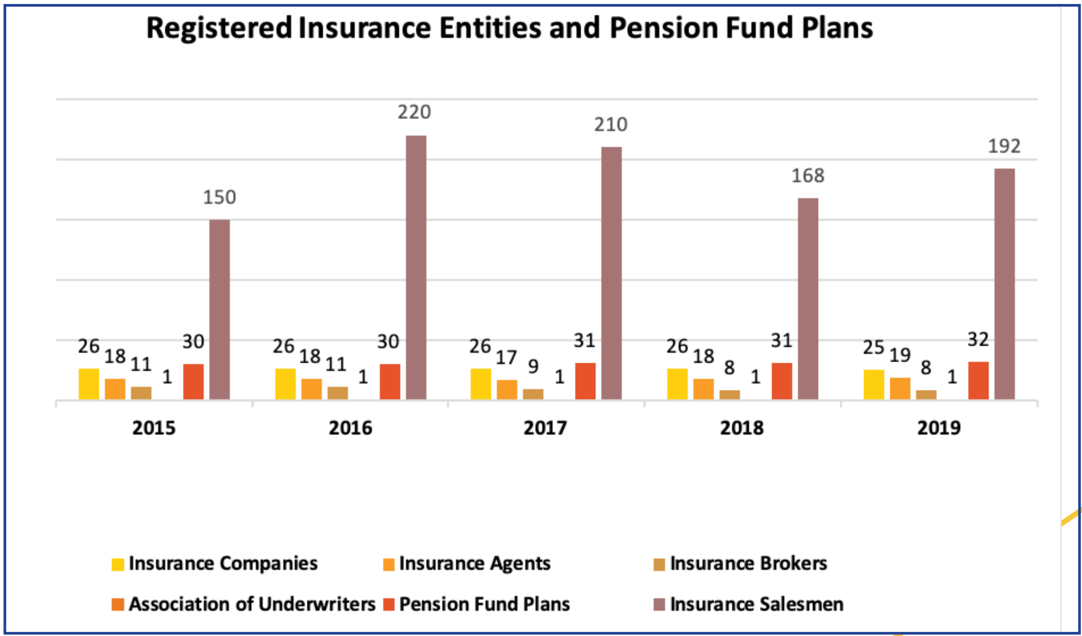


Figure 1: Statutory Deposit and Insurance Fund by Type of Insurance Business

As at March 31, 2019, the registered participants in the industry comprised (1) association of underwriters, twenty-five (25) insurance companies; (twenty-three (23) active and two (2) inactive, nineteen (19) insurance agents, eight (8) insurance brokers, thirty-two (32) registered pension fund plans and one hundred and ninety-two (192) registered insurance salespersons. Graph 1.2 depicts the number of registered participants including Pension Fund Plans for the period 2015-2019.

Figure 2: Registered Insurance Entities and Pension Fund Plans



There were slight movements in the numbers of registered participants during 2018/2019. The number of insurance agents increased from 18 to 19 and the number of insurance companies decreased from 25 to 26. The decrease in insurers was the result of a company's decision to withdraw from the Caribbean. The company's exit from Saint Lucia, effected by a smooth transfer of portfolio to another insurer caused no disruption to policy holder coverage. During the same period, another general insurance company expanded its operations by increasing the number of its insurance agents in the market. There were no new registrations or cancellations of insurance Brokers or Association of Underwriters.

Movement in the number of individuals registered to solicit insurance on behalf of insurers is typical in Saint Lucia. Life Insurance companies drive the recruitment of salesmen as they are the primary distribution channel for this class of business. General insurance companies also train and recruit individuals to maximise opportunities as salesmen engage with potential clients. Insurance salesmen's contracts have been terminated due to resignations, for failing to meet targets and, to a lesser extent, for failing to attain the minimum academic qualifications. A total of forty-nine (49) new licenses were granted during 2018/2019; nine (9) of which were normal registrations while forty (40) were granted on condition that the minimum academic qualification is met within two (2) years of registration. Twenty-five (25) registrations were cancelled during the period bringing the total number of registered salesmen to 192 as at March 31, 2019.

The number of registered pensions increased with one (1) defined contribution plan registered, taking the total to thirty-two (32). Registered pension plans have the opportunity to gain approval status with the Comptroller of Inland Revenue thereby making contributions towards the plan of up to a specified limit exempt from tax.

Table 1: Movement in Registered Participants during the year under review

Types of Registrants	Registered at April 1, 2018	New Registrants	Termination/ Cancellation	Registered at March 31, 2019
Insurance Companies	26	0	1	25
Insurance Agents	18	1	0	19
Insurance Brokers	8	0	0	8
Insurance Salesmen	168	49	25	192
Association of Underwriters	1	0	0	1
Pension Fund Plans	31	1	0	32
Total	**252**			**277**

Insurance Sector Performance

In 2018, the insurance industry reported its second consecutive year of growth in direct gross written premiums with an increase of 6% over the prior year (2018: $223.4 million; 2017: $210.3 million).

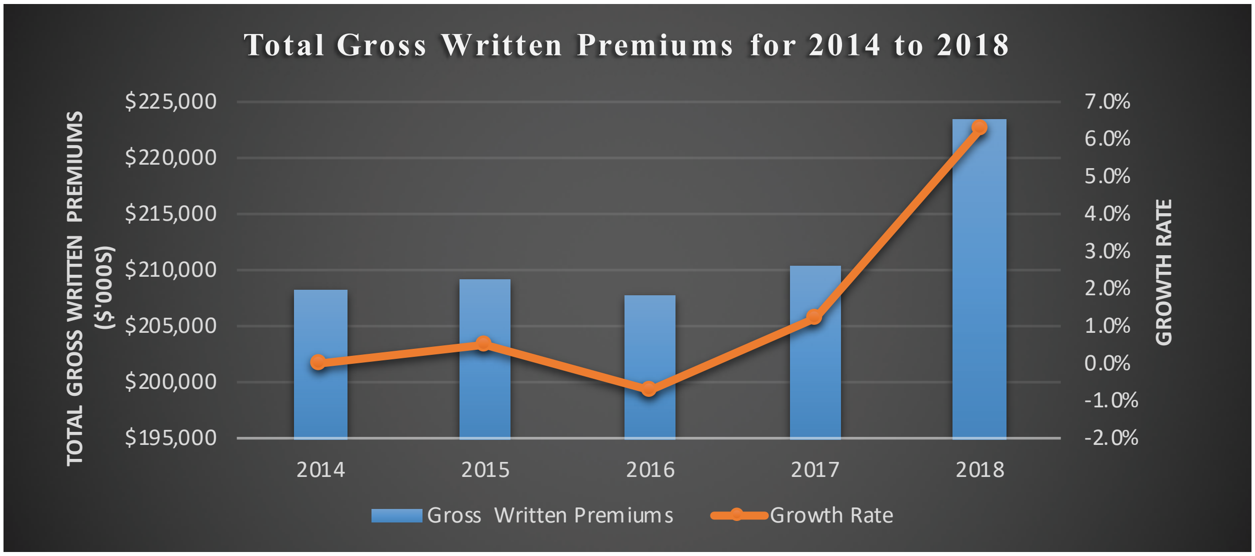
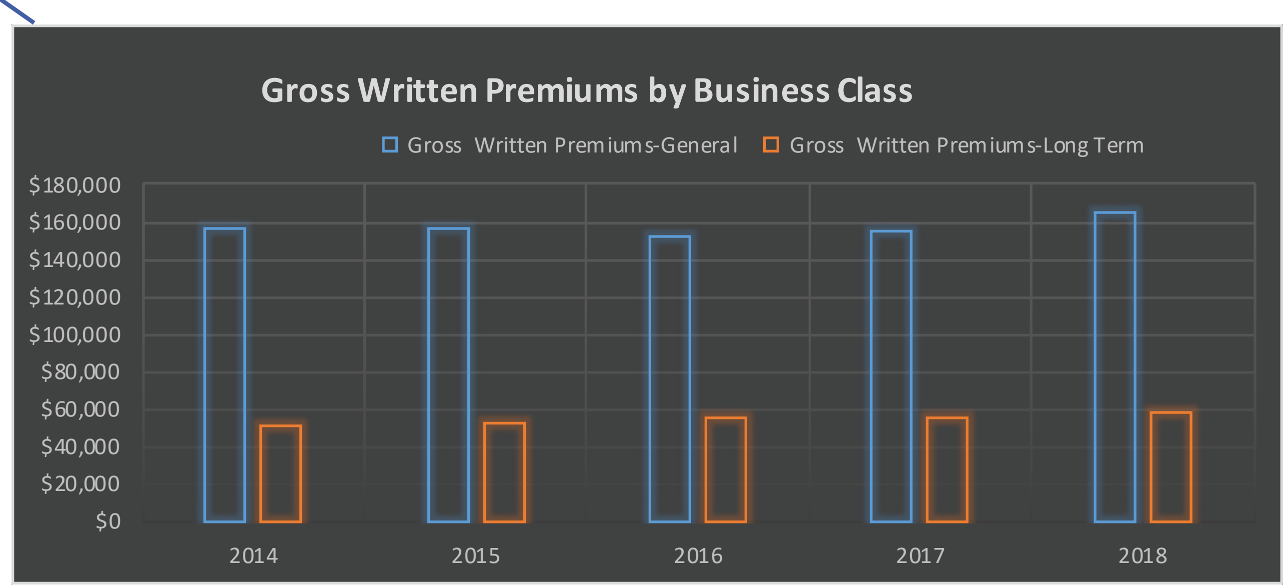


Figure 3: Total Gross Written Premiums for 2014 to 2018

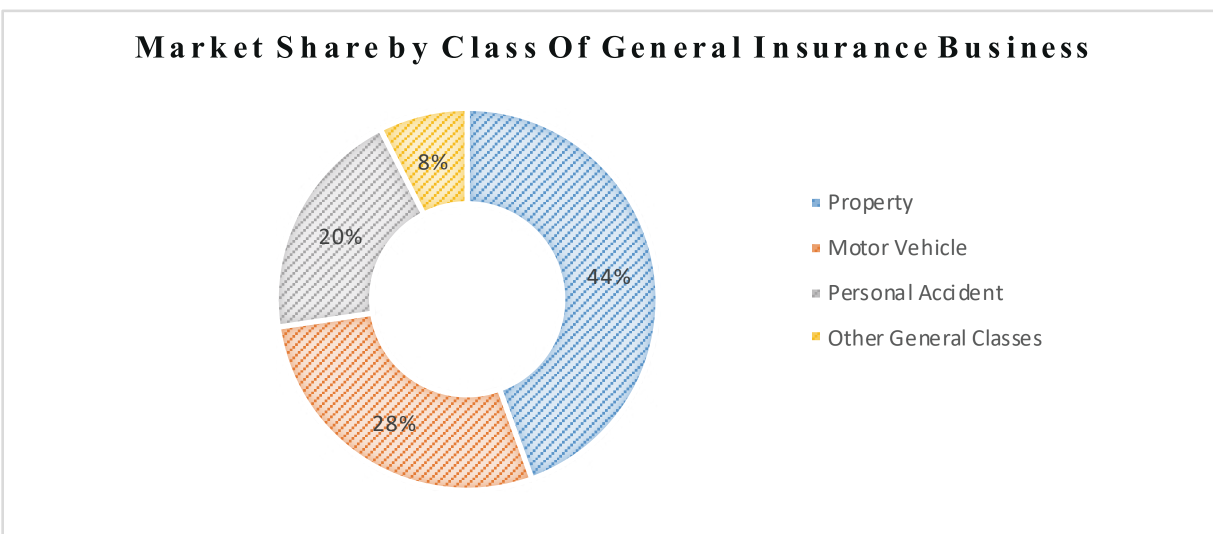
The long term insurance sector contributed $58 million (25%) of industry gross written premiums. As illustrated in Graph 1.4, the long- term insurance sector rebounded from its 2017 contraction as business expanded by 6% in 2018 (2017: $55.20 million), while the general insurance sector grew by 7% over the same period, recording $165.2 million of gross written premiums (2017: $155.1 million).

Figure 4: Gross Written Premiums by Business Class



The property insurance subclass of general insurance maintained its market dominance, accounting for $48 million of the $165.2 million gross written premiums generated. Graph 1.5 illustrates the spread of gross premiums for the general insurance sector. Other General Classes comprise the other three subclasses, namely: Liability, Pecuniary and the Marine, Aviation and Transport class.

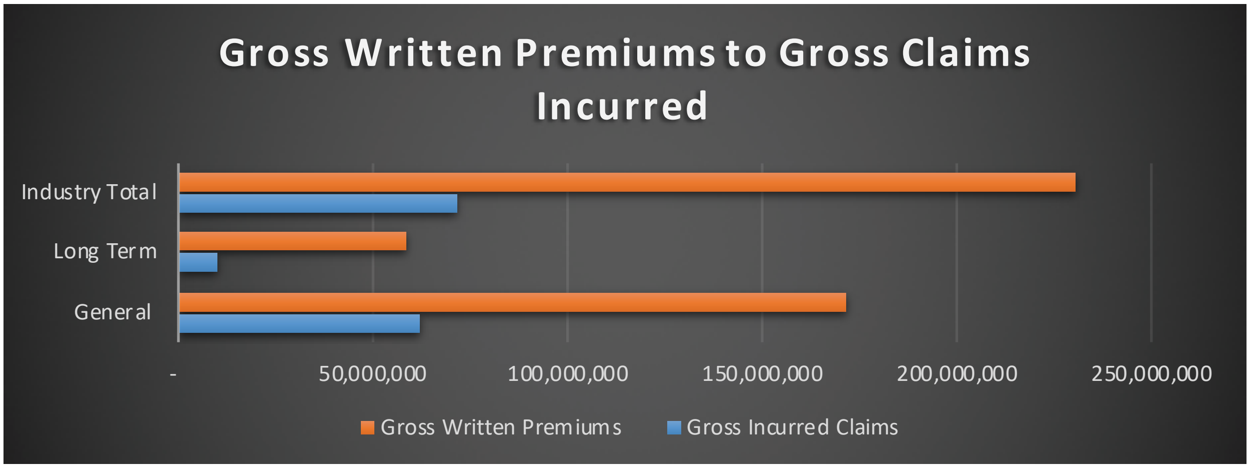
Figure 5: Market Share by Class of General Insurance Business



Claims

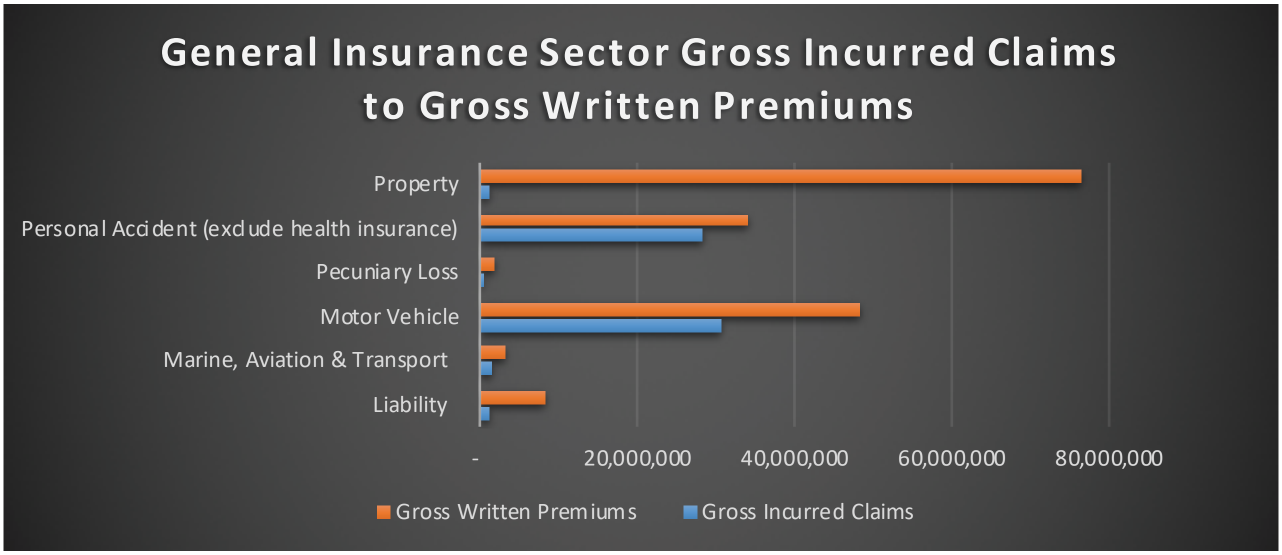
Gross incurred claims increased in tandem with gross written premiums. The gross incurred claims stood at $71.5 million in 2018, an increase of 17% or $10.11 million on 2017 which stood at $61.39 million. Total gross incurred claims are indicative of the risk absorbed by the insurance sector.

Figure 6: Gross Written Premiums to Gross Claims Incurred



The percentage of incurred claims to written premiums varied significantly for the respective classes of insurance. Property insurance claims constituted only 1% of the gross written premiums for property business. Inherently, this class of business experiences large fluctuations in claims. The low percentage of property claims in 2018 is attributable to Saint Lucia not being directly impacted by any significant catastrophic events during that year.

Figure 7: General Insurance Sector Gross Incurred Claims to Gross Written Premiums



In contrast, the claims experience for the personal accident and motor vehicle classes of insurance business is usually high and stood at 63% and 83%, respectively in 2018. The large percentage of incurred claims for personal accident insurance may be credited to increased health insurance claims. In the motor insurance sector, the pattern of charging low premiums in an effort to maintain market share continued. There is a likelihood that this strategy could attract riskier motor insurance business which could be linked to higher motor insurance claims. Additionally, the market has seen an increase in the importation of used vehicles many of which are insured on a third party risk basis, thereby attracting lower premium rates.

The long-term insurance sector also recorded significant claims with the percentage of claims incurred to written premiums being 57.3%. Claims include policy surrenders, annuity payments, maturities and other policy holder benefits. Life insurance claims percentages to written premium are usually moderate and exhibit minimal fluctuation due to the existence of long maturity periods matching long term investments undertaken by life insurers.

Solvency

Both the long-term and the general insurance sector have maintained solvent positions over the past three years, albeit trending downwards.

Table 2: Domestic Insurance – Statistical Information and Financial Position

Statistical Information and Financial Position ('000)				
	Dec-16	**Dec-17**	**Dec-18**	**Percentage Change 2017/18**
General Sector				
Total Cash, Loans and Investments	150,727	144,334	140,088	-3%
Other Assets	116,006	124,161	139,173	11%
Total Assets	266,733	268,495	279,261	4%
Total Insurance Liabilities	103,690	105,621	117,336	10%
Other Liabilities	32,232	45,354	51,194	11%
Total Liabilities	135,922	150,974	168,530	10%
Total Capital and Reserves	130,813	117,520	110,734	-6%
Life Sector				
Total Cash, Loans and Investments	313,684	265,387	335,816	21%
Other Assets	42,850	49,769	62,696	21%
Total Assets	356,534	315,156	398,512	21%
Total Insurance Liabilities	223,915	202,032	220,512	8%
Other Liabilities	17,603	19,990	115,153	83%
Total Liabilities	241,518	222,022	335,665	34%
Total Capital and Reserves	115,015	93,139	62,844	-48%

Contributing factors to the reduced solvency margins in both the general and life insurance sectors include:

i. Exposure to sovereign debt restructuring;

ii. Impairment due to the implications of IFRS 9; and

iii. Movement of capital from branch operations to head offices.

New Developments – IFRS 17 and IFRS 9

The insurance sector is on the cusp of a major transformation with the introduction of IFRS 17 - Insurance Contracts and IFRS 9 – Financial Instruments, which are both expected to result in major accounting changes for insurers. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 whereas IFRS 17 has a later implementation date of January 2022. However, the parallel application of these standards by insurers is seen as desirable by the International Accounting Standards Board (IASB) in order to avoid the application of IFRS 9 classification and measurement criteria to financial assets without applying the new insurance standard to associated liabilities at the same time.

To address this concern, the IASB amended IFRS 4, the current insurance contract standard, to provide two voluntary approaches (Deferral Approach and the Overlay Approach) to mitigate the issues arising for insurers. Consequently, a large majority of insurers have opted to defer the adoption of IFRS 9 to synchronize with the implementation of IFRS 17.

IFRS 9 introduces new measurement requirements for financial instruments, with a different mixture of amortised cost and fair value. It is a new forward looking "expected loss impairment" model, which requires consideration of macroeconomic data and forecasts of future events. This could have significant implications for insurers' receivables and debt securities which form a substantial part of insurers' assets.

IFRS 17 is intended to increase transparency around the profitability of insurance business, by: separating the presentation of underwriting and finance results and increasing consistency and transparency around accounting for options and guarantees. Also, in calculating the actuarial reserves for life insurance, interest rate assumptions will no longer be linked to a company's asset base but rather on the risk free rate. The scope and scale of the changes required for insurers to properly transition to IFRS 17 is unparalleled.

The standard has the potential to impact product design, distribution models, investment policy, reinsurance structures and cost of capital. It will require insurers to revamp financial reporting practices and financial statements. The cost of implementation is likely to be high in terms of cash outlay for consulting, new systems and manpower required for the project.

Therefore, insurers need to think quickly and holistically about the possible impact on their operations and institute the necessary measures to facilitate compliance and to mitigate any negative ramifications.

CREDIT UNION SECTOR

Credit unions are financial co-operatives whose members share a common bond, thereby creating avenues to facilitate members' growth and development, through shared services aimed at sustainable living, economic growth and social development. The common bond of membership is usually characterized by factors relating to geographic location/community base, and employment sector. In recent times, the lines of geographic location have become blurry, as some credit unions have expanded their membership to serve people nationally. Notwithstanding this increased openness, each credit union still maintains individual identity through historic bond as the original heritage of each credit union is still maintained throughout the sector.

Credit unions seek to provide financial services to members, whether by savings or loans, in an effort to stimulate prudent financial practices that would enrich their overall development as well as that of the wider community. Credit unions utilize a basic business model where members' funds are pulled together ($797 million in 2018) in order to facilitate the granting of loans ($695 million in 2018) to each other. Overall, it is expected that credit unions financial projections are based on practical assumptions which reflects a realistic cost benefit assessment in the process of the implementation of its business model strategy.

The sector comprises 16 credit unions, 1 league, 111,141 members (some members have dual membership), 279 employees, and approximately 110 directors (volunteers).

Table 3: Financial Performance of the Credit Union Sector (XCD 000's)

Income Year	Total Assets	Total Withdrawable shares & Deposits	Total Liabilities	Institutional Capital	Percentage of Institutional Capital / Assets	Total Share Capital (Permanent)	Percentage of Permanent Shares / Assets	Total Members	Total Staff
2013	552,034,054	393,046,497	448,037,150	86,872,722	16%	18,664,445	3%	75,653	203
2014	604,358,592	480,486,613	493,021,469	98,588,790	16%	22,613,683	4%	83,397	232
2015	672,371,519	536,970,193	536,970,193	117,570,935	17%	27,340,439	4%	91,637	237
2016	782,988,581	632,332,205	639,847,975	132,577,697	17%	34,795,966	4%	99,098	255
2017	871,240,735	702,329,185	711,737,295	148,765,822	17%	41,118,809	5%	104,142	263
2018	989,184,726	796,673,487	807,175,677	174,155,350	18%	50,432,055	5%	111,141	279

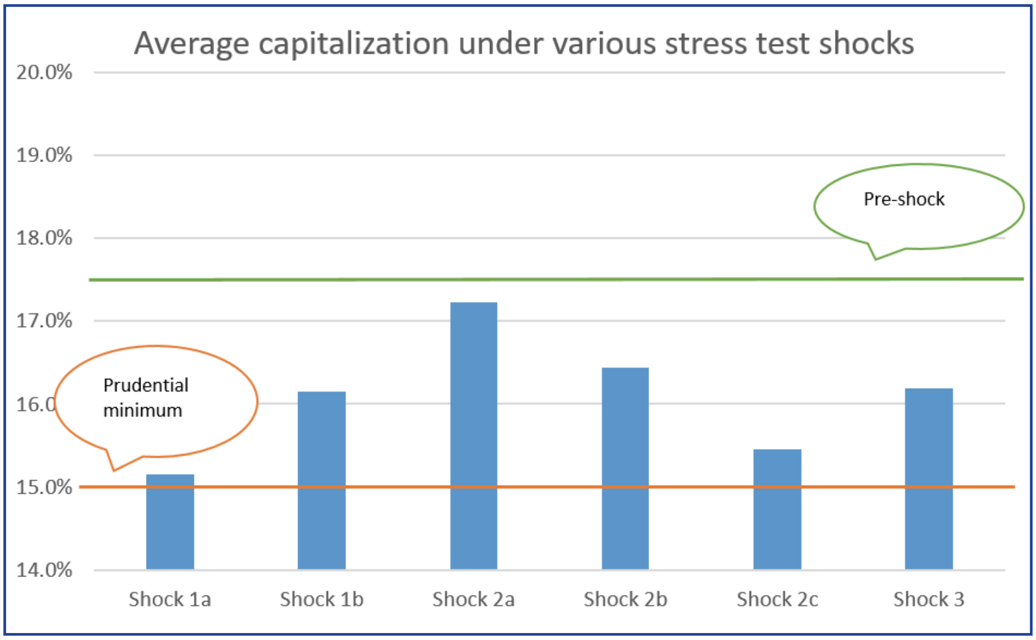
Over the past six (6) years, there has been a steady increase in total assets which is indicative of the sector's viability and continued demand in the financial services sector in St Lucia. Total assets have surpassed EC$989 million, and represent an increase of 13.5% from the previous year. Similarly, we note an increase of members' savings by 13.4%. This suggests that credit unions provide a diverse portfolio of products aimed at meeting members' demand over time. Further, the culture of savings is reinforced by competitive deposit interest rates offered by some credit unions in contrast to other commercial financial institutions. In addition, credit union members benefit from a personal income tax deduction (maximum of $5,000) which encourages the practice of savings. Credit unions do not increase the international debt burden as they do not depend on external capital. It must be noted that the rise in savings creates the increased need for credit unions to employ more stringent know-your-customer procedures, policies and practices to ensure that financial risk is adequately assessed and the financial environment is preserved from money laundering.

Core capital (institutional capital) as a percentage of total assets remained fairly constant over the years and reflected a slight increase of 18% for 2018 from 17% recorded over the past three (3) consecutive years; above the industry standard of a minimum of 15% (inclusive of permanent shares). This suggests that the sector may be able to adequately withstand adverse economic shocks and continues to remain stable. This was further supported by the results of a Stress Testing exercise performed on specific critical areas including that of capital adequacy to determine the possible impact on credit unions if various economic shocks were to occur that would negatively affect credit unions' financial performance. The exercise attempted to create certain "what-if" scenarios including:

- increasing non-performing loans by 100% (shock 1a);
- write-off adjustment of the non performing loans (shock 1b);
- increasing sectoral non-performing loans such as consumer and mortgage loans by 100% (shock 2a and 2b);
- the default and write-offs of the three largest loans for each credit union (shock 2c); and
- a 2% to 3% downward shift of interest rates (shock 3).

Notwithstanding all the shocks and situations applied, the credit union sector was able to maintain a capital adequacy ratio above the minimum industry standard of 15% (reference Figure 8 below).

Figure 8: Average Capitalization of Credit Union Section under various Stress Testing Scenarios



Notwithstanding the sector's performance in this regard, some individual credit unions fall below the minimum acceptable standard and are expected to create practical and viable strategies as a means of increasing their performance. Currently, there are six (6) credit unions which meet the 15% requirement of the Cooperative Societies Bill.

Credit unions are recognizing the importance of strengthening their capital base to safeguard against unforeseen losses and are taking steps to enhance performance in this area. Nonetheless, greater focus must be placed on strengthening/building the core capital of credit unions as prudential industry standards as well as dynamic economic changes over the past ten (10) years suggest the need for strengthening in this area. Proposed legislation further provides guidelines to ensure stable financial base of credit unions.

Table 4: Credit Union Sector – Total loans and total delinquent loans (000's)

Income Year	Total Assets	Total Loans	Total Deliquent loans	Total Deliquent loans/ Total loans	Total Provisions on Loans	Provisions on Loans/Total Deliquent Loans	Institutional Capital less Deliquent Loans NO PROVISION	Percentage of Institutional Capital less Deliquent Loans NO PROVISION / Assets
2014	604,358,592	439,318,934	50,711,135	12%	16,696,548	33%	64,574,203	11%
2015	672,371,519	505,270,587	56,173,728	11%	16,028,098	29%	77,425,305	12%
2016	782,988,581	568,918,047	58,220,553	10%	14,693,315	25%	89,050,459	11%
2017	871,240,735	628,710,244	64,761,574	10%	13,832,028	21%	84,004,248	10%
2018	989,184,726	694,895,165	62,301,307	9%	24,591,214	39%	136,445,257	14%

The granting of loans to members remain the main income generating activity of credit unions. The loan facilities available to members afford them the opportunity to benefit from lower administrative fees and charges as compared to other financial institutions. In addition, members are awarded a patronage refund on loans which further reduces the cost of such borrowing and serves as a means of indirect savings for members. Overall, loans represented 81% of total assets and loan funds are sourced from members.

Total delinquent loans for the sector continue to be an area of significant concern. Notwithstanding the decrease noted from the prior year, the ratio of delinquent loans to total loans remained relatively significant over the past two (2) years at 10%. The ratio remains significantly greater than the 5% benchmark set by PEARLS (financial assessment tool for credit unions).

This performance indicates the severity of the issues and highlights the need for greater attention to be placed on the critical factors impacting overall loan performance such as job security and loan underwriting practices.

Overall, credit unions play an integral role in creating sustainability in the lives of members and the wider community as a whole, as they facilitate financial activities to stimulate personal financial growth of members. Further, credit unions engage in promoting corporate social responsibility by financing and sponsoring activities within social groups that would foster community development and enrichment. The membership size of credit unions, globally and locally, reinforces their impact and effect on communities as they contribute considerably to value creation, financial, economic and social enrichment in the lives of people worldwide. Hence, as a significant player within the financial services sector, there must be collaboration among key stakeholders to encourage strategic planning as they chart the way for greater economic and social growth in communities. Further, credit unions and other financial services sector businesses must engage in productive and relevant dialogue while consulting with the relevant regulatory bodies and international agencies to understand the implications of international policies and standards that impact their current operations and financial performance. In addition, credit unions must seek to keep abreast with international standards in relation to financial markets, corporate governance and modern day technology in an effort to avoid negative impacts such as de-risking and poor financial performance.

MONEY SERVICES BUSINESS SECTOR

The growth in remittances and micro lending for the period under review reveals that Money Services Businesses continue to remain a significant niche of the financial sector and the general economy of Saint Lucia. There are five categories of licences that an interested applicant may apply for as seen in the table below. The broadest range of these categories is Class A licenses. The table shows that there are currently eleven (11) money services businesses that are currently being regulated as opposed to eight (8) entities in the previous year.

Table 5: Classes of Licence for Money Services Businesses

TYPE OF LICENCEE	DESCRIPTION	NO. OF LICENCEES IN 2017	NO. OF LICENCEES 2018
Class A	Transmission of money or monetary value in any form Issuance, sale or redemption of money orders or traveller's cheques Cheque cashing Currency exchange	3	4
Class B	Issuance, sale or redemption of money orders or traveller's cheques Cheque cashing Currency exchange	0	0
Class C	Cheque cashing	0	0
Class D	Currency exchange	0	0
Class E	Micro-lending	5	7
TOTAL		**8**	**11**

The Authority approved three (3) applications for Money Services Business in the year 2018; of one (1) of Class A, and two (2) Class E as defined in the Act.

MONEY TRANSMITTERS

Growth in the Sector

Money Transmittal Agencies have become a lifeline to many developing nations as they provide an important source of much-needed funds. Where the lower income group of society cannot readily access financial resources due to the inability to meet the requirements of lending institutions, the receipt of remittances is a necessary and much embraced alternative.

There has been an increasing trend in global remittance statistics. According to the "World Bank's Global Economic Prospects 2006", remittances to middle- and low-income countries in 1990 amounted to US$31 billion. Fifteen years later, they were estimated to have reached US$200 billion, of which about one-fourth was directed toward the Latin America and the Caribbean region. Remittance flows into Latin America and the Caribbean grew to US$88 billion in 2018. That's a 76% increase from the 2006 estimate. According to the report, this is supported by the strong U.S. economy.

Statistics from the Money Services Business Sector of St Lucia reveal a trend coinciding with World Bank statistics. Total Remittance Inflows for the sector for the year 2018 were XCD$ 112 million; an increase of 2.46%. For the five-year period commencing in 2014, inflows increased by 34.61%. The increasing trend of Total Remittance Inflows can be seen in Figure 9.

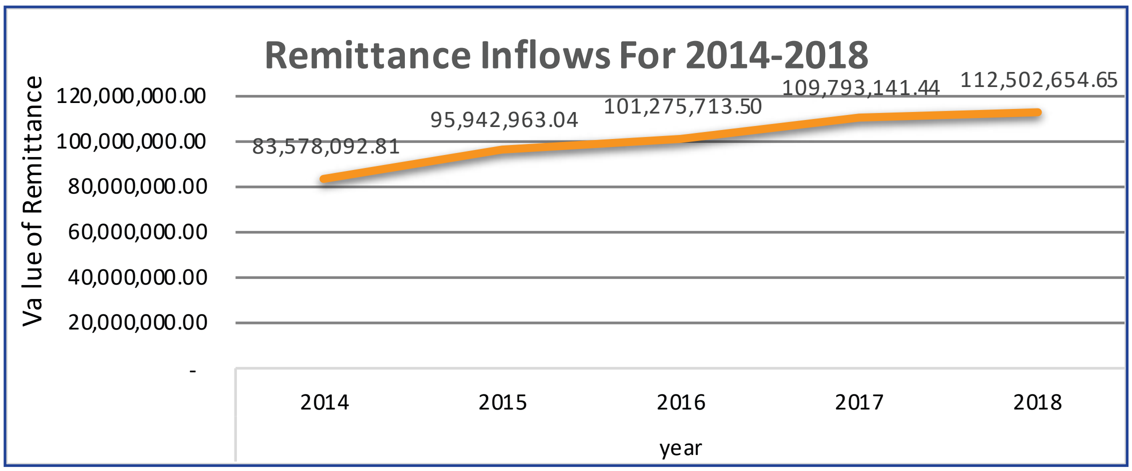
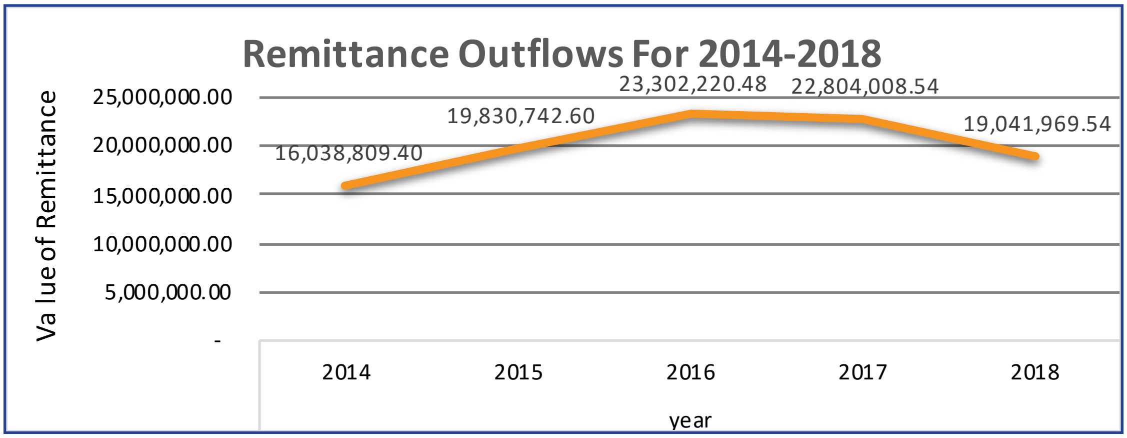


Figure 9: Trends in remittance Inflows

Total Remittance Outflows was XCD$19 million for the sector, for the year 2018. From 2014 to 2016 there was an increasing trend in outflows which totalled XCD$7.2 million. However, there was a deviation from this trend from the 2016 peak period towards 2018 and thus a total decrease of XCD$4.2 million was experienced. The decreasing trend of Total Remittance Outflows can be seen in the following graph. The decrease can be attributed to money transmitters reducing or in some instances stopping outflows to higher risk jurisdictions like Asian and African countries.

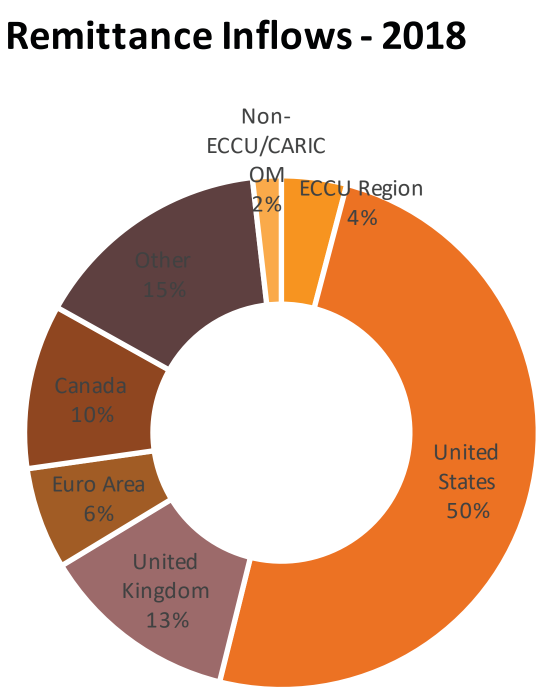
[1] *https://www.worldbank.org/en/news/press-release/2019/04/08/record-high-remittances-sent-globally-in-2018*

Figure 10: Trend in Remittance Outflows



Country Proportion

The US has always been accounted for the largest share of incoming remittances to St Lucia, a consequence of the strong U.S. economy spurring growth in the sector. There was no change in inflows from Non-ECCU/CARICOM countries while for the ECCU there was a slight increase. of one (1) percent.



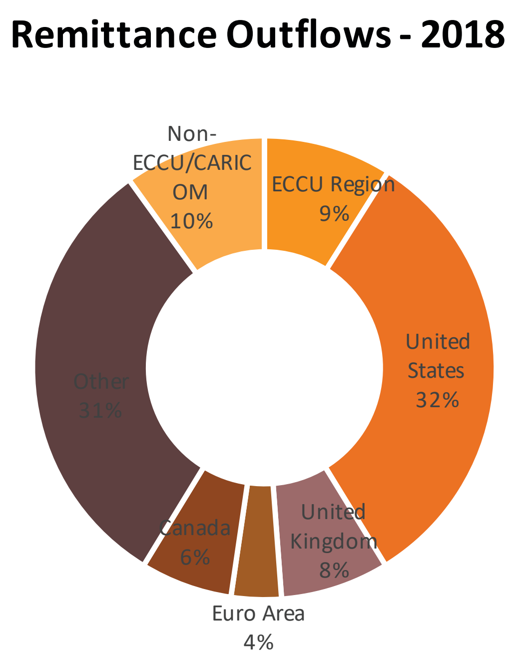


Figure 11: Remittance Inflows during 2018 by Regions

Figure 12: Remittance Outflows during 2018 by Region

MICRO-LENDERS

The portfolio of Money Services Businesses increased by two (2) new micro-lending entities licensed in 2018 resulting in a total of seven (7) micro-lending companies regulated by the Authority. The financial sector has seen increasing advancements in the provision of financial services which has become paramount in an ever changing, consumer driven society. Credit is accessible to all income brackets and as the need for lending has become essential, Micro-lenders have aligned their business to meet those needs and thus created a thriving niche market. While banks are usually reluctant to offer unsecured loans, the micro-financing operators do not require collateral for the smaller loans, making it much more attractive. The risk is mitigated by shorter repayment period, higher interest rates (more than 20%) and aggressive recovery methods.

Figure 1 below reveals that most individuals doing business with micro-lenders take advantage of small loans to offset the immediate needs against their disposable incomes. Forty-one percent (41%) of total loans disbursed fall between $0 to $5,000 while the subsequent category of $5,001 to $10,000 constitutes thirty-one (31%) of total loans disbursed.

Figure 13: Aggregate Loans Approved During **2018**

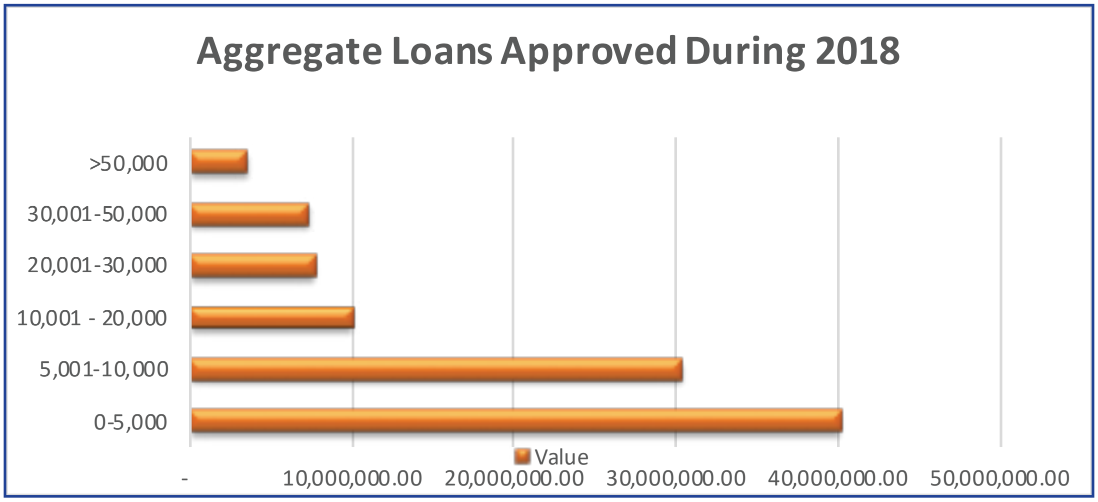
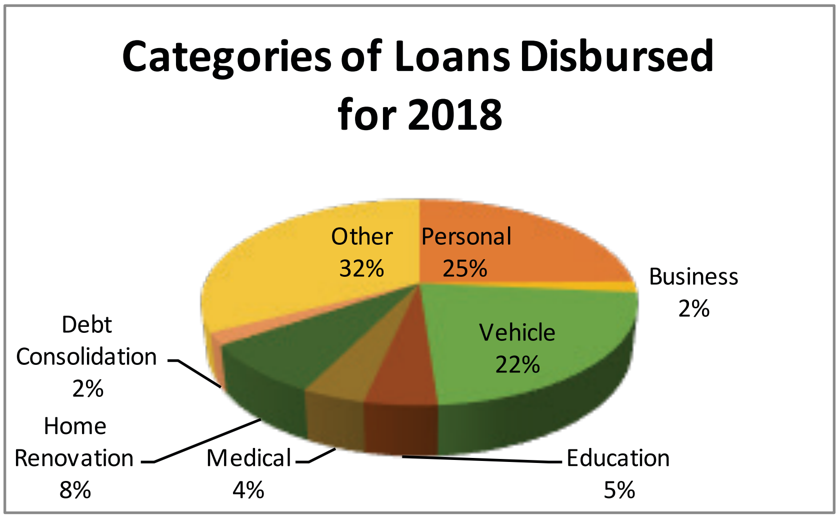


Figure 2 below reveals that small loans cater to diverse needs for a developing nation. The largest portion of loans falls in the 'other" category with thirty-two (32%) followed by "personal loans" with twenty-five (25%). Motor Vehicles in turn continue to remain a prominent asset in St Lucia as evidenced by the twenty-two (22%) percent share. Business loans and medical loans remain unchanged from last year's position of four (4%) and two (2%) respectively while education loans increased by one (1%).

Figure 14: Aggregate Loans Approved During **2018**



Growth

The competition faced by other institutions such as credit unions (a thriving sector) has not deterred the growth of the micro-lending sector. There was a twenty-six (26%) increase in the value of loans disbursed for the year 2018. There is an upward trend with regard to the total value of loans disbursed, with an upsurge during the four-year period of eighty-four percent (84%).

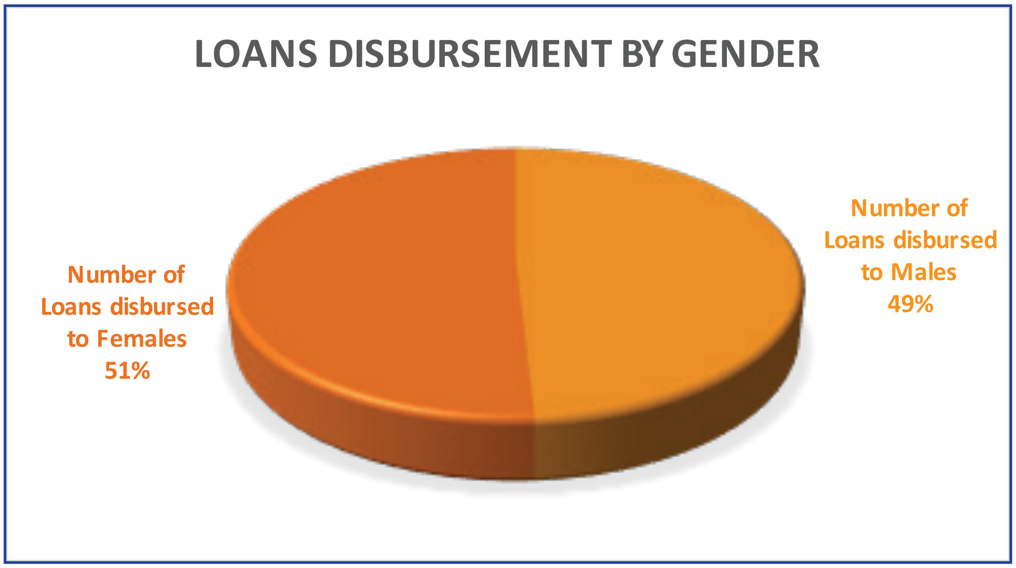
Table 6: Micro-Lenders – Loans and Number of Employees

Category	2018	2017	2016	2015
Total number of loans disbursed for the year	21,010	20,850	18,368	16,455
Total value of loans disbursed	98,776,819	$78,074,987	$67,036,066	$53,473,390
Number of employees	79	95	76	56

Noteworthy is the reduction in the number of employees in the sector. The drop (-16 staff) has been attributed to the closure of two sub-branches and one (1) micro lender implementing stand-alone branches for cash loans with specialized staff as opposed to cash loans being processed at its various retail outlets across the island.

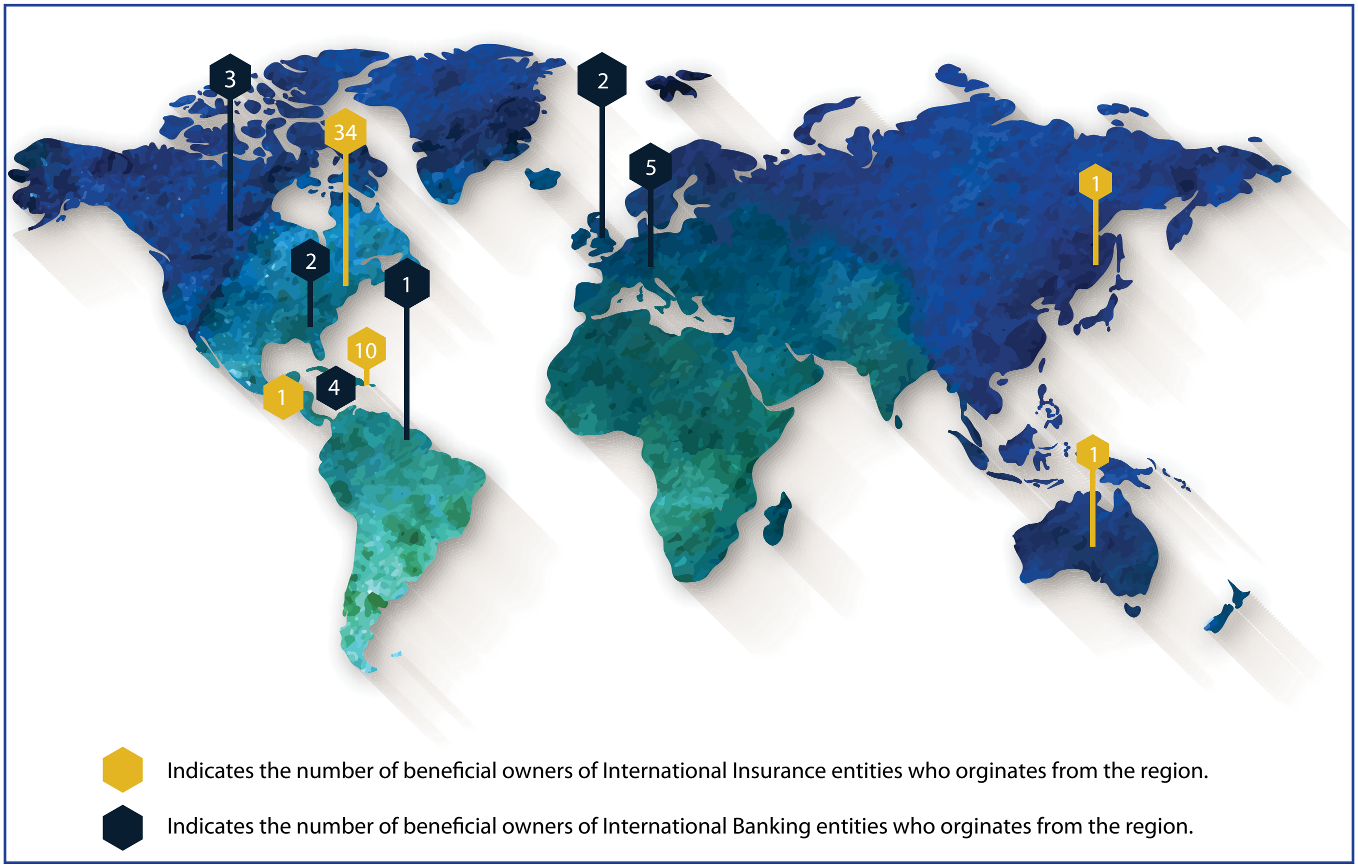
1. The pie chart below reveals that a higher number of females are applying for micro loans.

Figure 15: Aggregate Loan Disbursements by Gender



INTERNATIONAL FINANCIAL SECTOR

Saint Lucia's international financial sector comprises all international business companies (IBCs) engaging in banking, insurance and mutual funds with non-residents. There were 73 licensed IBCs regulated by the Authority in 2018, with the ultimate beneficial owners being residents of USA, CARICOM and other countries.



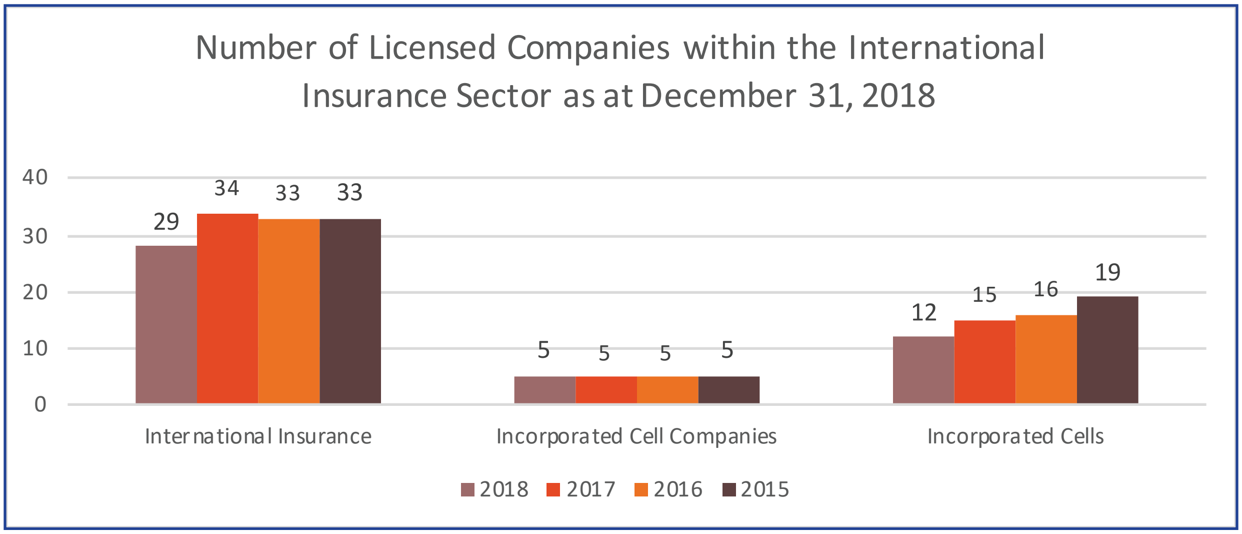
Towards the end of 2018, an amendment to the International Business Companies Act was enacted requiring new IBCs registered from January 1, 2019 to comply with the Income Tax Act of Saint Lucia. However, IBCs which were previously registered continue to enjoy the tax concessions (1% for 2 years) under a grandfathering agreement until June 30, 2020.

INTERNATIONAL INSURANCE SECTOR

Under the International Insurance Act, Chapter 12.15 of Saint Lucia, international insurance companies can be registered and/or licenced as incorporated cell companies, incorporated cells and general and/or long term international insurance companies.

During the year ended December 2018, five (5) international insurance companies and three (3) incorporated cells surrendered their license, with no new licences and registrations being

Figure 16: No. of Licensed Companies within the International Insurance Sector as at December 31, 2018



approved. At the end of the year, there were a total of five (5) incorporated cell companies, 12 incorporated cells and 29 international insurance companies within the sector.

The decline in new applications and re-domiciled entities is a result of the USA actively enacting legislation to allow the formation of captive insurance companies. 72% of the Saint Lucian sector's ultimate beneficial owners originate from the USA. In the old days, Offshore was the only choice for the setting up of captive insurance entities. The USA counts over 36 states where captives are experiencing tremendous growth. The USA currently outranks Bermuda and Cayman Islands (the world's biggest domiciles) with the number of captives licensed.

Therefore, the annual revenue earned from the sector in Saint Lucia, by way of license fees has continued to be significantly impacted, recording a 26% drop from 2017, having already deteriorated substantially from 2015. In addition to the fall in revenue, recorded overall economic activity has also reduced.

Table 7: Premiums, claims incurred, allowable assets, liabilities and revenue earned by the Authority (in US$)

	2018	2017	2016	2015
Gross Written Premiums	50,291,859	106,594,830	105,551,449	141,005,133
Net Written Premiums	45,337,699	94,368,897	94,203,197	139,041,070
Claims incurred	2,595,872	4,447,580	4,836,084	1,795,113
Allowable assets	224,953,219	379,035,126	371,568,283	341,920,959
Liabilities	141,483,122	232,594,505	225,733,471	204,486,849
Revenue earned by Authority	82,003	111,183	136,221	231,643

INTERNATIONAL BANKS

For the period under review, 14 international banks have been licensed under the International Banks Act, Cap.12.17 of the Revised Laws of Saint Lucia (IBA). The IBA provides for the issuance of two (2) classes of international bank licence; Class A and Class B. For the year ended 2018, were licensed ten (10) class "A" and four (4) class "B" banks.

The Class A licence allows the holder to conduct business with third parties who are not residents of Saint Lucia. Class A banks are required to maintain physical presence in Saint Lucia with a complement of staff and offices from which they operate. Class A banks typically deal with high net worth individuals. These banks are actively engaged in transactional accounts (wire transfers), corporate loans and trade financing which involve little to no over the counter physical cash transactions.

In the case of Class B banks, deposits are only accepted from a restricted group of persons/ entities which would have undergone Enhanced Due Diligence (EDD). In Saint Lucia, three of the four Class B banks are captives of well-established commercial banks (located in the Caribbean region), and therefore deposits received are that of the parent entity (inter-company transactions).

The international banking sector continues to experience an upward trend in all key financial indicators. Notably, our analysis indicates 31.3% increase in net interest income, which was mainly generated through wire transfers. As a result of the establishment of the new capital requirements (as provided in the FSRA's Guidance Notes), total equity increased from US $79 M in 2017 to US $101 M in 2018. An increase in employment from 66 to 70 persons, most of whom are locally sourced.

Table 8: International Banks – Financial Performance (in US$)

Details	2017	2018	Diff.	Diff.%
Total Assets	511,517,962	546,364,847	3,4846,885	6.81%
Total Liabilities	431,870,489	444,943,706	13,073,217	3.03%
Total Equity	79,569,171	101,368,838	21,799,667	27.40%
Net Interest Income	15,578,713	20,457,740	4,879,027	31.32%
Total Employees	**66**	**70**	**4**	**6.06%**

Enforcement

Noteworthy, the FSRA heightened its regulatory powers through application of following administrative sanctions:

- Three applicants were denied licences.
- One licensee was placed under liquidation.

Table 9: International Banks – Statistics

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

Below are some case studies in relation to the actions taken by the Authority.

Remedial actions – Cases Studies

Denied application: Beneficial owner submitted passport, police reports, drivers licence, utilities bills from a country not recognised by the United Nation.

Denied application: Due diligence conducted on affiliates of the applicant for a class B Licence revealed many deficiencies.

Denied application: Due diligence exercise revealed that the promotors of the application were fronting for the ultimate beneficial owner.

Enhanced due diligence on the beneficial owners: Bank 'L' notified the Authority that both shareholders changed their surnames. Accordingly, the shareholders were seeking a change to the particulars of Bank L to reflect the new surname. The shareholders had previously requested a change of name of Bank L to Bank T which was denied. The combination of the change of surname and change of Bank's name would effectively allow the directors to operate under completely new identities, making it difficult to trace them to their past activities. Given the FSRA's concerns about the integrity of the shareholders, the Bank was placed under enhanced monitoring. Our investigations revealed dubious activities, thus the FSRA ruled that the changes requested were an attempt to dissociate themselves from their past. FSRA took action and revoked the licence of the Bank L.

INTERNATIONAL MUTUAL FUNDS SECTOR

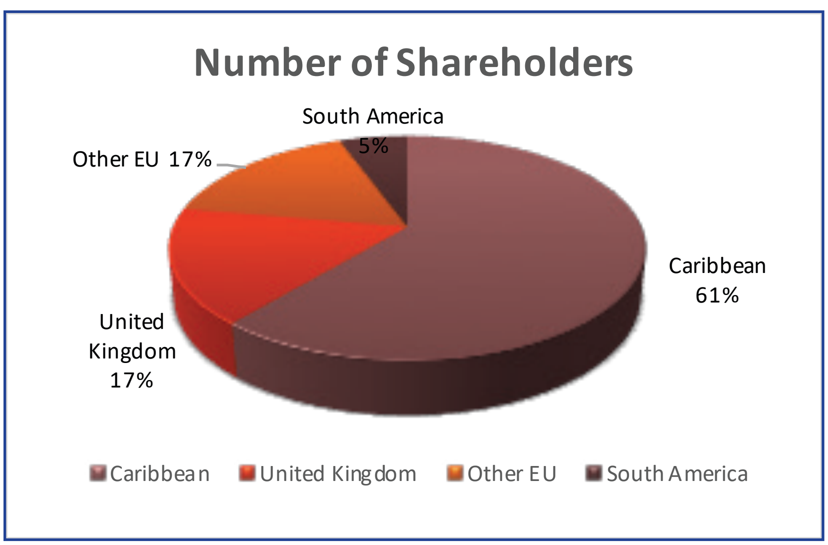
The International Mutual Funds Sector is currently governed by the International Mutual Funds Act, Cap.12.16 of the 2008 revised laws of St. Lucia and the International Mutual Funds guidance notes. This sector comprises International Private Mutual funds, Public Mutual Funds, Mutual Funds Administrators and Managers. The composition of the sector has changed very little from that of last year's as only one private mutual fund registration was cancelled as shown in the table below:

Table 10: International Mutual Funds Sector – Movement in Registered Entities

	2017	Currently Registered
International Private Mutual Funds	8	7
International Public Mutual Funds	3	3
International Public Mutual Fund Administrators	2	2
International Public Mutual Fund Managers	1	1

It has been noted that the Caribbean accounts for the largest percentage of mutual fund ownership of sixty-one percent (61%), followed by the United Kingdom and European Union with seventeen percent (17%) each. South America accounts for five percent (5%) of this ownership. This representation can be seen in the chart below:

Figure 17: Number of Shareholders



Private mutual funds are registered by the FSRA and investors are required to have a minimum net worth of US $1,000,000, in addition to having experience in the given field of investment. Further, private mutual funds are restricted to a maximum of 100 investors.

A public mutual fund is licensed and regulated by the FSRA. Sixty-eight (68%) of their investments are from the Caribbean, and are predominantly government and corporate securities.

The table below presents a snapshot of the financial overview of the players within the industry.

Table 11: International Mutual Funds Sector – Assets, liabilities and Income for the year ended 2018 (in US$)

	Assets	Liabilities	Income
Public Mutual Funds	263,719,471	7,623,317	5,581,437
Mutual Fund Administrators	5,645,456	24,910	5,085,296
Mutual Fund Managers	1,266,641	5,953	1,474,449

A common reason for the establishment of Mutual Funds is the aggregation of wealth, thereby granting greater access to investments (usually reserved for institutional investors) with better returns and lower commission structures. Thus, investors of such funds are typically high net worth individuals who primarily engage in debt and equity securities, investments in foreign exchange, real estate and a myriad number of cross –border transactions.

One method used as a means of mitigating the inherent risk of an International Mutual Fund is to conduct a thorough and rigorous analysis of new applications via the assessment of key areas, inclusive of but not limited to the following:

- The purpose for which the Fund is being established
- The Business structure presented
- Ownership details
- The Company Strategy
- The Profile of the Promoters, Directors and Custodians of the Fund
- Financial Projections
- Anti-Money Laundering Policy

Additionally, special scrutiny is placed on all service providers of the Fund, such as Registered Agents, Administrators, Fund Managers, Investment Advisors, Directors and custodians ensuring that all due diligence checks are undertaken, qualifications are up to par and all regulatory and legal requirements are met or surpassed.

REGISTERED AGENTS AND TRUSTEES

The Registered Agents and Trustees (RAs and RTs) sector is governed by the Registered Agent and Trustee Licensing Act, Cap. 12.12 of the revised Laws of St. Lucia. Registered Agents and Registered Trustees provide international financial representation on behalf of international business companies (IBCs) and international trusts (ITs) respectively. This sector may be considered vulnerable, given the gatekeeper function undertaken and the large number of non-face to face services performed. Registered Agents and Trustees may be considered of particular importance, as it would be difficult for IBCs and ITs to keep track of legislative changes across multiple jurisdictions, given the disparate laws of different states.

As at March 31, 2019 the sector comprised twenty-three (23) licensed Registered Agents and Trustees; eighteen (18) Registered Agents and five (5) Registered Trustees. Of the five (5) RTs, none held client accounts and collectively, they provide services for six (6) clients, thus mitigating overall risk.

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

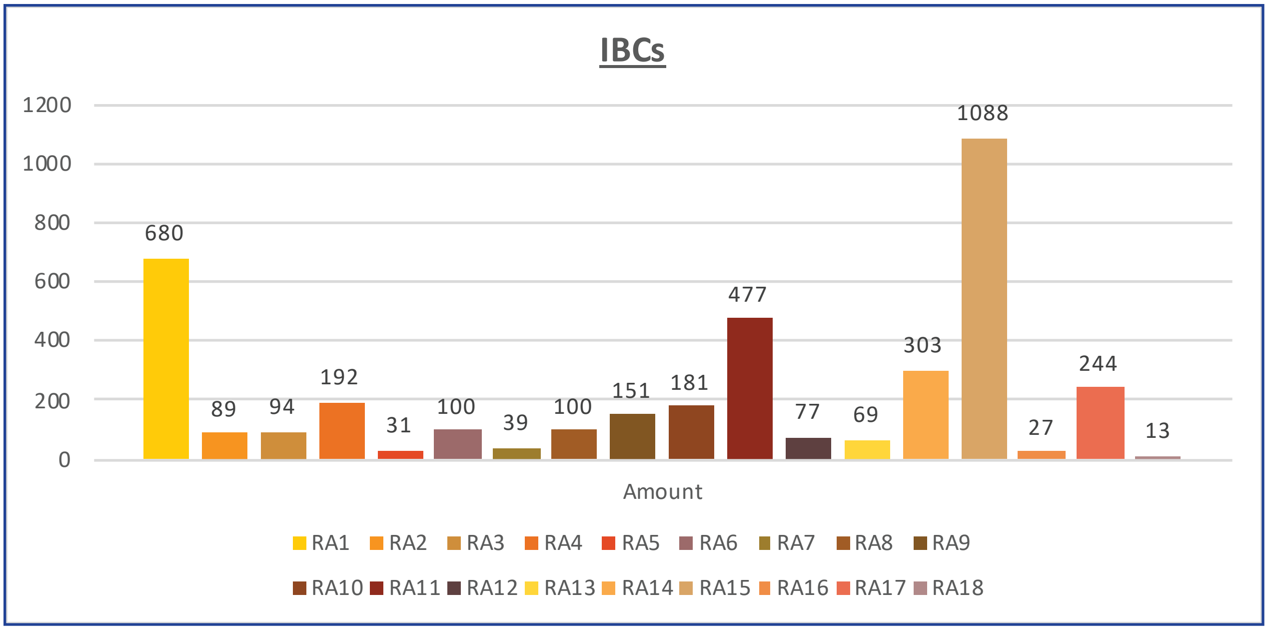
The table below gives a breakdown of the three main professions in which RAs and RTs are involved.

Table 12: Professions undertaking RA and RT services

BUSINESS ACTIVITY	PERCENTAGE
Lawyers	68%
Accountants	21%
Other Business Professionals	11%

The chart below further displays the spread of all registered IBCs, represented by all eighteen Registered Agents island wide.

Figure 18: IBCs represented by all Registered Agents



RAs and RTs provide, inter alia, the following international financial services: –

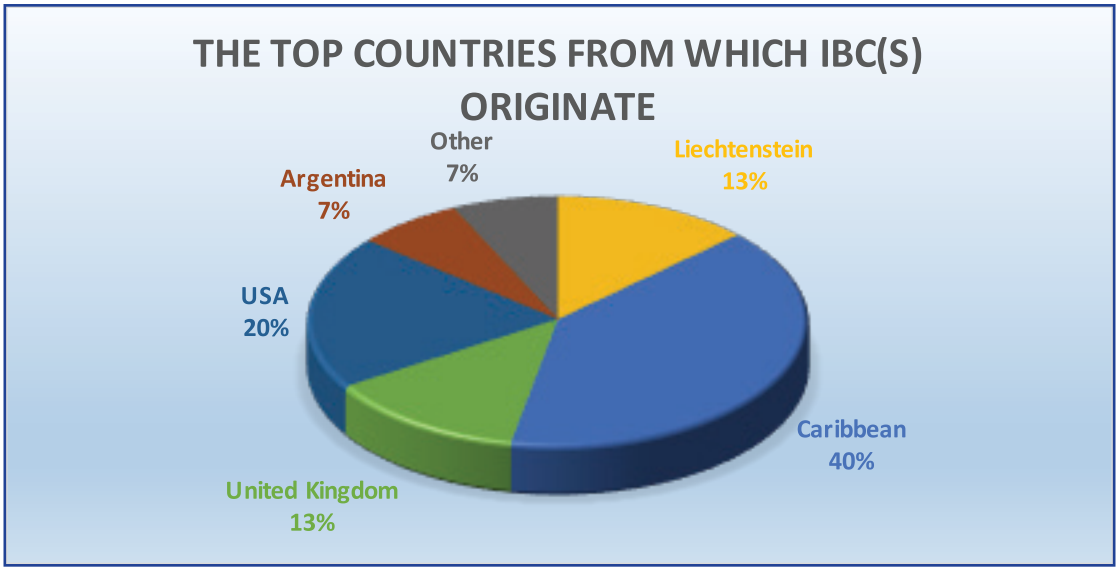
- Incorporation of international business companies; including providing a registered office in Saint Lucia for those entities;
- Registration of international trusts and partnerships;
- The statutory filing of documents;
- The provision of corporate advisory services;
- Acting as Administrative Trustees under Trust Arrangements.

These entities are tasked with the very critical role of maintaining the integrity of the Financial Sector through effective administration of Financial Sector laws and regulation. In so doing, RAs are to follow a Code of Conduct which sets out standards of conduct and professional ethics governing the relationships with their clients inclusive of but not limited to the following:

- Ensuring that the due diligence questionnaire is completed;
- Ensuring that all shareholders, directors, promoters of IBCs are fit and proper;
- Maintaining records and have information readily available on ultimate beneficial owner.

The table and graph below depict the top countries from which IBCs originate:

Figure 19: Countries of Origin for IBCs

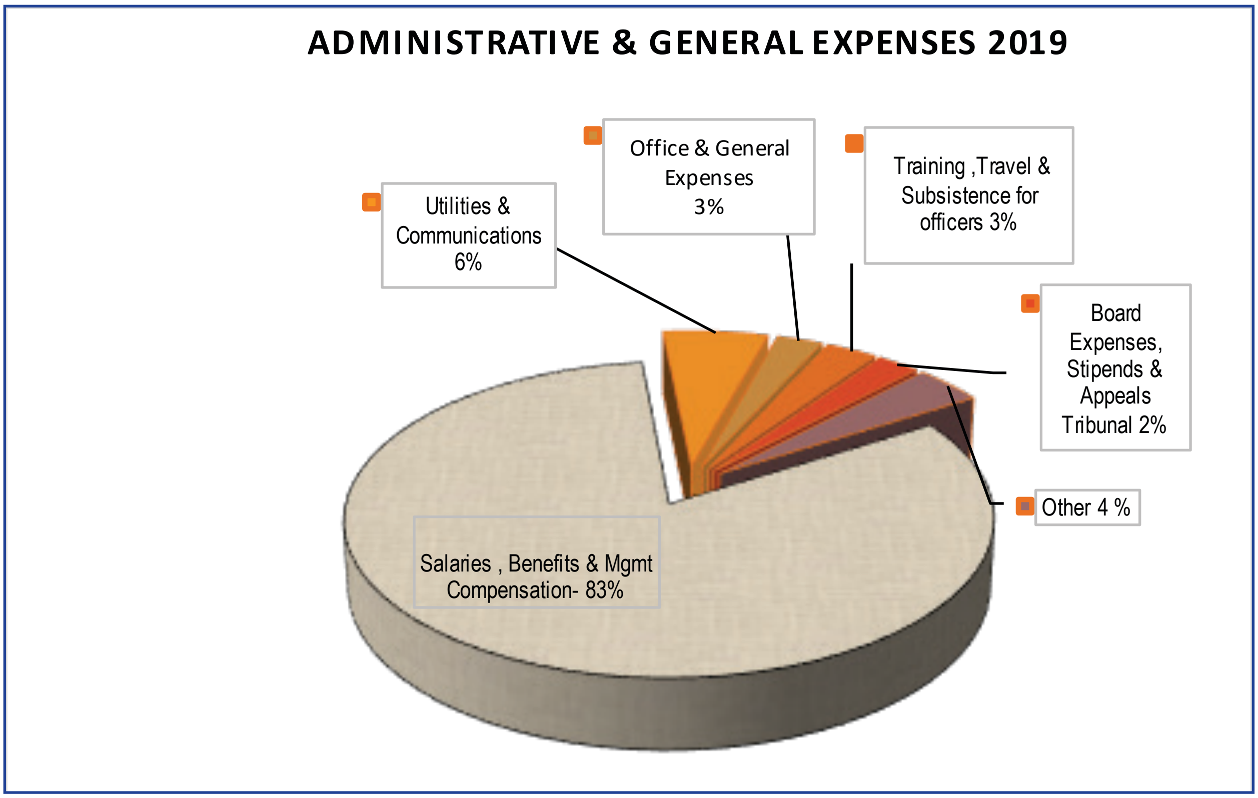


ACCOUNTANT'S REPORT

REVENUE- SUBVENTIONS

The Financial Services Regulatory Authority continues to be financed by the Central Government receiving a gross subvention of $2,160,000 for the fiscal year 2019, unchanged from the previous year and registering a marginal surplus of $ 9,924 at year end.

Figure 20: General & Administrative Expenses of the FSRA for 2019



Administrative expenses for the year totalled $2,150,076 down by $44,835 or 2.08% below prior year, as the Authority ensured that its expenses remained within budget.

In the year 2019, expenditure for Training nearly doubled from that of last fiscal year as the Authority undertook greater efforts to maintain the integrity of the Financial Sector in St. Lucia by strengthening employee skills, knowledge and increasing regulatory oversight.

These increases were offset by decreases in Hosting and Entertainment, Public relations and Communications.

BREAKDOWN OF FEES COLLECTED

In the financial year 2019, the Central Government collected $1,657,110 in revenues from fees, fines and forfeitures, down by $358,866 or 17.8%. vs. $2,015,976 in the FY 2018.

This downturn in revenue collected is primarily attributed to the surrendering of bank licences and the re-domiciliation of international insurance companies to other jurisdictions.

Figure 21: Breakdown of Funds Collected and Deposited with Accountant General

The following revenue heads registered positive variances in the FY 2019

- Registered Agents and Trustees (4%)
- Public Mutual Funds / Admin Managers (36%)
- Money Services Business (87%)
- Penalty Fees (74%)

Bank Licence Fees account for 39% of the total revenue collected, although down 35% from target. Insurance Licence fees also registered an adverse variance; down by 15% from target.

There was a marginal decrease (2%) in fees collected from Insurance Agents/ Brokers and Salesmen.

Collections from the Registration of Private Mutual funds, Application fees and other miscellaneous fees were the worst performing revenue heads for 2019, down by an aggregate of $15, 976.17 from target.

Table 13: Fees Collected

Description of Fees	Budget	Actual	Variance
Bank Licence	$866,555	$640,907	-$225,648
Insurance Licence	$445,200	$388,039	-$57,161
Registered Agents & Trustees	$219,350	$229,437	$10,087
Public Mutual Funds/ Admin Managers	$12,183	$19,018	$6,835
Money Services Business	$15,500	$123,500	$108,000
Ins. Agents/Brokers/ Salesman	$56,400	$55,300	-$1,100
Penalty Fees	$50,400	$190,368	$139,968
Registration- Private Mutual Funds	$12,517	$5,434	-$7,083
Application & Miscellaneous Fees	$14,000	$5,107	-$8,893

TRAINING & EXTERNAL REPRESENTATIONS

Paramount for the Management of the Financial Services Regulatory Authority is delivering sustainable organizational performance. Consequently, the Authority constantly seeks means to support and accelerate employee's professional and personal development through exposure to training opportunities both domestic and abroad with the view to building the capabilities of Managers and Staff.

The FSRA boasts a compliment of well qualified staff with certification and accreditation from various Professional Bodies.

The table below highlights the training opportunities and representations made on behalf of the FSRA during the period April 01, 2018 to March 2019. The FSRA remains grateful for the Technical Assistance extended by friendly donors /sponsors, in particular the Caribbean Regional Technical Assistance Center (CARTAC).

Table 14: Training and External Representations by the FSRA

Date	Location	Programme	Sponsor	No. Of Individuals Trained
June 2018	Trinidad & Tobago	Central Bank- Conference	FSRA	3
June 2018	St. Kitts & Nevis	CAIR- Workshop	CARTAC	1
September 2018	Saint Lucia	ICAEC- IFRS Professional Development Workshop	FSRA	8
September 2018	Saint Lucia	CARIBDE- Development Co-operators	FSRA	7
December 2018	Trinidad & Tobago	Technology Risk Supervision Workshop	ECCB	2
March 2019	Trinidad & Tobago	Central Bank of Trinidad & Tobago & Access to Insurance.	FSRA	2

APPENDIX

Table 15: Money Services Businesses – Remittance Inflows (2014-2018)

	INFLOWS				
	2014	**2015**	**2016**	**2017**	**2018**
ECCU Region	1,833,330	2,386,972	2,537,239	3,152,826	4,612,762
Non-ECCU/CARICOM	585,323	4,421,385	2,219,904	2,095,697	2,035,781
USA	40,811,850	48,459,213	53,840,475	58,801,501	55,992,340
UK	14,480,880	15,506,117	13,865,222	13,986,657	14,022,329
EURO AREA	6,238,020	6,623,779	7,707,977	6,441,150	7,222,773
Canada	8,996,610	9,309,441	10,061,273	11,477,659	11,643,879
Other	10,632,080	11,620,640	11,043,624	13,837,652	16,972,791
Total	**83,578,093**	**98,327,548**	**101,275,714**	**109,793,141**	**112,502,655**

Table 16: Money Services Businesses – Remittance Outflows (2014-2018)

	OUTFLOWS				
	2014	2015	2016	2017	2018
ECCU Region	1,893,002	1,678,782	1,603,591	1,917,815	1,705,390
Non-ECCU/CARICOM	1,699,287	2,574,594	1,976,153	1,831,180	6,149,050
USA	4,864,990	5,815,604	6,496,513	7,110,028	1,441,121
UK	946,930	1,040,831	1,196,368	1,518,704	665,674
EURO AREA	314,420	463,717	632,063	755,923	1,221,828
Canada	911,610	1,037,848	1,201,275	1,151,823	5,967,293
Other	5,408,570	7,219,362	10,196,259	8,518,536	1,891,613
Total	**16,038,809**	**19,830,743**	**23,302,220**	**22,804,009**	**19,043,988**

Table 17: Money Services businesses – Micro -Lenders Loan disbursements by Category

Type of Loan	Number of Loans	Total Amount
Personal	5,588	24,397,826
Business	352	1,697,350
Vehicle	1,296	22,180,006
Education	1,376	4,493,717
Medical	1,087	3,888,129
Home Renovation	247	8,067,839
Debt Consolidation	483	1,939,831
Other	8,580	32,112,121
Total	**21,009**	**98,776,819**

MC
MR
M–
%
MU
+/–
M+
÷
C/AC ON
×
Adjustments
450
400
350
300
250
200
150
100
50
0
2016
2017
Jun
254,610
330,156
341,564
344,102
355,410
370,115
379,123
412,004

AUDITED FINANCIAL STATEMENTS

FINANCIAL SERVICES REGULATORY AUTHORITY

Financial Statements
For the Year Ended March 31, 2019
(Expressed in Eastern Caribbean Dollars)

FINANCIAL SERVICES REGULATORY AUTHORITY
Index to the Financial Statements
For the Year Ended March 31, 2019
(Expressed in Eastern Caribbean Dollars)

FINANCIAL SERVICES REGULATORY AUTHORITY
Corporate Information
For the Year Ended March 31, 2019
(Expressed in Eastern Caribbean Dollars)

REGISTERED OFFICE

6th Floor
Francis Compton Building
Waterfront
Castries

EXECUTIVE DIRECTOR

Mr. John Calixte Leon

DIRECTORS

Mr. Vincent Hippolyte - Chairman
Mr. Marcus Joseph - Deputy Chairman
Mr. Paul Thompson – Director of Financial Intelligence Authority
Mr. Carlton Glasgow – Designated Representative of the Eastern Caribbean Central Bank
Ms. Cointha Thomas - Permanent Secretary, Ministry of Finance
Mr. Paul Hilaire
Ms. Marcia Vité - Alternate for Permanent Secretary, Ministry of Finance
Ms. Sophia Henry - Alternate for Permanent Secretary, Ministry of Finance
(resigned December 2018)

BANKERS

Bank of Saint Lucia Limited

AUDITORS

PKF St. Lucia

PKF St. Lucia

Tel. (758) 453 - 2340
Tel. (758) 450 - 7777
Fax (758) 451 - 3079
Email: admin@pkf.lc

INDEPENDENT AUDITOR'S REPORT

To the Directors of the Financial Services Regulatory Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Financial Services Regulatory Authority** (the "Authority"), which comprise the statement of financial position as at March 31, 2019, and statement of income, the statement of changes in equity, and statement of cash flows for the year then ended, and 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 Authority as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

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

We communicate with the Board of Directors 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.

PKF

Chartered Accountants
Castries, St. Lucia
……………………

FINANCIAL SERVICES REGULATORY AUTHORITY
Statement of Financial Position
As at March 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	911,894	869,561
Accounts receivable and prepayments	6	-	5,599
		911,894	875,160
Non-current assets			
Property, plant and equipment	7	26,695	33,848
Intangible assets	8	2,185	3,500
		28,880	37,348
Total assets		940,774	912,508
Liabilities and equity			
Current liability			
Accounts payable and accruals	9	165,933	147,591
Equity			
Contributed capital	10	61,431	61,431
Accumulated surplus		713,410	703,486
Total equity		774,841	764,917
Total liabilities and equity		940,774	912,508

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

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

Director

Director

FINANCIAL SERVICES REGULATORY AUTHORITY
Statement of Income
For the Year Ended March 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Revenue			
Subventions		**2,160,000**	2,160,000
Administrative and general expenses	**11**	**(2,150,076)**	(2,194,911)
Surplus/(deficit) for the year		**9,924**	(34,911)

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

FINANCIAL SERVICES REGULATORY AUTHORITY
Statement of Changes in Equity
For the Year Ended March 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Contributed capital			
At beginning and end of year	**10**	**61,431**	61,431
Accumulated surplus			
At beginning of year		**703,486**	738,397
Surplus/(deficit) for the year		**9,924**	(34,911)
At end of year		**713,410**	703,486
Equity, end of year		**774,841**	764,917

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

FINANCIAL SERVICES REGULATORY AUTHORITY

Statement of Cash Flows
For the Year Ended March 31, 2019
(Expressed in Eastern Caribbean Dollars)

	Notes	2019 $	2018 $
Cash flows from operating activities			
Surplus/(deficit) for the year		**9,924**	(34,911)
Adjustment for non-cash item:			
Depreciation and amortisation	7 & 8	**13,628**	29,276
Operating surplus/(deficit) before working capital changes		**23,552**	(5,635)
Decrease in accounts receivable and prepayments		**5,599**	4,052
Increase in accounts payable and accruals		**18,342**	48,031
Net cash (used in)/generated from operating activities		**47,493**	46,448
Cash flows used in investing activity			
Purchase of intangible assets	8	**-**	(2,850)
Purchase of property, plant and equipment		**(5,160)**	-
Net cash used in investing activities	7	**(5,160)**	(2,850)
Net (decrease)/increase in cash and cash equivalent		**42,333**	43,598
Cash and cash equivalents - beginning of year	5	**869,561**	825,963
Cash and cash equivalents - end of year	5	**911,894**	869,561

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

1. Incorporation and principal activity

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

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

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

The financial statements were approved by the Board of Directors and authorised for issue on ……………….

2. Summary of significant accounting policies

(a) Overall policy

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Statement of compliance

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

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) New standards amendments to standards and interpretations

(i) New standards amendments and interpretations effective in 2019 financial year are as follows:

- Amendments to IFRS 7, Financial Instruments Disclosures
- New standard IFRS 9, Financial Instruments
- New standard IFRS 15, Revenue from Contracts with Customers

The adoption of these new and revised standards did not have a material impact on the Authority's financial statements.

2. Summary of significant accounting policies (cont'd)

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

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

- New standard IFRS 16, Leases - effective for annual periods beginning on or after January 1, 2019.
- Amendments to IFRS 9, Financial Instruments - effective for annual periods beginning on or after January 1, 2019.

The Authority will evaluate the impact of these standards on the financial statements when they become due.

(c) Cash and cash equivalents

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

(d) Property, plant and equipment

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

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

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

Furniture	5 - 10 years
Equipment	3 - 5 years

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

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

(e) Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Amortisation is calculated using the straight line method to allocate cost less residual value over the estimated useful life of four years.

2. Summary of significant accounting policies (cont'd)

(f) Impairment of non-financial assets

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

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of income.

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

(g) Accounts payable

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

(h) Related party transactions

A party is related to the Authority if:

(i) Directly or indirectly the party:

a. Controls, is controlled by, or is under common control with the Authority:-

b. Has an interest in the Authority which gives it significant influence over the Authority:-

c. Has joint control over the Authority.

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

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

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

2. Summary of significant accounting policies (cont'd)

(i) Contributed capital

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

(j) Revenue recognition

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

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

(k) Expenses

Expenses are recognised on an accruals basis.

(l) Contingencies

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

(m) Subsequent events

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

(n) Comparatives

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

3. Critical accounting estimates and judgments

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

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

The most significant use of estimates and assumptions are:

- Estimated useful lives of property, plant and equipment - Note 2(d)
- Estimated useful lives of intangible assets – Note 2 (e)

4. Financial risk management

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

(a) Credit risk

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

The financial assets which may potentially expose the Authority to concentrations of credit risk consist of cash and cash equivalents. The Authority places its deposits with a reputable financial institution and as such, management does not believe that significant credit risk exists as at March 31, 2019.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet contractual obligations. Management reviews cash flow forecasts on a regular basis to determine whether the Authority has sufficient cash reserves to meet future working capital requirements. All contractual obligations are expected to be settled within the next year.

4. Financial risk management (cont'd)

(c) Market risk

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

(d) Fair value of financial instruments

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

(e) Capital management

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

5. Cash and cash equivalents

	2019	2018
	$	$
Cash on hand	**500**	500
Cash at bank	**371,394**	869,061
Undeposited funds	**540,000**	-
	911,894	869,561

6. Accounts receivable and prepayments

	2019	2018
	$	$
Prepaid expenses	**-**	5,599

7. Property, plant and equipment

	Furniture $	Equipment $	Total $
As at March 31, 2017			
Cost	77,483	81,911	159,394
Accumulated depreciation	(42,786)	(55,268)	(98,054)
Net book value	34,697	26,643	61,340
For the year ended March 31, 2018			
Opening net book value	34,697	26,643	61,340
Additions during the year	-	-	-
Depreciation charge for the year	(16,685)	(10,807)	(27,492)
Closing net book value	18,012	15,836	33,848
As at March 31, 2018			
Cost	77,483	81,911	159,394
Accumulated depreciation	(59,471)	(66,075)	(125,546)
Net book value	18,012	15,836	33,848
For the year ended March 31, 2019			
Opening net book value	**18,012**	**15,836**	**33,848**
Additions during the year	**2,210**	**2,950**	**5,160**
Depreciation charge for the year	**(5,073)**	**(7,240)**	**(12,313)**
Closing net book value	**15,149**	**11,546**	**26,695**
As at March 31, 2019			
Cost	**79,693**	**84,861**	**164,554**
Accumulated depreciation	**(64,544)**	**(73,315)**	**(137,859)**
Net book value	**15,149**	**11,546**	**26,695**

8. Intangible assets

	Computer software $
As at March 31, 2017	
Cost	5,476
Accumulated amortisation	(3,042)
Net book value	2,434
For the year ended March 31, 2018	
Opening net book value	2,434
Additions	2,850
Amortisation charge for the year	(1,784)
Closing net book value	3,500
As at March 31, 2018	
Cost	8,326
Accumulated amortisation	(4,826)
Net book value	3,500
For the year ended March 31, 2019	
Opening net book value	**3,500**
Additions	**-**
Amortisation charge for the year	**(1,315)**
Closing net book value	**2,185**
As at March 31, 2019	
Cost	**8,326**
Accumulated amortisation	**(6,141)**
Net book value	**2,185**

9. Accounts payable and accruals

	2019	2018
	$	$
Gratuity payable	**108,031**	120,030
Accounts payable	**49,152**	18,811
Other payables	**8,750**	8,750
	165,933	147,591

The accounts payable amount represents outstanding utility payments, audit fees and other payments due to suppliers.

10. Contributed capital

	2019	2018
	$	$
Property, plant and equipment	**87,093**	87,093
Gratuity payable	**(25,662)**	(25,662)
	61,431	61,431

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

11. Administrative and general expenses

	2019 **$**	2018 $
Salaries and benefits	**1,663,592**	1,648,862
Gratuity	**120,000**	162,043
Utilities	**116,342**	120,640
Board Stipends and Appeals Tribunal	**48,466**	56,250
Public relations	**10,668**	33,097
Depreciation and amortization	**13,628**	29,276
Legal and professional expenses	**6,889**	28,125
Office and general expenses	**55,819**	25,348
Travel and subsistence	**35,472**	23,296
Training	**26,801**	13,738
Hosting and entertainment	**6,354**	13,014
Grants and contributions(subscriptions)	**16,436**	12,988
Communications	**10,622**	12,075
Audit fees	**8,225**	8,350
Maintenance	**1,391**	6,393
Bank charges	**1,501**	1,416
Advertisements	**4,487**	-
Board Expenses	**3,383**	-
	2,150,076	2,194,911

12. Related party transactions

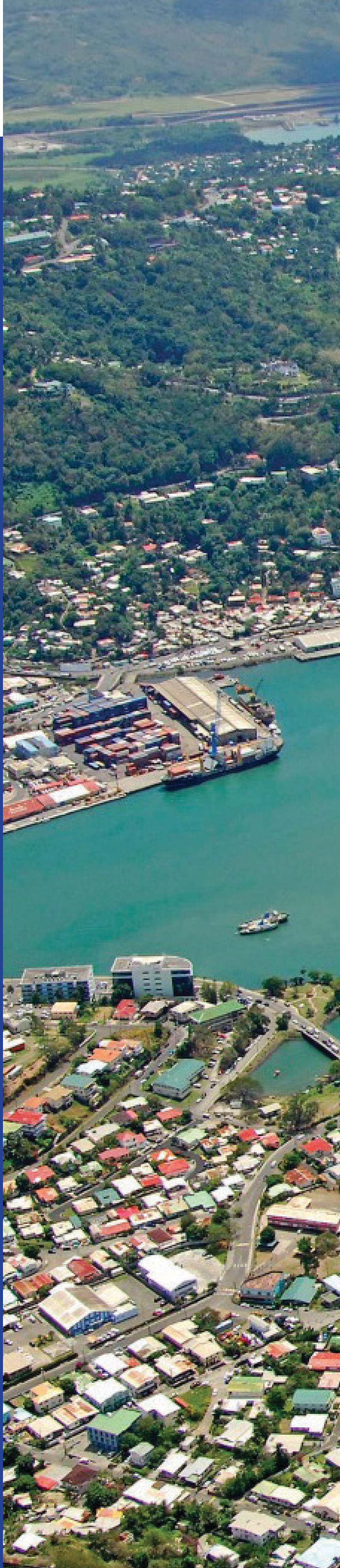
Key management compensation

	2019 **$**	2018 $
Salaries and other benefits	**665,904**	760,550
Board stipends	**43,250**	56,250
	709,154	816,800

During the year, the Authority collected funds totaling $1,657,110 (2018 - $2,015,977) on behalf of the Government of Saint Lucia for license fees, fines and forfeitures from the financial services sector, in keeping with Section 39 of the FSRA Act No. 13 of 2011.

13. Taxation

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



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