Jamaica Deposit Insurance Corporation

ANNUAL REPORT 2016/17

Inspiring Confidence...Promoting Stability

July 28, 2017

The Honourable Audley Shaw, CD, MP
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4

Dear Minister Shaw:

On behalf of the Board of Directors, I have the honour of submitting to you the Annual Report of the Jamaica Deposit Insurance Corporation for the Financial Year 2016/2017 and a copy of the Corporation's Accounts as at March 31, 2017, duly certified by its Auditors. This is in accordance with the Deposit Insurance Act, subsection 11(1) and the Public Bodies Management and Accountability Act, subsection 3(2).

Yours sincerely

Antoinette McKain
Chief Executive Officer

Vision

To promote and inspire financial system confidence and stability

Mission

The Jamaica Deposit Insurance Corporation is committed to:

- Providing insurance against the loss of depositors' funds
- Minimising the Corporation's exposure to loss
- Contributing to the stability and confidence in Jamaica's financial system

through sound management of the Deposit Insurance Fund in an environment which fosters and encourages professionalism and excellence and allows employees to realize their full potential.

Core Values

Professionalism

We pursue the highest level of competence and integrity in the performance of our duties.

Accountability

We accept our responsibilities in relation to the Corporation's objects, its strategies and initiatives and carry them out in a transparent manner.

Communication

We are committed to sharing information with all our stakeholders clearly and in a timely manner while encouraging feedback.

Teamwork

We preserve an environment of collaborative efforts, mutual support and respect, where our best solutions come from embracing each employee's unique talents.

Excellence

We continuously measure and monitor productivity to improve our operations.

Abbreviations

BCBS	Basel Committee on Banking Supervision
BOJ	Bank of Jamaica
BSA	Banking Services Act
DIA	Deposit Insurance Act
DIF	Deposit Insurance Fund
DIS	Deposit Insurance Scheme
DTIs	Deposit-taking Institutions
EFF	Extended Fund Facility
FAAA	Financial Administration and Audit Act
FRC	Financial Regulatory Committee
FSB	Financial Stability Board
FSC	Financial Services Commission
FSSN	Financial System Safety Net
GDP	Gross Domestic Product
GOJ	Government of Jamaica
IADI	International Association of Deposit Insurers
IMF	International Monetary Fund
MEFP	Memorandum of Economic and Financial Policies
MOFPS	Ministry of Finance and the Public Service
NFCMP	National Financial Crisis Management Plan
NFIS	National Financial Inclusion Strategy
NIR	Net International Reserves
PBMA	Public Bodies Management and Accountability Act
SBA	Stand-by Arrangement
SIFIs	Systemically Important Financial Institutions
SRR	Special Resolution Regime
STATIN	Statistical Institute of Jamaica
WEO	World Economic Outlook

Glossary of Terms

Banking Services Act	The Act of Parliament repealing the Banking Act and the Financial Institutions Act; amending the Bank of Jamaica Act and the Building Societies Act and making new provisions with regard to the supervision of banks, financial holding companies and other financial institutions and for connected matters.
Banking System	The deposit-taking financial institutions (DTIs), comprising Commercial Banks, Merchant Banks and Building Societies being institutions licensed by the Bank of Jamaica.
Coverage Limit	The maximum payment the JDIC can make to depositors as prescribed under the Deposit Insurance Act.
Deposit	A sum of money paid on terms under which it will be repaid with or without interest or a premium, and either on demand or at a time or in circumstances agreed. However it does not include money paid which is referable to the provision of property or services or the giving of security.
Deposit Insurance Act	The Act of Parliament establishing the JDIC and setting out its powers and functions.
Deposit Insurance Fund	A Fund established under the Deposit Insurance Act to pay depositors should their insured financial institution (Policyholder/member institution) fail or to offer financial assistance to Policyholders in a state of financial distress. It is ordinarily made up of premiums collected from Policyholders and investment income, but may also include contributions by way of advances from Government, amounts borrowed by the Corporation for the Fund and amounts realized from the liquidation of assets of Policyholders.
Deposit Insurance Fund Ratio	The Deposit Insurance Fund (DIF) expressed as a percentage of the total insured deposits (DIF/Total Insured Deposits).
Deposit Insurance Premium	Amount paid by Policyholders into the DIF in accordance with the requirements of the DIA.
Deposit Insurance Scheme	A Scheme established, usually by government, to protect depositors against risk of loss arising from failure of a bank or other deposit taking financial institution. In Jamaica the DIS was established under the DIA,

1998 and provides a formal system for the GOJ to address problems which may arise in the financial sector. Deposit insurance in Jamaica is mandatory.

Depositor

A person entitled, or prospectively entitled, to repayment of a deposit, or a portion of a deposit, whether made by him or not.

Financial Distress

A financial institution is in a state of financial distress if (a) it becomes insolvent, that is to say, a winding up order has been made by a court against that institution or a resolution for a creditor's voluntary winding up has been passed; (b) there exists in relation to the institution any condition precedent to the exercise of the powers of the Minister in the interest of and for the protection of depositors, to take such steps or apply such sanctions as authorized under the Banking Services Act, Bank of Jamaica Act or Building Societies Act, as the case may require; (c) the institution has failed to satisfy prudential criteria and minimum solvency standards prescribed under its governing legislation; or (d) it is unable to pay its debts.

Insurable Deposits

Deposits received or held by a Policyholder from or on behalf of a depositor, other than a deposit from another Policyholder; or a deposit from a statutory body or authority or government company.

Insured Deposit

That portion of insurable deposits that is within the coverage limit prescribed under the Deposit Insurance Act, 1998.

Policyholders

Deposit-taking financial institutions (Commercial Banks, Merchant Banks and Building Societies) insured under the Deposit Insurance Scheme, otherwise referred to as member institutions.

Premium Assessment Rate

Charge prescribed by the Minister responsible for finance on the recommendation of the Corporation to determine deposit insurance premiums paid by Policyholders to the Corporation.

Resolution

A disposition plan for a failed or failing bank, which is directed by the responsible safety-net authority, and is generally designed to fully reimburse or protect insured deposits while minimizing costs to the deposit insurer. ***(Source: Research and Guidance Committee of the International Association of Deposit Insurers, (December 2005), General Guidance for the Resolution of Bank Failures).***

Table of Contents

CHAIRMAN'S REMARKS 9
CEO'S REPORT ON OPERATIONS 11
OUR BUSINESS 13
FINANCIAL HIGHLIGHTS 14
ORGANIZATIONAL CHART AND OVERVIEW OF DEPARTMENTS 17
CORPORATE INFORMATION 18
BOARD OF DIRECTORS 19
CORPORATE GOVERNANCE 23
EXECUTIVE MANAGEMENT 25
MANAGEMENT'S DISCUSSION AND ANALYSIS 26

- ***Macroeconomic Performance*** 26
  - Global Developments 26
  - Domestic Economic Developments 26
  - Developments in the Legal and Regulatory Environment 28
- ***Policyholders Profile and Performance*** 31
- ***Review of Operations*** 40
  - Financial Operations 40
  - Fund Management 43
  - Summary Financial Projections for Year Ending March 31, 2018 45
  - Monitoring and Risk Assessment 46
  - Intervention and Resolutions 48
  - Public Education and Awareness 51
  - Corporate Social Responsibility 53
  - International Relations 53
  - Financial System Safety Net Partners Inter-agency Activities 54
- ***Management of Strategic Resources*** 57
  - Human Resource 57
  - Administration 58
  - Training and Development 58
  - Occupational Health and Safety 58
  - Information and Communication Technology 59
  - Records and Information Management 59

STATUTORY COMPLIANCE REPORT 60
SUMMARY PERFORMANCE SCORECARD 61
APPENDICES:
Appendix 1 - Annual Prudential Indicators of Commercial Banks, Merchant Banks and Building Societies at December 2016 63
Appendix 2 - Technological Innovations in Financial Services and the Implications for Deposit Insurance 66
BOARD OF DIRECTORS AND SENIOR EXECUTIVES COMPENSATION 70
AUDITED FINANCIAL STATEMENTS 71

Chairman's Remarks

John Jackson

The recently concluded 2016/17 financial year was another successful period for the Jamaica Deposit Insurance Corporation with significant targets being met.

At the end of the year the Deposit Insurance Fund (DIF/the Fund) reached $16.5 billion, 16.5 percent greater than the $14.2 billion at the end of March 2016.

The surplus from operations was $2.3 billion, being a 15 percent increase over the previous year. Total assets at March 31, 2017 was $18.5 billion, which is a 20.9 percent increase over the previous year's balance of $15.3 billion, attributable to an increase in investments and the receipt of deposit insurance premiums for FY2017/18 before the year end.

Fund Adequacy | Policyholders were assessed to be in good financial condition and as a result the DIF was deemed adequate to cover potential liabilities for the ensuing 12-month period.

The Corporation's annual survey of insurable deposits conducted among Policyholders at the end of December 2016 indicated that the average balance in deposit accounts was $198,200. The survey also showed that approximately 96 percent of deposit accounts were fully covered up to the coverage limit of $600,000. This is in keeping with international best practice which recommends that Deposit Insurers should aim to cover 90 - 95 percent of the total number of deposit accounts.

Through the oversight by the Board and the commitment of Management and staff, the Corporation operated within budget and met the overall balance targets agreed with the MOFPS. All regulatory and accountability compliance obligations in keeping with the Public Bodies Management and Accountability Act and other statutory reporting requirements were also met.

The Economy | The Corporation's performance was against the background of a stable macro-economic environment characterized by the maintenance of prudent fiscal policies, with the focus on balancing the fiscal operations leading to a reduction of government debt levels as a percentage of GDP. The fiscal operations ended with a surplus that was ahead of budget.

The positive fiscal out-turn also came against the back ground of new taxes levied and the implementation of the raising of the first tranche of tax threshold that saw it getting to $1.5 million effective in 2017. In addition Government increased the expenditure in its supplemental budget in the latter part of 2016.

This operating environment continued to positively influence Policyholders' performance, with lower interest rates that encouraged increased lending and deposit taking. The quality and quantum of Policyholder assets grew, leading to increased profitability and stronger capital and solvency positions. Policyholders' deposit liabilities stood at $880.1 billion as at March 2017, representing an increase of 9.4 percent relative to March 2016. Insured deposits were estimated at $308.7 billion.

Special Resolution Regime for Financial Institutions | The period was also marked by a major initiative of the Corporation, working in collaboration with members of the Financial Regulatory Committee, towards the development of an enhanced resolution framework for financial institutions. The objective is to ensure that in the unlikely event of a financial institution distress there are appropriate mechanisms to deal with systemically important financial institutions so that there is little or no disruption, ensuring the maintenance of financial stability.

This special resolution regime, once established, will be complementary to the Deposit Insurance Scheme and may see the expansion of the JDIC's mandate. The proposal contemplates the inclusion of all regulated financial institutions, where resolution is pursued by the authorities in the interest of financial system stability and protection of depositors' funds covered by the DIF.

Public Education | The Corporation continued its public education and awareness thrust, cognizant of the fact that technological innovations continue to create non-traditional platforms for expanded access and usage of banking products. The Corporation is also a member of the National Financial Inclusion Council driving the development and implementation of the national financial inclusion strategy of which financial literacy is a key component.

CARICOM Model | Additionally, the Corporation, as one of the regional leaders in deposit insurance expertise, chaired a special CARICOM Committee created to develop a framework for the establishment of a deposit insurance model for CARICOM countries.

On behalf of the Board of Directors, I thank the entire team and in particular the Chief Executive Officer for her leadership and guidance especially in the early stages of the new board, which facilitated a smooth transition. Their support in making our oversight seamless and for effectively executing the initiatives of the Corporation is acknowledged.

I take this opportunity to also thank former Board members who laid the foundation for us to effectively carry out our oversight responsibilities.

In concluding, I thank my colleague Board members who through their dedication, oversight and the work of the respective Board sub-committees, have contributed to effective governance and look forward to their continued support as we prepare for the ensuing financial year.

CEO's Report on Operations

Antoinette McKain

During FY2016/17 global growth was estimated to have fallen to 3.1 percent, marginally below the 3.2 percent in the previous year. However, the Jamaican economy demonstrated continued stability during this period, achieving positive outturns in several areas. These included sustained high levels of NIR (US$2.7 billion at year end); the lowest inflation (1.7 percent) in over 40 years; and economic confidence that was at an all-time high.

Policyholders' Performance | Within this macro-economic and operating environment, Policyholders generally remained adequately capitalized, maintaining ratios well within the statutory requirement. The banking system recorded growth of 15.1 percent, with total assets moving to $1,376.1 billion at December 2016. Deposits were $877.9 billion at December 2016, an increase of 13.8 percent over the previous year. Total insurable deposits also grew to $826.4 billion, an increase of 15.1 percent above 2015. Of note the number of Policyholders remained at eleven, however in early 2017 a building society having been granted a banking licence by the Bank of Jamaica, has since transitioned to commercial bank status.

Regulatory Reform for the Banking Sector | During the year, consistent with the strengthening and maintenance of Jamaica's financial system, there were several legislative developments. Among the developments were the passing of key supporting regulations and Supervisory Rules to facilitate operationalization of the Banking Services Act, 2014 (BSA), which continued to be among the prioritized initiatives. These included agent banking regulations and a code of conduct for financial institutions which governs the manner in which customer related matters are handled.

Additionally, proposals were developed for a special resolution regime for financial institutions in Jamaica, to further bring the country in line with international best practices and ensure a framework for the preservation of financial stability. Consequently, a consultation paper "Proposals for a Special Resolution Regime for Financial Institutions in Jamaica" (the SRR) was published jointly by the members of the Financial Regulatory Committee (FRC). The consultation will inform the drafting and subsequent tabling of legislation in Parliament by FY2018/19.

Pending financial legislations included the Bank of Jamaica (Credit Union) Regulations and the consequent amendments to the Co-operative Societies Act.

Core Operations | During the financial year the Corporation continued to pursue its key business strategies of Proactive Readiness; Strong Partnerships; Effective Resolution Management; Strengthening Operational Efficiency and Public Education and Awareness.

A key area of focus for the Corporation was the strengthening of its resolution framework, which included working with the other FSSN partners to develop the SRR proposals. Notably, the SRR contemplates the JDIC as the agency responsible for operationalizing and implementing the resolution strategies and tools for non-viable institutions. In preparation for this expanded role the Corporation continued the build out of its institutional capacity initiatives, including reviewing its organizational structure.

The phased implementation of initiatives geared towards prompt reimbursement of insured depositors, that is the establishment of standard record keeping guidelines for all Policyholders and the implementation of an automated payout management system (PMIS), also continued. The PMIS is scheduled for implementation in FY2017/18.

Other related initiatives pursued during the period included the annual contingency planning and simulation exercise for resolving a failed bank via a pilot workshop and simulation in July 2016. This was facilitated by subject matter experts from the USA Department of the Treasury, Office of Technical Assistance and was successfully conducted with JDIC staff and representatives from the other FSSN partners.

Strengthening of the Corporation's monitoring and risk assessment framework also continued; including to the development of a framework for admission of the credit union subsector. Coverage limit assessment showed that 96 percent of deposit accounts are fully covered at the $600,000 coverage limit, consistent with international best practice of 90 - 95 percent.

The Corporation's public education and awareness programme continued through advertising and various outreach activities. Focus on financial literacy in schools continued with the Corporation hosting an awards function for the winners of its android financial education competition for secondary schools. The Corporation also received the Ministry of Education, Youth and Information's endorsement to develop a text book on financial systems for primary schools, which the Corporation intends to pursue in partnership with the other members of the FSSN under the rubric of the National Financial Inclusion Strategy.

Administration | Management of administration processes, including the strategies and systems for its human resources remained a key focus. Towards the end of the year the Corporation engaged a consultant to conduct an organization review, job evaluation and reclassification exercise to strengthen its capacity for staff recruitment, retention and succession. Staff members continued to participate in a number of training and development activities relating to capacity building for the carrying out of core operations. At year end the implementation of a pension plan for the staff was well advanced.

The Corporation also continued to improve its policies and procedures and to enhance its supporting infrastructure including ICT, ERM and records and information management.

Financial Performance and Fund Management | At March 31, 2017 total assets were $18.5 billion, an increase of 20.9 percent over the previous year's balance of $15.3 billion. This increase was due mainly to the increase in investments and the early receipt of deposit insurance premiums due for FY2017/18 prior to the end of FY2016/17. Surplus from operations was $2.3 billion, an increase of 15.0 percent. The Corporation also exceeded the overall balance target for the financial year, as the outturn was $3,127.18 million compared to the $1,931.84 million agreed with the MOFPS; the significant variance also being as a result of the premiums collected prior to the financial year end. The DIF balance at March 31, 2017 was $16.5 billion, an increase of 16.4 percent when compared to $14.2 billion in the previous year; and the annual fund adequacy assessment determined the Fund to be adequate in the context of the assessed risk. Consequent to the increase in total income the key performance ratios for the year improved significantly when compared with the budgeted ratios.

Interagency Collaboration | During the year the Corporation continued to work closely with the other FSSN partners. Interagency initiatives included: development of the SRR proposal; drafting of the National Financial Crisis Management Communication Plan and development of the National Financial Inclusion Strategy.

International Relation | The Corporation continues to contribute to the work of the IADI through the Caribbean Regional Committee and two Research and Guidance Sub-committees. The Corporation also participated in the work of the Caribbean Community (CARICOM) to promote establishing and reforming deposit insurance systems by member states within the context of the CARICOM Single Market and Economy.

Concluding Remarks | On behalf of the Management team and the staff, I thank the Chairman and Board of Directors for their active oversight and unequivocal support of the Corporation's various initiatives during the year. Special thanks also to the IADI, our regional partners and the United States Treasury's Office of Technical Assistance in offering their ongoing support, as along with the other members of the FSSN we seek to enhance our operations and promote financial system stability for all Jamaicans.

Importantly, I wish to recognize the hard work, commitment and energy of the JDIC team members who continue to ensure that the Corporation performs commendably. I look forward to the year ahead with much enthusiasm.

Our Business

- The Jamaica Deposit Insurance Corporation (JDIC/the Corporation) was established in August 1998 under the Deposit Insurance Act (DIA) and is responsible for managing the Deposit Insurance Scheme (DIS/the Scheme).

- In fulfilling its responsibilities, the Corporation is committed to protecting depositors and contributing to confidence and stability in Jamaica's financial system.

- The members of the DIS are deposit-taking financial institutions which are licensed and regulated by the Bank of Jamaica. Member institutions are also called Policyholders. These are Commercial Banks, Merchant Banks and Building Societies.

- The DIS covers the deposits held by member institutions up to a maximum of $600,000 per depositor, per member institution. At this limit, 96.0 percent of the number of deposit accounts in member institutions are fully covered under the Scheme as at December 2016.

- Deposit accounts held in different ownership categories are covered separately, each up to the prescribed limit. These ownership categories are: Individual Accounts; Joint Accounts; Trust Accounts; Nominee Accounts; and Business Accounts. Business Accounts include sole trader; partnership; company and unincorporated association.

- Deposit accounts covered by the DIS include: Savings Accounts; Chequing Accounts; Certificates of Deposit (CDs); Time Deposits and Shares in a Building Society (not including capital shares; preference shares and deferred shares).

- Deposit accounts in foreign currencies are also covered up to the equivalent of the $600,000 limit. Deposit insurance payments for foreign currency accounts are made in Jamaican dollars.

- In the event of a failure and closure of a member institution the JDIC must pay depositors the balances in their accounts up to the maximum prescribed coverage limit; presently $600,000.

- Depositors are automatically covered under the Scheme and are not required to pay premiums or make any form of contribution to the Scheme in order to be covered.

- Depositors are not required to make a claim as the JDIC will calculate payments based on the records of the failed member institution.

- In order to carry out its obligation, the JDIC manages a Deposit Insurance Fund (DIF/the Fund) which at the end of March 2017 was $16.5 billion. The Fund is primarily made up of annual premiums collected from member institutions and investment income.

- The JDIC can borrow or raise money for contingency funding to supplement the DIF, as required.

- The Corporation's powers provide for its involvement in the resolution of financial institutions with the other members of the FSSN. Under the DIA the Corporation has statutory powers to grant loans and advances with security and or guarantee payments to resolve a failed Policyholder.

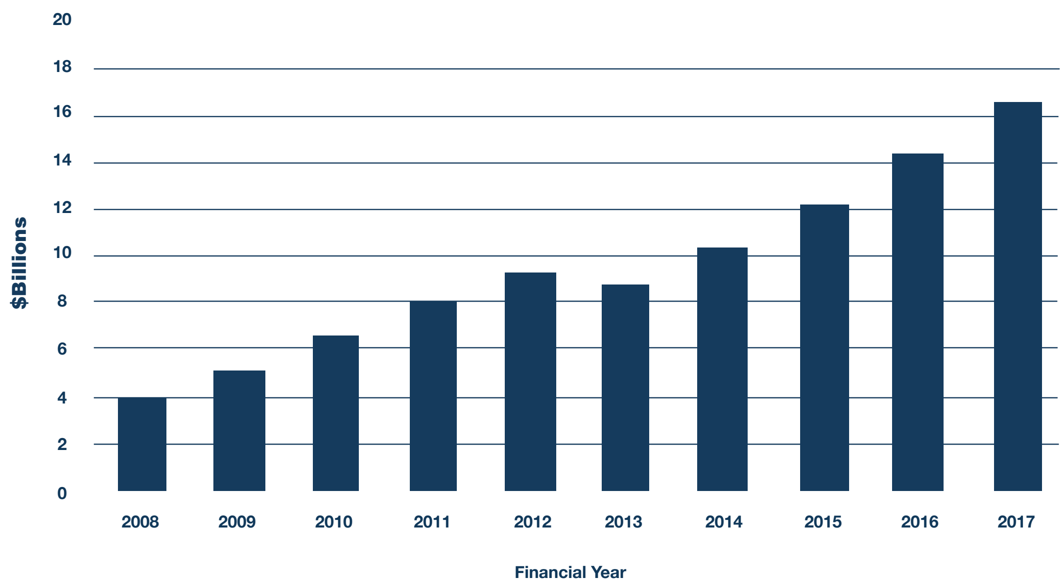
- The Corporation may also act as receiver, liquidator, or judicial manager of any Policyholder, or of its holding company or subsidiary which becomes insolvent, or appoint any person to act as such; and acting in any such capacity may arrange for the restructuring of a Policyholder whether by merger with or acquisition by another financial institution or otherwise.

Financial Highlights

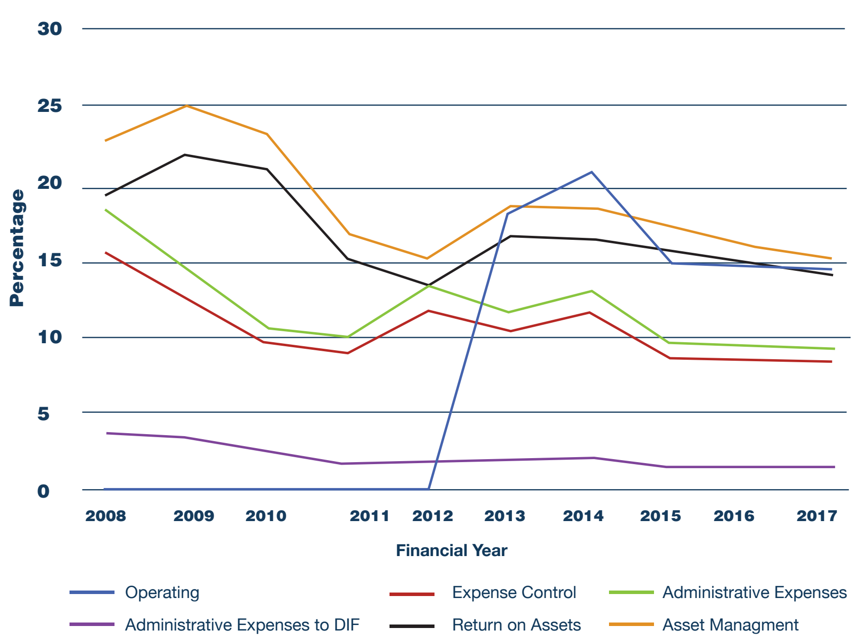
10-Year Statistics: 2008 - 2017

FINANCIAL YEAR	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME										
Insurance Premiums	1,076,597	937,283	870,050	809,250	745,540	727,806	720,970	643,038	553,444	484,120
Interest Earned	1,208,858	1,127,598	1,100,029	922,900	862,530	780,742	755,791	937,504	693,963	477,478
Other Income	268,754	153,542	64,382	93,621	148,026	26,454	(31,562)	15,854	132,632	3,273
Total Income	2,554,209	2,218,423	2,034,461	1,825,771	1,756,096	1,535,002	1,445,199	1,596,396	1,380,039	964,871
Impairment Loss on Securities	-	-	32,091	-	-	-	-	-	-	-
Administrative Expenses	212,111	188,187	173,987	209,280	180,782	178,015	128,894	152,242	171,341	148,975
Surplus from Operations	2,342,098	2,030,236	1,828,383	1,616,491	1,575,314	1,356,987	1,316,305	1,444,154	1,208,698	815,896
STATEMENT OF FINANCIAL POSITION										
Deposit Insurance Fund (DIF)	16,542,224	14,200,126	12,169,890	10,341,507	8,725,016	9,246,938	7,889,951	6,573,646	5,129,492	3,920,794
Investment Securities	17,089,446	14,102,310	11,787,149	9,913,940	8,276,122	9,075,955	7,842,372	6,194,498	5,124,721	4,109,144
Total Assets	18,490,226	15,340,667	12,834,908	11,028,471	8,892,521	10,177,943	8,659,837	6,910,309	5,510,940	4,244,283
Property, Plant and Equipment (NBV)	178,501	110,722	110,038	95,630	97,825	98,946	109,503	105,428	101,593	62,167
OTHER SELECTED DATA										
Persons employed at the end of the year	21.0	21.0	25.0	26.0	24.0	23.0	20.0	20.0	24.0	26.0
Operating Ratio (%)	14.4	14.7	14.9	20.6	17.9	22.8	17.1	16.2	24.7	15.4
Expense Control Ratio (%)	8.3	8.5	8.6	11.5	10.3	11.6	8.9	9.5	12.4	15.4
Administrative Expenses Ratio (%)	9.1	9.3	9.5	12.9	11.5	13.1	9.8	10.5	14.2	18.3
Administrative Expenses to DIF Ratio (%)	1.3	1.3	1.4	2.0	2.1	1.9	1.6	2.3	3.3	3.8
Net Surplus (%)	91.7	91.5	89.9	88.5	89.7	88.4	91.1	90.5	87.6	84.6
Asset Management Ratio (%)	15.1	15.7	17.1	18.3	18.4	16.3	16.7	23.1	25.0	22.7
Return on Assets Ratio (%)	13.8	14.4	15.3	16.2	16.5	14.4	15.2	20.9	21.9	19.2
Insurance Premium/ Total Income (%)	42.1	42.2	42.8	44.3	42.5	47.4	49.9	40.3	40.1	50.2

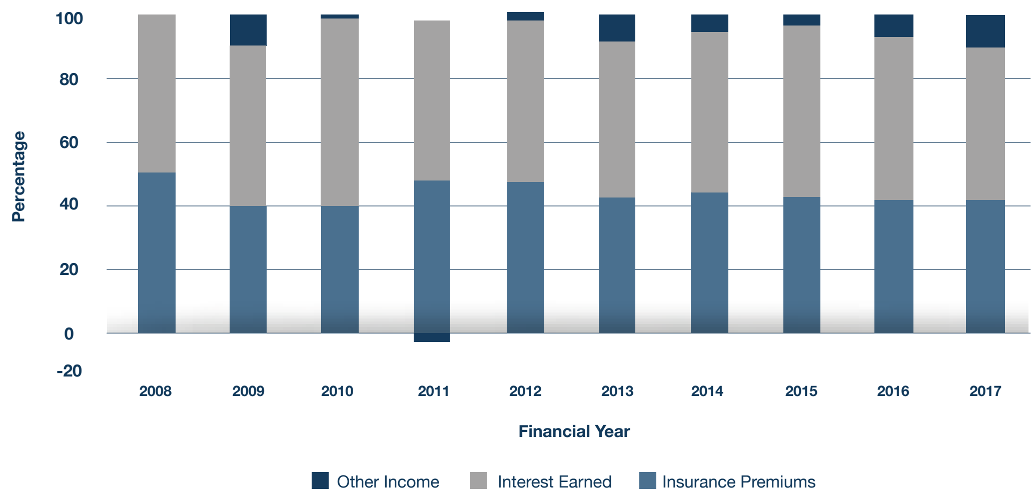
Deposit Insurance Fund



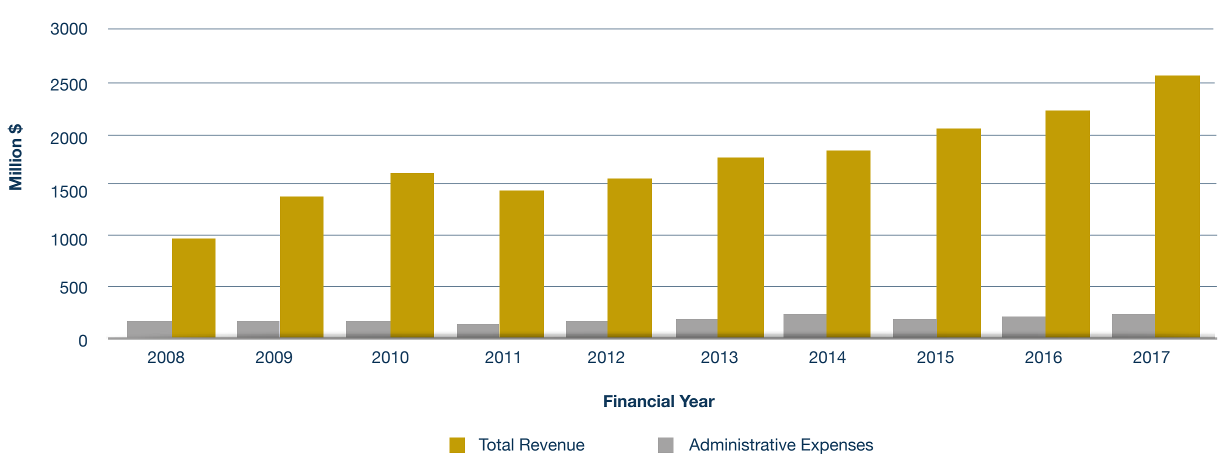
Key Performance Ratios



Total Income



Income vs. Expenses



Organizational Chart and Overview of Departments

BOARD OF DIRECTORS

CEO

Monitoring and Risk Assessment (MRA)

Intervention, Resolutions and International Relations (IRIR)

Finance, Funds and Asset Management (FFAM)

General Counsel, Corporate Secretariat and Communications (GCCSC)

The MRA Department is responsible for:

- Developing policy and promoting legislation, guidelines and rules in relation to the Corporation's role as a deposit insurer;
- Managing the membership administration process;
- Monitoring and researching the developments in the economy, financial markets and deposit insurance community to assess the potential impact of such developments on Policyholder performance and the Corporation;
- Monitoring and assessment of the risks of insuring the deposits of member institutions (Policyholders).

The IRIR Department is responsibile for:

- Building and enhancing the Corporation's capability and maintaining a state of readiness to resolve a failed Policyholder;
- Developing and executing operational plans for selected resolution options;
- Ensuring depositors have timely access to insured deposits in the event of the closure of a Policyholder;
- Liquidation management to maximize asset recoveries;
- Facilitating international related activities, including the sharing and exchange of information and technical expertise with DIs and other FSSN participants in other jurisdictions.

The FFAM Department provides corporate service functions to all areas of operations in the Corporation. The Department is responsible for:

- Accounting, Finance and Fund Management;
- Human Resource Administration and Office Management;
- Procurement and Disposal of Assets;
- Property Management, Information and Communication Technology;
- Records and Information Management.

The GCCSC Department has three distinct units: Legal, Corporate Secretariat and Corporate Communications.

- The Legal function includes legal services and advice to the Corporation and its employees.
- The Corporate Secretariat function includes assisting the Board in discharging its fiduciary duties within the parameters of sound Corporate Governance.
- The Corporate Communications Unit is responsible for internal and external communications, including crisis communication and public education and awareness, strategic planning and reporting.
- The ERM function and compliance with the relevant legal and regulatory requirements also fall within the Department.

Corporate Information

Board of Directors

John Jackson – Chairman

Maurene Simms – Nominee of the Governor of the Bank of Jamaica

Aisha Wright – Nominee of the Financial Secretary

Antoinette McKain – Chief Executive Officer

Myrtle Halsall, OD

Lisa Lewis

Vernon McLeod

Executive Management

Antoinette McKain – Chief Executive Officer

Ronald Edwards – Director, Finance, Funds and Asset Management

Eloise Williams Dunkley – Director, Intervention, Resolutions and International Relations

Dawn Marie Brown – Director, Monitoring and Risk Assessment

Stacy Earl – General Counsel/Corporate Secretary (Acting)

Marjorie McGrath – Manager, Corporate Communications

Auditors

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston, Jamaica

Bankers

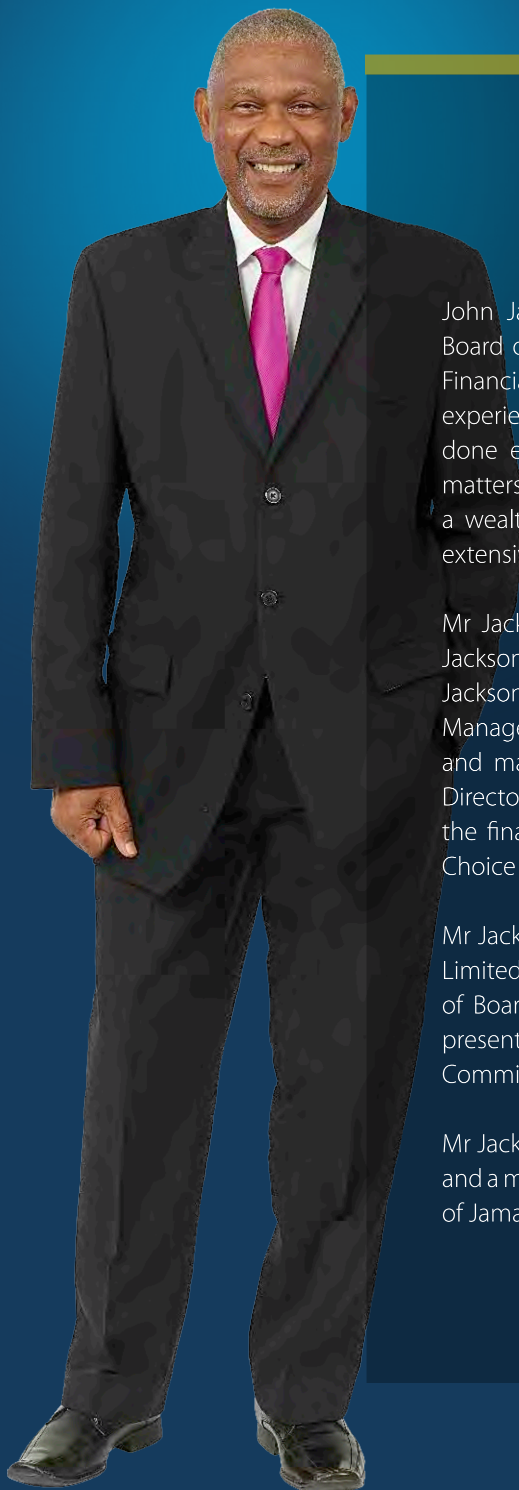
Bank of Jamaica
Nethersole Place
P.O. Box 621
Kingston, Jamaica

Office

30 Grenada Crescent
Kingston 5, Jamaica
Website: www.jdic.org
Email: jdic@jdic.org
Telephone: (876) 926-5225
Fax: (876) 920-9393
Toll Free Local: 1-888-991-5342
USA and Canada: 1-877-801-6793
United Kingdom: 1-800-917-6601

Board of Directors

The JDIC Board comprises seven members; the Chairman and three other independent members who are appointed by the Minister with responsibility for Finance (the Minister) as provided for in the DIA. The remaining three members of the Board are ex-officio Directors: the Governor of the Bank of Jamaica; the Financial Secretary; and the Chief Executive Officer of the Corporation or their respective nominees. In April 2016 a new Board was appointed by the Minister of Finance and the Public Service.



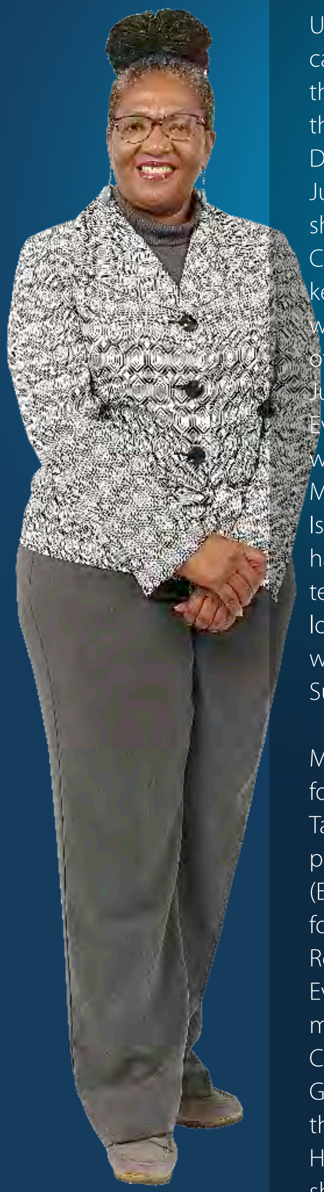
John Jackson
Chairman

John Jackson was appointed Chairman of the JDIC Board on April 26, 2016. A Chartered Accountant and Financial Analyst, Mr Jackson brings to the Board his experience in the financial services industry. He has done extensive research on financial and economic matters, in particular the stock market in which he has a wealth of knowledge and has written and spoken extensively on the subject.

Mr Jackson was the founder of the accounting firm, Jackson Burnett Parkinson, now renamed Crooks Jackson Burnett. He is the Chief Executive of Bridgeton Management Services Limited, a private investment and management company since 1974. He is also a Director of Boston Holdings Limited, publishers of the financial website ICinsider.com and the Investor's Choice journal.

Mr Jackson is also the Chairman of Jetcon Corporation Limited and Jamaican Teas Limited; and is a member of Board of the Development Bank of Jamaica. He is presently a member of Jamaica's CARICOM Review Commission.

Mr Jackson is a graduate of Southwest London College and a member of the Institute of Chartered Accountants of Jamaica.

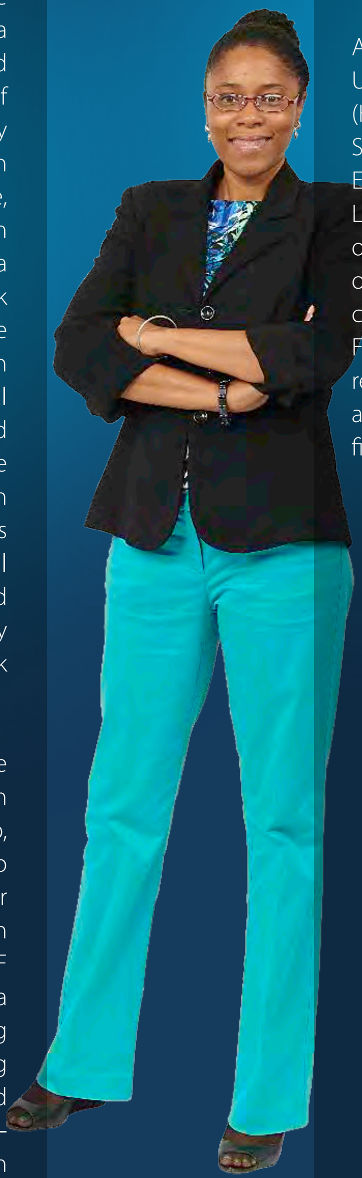


Maurene Simms

Nominee of the Governor of the Bank of Jamaica

Maurene Simms is a graduate of the University of the West Indies and a career Central Banker who assumed the position of Deputy Governor of the Financial Institutions Supervisory Division of the Bank of Jamaica in July 2016. Prior to assuming this role, she served in the capacity of Division Chief, during which period she was a key contributor to the body of work which culminated in the passage of the Banking Services Act (BSA) in June 2014. She is a trained Mutual Evaluation Financial Examiner and was the Financial Examiner for the Mutual Evaluation of the Cayman Islands and Anguilla. Ms Simms has also participated in several technical training programmes held locally, regionally and internationally which covered the gamut of Bank Supervisory issues.

Ms Simms is a nominated appointee for the Caribbean Financial Action Task Force (CFATF) working group, particularly, the Expert Review Group (ERG), as well as a Support Examiner for CFATF's International Corporation Review Group (ICRG). She is a CFATF Evaluator who has also served as a member of the AML/CFT Steering Committee and Regional Working Group of the Financial Stability Board that produced a report on Home-Host co-operation and information sharing in the Americas and the region. Additionally, Ms Simms was the region's representative and Co-chair of the ASBA Working Group that produced a report on Best Regulatory Practices and Supervisory Guidelines for AML/CFT which was shared with the region.

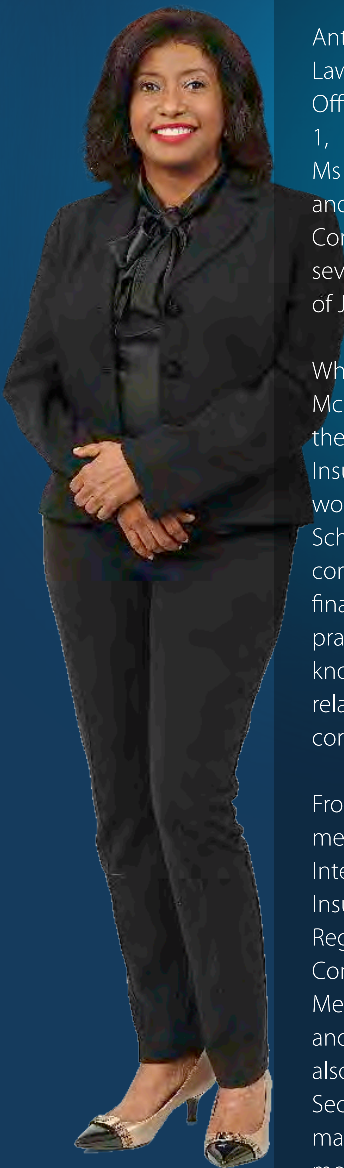


Aisha Wright

Nominee of the Financial Secretary

Aisha Wright is a graduate of the University of the West Indies with BSc (Hons) in Economics and Statistics. She also holds a MSc degree in Economics from University College London. Working at the Ministry of Finance and the Public Service over the last 15 years, Ms Wright is currently the Divisional Director of the Financial Regulations Division which is responsible for ensuring that policies are in place to effectively regulate the financial sector.

Antoinette McKain
CEO



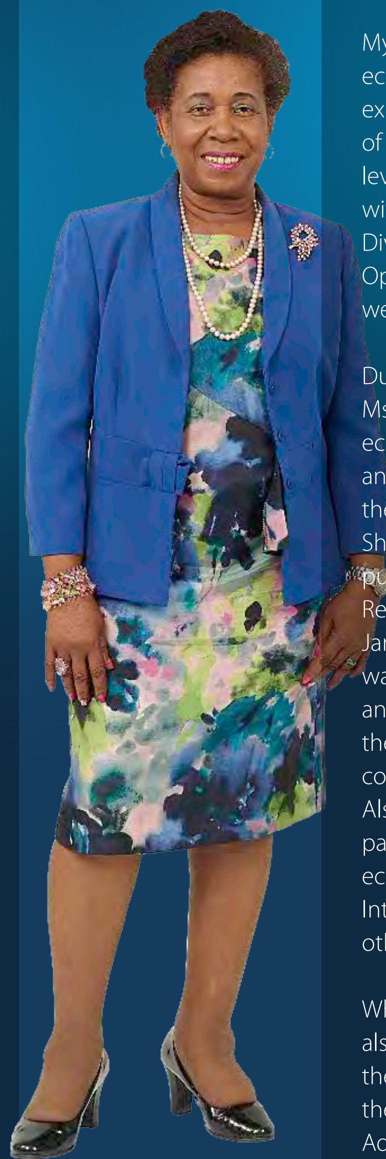
Antoinette McKain, an Attorney-at-Law, was appointed Chief Executive Officer of the JDIC effective January 1, 2007. Prior to her appointment Ms McKain served as Legal Counsel and Corporate Secretary of the Corporation for three years, following seven years as a member of the Bank of Jamaica's legal team.

While at the Bank of Jamaica Ms McKain played a critical role in the establishment of the Deposit Insurance Scheme through her work on the legal framework of the Scheme. Ms McKain's expertise spans corporate, commercial, banking and financial regulation law and best practices. She also has extensive knowledge of public policy issues relating to financial resolution and corporate governance practices.

From 2007 to 2009 Ms McKain was a member of the Executive Council of the International Association of Deposit Insurers and chaired its Caribbean Regional Committee and its Legal Committee and was a member of the Membership and Communications and Governance Committee. She was also on the Committee of the Private Sector Organization of Jamaica which made proposals for the reform and modernization of the insolvency laws in Jamaica.

In addition to her legal qualifications, Ms McKain holds a MBA (Finance) from the University of Manchester and Wales. She also has a Chartered Banker MBA from Bangor University and is a member of the Institute of Chartered Bankers.

Myrtle Halsall, OD



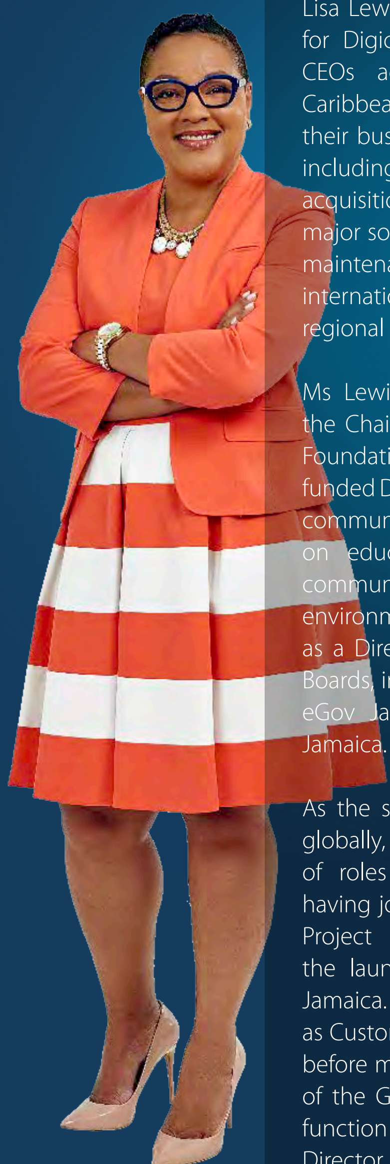
Myrtle Halsall is an experienced economist with over thirty years experience with the Central Bank of Jamaica (the Bank), retiring at the level of Senior Deputy Governor with responsibility for the Economic Division, the Banking, Market Operations and Currency Division, as well as the Administrative Division.

During her tenure at the Central Bank, Ms Halsall provided policy advice on economic developments both locally and internationally to the Governor of the Bank and the Minister of Finance. She also developed the Bank's first published Quarterly Monetary Policy Report. As a member of the Bank of Jamaica's Economic Team, Ms Halsall was responsible for forecasting and analyzing economic variables and the design and monitoring of the country's financial programmes. Also, as a part of the team she participated in negotiating various economic programmes with the International Monetary Fund and other international organizations.

While working at the Bank, Ms Halsall also served as the deputy chair of the Board of the Bank (2011-2013), the chair of the Bank's Committee of Administration and was a member of the Bank's Management Council.

Ms Halsall also serves on the Financial Services Commission's Board of Commissioners.

Lisa Lewis



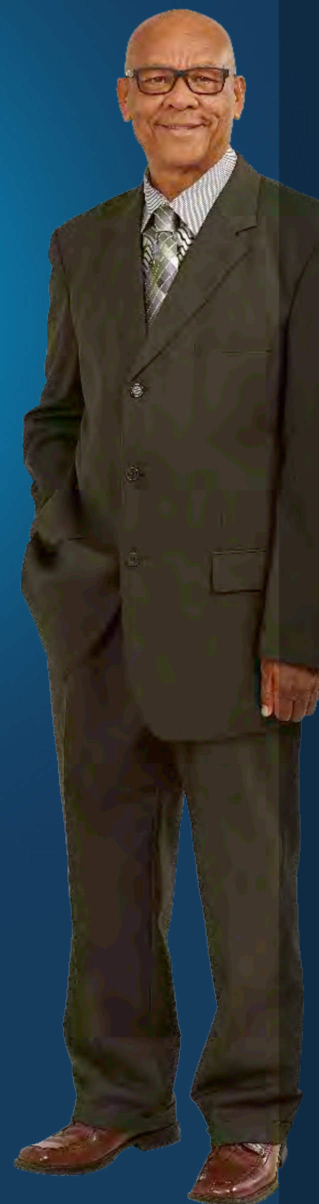
Lisa Lewis as Group Projects Director for Digicel, supports all of Digicel's CEOs across its markets in the Caribbean and Central America in their business development activities including the securing of new licences, acquisitions, the implementation of major social initiatives and the overall maintenance of Government and international NGO relations at the regional level.

Ms Lewis also held the position of the Chairman of the Digicel Jamaica Foundation which is a separately funded Digicel entity working to move communities forward, with a focus on education, sports and culture, community empowerment and the environment. She has also served as a Director on many Public Sector Boards, including Fiscal Services (now eGov Jamaica Ltd.) and E-Learning Jamaica.

As the seventh employee of Digicel globally, Ms Lewis has held a number of roles within the Digicel Group having joined the company as Billing Project Manager in 2000, before the launch of its first operation in Jamaica. Since then, she has served as Customer Care Director in Jamaica, before moving to become a member of the Group Business Development function in 2004. As Group Projects Director, Ms Lewis was part of the core team responsible for leading the Digicel's expansion into the South Pacific. Prior to joining Digicel, she spent nine years working at Cable and Wireless in Jamaica.

Ms Lewis holds a Bachelor of Science degree in Computer Sciences from the University of the West Indies.

Vernon McLeod



Vernon Mcleod is a retired banker with approximately twenty years experience in commercial banking, having served in various positions at National Commercial Bank Jamaica Limited. He was Manager of a number of the bank's branches, as well as Credit Manager at the Head Office for several years. He had the responsibility for supervising and managing the bank's loan portfolio, ensuring that critical targets, including profitability were achieved and that recovery of the bank's exposure was assured.

Subsequent to his retirement from banking, Mr McLeod served as Consultant to various entities. These included: the Portmore Community Development Fund, a government entity engaged in retail lending to the Small and Micro Sectors; and the Broadway Group of Companies where he successfully established the group in the retail market.

With his extensive experience in finance, Mr McLeod was invited to serve on several Government Boards, including Spectrum Management Authority and Pembroke Hall High School where he is currently the Chairman. In 2012 he served as Deputy Mayor of Kingston and is currently a Local Government Councillor.

Mr McLeod is the Managing Director of Motor World Limited, a family business engaged in the retailing of auto parts. He is an Associate of the Chartered Institute of Bankers (ACIB), London and a graduate of the College of Arts, Science and Technology (CAST), now the University of Technology.

Corporate Governance

The Jamaica Deposit Insurance Corporation (JDIC) is a statutory Corporation. It is ultimately accountable to the Parliament, through the Minister responsible for finance. JDIC operates within the legal framework set out in its governing statute, the Deposit Insurance Act (DIA), which provides for the establishment of a Deposit Insurance Scheme (DIS). As a public body, the Corporation is also subject to the *Public Bodies Management and Accountability Act* (PBMA) and the *Financial Administration and Audit Act (FAAA).*

The Corporation's primary objective is the provision of insurance against the loss of depositors' funds up to a prescribed maximum in the event a member institution (Policyholder) fails. This is part of the overall public policy objective for building confidence and the maintenance of financial system stability in Jamaica. To support its mandate, the Corporation manages a Deposit Insurance Fund (DIF). Given its role, the JDIC is committed to maintaining the highest standards of accountability through sound corporate governance with the oversight of its Board of Directors (The Board) and Management.

BOARD OF DIRECTORS
Composition and Mandate

The DIA provides that the policy and general administration of the JDIC and the management of the DIF is the responsibility of the Board. Consistent with this responsibility, the Board charts the strategic direction of the Corporation, ensuring sound governance is maintained and effective risk management systems are in place. The Board is guided by its *Board Governance Policy* developed in line with the principles of the *Corporate Governance Framework for Public Bodies in Jamaica.* The Board has three sub-committees namely, the Audit Committee, the Investment Committee and the Corporate Governance Committee.

During calendar year 2016 the Board met six (6) times, thereby fulfilling its statutory meeting requirement. Through these meetings the Board effectively provided oversight and reviewed key policy initiatives relating to the expanding mandate of the Corporation and set the strategic objectives for its succeeding planning period. Through the work of its Investment Committee, the Board reviewed the management and adequacy of the DIF. The Board ensured the full compliance of the Corporation with all statutory and other obligations.

BOARD OF DIRECTORS		NUMBER OF MEETINGS ATTENDED (CY)
John Jackson	Chairman	6/6
Maurene Simms*	Nominee of the Governor, BOJ	3/4
Aisha Wright	Nominee of the Financial Secretary	6/6
Antoinette McKain	Chief Executive Officer	5/6
Myrtle Halsall**	Board Member	4/4
Lisa Lewis	Board Member	1/6
Vernon McLeod	Board Member	4/6

*Nominated September 25, 2016 **Appointed June 13, 2016

BOARD COMMITTEES
Audit Committee

The PBMA provides that every public body that has more than four (4) Directors shall establish an Audit Committee of not less than three (3) Directors. The Audit Committee is responsible, inter alia, for advising the Board on the extent to which the objectives of the Corporation are being achieved; the adequacy and efficiency of the accounting, internal control structure and systems; reviewing and advising the Board on the financial statements that are to be included in the annual report; reviewing the annual auditor's report and overseeing the internal audit function of the Corporation. The Audit Committee's Terms of Reference and Policy is guided by the GOJ Audit Committee Policy, Corporate Governance Framework, the PBMA and the FAAA, as well as international standards relating to the role and functions of the Audit Committee.

The Audit Committee is comprised of three (3) Directors and a co-opted member from the MOFPS. The Committee met three times out of its four scheduled meetings for the financial year. By the end of the financial year, the Audit Committee effectively carried out its mandate by reviewing and advising on all Quarterly and Half-yearly Reports, the FY2015/16 Annual Report and Audited Financial Statements and FY2017/18-2020/21 Corporate Plan, Operating and Capital Budgets. The Committee also reviewed and made recommendations in relation to the Internal Auditor's Work Plans and Reports for the period. The Audit Committee monitored the compliance of the Corporation with its statutory requirements and found that these were all met.

AUDIT COMMITTEE		NUMBER OF MEETINGS ATTENDED (FY)
Myrtle Halsall*	Board Member Chairperson	2/2
Lisa Lewis	Board Member	2/3
Vernon McLeod	Board Member	3/3
Michael Martell **	Co-opted Member MOFPS	-

* Appointed Chair of Audit Committee at Board Meeting of November 9, 2016

* *Appointed February 15, 2017

Investment Committee

The Investment Committee recommends the Investment Policy to the Board and oversees the management of the Corporation's Investment portfolio. The Committee is comprised of a minimum of two (2) Board members one of which is the CEO. Key executive management officers are also members of the Committee. The Terms of Reference for the Investment Committee requires that meetings are held quarterly or as determined by the Committee.

The Investment Committee receives and reviews reports from the Treasury Management Committee, a standing executive management committee which carries out the day-to-day management of the investment function. During the year the Investment Committee met twice, however Investment Reports were submitted to the Board on a quarterly basis for its review.

INVESTMENT COMMITTEE		NUMBER OF MEETINGS ATTENDED (FY)
Vernon McLeod	Board Member, Chairman	2/2
Antoinette McKain	Chief Executive Officer	2/2
Ronald Edwards	Director, Finance, Funds and Asset Management	2/2
Dawn Marie Brown	Director, Monitoring and Risk Assessment	2/2

Corporate Governance Committee

The Corporate Governance Committee is charged with the responsibility to direct the implementation of and compliance with sound corporate governance principles within the Corporation. The principal objectives of the Committee are to assist with Board oversight of effective corporate governance principles and practises; evaluating and assessing the functioning of the Board, Board Committees and management, as well as the critical human resource and succession planning requirements. During the year, the Committee met twice, thus meeting its requirement in accordance with its Terms of Reference. In keeping with the Committee's mandate, it monitored the Corporation's compliance with the PBMA and conducted the performance assessment and evaluation of the CEO, along the lines of the GOJ Accountability Framework. The Committee is comprised of four (4) Board members. During the period Board members attended a corporate governance training conducted by the MOFPS.

CORPORATE GOVERNANCE COMMITTEE		NUMBER OF MEETINGS ATTENDED (FY)
John Jackson	Chairman	2/2
Antoinette McKain	Chief Executive Officer	2/2
Lisa Lewis	Board Member	2/2
Vernon McLeod	Board Member	2/2

Executive Management

L-R: Eloise Williams Dunkley, Director, Intervention, Resolutions and International Relations; Marjorie McGrath, Manager, Corporate Communications; Stacy Earl, General Counsel/Corporate Secretary (Acting); Ronald Edwards, Director, Finance, Funds and Asset Management; Antoinette McKain, Chief Executive Officer and Dawn Marie Brown, Director, Monitoring and Risk Assessment.

The Chief Executive Officer (CEO) is responsible for the day-to-day management of the Corporation. In carrying out the business of the Corporation and developing and executing its policies, the CEO is supported by other members of the executive management team sitting together with her as a Committee of Management (COM). The executive management comprises the heads of Departments. Managers and other officers of the Corporation may be included on the COM as determined by the CEO. This Committee is responsible for assessing and developing policies and assigning the resources of the Corporation through a collaborative process which ensures that management's decision making incorporates a multidisciplinary approach. Standing and sub-committees of the COM include: Disaster Recovery and Business Continuity; Legislative Review; Treasury Management; Information and Communication Technology; Procurement and Disposal of Assets; Records and Information Management System; Corporate Risk; Expenditure Control and other ad hoc committees as required from time to time.

Management's Discussion and Analysis

MACROECONOMIC PERFORMANCE

Global Developments

Global growth was estimated to have fallen to 3.1 percent in 2016 from 3.2 percent in 2015. The relatively unchanged performance level for 2016 occurred as a consequence of stalled global trade, investment deceleration and increased policy uncertainty. Growth in advanced economies was estimated at 1.6 percent in 2016 (0.5 percentage points less than the performance for 2015). Uncertainty about future policy direction increased, subsequent to the United Kingdom's decision to leave the European Union and the recent electoral outcome in the United States.

The IMF World Economic Outlook (WEO)[1] projects that economic activity will improve in 2017 and 2018, especially for emerging markets and developing economies (EMDEs), with recovery in global growth at a rate of 3.4 percent in 2017.

The projections for EMDEs remain varied, with stronger than expected growth in China and continued recession in some Latin American countries such as Argentina, Brazil and Turkey, as contraction in tourism revenues persists. Overall growth performance for EMDEs is also predicated on normalization of conditions in a number of larger economies that are experiencing macroeconomic strain. EMDEs performance for 2016 is estimated at 4.1 percent and is projected to reach 4.5 percent in 2017 and 4.8 percent in 2018.

Global outlook continues to be influenced by the following factors:

- Heightened policy uncertainties in advanced economies, as a consequence of recent political developments, which may impact cross border economic integration due to protectionist pressures;
- Extended shortfall in private sector demand and inadequate progress in reforms (including bank balance sheet repair) could lead to lower growth;
- Financial markets disruptions; and
- Geopolitical risks.

Table 1 below highlights the economic performance and projected global performance of Jamaica's major trading partners.

TABLE 1: ECONOMIC PERFORMANCE AND PROJECTIONS (% CHANGE) OF JAMAICA'S MAIN TRADING PARTNERS

	2015	2016	2017 (P)	2018(P) (P)
World	3.2	3.1	3.4	3.6
Canada	0.9	1.3	1.9	2.0
China	6.9	6.7	6.5	6.0
United Kingdom	2.2	2.0	1.5	1.4
United States	2.6	1.6	2.3	2.5

P- Projections
IMF World Economic Outlook Update, January 2017

Domestic Economic Developments

The domestic economy continued its positive performance for 2016, consistent with the Memorandum of Economic and Financial Policies (MEFP) supported by the International Monetary Fund (IMF). The country's commendable performance resulted in the Government and the IMF retiring the May 2013 four-year Extended Fund Facility (EFF) which provided budgetary support to the Government, ahead of its April 2017 expiration date. The EFF was replaced with a three-year precautionary Stand-By Arrangement (SBA), which comes with a

[1] World Economic Outlook Update, January 2017 - https://www.imf.org/external/pubs/ft/weo/2017/update/01/.

new US$1.64 billion loan with bi-annual reviews (June and December) relative to quarterly reviews under the EFF. The SBA aims to contribute to the maintenance of macroeconomic stability, growth, job creation, raising the standard of living and progressively reducing poverty.

The IMF's executive board approved the first review of the SBA for period ending December 2016 in April 2017. Consequently, Jamaica will have another US$170 million available, bringing the total available for draw down to US$574 million. The IMF reported that Jamaica's SBA is off to a strong start, with quantitative targets exceeding expectations and structural reforms taking hold with programme implementation remaining strong under the SBA, with sustained positive GDP growth.

Jamaica's economy demonstrated continued and improving stability for 2016 (despite the downturn in several advanced economies and EMDE's). The Statistical Institute of Jamaica (STATIN) estimated that the country grew by 1.4 percent at the end of 2016 relative to 0.9 percent at the end of 2015, and is on target to achieving a growth rate of 1.7 percent for FY2016/17. Further growth is expected with improvements of up to 2.1 percent in FY2017/18. The growth experienced for 2016 is reflective of positive outturns achieved in the areas of agriculture (supported by favourable weather conditions), tourism, electricity and water supplies, business processing outsourcing and recovery in mining.

The country also achieved positive outturns in: sustained high levels of Net International Reserves (NIR) which ended the year at US$2.7 billion, compared to US$2.4 billion in 2015 (above the approximate US$1.5 billion benchmark as set by the IMF); and inflation of 1.7 percent compared to 3.7 percent in 2015 (the lowest in over 40 years).

Jamaica's interest rates also generally declined especially with regards to the 30 and 90 days' tenures with only marginal increase in the 180-day tenure. There was relative stability in the Jamaica dollar compared to the US dollar, in that the depreciation rate moved up to 6.7 percent, compared to 5.0 percent for the corresponding period in 2015.

Business and consumer confidence indices increased to 142.0 and 151.6, respectively, as compared to 123.0 and 124.4 for 2015. Confidence was more favourable among Jamaican firms and consumers in every quarter during 2016, than at any time during the prior 15 years. The country's sovereign rating was upgraded to B3 from Caa2 by Moody's Analytics, which changed the outlook from positive to stable, while Fitch affirmed its B sovereign rating. The improvement in the economy was also reflected in the unemployment rate of 12.9 percent as at October 2016, as compared to 13.5 percent for October 2015.

TABLE 2: PERFORMANCE OF KEY MACROECONOMIC INDICATORS AS AT DECEMBER 31

Indicators	2012	2013	2014	2015	2016
GDP Growth (%)*	-0.4	1.0	0.2	1.0	1.4
Inflation (Annual Pt to Pt, %)*	8.0	9.5	6.4	3.7	1.7
NIR (US$Million)**	1,125.58	1,047.83	2,001.97	2,437.27	2,719.37
Unemployment Rate (%)*^	14.0	14.9	14.2	13.5	12.9
180 Day T-bill Rate (%)**	7.2	8.3	7.1	6.0	6.56
Exchange Rate (J$=US$1)**	97.0	106.4	114.7	120.4	128.44

**http://statinja.gov.jm/*

***http://www.boj.org.jm/*

**^ Unemployment data is as at October of each year*

As a consequence of the reduction in the BOJ signal rate, the average yields in the Government of Jamaica (GOJ) Treasury Bills (T-Bills) also declined. The average yields on the 30-day and 90-day T-bills were 5.64 percent and 5.68 percent respectively as at December 2016, declining by 33 basis points and 28 basis points. The 180-day T-Bill inched up towards the end of the year to close at 6.56 percent, 52 basis points above the outturn for the corresponding period in 2015.

Other factors contributing to positive outturns in the economy included: (i) the narrowing of the inflation differential between Jamaica and the United States; (ii) the reduction in Jamaica's Debt to GDP ratio to 124.1 percent at March 2017 from 145 percent at March 2013; (iii) the continued reduced global oil prices (below US$60 per barrel); and (iv) improvement in the Balance of Payments.

Projections relating to the macroeconomic indicators in keeping with the GOJ Fiscal Policy Paper FY2017/18 are presented in *Table 3* below:

TABLE 3: MEDIUM TERM KEY MACROECONOMIC INDICATORS (ACTUALS AND PROJECTIONS)

Indicators	FY2014/15 (A)	FY2015/16 (A)	FY2016/17 (A)	FY2017/18 (P)	FY2018/19 (P)
GDP Growth (%)	0.2	1.0	1.6	2.3	2.5
Inflation (Annual Pt to Pt, %)	4.0	3.0	4.1	5.0	5.5
NIR (US $Million)	2,293.7	2,415.5	2,659.0	3,363.8	3,811.5
Fiscal Balance (% of GDP)	-0.5	-0.3	-0.7	-0.9	0.4
Primary Surplus (% of GDP)	7.5	7.1	7.2	6.4	6.8
Total Public Debt (% of GDP)	129.9	122.3	124.1	108.6	100.

A - Actuals
P - Projections
Ministry of Finance and Public Service Fiscal Policy Paper 2017

Developments in the Legal and Regulatory Environment

During the review period no principal pieces of legislation or amendments relating to JDIC licensees or other regulated or supervised financial institutions were passed. However, several legislative developments were in train as Jamaica continued its efforts to further strengthen the financial system and economy. To this end extensive consultations were held with local stakeholders in the financial sector along with representatives from the IMF. These consultations were focused on proposals for several legislative changes projected for FY2018/19. Foremost among these was the development of *Proposals for a Special Resolution Regime for Financial Institutions in Jamaica,* which will further bring the country in line with international best practices and allow for greater crisis management capacity and the maintenance of stability. These legislative developments are expected to impact the mandate and operations of the Corporation. Additionally, activities related to the development of further key supporting regulations and Supervisory Rules to facilitate the operationalisation of the Banking Services Act, 2014 (BSA) continued to be among the prioritized initiatives over the period.

The Banking Services (Deposit Taking Institutions) (Agent Banking) Regulations 2016

These Regulations give Deposit Taking Institutions (DTIs), upon the satisfaction of certain requirements under the BSA, the power to appoint agents to offer one or more of the specified banking services. These banking services include, deposits, withdrawals, payment of bills and loan repayments, electronic transfer of funds, and account balance enquiries.

The Regulations will assist in the promotion of financial inclusion by widening the channels by which persons are able to access banking services beyond existing DTIs traditional branch networks and electronic access mediums. It allows for the use of third-party-owned locations to offer banking services alongside their own products and services. As such, the Regulations:

1. Outline the applications process and set out the eligibility requirement for involvement in agent banking;
2. Prescribe the responsibilities and obligations of the appointing DTI and its agent;
3. Establish the operating parameters of the agent banking space; and
4. Address the matter of breaches, offences and applicable penalties and sanctions.

The Banking Services (Deposit Taking Institutions) (Customer Related Matters) Code of Conduct, 2016

The Code of Conduct was established in an effort to govern the manner in which customer related matters are handled. The objective of the Code is to address some of the existing gaps in financial consumer protection. The Code provides for:

1. The obligations of DTIs to disclose to their customers information relevant to fees, charges, terms and conditions and changes that are applicable to products or services offered, as well the mechanisms for dealing with customer complaints;
2. Customers access to their information at a reasonable cost;
3. The expression of interest rates in customer information as effective annual rates calculated in a standard manner across the banking services industry; and
4. Mechanisms and procedures to address customer disputes, communicate those mechanisms and maintain relevant reporting and record keeping in that regard.

The Financial Services Commission (Amendment) Act, 2016

The Financial Services Commission Act, section 10, was amended to enable the Financial Services Commission (FSC) to borrow sums of money required for it to meet any of its obligations or to discharge any of its functions.

Pending Financial Legislation

The Bank of Jamaica (Credit Union) Regulations

The promulgation of the Regulations will bring Credit Unions under the prudential supervisory ambit of the Bank of Jamaica. The prudential Regulations will provide for Credit Unions: capital and reserve requirements; prohibited business; remedial and intervention processes.

Once the Credit Unions are licensed under the new legal regime they will be required to apply to become members of the DIS.

The Co-operative Societies (Amendment) Bill

The Co-operative Societies Act is to be amended to support the implementation of the Bank of Jamaica (Credit Union) Regulations. The Bill includes provisions that seek to restrict the deposit taking activities of co-operative societies to only those co-operative societies that function as Credit Unions.

Further amendments are being contemplated by the Ministry of Industry, Commerce, Agriculture and Fisheries (MICAF). It is anticipated this will be presented jointly along with the draft Bank of Jamaica (Credit Union) Regulations.

Proposals for a Special Resolution Regime (the Consultation Paper)

On February 28, 2017 the Consultation Paper containing *"Proposals for a Special Resolution Regime for Financial Institutions in Jamaica: Financial Holding Companies, Deposit Taking Institutions, Securities Dealers and Insurance Companies (Life and General)",* was jointly published by members of the Financial Regulatory Committee (the Ministry of Finance and the Public Service, Bank of Jamaica, Financial Service Commission and the Jamaica Deposit Insurance Corporation).

The dissemination of the Consultation Paper is the first stage of the process. This will culminate in the introduction of legislation to reform the current resolution framework for financial institutions. The proposals advocate a hybrid approach to resolution, where non-viable systemically important financial institutions are resolved under the proposed special resolution regime. The proposals seek to ensure that the authorities have adequate powers to resolve non-viable financial institutions in an orderly manner, while protecting the continuity of critical financial services and economic functions. Non-viable financial institutions that are not systemically important would be allowed to exit utilizing a modified insolvency framework specific to financial institutions.

POLICYHOLDERS PROFILE AND PERFORMANCE

Profile of Policyholders

At March 31, 2017, the number of Policyholders remained at eleven (11) institutions, comprising of seven (7) commercial banks, two (2) building societies[2] and two (2) merchant banks. Towards the end of 2016 the Bank of Jamaica approved commercial banking licences for both Jamaica National Building Society (now JN Bank Limited) and JMMB Merchant Bank Limited. The majority of deposits remained concentrated in commercial banks.

Commercial Banks

- Bank of Nova Scotia Jamaica Limited
- Citibank, N.A.
- First Caribbean International Bank (Jamaica) Limited
- First Global Bank Jamaica Limited
- JN Bank Limited
- National Commercial Bank Jamaica Limited
- Sagicor Bank Jamaica Limited

Building Societies

- Scotia Jamaica Building Society
- Victoria Mutual Building Society

Merchant Banks

- JMMB Merchant Bank Limited
- MF&G Trust and Finance Limited

Policyholders' Performance

During 2016, Policyholders generally recorded improvements in their performance. This was evidenced by adequate capital levels, sufficient liquidity support from the BOJ and consistent profitability. Performance was consistent with the improvements observed in the macroeconomic environment reflected by accelerated economic growth, relative stable exchange rate and low inflation. *Table 4* below presents a summary of the key financial indicators for the banking system.

TABLE 4: SUMMARY OF THE FINANCIAL PERFORMANCE OF THE BANKING SYSTEM AS AT DECEMBER 31

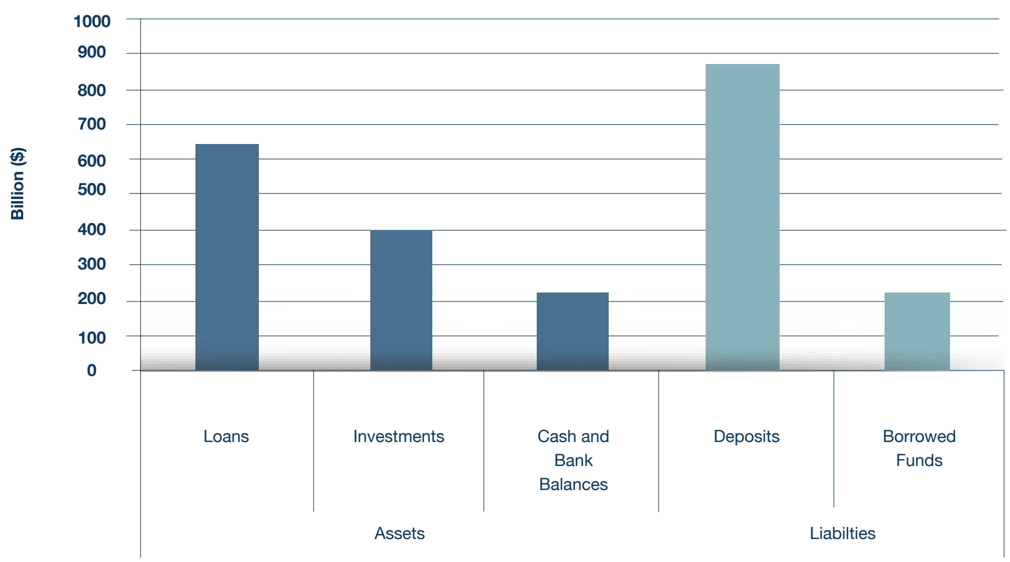
Key Financial Indicators	2012 ($Bn)	2013 ($Bn)	2014 ($Bn)	2015 ($Bn)	2016) ($Bn)	2016/2015 (%)
Total Assets	882.8	977.2	1,090.9	1,195.6	1,376.1	15.1
Cash and Bank	153.8	186.7	192.6	196.6	228.7	16.3
Investments	257.3	255.3	323.6	349.9	399.4	14.1
Total Deposits	584.1	639.9	689.8	771.6	877.9	13.8
Loans & Advances (gross)	409.0	466.6	497.3	543.7	643.2	18.3
Non-performing Loans	28.7	25.0	25.1	22.1	18.4	-16.7
Interest Income	65.9	69.8	77.0	80.3	86.9	8.2
Non-interest income	31.1	31.0	37.0	39.2	54.4	38.8
Non-interest Expense	63.2	71.5	75.8	79.5	86.6	8.9
Pre-tax Profit	19.9	19.0	21.6	23.6	38.1	61.5
Key Ratios (%)						
Capital Adequacy Ratio	14.1	15.1	15.8	14.9	14.9	0.0
Efficiency Ratio (Non-int exp/op inc)	82.1	82.1	78.2	81.8	73.2	-0.6

Source: Bank of Jamaica

[2] At February 1, 2017 Jamaica National Building Society converted to a commercial bank.

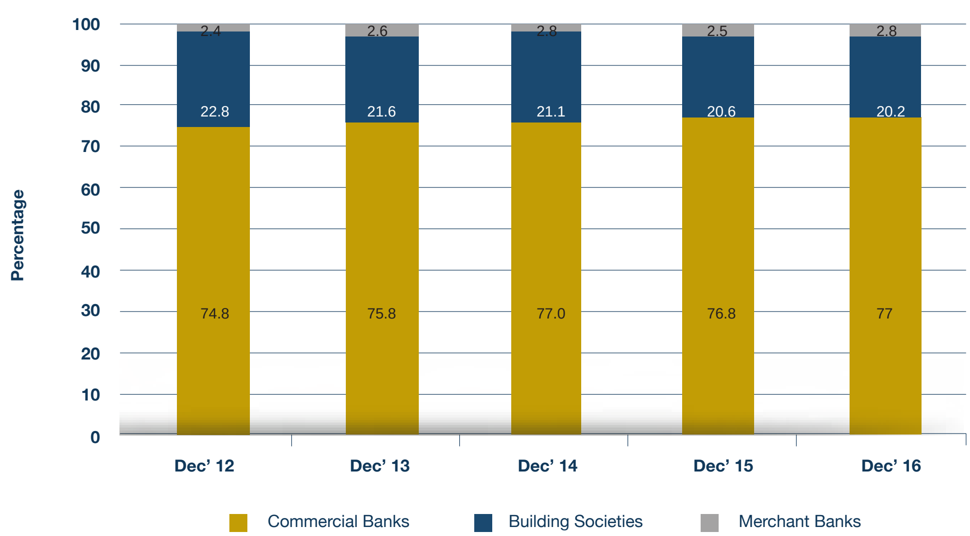
The increase in assets at December 31, 2016 was mainly financed by the 13.8 percent increase in deposits to $877.9 billion. Borrowed funds increased by 32.8 percent to $220.7 billion *(Figure 1)*.

FIGURE 1: COMPOSITION OF ASSETS AND LIABILITIES IN THE BANKING SYSTEM (DECEMBER 2016)



Commercial banks continued to dominate the banking sector holding 77.0 percent of market share of assets in 2016 compared to 76.8 percent in 2015. Building societies and merchant banks had market share of 20.3 percent and 2.8 percent, respectively *(Figure 2)*.

FIGURE 2: MARKET SHARE OF ASSETS

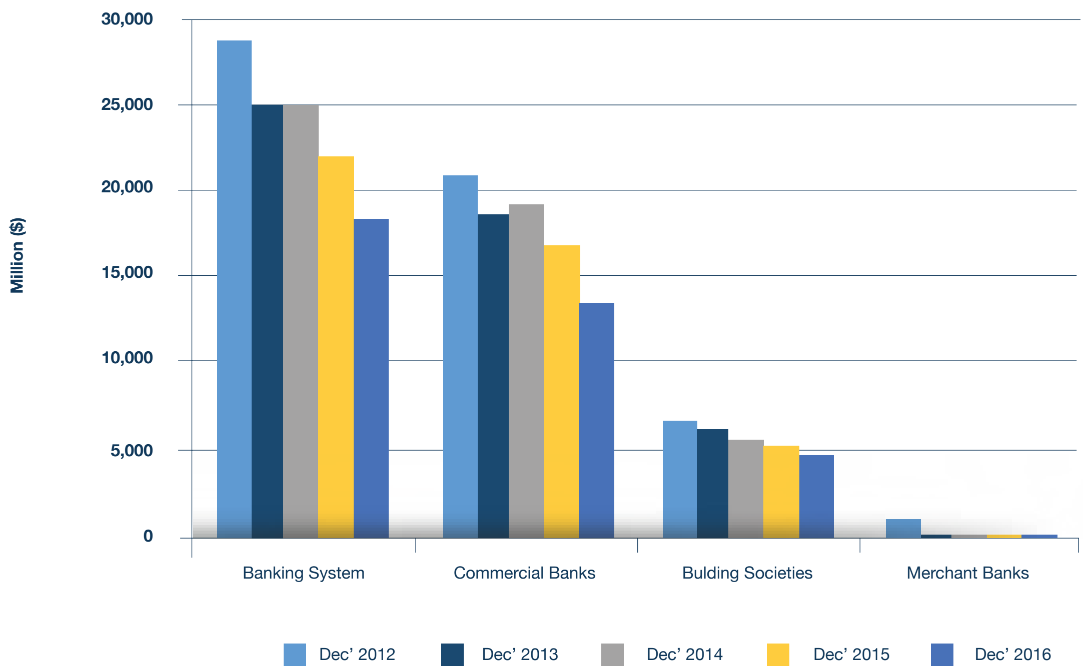


Loan Portfolio Performance

Gross loans, which represented $643.2 billion or 46.7 percent of total system assets, increased by 18.3 percent, twice the growth rate recorded in 2015. Domestic currency credit remained the favoured option increasing by $57.9 billion, while foreign currency loans increased by $41.2 billion. Notably, the increase in foreign currency loans represented the largest annual increase in over ten years and occurred as a result of a large short-term loan to the non-deposit taking financial sector.

There was significant improvement in the asset quality in the banking sector as the stock of non-performing loans (NPLs), as well as the total loan provisions, declined by 16.9 percent and 9.0 percent respectively in 2016. As at December 2016, non-performing loans stood at $18.4 billion or 2.9 percent of gross loans, relative to $22.1 billion or 4.1 percent as at December 2015. As Policyholders continued to reduce their holdings of past due loans the ratio of NPLs to total assets and provision was at its lowest during the year, and the prudential requirement was consistently met *(Figure 3)*.

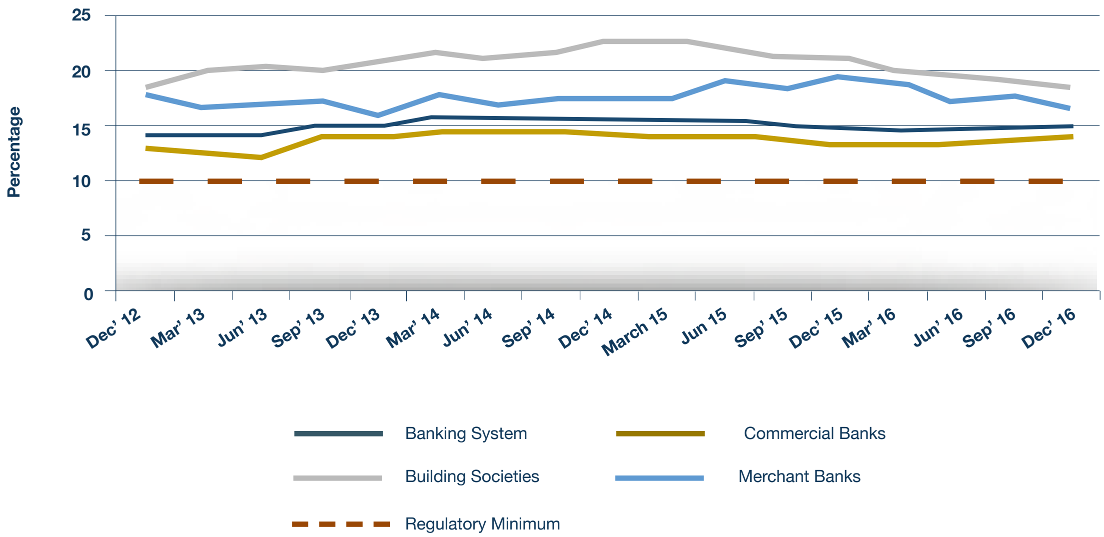
FIGURE 3: NON-PERFORMING LOANS (DEC 2012- 2016)



During 2016, Policyholders continued to satisfy the domestic and foreign currency cash reserve requirements. Notably, over the past two years, foreign currency deposits held by Policyholders have been expanding thereby increasing foreign currency risk exposures. During the December 2016 quarter, the BOJ increased the statutory minimum for foreign currency cash reserve and liquid asset ratios to 12.0 percent and 26.0 percent respectively; on par with the corresponding statutory minimum requirements for the domestic currency ratios.

While there was a decrease in capital adequacy indicators, all Policyholders were adequately capitalized during 2016, maintaining ratios well within the statutory requirement *(Figure 4)*. Whereas regulatory capital increased by 11.1 percent, the primary ratio marginally declined to 10.6 percent from 10.8 percent in 2015, while risk-weighted capital adequacy ratio declined to 14.7 percent from 14.9 percent in 2015.

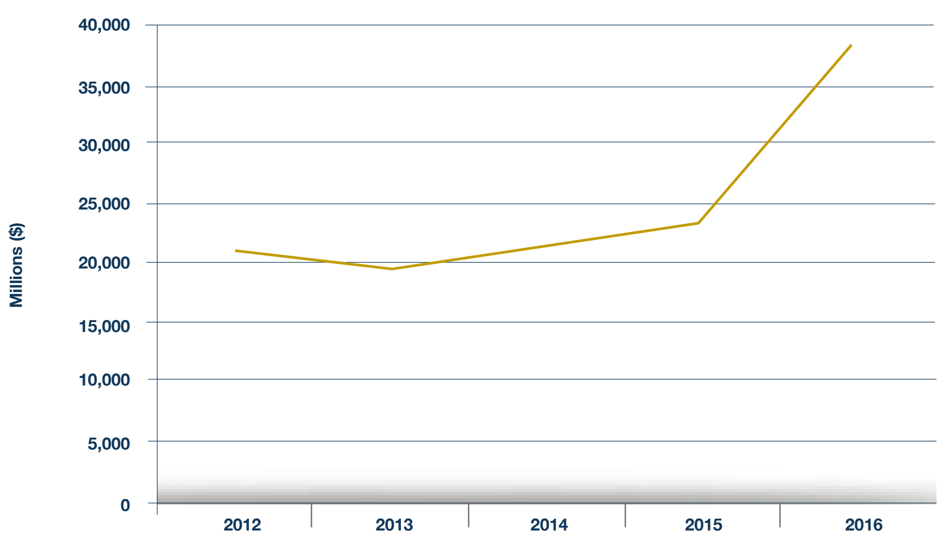
FIGURE 4: RISK WEIGHTED CAPITAL ADEQUACY RATIO



Profitability

Policyholders continued to experience increasing profitability. For the year ended December 2016, pre-tax profits grew by 61.5 percent or $14.5 billion compared to growth of 11.7 percent in 2015 *(Figure 5)*. The return on average asset ratio increased to 3.0 percent from 2.1 percent recorded at the end of the previous year. Non-interest income (the largest contributor to the increase in revenue) increased to $14.0 billion while non-interest expenses increased by $4.2 billion.

FIGURE 5: BANKING SYSTEM PRE-TAX PROFITS (2012 – 2016)



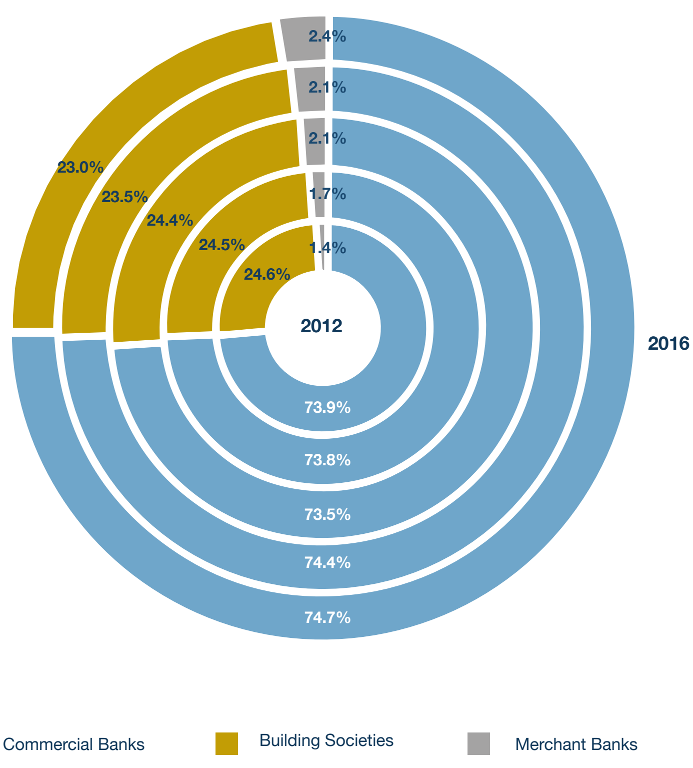
Profile Of Deposits

Profile of Deposits Eligible for Deposit Insurance Coverage – Insurable Deposits

During 2016, the total insurable deposits in the system grew to $826.4 billion, an increase of $108.6 billion or 15.1 percent above the 2015 level *(Table 5)*. The total number of insurable deposit accounts also increased to approximately 4.2 million at the end of the year compared to 4.1 million at the end of 2015. In that regard, the average insurable deposit balance increased to $198,200, a 12.2 percent change, from $176,680 at end 2015.

TABLE 5: TOTAL ESTIMATED INSURABLE DEPOSITS AS AT DECEMBER 31, 2012 - 2016

SUB-SECTORS	2012 $ Bn	2013 $ Bn	2014 $ Bn	2015 $ Bn	2016 $ Bn
Commercial Banks	398.9	428.0	459.4	533.8	617.0
Building Societies	132.8	141.9	152.5	168.7	189.7
Merchant Banks	7.8	10.1	12.9	15.2	19.7
Total	539.5	580.0	624.9	717.7	826.4

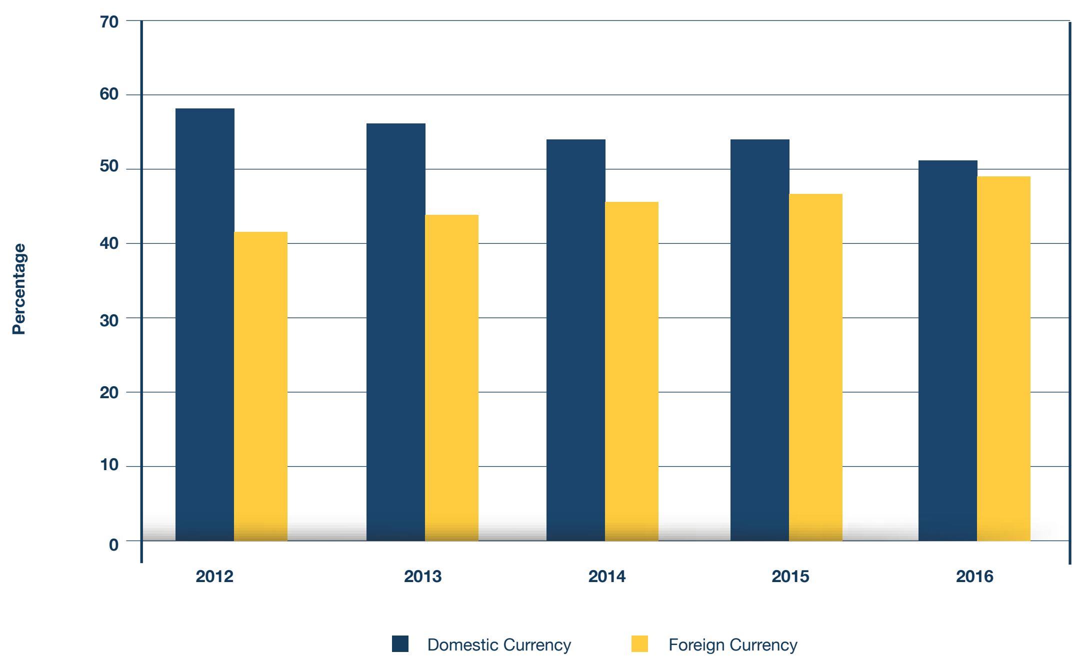


Share of Insurable Deposits held in Domestic and Foreign Currencies

The domestic currency and foreign currency accounts both recorded increased deposits during the calendar year 2016, with the larger portion of the increase occurring in the foreign currency accounts which grew by 21.3 percent, compared with the 9.7 percent increase in domestic currency deposits. The growth in the foreign currency portfolio represented real growth of approximately 14.6 percent given the 6.7 percent depreciation in the Jamaica Dollar against the US Dollar.

In this regard, the ratio of domestic currency deposits to total insurable deposits declined to 50.9 percent (53.4 percent in 2015) relative to 49.1 percent in foreign currency deposits to total insurable deposits (46.6 percent in 2015) *(Figure 6).* The value of domestic currency stood at $420.5 billion, while foreign currency deposits totalled $405.8 billion.

FIGURE 6: DISTRIBUTION OF INSURABLE DEPOSITS 2012 - 2016 (DOMESTIC AND FOREIGN)



Profile of Deposits within the Deposit Insurance Coverage Limit – Estimated Insured Deposits

As at December 31, 2016, deposits were insured up to a maximum of $600,000 per depositor, per account type, per institution, unchanged from the previous year. Deposits insured by the JDIC totalled $306.0 billion or 37 percent of insurable deposits *(Table 6).* This represents an increase of 8.0 percent year over year up from approximately $284.0 billion in 2015.

TABLE 6: INSURABLE DEPOSITS TO INSURED DEPOSITS

Year	Insurable Deposit ($Bn)	Estimated Insurable Deposits ($Bn)	Ratio of Insured to Insurable Deposits (%)
2011	498	229	46.0
2012	539	230	42.7
2013	580	246	42.3
2014	625	261	41.8
2015	718	284	39.6
2016	826	307	37.1

The Deposit Insurance Fund (DIF) as a percentage of total estimated insured deposits (DIF Ratio) increased to 5.2 percent at end December 2016 up from 4.8 percent for the corresponding period in 2015 *(Table 7).*

TABLE 7: TOTAL ESTIMATED INSURED DEPOSITS DECEMBER 31, 2012 - 2016

Institutions	2012 ($Bn)	2012 (%)	2013 ($Bn)	2013 (%)	2014 ($Bn)	2014 (%)	2015 ($Bn)	2015 (%)	2016 ($Bn)	2016 (%)
Commercial Banks	158.9	69.1	172.1	70.1	183.0	70.5	202.3	71.2	220.4	72.0
Building Societies	70.0	30.4	72.2	29.4	75.4	29.0	80.2	28.2	84.0	27.4
Merchant Banks	1.2	0.5	1.3	0.5	1.4	0.5	1.5	0.5	1.7	0.5
Total Estimated Insured Deposits	230.13		245.6		259.7		284.0		306.0	
Deposit Insurance Fund	10.4		9.9		11.7		13.7		16.0	
DIF Ratio		4.5		4.0		4.5		4.8		5.2

Profile of Number of Fully Insured Deposit Accounts – Accounts with Balances up to $600,000

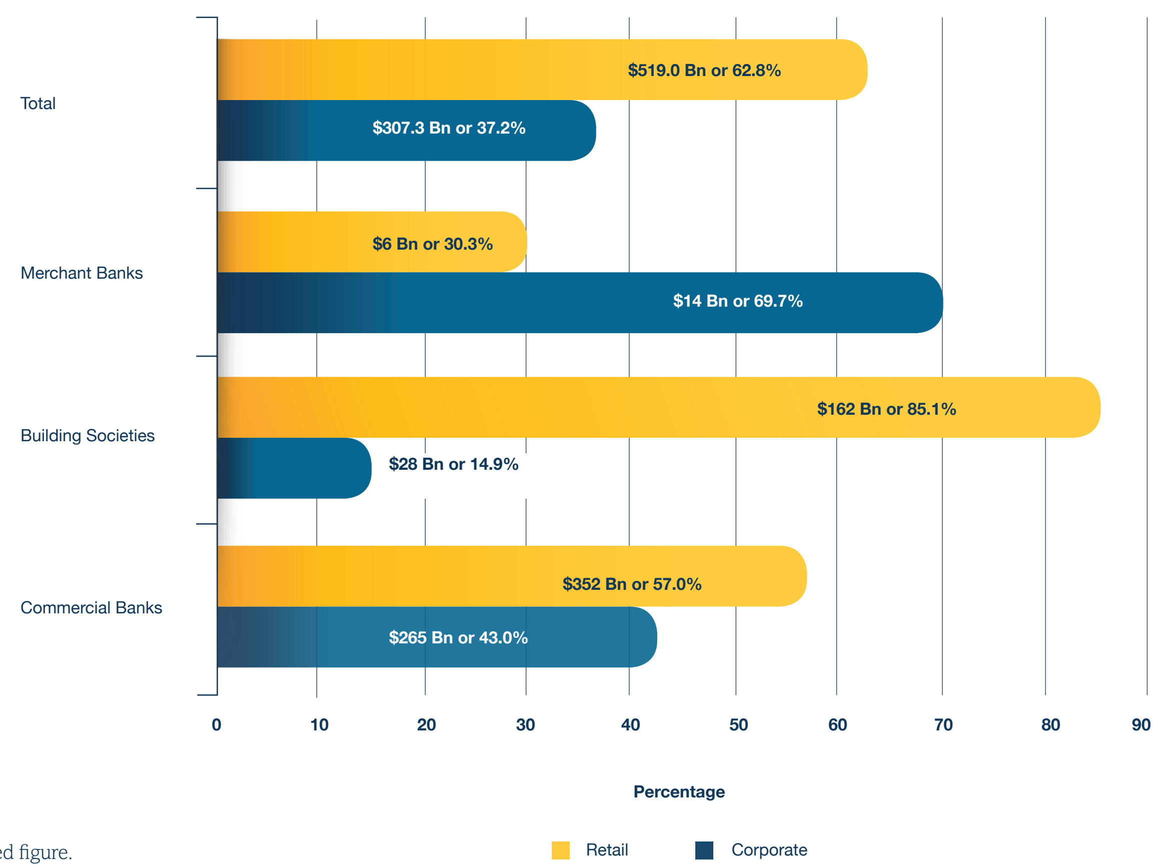
Fully insured deposit accounts represented 95.5 percent, 96.7 percent and 84.8 percent of total insurable accounts in commercial banks, building societies and merchant banks, respectively *(Table 8)*. Overall, the number of fully insured deposit accounts as a percentage of total insurable deposit accounts was 96.0 percent in 2016, a marginal decline from 96.3 percent in 2015. This coverage level is consistent with the JDIC's public policy objective of protecting the majority of small retail depositors and remains above the International Association of Deposit Insurers (IADI) best practice recommendation of fully insuring 90 – 95 percent of deposit accounts in the system.

TABLE 8: TOTAL NUMBER OF INSURABLE AND FULLY INSURED ACCOUNTS			
Institutions	Total No. of Fully Insurable Accounts	Total No. of Fully Insured Accounts	% of Fully Insured Accounts
Commercial Banks	2,413,167	2,304,467	95.5
Building Societies	1,745,481	1,688,337	96.7
Merchant Banks	11,372	9,638	84.8
Grand Total	4,170,020	4,002,442	96.0

GLANCE OF TOTAL BANKING SYSTEM –RETAIL AND CORPORATE DEPOSITS[3]

Retail deposits accounted for $520.1 billion or approximately 63.0 percent of the total insurable deposits while corporate deposits totalled $307.0 billion or 37.0 percent of total insurable deposits. Retail deposits represented 57.0 percent ($351.7 billion), 85.3 percent ($162.4 billion) and 30.3 percent ($5.96 billion) of the commercial banks, building societies and merchant banks deposits, respectively. The balance of deposits reflected corporate deposits *(Figure 7)*.

FIGURE 7: RETAIL VS CORPORATE DEPOSITS



[3] Estimated figure.

Retail deposit accounts represented 96.1 percent of the total insurable deposits account as at December 31, 2016 *(Table 9).*

TABLE 9: NUMBER OF CORPORATE AND RETAIL ACCOUNTS

	Corporate		Retail		Total
	$	(%)	$	(%)	$
2015	154,49	3.8	3,907,831	96.2	4,062,324
2016	161,945	3.9	4,007,450	96.1	4,169,395

Majority of the insured deposits are held by retail or individual depositors, accounting for approximately 78.0 percent or $237.2 billion of the insured deposits. Most of the corporate deposits remain uninsured due to their sheer size, with approximately 7.0 percent ($20.7 billion) of these deposits being insured.

Finance, Funds and Asset Management

L-R: Pamella Lawrence, Office Attendant; Patrice McQueen, Accounting Officer; Mickel Brown, Procurement Officer; Ronald Edwards, Director; Delgado Williamson, Site Attendant; Pearzie Reid, Accounting Officer; Randia Scott, Administrative Assistant and Roxan Jackson, Records and Information Officer

REVIEW OF OPERATIONS

Financial Operations

Total Assets of the Corporation at March 31, 2017 was $18.5 billion, an increase of 20.9 percent over the previous year's balance of $15.3 billion. This increase was due mainly to the increase in investments and the receipt of deposit insurance premium for FY2017/18 prior to the year-end. Over the last five years, total assets increased by 81.7 percent.

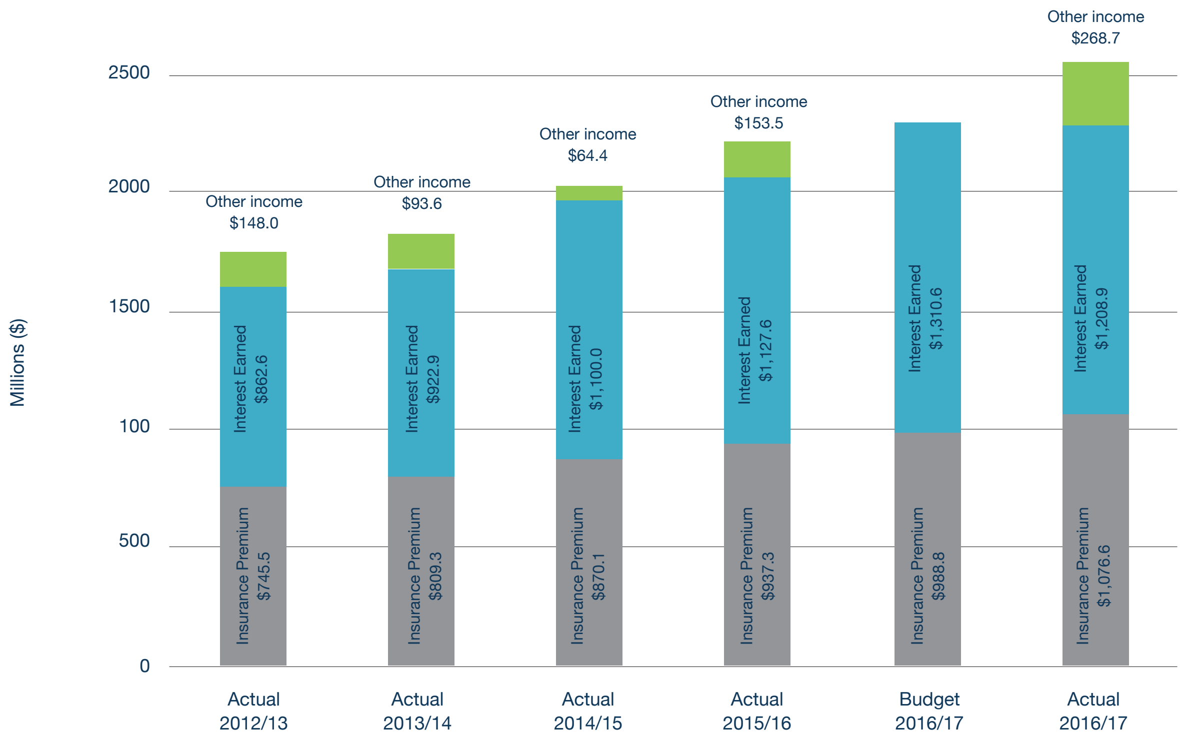
The Corporation made a surplus of $2.3 billion. This represented an increase of 15.0 percent over the previous year's surplus of $2.0 billion, as detailed in the *Statement of Profit or Loss and Other Comprehensive Income (Table 11).* The Overall Balance targets, which are quarterly financial targets agreed with the MOFPS to assess the financial performance of the Corporation were also exceeded; as the target for the financial year was $1,931.84 million and the actual out-turn was $3,127.18 million. The significant variance of $1,195.34 million was due mainly to the collection of deposit insurance premium for FY2017/18 before the due date of April 1, 2017.

Total Income, as detailed in *Table 10,* was $2.5 billion, which increased by 13.6 percent when compared with the previous year's total of $2.2 billion.

TABLE 10: TOTAL INCOME

TOTAL INCOME	2016/17 ACTUAL $M	2016/17 BUDGET $M	2015/16 ACTUAL $M	2014/15 ACTUAL $M	2014/13 ACTUAL $M	2013/12 ACTUAL $M
Insurance Premiums	1,076.6	988.8	937.3	870.1	809.3	745.5
Interest Earned	1,208.9	1,310.6	1,127.6	1,100.0	922.9	862.6
Other Income	268.7	-	153.5	64.4	93.6	148.0
Total Income	2,554.2	2,299.4	2,218.4	2,034.5	1,825.8	1,756.1

FIGURE 8: TOTAL INCOME FY2012/13 TO 2016/17



Interest earned on investments and other income totalled $1.5 billion (Table 11). Administrative expenses were $212.1 million. This resulted in a surplus from Investment and Administrative Operations of $1.3 billion, which when added to the Insurance Premiums of $1.0 billion gives a Total Surplus from Operations of $2.3 billion.

TABLE 11: STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2016/17 ACTUAL $M	2016/17 BUDGET $M	2015/16 ACTUAL $M	2014/15 ACTUAL $M	2013/14 ACTUAL $M	2012/13 ACTUAL $M
Insurance Premiums	1,076.6	988.8	937.3	870.1	809.3	745.5
Surplus from Investment and Administrative Operations:						
Interest Earned	1,208.9	1,310.6	1,127.6	1,100.0	922.9	862.6
Other Income	268.7	-	153.5	64.4	93.6	148.0
Total Income Earned and Other Income	1,477.6	1,310.6	1,281.1	1,164.4	1,016.5	1,010.6
Administrative Expenses	(212.1)	(394.3)	(188.2)	(174.0)	(209.3)	(180.8)
Surplus from Investment and Administrative Operations	1,265.5	916.3	1,092.9	990.4	807.2	829.8
Impairment Loss on Securities	-	-	-	(32.1)	- -	
Surplus from Operations	2,342.1	1,905.1	2,030.2	1,828.4	1,616.5	1,575.3

Total administrative expenditure of $212.1 million was 85.9 percent less than budgeted. This large variance was due to alternate sourcing of services and recruitment delays, both unavoidable and strategic. This included the strategic outsourcing of consultancy services for key operational initiatives through the leveraging of technical assistance from international organizations and members of IADI/DIOs as an alternative to engaging private consultants.

Additionally, the organizational review, job evaluation and reclassification exercise to have seen significant adjustments to salaries was deferred and staff expenditure relating to the admission of credit unions was not incurred during the reporting period. Expenditure for the year to March 31, 2017 was 1.28 percent (2016: 1.33 percent) of the DIF and 1.15 percent (2016: 1.23 percent) of total assets. Of note, there were no projected or actual expenditure on resolution activity. The distribution of administrative expenses categories is shown in *Table 12.*

TABLE 12: SUMMARY OF ADMINISTRATIVE EXPENDITURE

	2016/17 ACTUAL		2016/17 BUDGET		2015/16 ACTUAL		2014/15 ACTUAL	
	$M	%	$M	%	$M	%	$M	%
Staff Costs	141.6	66.7	246.7	62.6	133.3	70.8	129.6	74.5
Public Education	18.1	8.5	23.2	5.9	9.3	4.9	5.5	3.2
Professional Fees	10.4	4.4	58.7	14.9	9.4	5.0	7.6	4.4
Depreciation	5.4	2.6	5.0	1.3	4.8	2.6	4.3	2.5
Other[4]	36.6	17.7	60.7	15.4	31.4	16.7	27.0	15.5
TOTAL	**212.1**	**100.0**	**394.3**	**100.0**	**188.2**	**100.0**	**174.0**	**100.0**

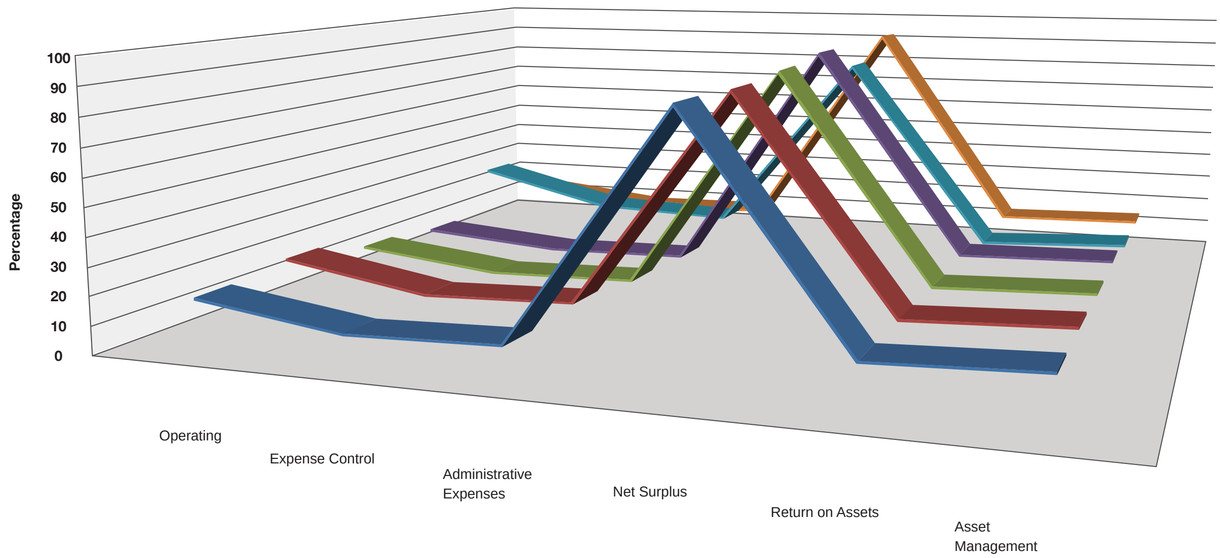
The Key Performance Ratios *(Table 13)* out-turn for the year improved when compared with the budgeted ratios, resulting from the increase in total income arising from the increases in insurance premiums, interest earned and other income.

TABLE 13: SUMMARY OF KEY PERFORMANCE RATIOS

	DEFINITION	2016/17 ACTUAL %	2016/17 BUDGET %	2015/16 ACTUAL %	2014/15 ACTUAL %	2013/14 ACTUAL %	2012/13 ACTUAL %
Operating Expenses	Administrative Expenses/Interest Earned & Other Income	14.4	30.1	12.1	14.9	20.6	17.9
Expense Control	Administrative Expenses /Total Income	8.3	17.1	7.6	8.6	11.5	10.3
Administrative Expenses	Administrative Expenses/Surplus from Operations	9.1	20.7	8.2	9.5	12.9	11.5
Net Surplus	Surplus from Operations/Total Revenue	91.7	82.9	92.4	89.9	88.5	89.7
Return on Assets	Surplus from Operations/Total Assets	12.7	11.2	16.4	15.3	16.2	16.5
Asset Management	Total Revenue/Total Assets	13.8	13.5	17.7	17.1	18.3	18.4

[4] Other administrative expenditure includes: ICT costs, international relations, office expenses, general insurance and utilities.

FIGURE 9: SUMMARY OF KEY PERFORMANCE RATIOS



	Operating Expenses %	Expense Control %	Administrative Expenses %	Net Surplus %	Return on Assets %	Asset Management %
2012/13 Actual	17.9	10.3	11.5	89.7	16.5	18.4
2013/14 Actual	20.6	11.5	12.9	88.5	16.2	18.3
2014/15 Actual	14.9	8.6	9.5	89.9	15.3	17.1
2015/16 Actual	12.1	7.6	8.2	92.4	16.4	17.7
2016/17 Budget	30.1	71.1	14.9	82.8	11.2	13.5
2016/17 Actual	14.4	8.3	9.1	91.7	12.7	13.8

Fund Management

The DIF balance at the end of the financial year was $16.5 billion reflecting an increase of 78.9 percent over the last five years. The DIF increased by 16.5 percent when compared with the previous year *(Table 14)*, albeit in a downward trending interest rate environment. The average yield on the investment portfolio for year ending March 31, 2017 was 7.9 percent[5].

TABLE 14: FIVE-YEAR FUND GROWTH

	2016/17 $M	2015/16 $M	2014/15 $M	2013/14 $M	2012/13 $M
Insurance Premiums	1,076.6	937.3	870.1	809.3	745.5
Surplus from Investment and Administrative Operations	1,265.5	1,092.9	990.4	807.2	829.8
Impairment Loss on Securities	-	-	(32.1)	-	-
Previous Year Deposit Insurance Fund	14,200.1	12,169.9	10,341.5	8,725.0	9,246.9
Loss on National Debt Exchange	-	-	-	-	(2,097.2)
Deposit Insurance Fund	16,542.2	14,200.1	12,169.9	10,341.5	8,725.0

[5] The average yield of the investment portfolio is arrived at by dividing interest earned by the average of the investments (net of interest accrued) for the year ending March 31, 2017. The average Treasury Bill rate for FY2016/17 was 6.06 percent.

Investment activities continued to be subject to the Investment Policy, as well as recommendations arising from the annual DIF adequacy evaluation. A key strategy remained to, as far as possible, hold liquidity. *Table 15* reflects the maturity profile at the end of the financial year compared with previous years.

TABLE 15: MATURITY PROFILE PORTFOLIO

TENOR OF INVESTMENT SECURITIES	FY2016/17 %	FY2015/16 %	FY2014/15 %	FY2013/14 %	FY2012/13 %
Up to 12 months	21.8[6]	11.0	16.7	6.8	8.1
1 – 3 Years	11.4	15.9	5.5	14.9	-
3 – 5 Years	2.8	20.1	15.2	3.7	5.5
Over 5 Years	64.0	53.0	62.6	74.6	86.4
TOTAL	100.0	100.0	100.0	100.0	100.0

The increase in the ratio of shorter term instruments was managed to maintain the liquidity position and the Corporation ended the financial year with 21.8 percent of the securities with tenor of up to twelve months compared with 11.0 percent in the previous year. At year-end investment instruments in the Held to Maturity category was 47.4 percent compared to 63.8 percent in the previous year.

Table 16 shows the distribution of the investment securities portfolio and comparison with the two previous years.

TABLE 16: INVESTMENT SECURITIES PORTFOLIO DISTRIBUTION

TENOR OF INVESTMENT SECURITIES	FY2016/17 %	FY2015/16 %	FY2014/15 %	FY2013/14 %	FY2012/13 %
Fixed Rate Accreting Notes	44.1	52.2	61.5	71.6	85.4
Benchmark Investment Notes	4.7	4.0	10.2	18.8	5.5
GOJ Global Bonds	33.8	31.6	22.7	-	-
GOJ Local US$ Bonds	5.7	-	-	8.2	8.1
BOJ CDs	10.2	10.8	3.9		-
Interest Accrued	1.5	1.4	1.7	1.4	1.0
TOTAL	100.0	100.0	100.0	100.0	100.0

[6] Includes $500 million of funds received for deposit insurance premiums payment for FY2017/18.

Summary Financial Projections for Year Ending March 31, 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	YEAR ENDING MARCH 31, 2018 $'000
Total Income	2,581,042
Total Expenses	(390,755)
Surplus from Operations	2,190,287
Surplus from Operations – Balance at Beginning of the Year	**16,729,735**
Deposit Insurance Fund – Balance at End of the Year	**18,920,022**

CASH AND BANK	YEAR ENDING MARCH 31, 2018 $'000
Total Inflow	14,014,139
Total Outflow before Investments	(519,613)
Investments	(13,460,000)
Net Inflow	34,526
Balance at Beginning of the Year	**48,826**
Balance at End of the Year	**83,352**

STATEMENT OF FINANCIAL POSITION	MARCH 31, 2018 $'000
Fixed Assets	157,415
Investments	18,827,472
Current Assets	350,389
Total Assets	**19,335,276**
Current Liabilities	19,933
Unearned Premium Income	-
Capital	1,000
Capital Reserves	72,536
Fair Value Reserves	321,785
Deposit Insurance Fund	**18,920,022**
Total Liabilities	**19,335,276**

Monitoring and Risk Assessment

L-R: Camielle Frazer, Senior Analyst; Dawn Marie Brown, Director; Desmarie Brooks, Trainee Analyst and Donna-Marie McDonald, Operations and Project Assistant

Monitoring and Risk Assessment

The Corporation continues to strengthen its monitoring and risk assessment (MRA) capabilities relating to Policyholders' performance to ensure robustness and readiness to carry out its responsibilities under the DIS. This functional area is accountable for the development of policy and legislative proposals in relation to the Corporation's role as a deposit insurer, and in so doing contributes to public confidence in the DIS. Activities also focus on the ongoing assessment of Policyholders' financial performance and potential risk posed to the DIF, where they may enter into financial distress. The Corporation's work is aided through collaboration and information sharing with the BOJ and other members of the FSSN.

To ensure currency of its expertise, the Corporation also continues to expose its staff to ongoing financial institutions risk assessment training, sponsored and through partners such as the Federal Deposit Insurance Corporation (FDIC), the Toronto Centre, and the Office of the United States Treasury.

The Corporation further contributes to the maintenance of financial system stability, where the CEO is a member of the Financial System Stability Committee[7] (FSSC) and JDIC Officers are also a part of the Technical Working Group. The FSSC is charged with financial system stability assessments in relation to developments in the financial system and international markets and the links between the financial sector and developments in other sector the

[7] The FSSC is a statutory committee established subsequent to amendments to the BOJ Act, comprising the Governor – BOJ, Senior Deputy Governor or representative – BOJ, the Financial Secretary – MOFPS, the Executive Director – FSC, the Chief Executive Officer – JDIC, and two independent persons (appointed members) by the Minister with responsibility for Finance.

domestic and global economies. Additionally, the JDIC is a member of the Financial Regulatory Committee[8] (FRC) which was established to facilitate information sharing, coordination and cooperation among the financial regulatory authorities.

The main monitoring and risk assessment activities for the MRA function included inter alia:

i. On-going research, monitoring and assessment of: the performance of Policyholders and their subsidiaries, trends in the operating and economic environment of potential risks and the impact any of the variables indicated may present to the DIF and the Corporation;

ii. Commencement of the creation of a suitable data base to accommodate the impending admission of the credit union sector to the DIS;

iii. Continuous monitoring of the coverage limit to ensure its relevance based on in-depth analysis of macroeconomic conditions and trends;

iv. Continuous maintenance of a robust membership administration framework consistent with changes in Policyholders' corporate structures and profiles, while ensuring that Policyholders maintain the required levels of compliance.

In keeping with the DIA and consistent with the proactive readiness strategy, the following activities were conducted for the period under review:

Deposit Insurance Fund (DIF) Adequacy Evaluation

In accordance with the statute[9], the annual evaluation of the DIF was conducted with a view to determine:

i. The adequacy of the DIF, with regard to its liabilities and potential liabilities (including administrative expenses and expected losses from intervention and failure resolution activities of a Policyholder);

ii. The funding needs of the Corporation in meeting its current, expected liabilities and potential liabilities within a 12-month period; and

iii. Appropriate recommendations to the Committee of Management, the Board and to the Minister of Finance, where necessary.

Based on performance and risk assessment of Policyholders and the evaluation, in keeping with the Corporation's Policyholders' Risk Assessment Framework, the DIF was deemed adequate to cover the operational expenses, liabilities and potential liabilities of the Corporation for the ensuing 12-month period. This was on the basis that the Corporation does not expect to intervene or resolve a Policyholder within the period, which would require a call on the Fund by way of a payout. This conclusion was supported by a resilient banking sector with strong capital buffers, improving asset quality, sustained profitability and ample liquidity.

Further to the promulgation of the SRR and in keeping the IADI recommendation for funding[10], the Corporation continues to actively pursue contingency funding as a backstop, should this be needed to resolve a failing or failed Policyholder.

Survey of the Distribution of Insurable Deposits (SID)

The Corporation conducted its annual survey on the distribution of insurable deposits for Policyholders as at December 31, 2016. The survey determined the following:

i. An estimate of the total insurable deposits existing in the DTIs sector (See *Table 5* for total insurable deposits);

ii. An estimate of insured deposits indicative of the Corporation's potential liabilities; and

iii. The appropriateness of the existing prescribed coverage limit.

[8] The FRC is a statutory committee established in keeping with amendments to the BOJ Act, comprising of the Governor – BOJ, the Executive Director – FSC, the Chief Executive Officer – JDIC, the Financial Secretary or representative – MOFPS.

[9] Section 17 (4) of the DIA dictates that the DIF be reviewed at least once per year.

[10] IADI Core Principles 9 – Sources and Uses of Funds.

From the survey, insurable and insured deposits were estimated to be $826.4 billion and $306.03 billion, respectively. It also determined that the Corporation's present coverage limit of $600,000 remained appropriate, with 96.0 percent of the number of insurable deposit accounts[11] in the banking system being fully covered at this limit. This is consistent with IADI's recommended best practice for deposit insurers to cover 90 to 95 percent of the number of deposit accounts.

Review of the Coverage Limit and the Premium Assessment Rate

The Corporation conducted an assessment of the coverage limit and the premium assessment rate for the period under review to determine adequacy in keeping with macroeconomic changes and changes in the Policyholder environment and international best practice. Based on the assessment the coverage limit of $600,000 was deemed to be adequate, as it covers approximately 96 percent of deposit accounts within the banking system. With regard to the premium assessment rate, the review recommended that the Corporation continues to monitor and re-assess the rate charged vis-à-vis the performance of Policyholders and the developments in the local economy.

Pending Admission of the Credit Union Sector

With the impending passing of the BOJ's Draft Bill "Credit Unions (Special Provisions) Act 2017[12]", credit unions will come under the supervisory and prudential oversight of the BOJ. Accordingly, under section 12 of the DIA, credit unions will be required to apply for membership under the DIS administered by the JDIC. The implication is that credit union members' savings, within the meaning of the DIA, will be insured.

Based on the foregoing, the Corporation completed its draft proposal regarding the specific Deposit Insurance Design Features[13] for the admission of the credit union sector to the DIS. This was shared with the BOJ and the Jamaica Cooperative Credit Union League (JCCUL) for discussion in order to facilitate a seamless admission to the DIS.

Intervention and Resolutions

During the review period, intervention and resolution activities continued to focus on improving the existing legal and operating framework governing the resolution of non-viable member institutions. Initiatives relating to planning for the prompt reimbursement of the insured depositors of a failed member institution, (a payout), proceeded as planned.

Enhancing the Resolution Framework

The JDIC continued to chair the FRC Technical Working Group tasked with assessing the current legal framework against the FSB Key Attributes and making policy recommendations to address gaps identified. In this regard and in keeping with the GOJ's structural benchmark under the IMF SBA, as at end February 2017 the FRC member agencies jointly issued for public consultation a paper entitled "*Proposals for the Special Resolution Regime for Financial Institutions in Jamaica*" (the SRR). The consultations will inform the drafting of legislation for tabling in Parliament in FY2018/2019.

Consistent with the FSB Key Attributes, the objectives of the SRR include the following:

- Protect and enhance public confidence and maintain the stability of the financial system;
- Protect depositors, investors and Policyholders to the extent that they are covered under a protection scheme;
- Ensure the continuity of critical financial services and economic functions;
- Minimize the overall costs of resolution;
- Avoid undue costs to taxpayers.

[11] The annual SID determined that the average balance in a deposit account is estimated at $198,200

[12] The Act will provide for a licensing regime as well as prescribe prudential criteria covering essential areas such as capital adequacy, liquid assets, credit limits, non-accrual and provisioning requirements, submission of financial statements and minimum solvency standards. (BOJ Annual Report 2015).

[13] The specific design features include, inter-alia, coverage limit, initial and annual premium, scope of coverage and fund management.

Intervention, Resolutions and International Relations

L-R: Stephanie Williams, Administrative Assistant; Sherene Lewis Bailey, Senior Analyst and Eloise Williams Dunkley, Director

The institutions proposed to be within the scope of the SRR include: financial holding companies (FHCs), commercial banks, merchant banks and building societies (DTIs) regulated by BOJ, as well as securities dealers and life and general insurance companies (Non DTIs) regulated by the FSC. Credit unions designated as specified financial institutions under the Bank of Jamaica Act will also be included in the scope, once the regulatory framework for credit unions is finalized[14].

The proposed SRR designates the BOJ as the resolution authority for FHCs and DTIs and the FSC as the resolution authority for Non DTIs. The resolution authorities will be responsible for inter-alia determining an institution's entry into resolution (non viability) and the least cost resolution strategy. The SRR also contemplates the JDIC as the agency responsible for operationalizing and implementing the resolution strategies and tools for non-viable FIs and as such, the JDIC will:

- Act as administrator (receiver, trustee, liquidator and judicial manager);
- Pay out depositors;
- Make loans, guarantees to support restructuring;
- Establish asset management vehicle;
- Hold and deal with the shares of FIs and other companies;
- Secure contingency resolution funds;
- Participate in the ongoing recovery and resolution planning process and promote resolvability.

In preparation for its expanded role in the enhanced resolution regime, the Corporation commenced institutional capacity building initiatives. These include: reviewing its organizational structure to accommodate

[14] The regulatory framework to bring credit unions under the supervisory ambit of the BOJ is in progress.

and support the change; conducting research to inform the drafting of rules, policies and procedures to operationalize its role in resolution and implementing programmes to continuously develop technical competencies. In this regard staff participated in technical assistance missions held by the United States Department of the Treasury's Office of Technical Assistance (OTA) and the IMF which exposed them to the key elements relating to resolution. The technical assistance missions were also scheduled to assist with developing and drafting the proposals for the SRR. The Corporation's annual contingency planning and simulation exercise which is a key tool used in assessing and honing the skills of its staff to effectively deal with a bank failure also focussed on bank resolution using a purchase and assumption transaction.

Annual Contingency Planning and Simulation Exercise

The annual contingency planning and simulation exercise (the exercise) was successfully facilitated by subject matter experts from the United States Department of the Treasury's OTA. Participants included staff of the JDIC, BOJ, FSC and the MOFPS. The exercise was presented in the form of a workshop and simulations using role play that exposed staff to the key roles and responsibilities and inter-agency collaboration and coordination required in resolving a failed bank. The participation of all the FSSN agencies in the exercise was also relevant and timely within the context of the initiatives being pursued collaboratively to establish the SRR and operationalize Jamaica's National Financial Crisis Management Plan.

Further capacity building was achieved where two senior officers of the Corporation also had the opportunity to participate as facilitators with the United States Department of the Treasury's OTA officers in an enhanced bank closing workshop and simulation exercises at the Dominican Republic Superintendent of Banks in Santo Domingo, the Dominican Republic and Kenya School of Monetary Studies[15] in Nairobi, Kenya.

Planning for the Prompt Reimbursement of Depositors

The Corporation proceeded with the phased implementation of two key initiatives geared towards the prompt reimbursement of insured depositors. These are: the establishment of standard recordkeeping requirements for all member institutions and the development and implementation of an automated payout management information system.

The Corporation requires member institutions to maintain specific information including customer and account data in a standard format. This is against the background that the IADI[16] reports that poor quality of depositor records and the inability of banks to provide depositor records within acceptable timeframes are major impediments in carrying out prompt and accurate depositor reimbursements. Delays in depositor reimbursements can also increase the risk exposure of the DIF; and impact public confidence and financial system stability. Guidelines to standardize the *Recordkeeping Requirements for all JDIC Policyholders* have been issued in this regard. To assess each Policyholder's level of compliance with the Guidelines, the Corporation has also issued for consultation proposals to establish a compliance framework.

The consultation process includes collaborating with Policyholders to test and refine the procedures outlined in the framework. These testing activities began during the period and will inform necessary revisions to the compliance framework for subsequent implementation by Policyholders. Once the compliance framework has been implemented the Guidelines will be promulgated as regulations to make them mandatory.

The activities to develop a payout management information system (PMIS) to automate the computation of depositors' reimbursement, commenced during the year subsequent to an extensive procurement process. At end March, system testing activities were being conducted

[15] Jamaica was one of the three jurisdictions that participated in the OTAs pilot programme prior to launching the purchase and assumption workshop and simulation as a training tool for jurisdictions.

[16] IADI, General Guidance for Developing Effective Reimbursement Systems and Processes (October 2012.)

General Counsel, Corporate Secretariat and Communications

L-R: Latoya Nicholson, Legal & Corporate Secretariat Assistant; Marjorie McGrath, Manager, Corporate Communications; Odette Barron, Public Relations Officer; Stacy Earl, General Counsel/Corporate Secretary (Acting) and LeeAnne Golding, Trainee, Legal Officer/Deputy Corporate Secretary (Acting)

for subsequent deployment of the PMIS for production. In the production environment the PMIS will be used to conduct ongoing validation of each Policyholder's compliance with the standard recordkeeping guidelines and JDIC's potential insured deposit liabilities. Compliance testing activities facilitated utilizing the PMIS will develop the state of readiness of both the Corporation and Policyholders to ensure depositors have prompt access to their funds in a crisis.

Public Education and Awareness

The Corporation's mandate to contribute to confidence and stability in Jamaica's financial system continued to be at the crux of its public education and awareness programme. During FY2016/17, in a strategic effort to continue to reinforce among depositors and other users of financial services the JDIC's role and function and the importance of deposit insurance coverage, several educational and public awareness initiatives were pursued.

Advertising and Promotion

The impact of electronic media and the heightened use of social media provide the ideal platform for the Corporation to advertise, promote its objectives and reach its target audience. In this vein the Corporation continued its phased advertising on radio and television through the use of programmes and timeslots that resonate with the target audience; as well as social media to complement traditional advertising. In terms of print, quarterly listings of member institutions continued in the local newspapers and advertisements placed in a few community publications.

Online Android Financial Education Competition/Game - Awards Ceremony: *Ms Antoinette McKain, CEO - JDIC (centre) with the winners.*

Schools' Programme

Promoting financial literacy in schools continue to be an integral part of the Corporation's public education strategy. An awards ceremony for winners of the Corporation's android financial education competition, *"Adventures of the Little Big Saver"* launched during FY2015/16, was held in April 2016. In order to encourage the habit of saving, cash prizes for opening accounts were awarded to the winners. The top school in each county received a computer. Over 300 students from 61 secondary schools across the island participated. The competition, delivered as a game, was conceptualized to encourage students to gain a broad understanding of how the financial system works; the importance of managing money and making sound financial decisions.

During the year the Corporation also received the Ministry of Education, Youth and Information's endorsement to develop a textbook on financial systems for primary schools. Work in this regard will commence in FY2017/18 and is expected to be done in partnership with other key stakeholders under the rubric of the National Financial Inclusion Strategy (NFIS).

Collaboration with Financial System Safety Net (FSSN) Partners

In educating the public, collaboration with the other members of the FSSN remains critical. During the last quarter of the financial year a joint public forum with the FSSN partners was organized by the Corporation, to be held in April 2017 under the theme *"Protecting Your Money in Today's Economy".* In addition to JDIC's presentation, the forum will feature presentations from the BOJ, FSC, Jamaica Stock Exchange and the Consumer Affairs Commission. The presentations will address matters related to financial system regulation and protection and highlight the benefits to depositors/investors.

The Corporation also supported the MOFPS' Civil Service Week held November 20 - 26, 2016 under the theme *"Driving Change: Celebrating Excellence in a Transformed Public Sector"* and had a booth display at an exposition held during the week. Participation in the event provided the Corporation with an opportunity to disseminate deposit information to/interact with public sector employees and other members of the public. Other outreach activities included presentations to several public and private sector organizations on the benefits of the deposit insurance scheme.

National Financial Inclusion Strategy (NFIS)

Through its membership on the National Financial Inclusion Council (NFIC) the Corporation continued to work with FSSN partners and other agencies, led by the BOJ, to finalize development of the NFIS. Officially launched on March 29, 2017, deliverables under the strategy are to be achieved by 2020. The Corporation is also a member of the Consumer Protection and Financial Capability Working Group (of the NFIS) which has responsibility for the development and implementation of a National Financial Literacy Action Plan *(refer also FSSN Partners Interagency Activities).*

***Online Android Financial Education Competition/Game - Awards Ceremony:** JDIC's Management Team along with Mr John Jackson, Chairman JDIC (3rd left); Ms Nicole McLaren Campbell, AIM Educational Services (5th left); Mr Marlon Williams, Senior Education Officer, Ministry of Education, Youth and Information (3rd right).*

Corporate Social Responsibility

To clarify and effectively develop its corporate social responsibility (CSR) objectives, during the year a CSR Policy was drafted and will be finalized in FY2017/18. Notwithstanding, the Corporation continued its internship and summer employment programmes for students attending tertiary and secondary institutions, giving them the opportunity to gain work experience and exposure in different areas of the organization. During the period of employment the Corporation also provided mentorship and a one day training on business etiquette for the students. The Corporation also continued to support other community initiatives through staff participation in health and wellness activities.

International Relations

The International Association of Deposit Insurers

The International Association of Deposit Insurers (IADI) is the global standard-setting body for deposit insurance systems. It contributes to the stability of financial systems by enhancing the effectiveness of deposit insurance and promoting international cooperation on deposit insurance and bank resolution in partnership with other international organizations. Since the establishment of the IADI in 2002, the Corporation has been a member and is among 83 deposit insurance organizations (DIOs) that are currently part of its globally expanding membership.[17]

During the year, the Corporation contributed to the work of the IADI through the Caribbean Regional Committee (CRC)[18] and two Research and Guidance Sub-committees, the Deposit Insurance Fund Target Ratio and Resolution Issues for Financial Cooperatives. The Corporation also facilitated the sharing of information on its deposit insurance system and financial stability issues with other IADI members and associates in support of enhancing and establishing their deposit insurance schemes in alignment with best practice standards *(the IADI Core Principles for Effective Deposit Insurance Systems and the FSB Key Attributes of Effective Resolution Regimes for Financial Institutions).*

The Corporation commenced preparations to host a Bank Closing Workshop and Simulation Exercise in July 2017

[17] As of end March 2017, 106 organisations were affiliated with IADI, including 83 Members, 10 Associates (primarily central banks and bank supervisors) and 14 Partners (other interested domestic and international organisations).

[18] There are seven Standing Committees and eight Regional Committees of the IADI. The Regional Committees provide a voice to the common interests and issues affecting members in those regions. They also serve as separate forums for sharing information and ideas.

for IADI members. The workshop will be facilitated by a team of subject matter experts from the United States Department of the Treasury's OTA. This initiative is in support of the IADI's thrust to promote the sharing of expertise and information on deposit insurance through training, development and educational programs.

Caribbean Community (CARICOM) Proposals for a Deposit Insurance Framework for Member States

The Corporation continued to participate in the activities of the Caribbean Community (CARICOM)[19] to promote establishing and reforming deposit insurance systems by member states within the context of the CARICOM Single Market and Economy.[20]

Subsequent to a study commissioned by the CARICOM to explore the establishment of a Model Deposit Insurance Framework for the region and stakeholder consultations to discuss the findings and recommendations, a technical working group was established in June 2016 comprising of representatives from member states and chaired by the JDIC. The working group deliverables include the preparation of a *Draft Regional Policy on Deposit Insurance (the Policy)* to advance the objectives of this initiative. The Policy will include the proposed key design features of a deposit insurance system that is consistent with the IADI Core Principles. Particular focus is being given to the structure and complexity of the financial systems; legal, regulatory and operating frameworks; governance structures; and implementation capacities of member states. Against this background, considerations will be given to the potential for shared services among member states and leveraging on existing policies, procedures, systems and expertise of established DIOs. Shared services will be considered in such areas as: training and development; public awareness and education programmes; legal services; information systems to support prompt deposit reimbursements; contingency funding and developing a pool of subject matter experts to provide technical support to member states in financial crises.

The legal and administrative processes outlined in the Policy will inform the provisions to be contained in a Model Deposit Insurance Law and relevant regulations for member states. These documents will be submitted to the respective organisation/ decision making bodies of the CARICOM for consideration and will be subject to the approval of Member States for subsequent adoption.

Financial System Safety Net Partners Inter-Agency Activities

The Financial System Stability Committee (FSSC) and the Financial Regulatory Committee (FRC) are statutory committees established pursuant to the Bank of Jamaica (BOJ) Act. The mandate and composition of these committees provide a formal channel for inter-agency collaboration, cooperation and information sharing among the FSSN net partners on a routine basis.

The Financial System Stability Committee

The Financial System Stability Committee (FSSC) established under section 34H of the BOJ Act, has functional responsibility for assessing developments in the financial system and international markets, advising on financial stability policy, and communicating with the public on matters in support of the objective of financial system stability. The Committee also makes periodic and special reports to the Minister of Finance on the stability of Jamaica's financial system. The FSSC comprises of six ex-officio members (that represent all the FSSN partners) and two members appointed by the

[19] CARICOM comprises of 15 member states and five associate members of which four maintain a Deposit Insurance Scheme i.e. Bahamas, Barbados, Trinidad and Tobago and Jamaica.

[20] The CARICOM Single Market and Economy (CSME) is an enlarged market which offers: more and better opportunities to produce and sell goods and services and to attract investment; greater economies of scale; increased competitiveness; full employment and improved standards of living for the people of the Caribbean Community.

Minister in charge of Finance. The ex-officio members are the Governor of the BOJ; the Senior Deputy Governor or the Deputy Governor or other senior officer of the BOJ, with assigned responsibility for the BOJ's financial system stability; the Financial Secretary; the Deputy Supervisor of Banks and Financial Institutions; the Executive Director of the Financial Services Commission (FSC); and the Chief Executive Officer of the JDIC. The FSSC is required by statute to meet once every quarter.

The Financial Regulatory Committee

The statutory objectives of the Financial Regulatory Committee (FRC) pursuant to section 34BB of the BOJ Act are to facilitate information sharing, coordination and cooperation among the member agencies. The members of the FRC are: the Governor of the BOJ; the Financial Secretary; the Executive Director of the FSC; and the Chief Executive Officer of the JDIC, which represent the country's FSSN. FRC members are required to meet seven times in each year.

During the year FRC members shared information on their agencies respective areas of operation in relation to the financial sector, including reports on the overall financial condition of regulated institutions, proposed policy and regulatory changes. The FRC also continued to pursue several inter-agency initiatives geared towards strengthening the financial crisis management framework in line with international best practice standards as follows.

Proposals for a Special Resolution Regime for Financial Institutions in Jamaica

Proposals for a special resolution regime (SRR) to enhance the current legal framework for the resolution of regulated non-viable financial institutions (FIs) in Jamaica was jointly issued by the FRC member agencies for public consultation in February 2017. The Corporation played a lead role in this initiative, through its chairmanship of the FRC technical working group tasked with drafting the proposals for consultations. Consultations will continue in FY2017/18 and will inform the drafting of Cabinet submission for the special resolution regime for financial institutions in Jamaica and tabling of the Bill in FY2018/19.

The proposed SRR is applicable to regulated financial institutions, that is, FHCs, DTIs, and Non-DTIs. The proposals seek to ensure that if an FI within its scope is no longer viable or likely to be no longer viable the authorities have the necessary powers to resolve the FI in an orderly manner without exposing taxpayers to undue costs while maintaining continuity of vital economic functions and financial system stability. The roles, responsibilities and coordination among the authorities namely the MOFP, BOJ, FSC and the JDIC involved in the resolution of an FI are also expressly defined in the SRR. The SRR also contemplates that the FRC is a key institutional mechanism to promote effective collaboration and coordination among the authorities.

The proposals take into account: emerging trends within the domestic and global financial sectors; international standards of sound practice including the *FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions;* the resolution framework in certain jurisdictions; and Jamaica's legal and regulatory framework. This initiative is also one of several key reforms set out in the GOJ's MEFP to enhance the resilience and stability of the financial system.

The National Financial Crisis Management Plan

To further develop and operationalize the FRC's multi-agency *National Financial Crisis Management Plan,* a FRC technical working group lead by the JDIC commenced the drafting of a supporting *Crisis Management Communication Plan.* The Crisis Management Communication Plan will provide guidance for effective ongoing communication and coordination among the FRC member agencies; key stakeholders and members of the public during system-wide crisis preparedness and management.

National Financial Inclusion Council

During FY2014/15 Jamaica commenced development of a national financial inclusion strategy (NFIS). The initiative is consistent with international trends and Jamaica's National Development Plan and aims to ensure that coordinated cross agency strategies are implemented to create the necessary legal, institutional and operational infrastructure to advance/achieve higher levels of financial inclusion by 2020. To ensure an effective and coordinated design and implementation of the NFIS, a National Financial Inclusion Council (NFIC, The Council) was established. The Council consist of a Financial Inclusion Steering Committee, which is supported by a Stakeholder Advisory Group (through working groups) and a Technical Secretariat. The NFIC sets the overall policy and strategic direction of the NFIS. With support from the Steering Committee and the Technical Secretariat, the Council is responsible for reviewing the implementation progress of the initiatives in the NFIS, ensuring the necessary budget and resource allocations, convening stakeholder meetings and disseminating information related to the NFIS and financial inclusion in general. The NFIC is chaired by the Minister of Finance and the Public Service and includes high-level representatives from the FSSN including the JDIC's CEO, several other government agencies and private sector organizations (the Stakeholder Advisory Group). The NFIS was officially launched on March 29, 2017.

CEO's Office

L-R: Antoinette McKain, Chief Executive Officer and Clover Edwards, Projects and Technical Assistant

MANAGEMENT OF STRATEGIC RESOURCES

Human Resource

Staff recruitment and retention continued to present a challenge in an environment of low salaries and the need for highly trained and experienced staff in key areas. Key support functions have been outsourced to ensure that the work of the Corporation is adequately supported.

In an effort to address these challenges and the Corporation's expanded mandate in resolving non-viable financial institutions, the Corporation embarked on an Organization Review, Job Evaluation and Reclassification exercise. It involves: reviewing the existing business model and organization structure for efficacy to ensure consistency with the Corporation's business strategies and future undertakings; recommending job designs; advising on an appropriate job classification system and compensation package. The exercise is scheduled for completion in the next financial year, subject to the approval of the MOFPS.

Implementation of the Staff Pension Plan is well advanced. The process for the appointment of the Pension Plan Administrative Manager, Investment Manager and Trustees is in train and is scheduled for completion early in the next financial year for submission to the FSC and Tax Administration Jamaica for approval. The sensitization of staff continues and a Human Resource Consultant was engaged to guide this initiative and the implementation process.

During the period, the Corporation upgraded its payroll software to a web-based system, incorporating human resource management with the automation of specified personnel services.

Administration

Efficient administration and office services are essential to the organized and structured operation of the Corporation in the execution of its day-to-day activities. There was continued maintenance and supervision of service deliveries, timely contract renewals and the aesthetics of the surroundings were maintained to provide an efficient, safe and healthy working environment.

For the period under review, there was continued assessment and updating of administrative and operational procedures to ensure efficiency and reliability of the procedures and systems in place; in order to maintain the effective management and operation of the Corporation.

Training and Development

The Corporation is a knowledge based organization which promotes training and development of staff to ensure the successful fulfilment of its mandate. As such, relationships are maintained with local and overseas training institutions which offer relevant programmes for the enhancement of skills and development of expertise. Staff are required to impart the knowledge gained and share the training materials with other staff members to develop institutional knowledge.

During the review period staff participated in various local and overseas training including web based presentations; some of which are as follows:

- *Bank Closing Workshop and Simulations* – United States Department of the Treasury's OTA
- *Executive Leadership Programme* – University of the West Indies, Cave Hill, Barbados
- *FDIC 101: An Introduction to Deposit Insurance, Bank Supervision and Resolutions* – Federal Deposit Insurance Corporation (FDIC)
- *Financial Institution Analysis School* - FDIC
- *Financial Services Legislation* – Jamaica Institute of Financial Services
- *FSI Connect* – Bank of International Settlement
- *Introduction to Examination School* - FDIC
- *International Programme for Banking Supervisors* – Toronto Centre
- *Managing Digital Records and Information* – University of the West Indies, Mona
- *Middle Managers Conference* – Make Your Mark Consultants
- *Procurement Training* – International Procurement Institute
- *Use of Web-based Human Resource System* – TRB Technologies Limited

Occupational Health and Safety

The Corporation takes a proactive approach in fostering a safe work environment. An ergonomic assessment was conducted of individual work stations and recommendations made to improve the layout for better staff health and improved productivity. Staff continues to be sensitized to safety requirements including emergency evacuation procedures, appropriate responses to threats to person, property and the environment. To address recommendations from a building assessment report, structural changes were made to relocate the fire escape to the exterior of the building. Additionally, the Jamaica Fire Brigade is engaged annually to carry out fire and safety inspections.

Information and Communication Technology

Information and Communication Technology continues to play a significant role in the day-to-day operations of the Corporation and achieving greater efficiency and streamlining of the its operations. The development by external contractors of the PMIS, which will fully automate the payout business process, commenced and is scheduled for implementation during the next financial year.

The ICT infrastructure was enhanced throughout the year with the installation of software and hardware and improved connectivity to link the Corporation with the external data centre. This enabled better efficiency in the ICT operations, improve data security, disaster preparedness and business continuity, and preparation for the implementation of the PMIS.

Records and Information Management

The records and information management system continued to be strengthened to control the creation, receipt, maintenance, use and disposition of the Corporation's records. This is supported by the phased implementation of established policies and procedures for a manual system and the subsequent implementation of an automated system.

Statutory Compliance Report

NAME OF REPORT	NATURE OF REPORT	STATUTORY AGENCY	ACT	PERIOD REPORTING	SUBMITTED
Access to Information Act (2002): Monthly and Quarterly Reports	The report shows requests from the public for information on aspects of the operations of the Corporation.	The Access to Information Unit, Office of the Prime Minister	The Access to Information Act, 2002	Monthly and Quarterly	√
Annual Report and Audited Financial Statements FY2015/16	The Annual Report details the operations of the Corporation for the year (April – March) and includes the Audited Financial Statements which show the accumulated financial position of the Corporation over the same 12-month period, duly certified by the Corporation's external auditors.	Ministry of Finance and the Public Service (MOFPS)	Public Bodies Management and Accountability Act (PBMA) Deposit Insurance Act	Annually	√
Corporate Plan Operating & Capital Budgets FY2017/18-2020/21	Statement of intent which outlines the strategic direction of the Corporation for 4 years. Includes Vision, Mission, SWOT analysis, planning assumptions, business strategies, financial plans, manpower requirements and measures to evaluates performance.	MOFPS	PBMA	Annually	√
Corruption (Prevention) Act , 2000	Statutory declaration to be made by public servants of assets and liabilities and income.	Office of the Commissioner for the Prevention of Corruption	Corruption (Prevention) Act, 2000	Annually	√
Monthly Financial Statements -(Statements A and B)	The Monthly Financial Statements show the monthly and accumulated financial position of the Corporation.	MOFPS	-	Monthly	√
Net Credit Report (Statement)	This report shows the month-end balances on investment categories and bank balances.	MOFPS	-	Monthly	√
Public Bodies Management and Accountability Report(PBMA)	Report gives the quarterly/half yearly out-turns of actual performance against targets and shows the financial statements and the projected budgets for the remaining quarters/half year.	MOFPS	PBMA	Quarterly and Half-yearly	√
Public Sector Report System (PRS-1)	Report of all goods/services procured in any given month.	MOFPS	Contractor General Act	Monthly	√
Quarterly Contract Awards (QCA) Report	This report shows the award of contracts $500,000 and over during each Quarter.	Office of the Contractor General	Contractor General Act	Quarterly	√

Summary Performance Scorecard

	BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
1.	**PROACTIVE READINESS**		
1.1	**Establish Standard Record-Keeping Guidelines for Policyholders**	Completed	Establish a Recording-keeping Guidelines Compliance Framework for implementation by Policyholders.
1.2	**Update Intervention and Resolution Framework to Include Credit Unions** (Contingent on the promulgation of the BOJ Draft Bill "Credit Unions (Special Provisions) Act 2017 and admission of Credit Unions to the Deposit Insurance Scheme)	Completed	Continue to research and analyse credit union operations that impact the Intervention and Resolution Framework to align with the proposed establishment of the Special Resolution Regime (SRR) for Financial Institutions.
1.3	**Conduct Annual Crisis Management Contingency Planning Sessions and Simulation Exercises: Simulation of Bank Closing Activities**	Completed	-
1.4	**Promulgate Legislation to Access Policyholders' Records Prior to Closure**	Delayed	Deferred to FY2017/18 to align with the legislative amendments for the proposed establishment of the Special Resolution Regime (SRR) for financial institutions.
1.5	**Admission of Credit Unions to the Deposit Insurance Scheme** (Contingent on the promulgation of the BOJ Draft Bill "Credit Unions (Special Provisions) Act 2017)	Completed	Continue research activities and stakeholder consultations to finalize and implement the key design features of the DIS for the credit union sector.
1.6	**Update the Policyholder Risk Assessment Framework to include the monitoring and risk assessment of Credit Unions** (Contingent on the promulgation of the BOJ Draft Bill "Credit Unions (Special Provisions) Act 2017)	Completed	Continue to research and develop an appropriate monitoring and risk assessment framework for credit unions.
1.7	**Implement Policyholders' Risk Assessment Application (PRAA)**	Completed	Continue discussions with the BOJ to explore the feasibility of shared ICT services to support the business requirements of the Policyholders' Risk Assessment Application (PRAA).
1.8	**Review and Update the Contingency Funding Plan**	Delayed	Update of the Contingency Funding Plan to be completed consistent with the reforms to the SRR.
2.	**STRONG PARTNERSHIPS**		
2.1	**Draft a National Financial Crisis Management Communication Plan (Joint initiative of the Financial Regulatory Committee)**	Delayed	Finalize the drafting of the National Financial Crisis Management Communication Plan and submit to the FRC for approval.
2.2	**Participate in the Financial Sector Assessment Programme (FSAP) Update**	-	FSAP deferred for Jamaica.
2.3	**Host "Bank Resolution Workshop and Simulation Exercise" for International Association of Deposit Insurers members and FSSN Partners.**	Completed	Finalize planning activities and host 'Bank Resolution Workshop and Simulation Exercise" scheduled for July 2017.
2.4	**Implement Service Level Agreements (SLA) for Information Sharing with the Central Bank**	Completed	Obtain sign off with the Central Bank and implement SLA.

Completed *Delayed*

Draft Bill "Credit Unions (Special Provisions) Act 2017

	BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
3.	**EFFECTIVE RESOLUTION MANAGEMENT**		
3.1	**Enhance the Resolution Framework for Financial Institutions Promulgate legislation for A Special Resolution Regime for Financial Institutions in Jamaica.** (To include JDIC's power to act as Receiver, Liquidator, or Judicial Manager in Accordance with Section 5(2) (C) of the DIA) **(Joint initiative of the Financial Regulatory Committee)**	🟢	Follow through on public consultations and draft the Cabinet submission for the 'Special Resolution Regime for Financial Institutions' for tabling of Bill in July 2018.
3.2	**Review of the Financial Regulatory Committee Memorandum of Understanding (Joint initiative of the Financial Regulatory Committee)**	🟢	Finalize Financial Regulatory Committee Memorandum of Understanding for sign off and subsequent Ministerial approval.
3.3	**Proposed implementation of Compensation/ Guarantee Schemes for the Non Deposit Taking Sector - Insurance, Securities and Pension Sub-Sectors Regulated by the Financial Services Commission (FSC)**	🟢	Collaborate with the FSC to update the proposal for stakeholder consultation and Ministerial approval.
4.	**STRENGTHENING OPERATIONAL EFFICIENCY**		
4.1	**Implement the Payout Management Information System (PMIS)**	🟢	Complete the PMIS development and implementation activities.
4.2	**Conduct Organizational Review, Job Evaluation and Reclassification**	🟡	Complete Organizational Review, Job Evaluation and Reclassification exercise and submit recommendations to the Board and the MOFPS for approval and implementation.
4.3	**Implement JDIC Staff Pension Scheme**	🟡	Continue activities to implement Staff Pension Scheme in timeline with Organizational Review, Job Evaluation and Reclassification.
4.4	**Finalize implementation of Records and Information Management System (RIMS)**	🟢	Automate the RIMS.
4.5	**Audit ICT Security Policy Programme**	🟡	Complete Audit in Q1 of FY2017/18.
4.6	**Evaluate the Adequacy of the Deposit Insurance Fund (DIF)**	🟢	-
4.7	**Develop Enterprise Risk Management (ERM) Framework**	🟡	Finalize ERM Framework/Policy and obtain Board approval for implementation.
5.	**PUBLIC EDUCATION AND AWARENESS**		
5.1	**Update/Activate Public Education Programme for Admission of Credit Unions to the DIS** (Contingent on the promulgation of the BOJ Draft Bill "Credit Unions (Special Provisions) Act 2017)	🟢	Implement programme on the admission of Credit Unions to the DIS.
5.2	**Develop Text Book on 'Financial Systems' for Primary Schools**	🟢	In collaboration with the NFIS Financial Literacy Working Group finalize development of text book.
5.3	**Host Public Forum**	🟢	Scheduled to be held in April, 2017.
5.4	**Conduct National Survey to Evaluate the Public Education and Awareness Programme**	🟡	Complete National Survey.
5.5	**Develop Corporate Social Responsibility (CSR) Policy**	🟢	Finalize CSR Policy for implementation.

🟢 *Completed* 🟡 *Delayed*

Appendix 1

Annual Prudential Indicators of Commercial Banks, Merchant Banks and Building Societies Published Pursuant to Section 64(F) of the Banking Services Act 31-Dec-16

	COMMERCIAL BANKS			MERCHANT BANKS			BUILDING SOCIETIES			SYSTEM TOTAL (aggregration of all Sectors)		
	Dec-16	Dec-15	Dec-14	Dec-16	Dec-15	Dec-14	Dec-16	Dec-15	Dec-14	Dec-16	Dec-15	Dec-14
Number of institutions in operation	**6**	**6**	**6**	**2**	**2**	**2**	**3**	**3**	**3**	**11**	**11**	**11**
J$MN												
[1]Total Assets (incl. contingent accounts)	**1,059,461**	918,409	829,634	**37,852**	30,375	31,005	**278,737**	246,803	230,289	**1,376,050**	1,195,587	1,090,928
[2]Total Assets (excl. contingent accounts)	**1,038,670**	898,401	815,255	**37,654**	30,306	30,965	**278,734**	246,800	230,286	**1,355,058**	1,175,507	1,076,506
Cash & Bank Balances	**208,674**	176,398	172,114	**4,694**	3,081	2,234	**15,369**	17,165	18,212	**228,737**	196,644	192,560
Investments [incl. Securities Purch.] (net of prov.)	**268,902**	239,226	210,371	**14,114**	13,623	18,785	**116,364**	97,011	94,444	**399,380**	349,860	323,600
Total Loans (gross)	**495,388**	413,770	380,843	**18,113**	12,690	9,254	**129,660**	117,199	107,174	**643,161**	543,659	497,271
Total Loans (net of IFRS prov.) [a]	**487,347**	404,848	370,507	**18,040**	12,639	9,207	**128,428**	116,008	105,552	**633,815**	533,495	485,266
Total Deposits	**667,496**	587,451	523,657	**20,554**	16,076	13,936	**189,867**	168,023	152,225	**877,917**	771,550	689,818
Borrowings (incl. repos)	**174,461**	127,651	128,294	**8,506**	7,189	10,321	**37,625**	31,377	35,639	**220,592**	166,217	174,254
Non-Performing Loans [NPLs] (3 mths & >)	**13,508**	16,835	19,297	**142**	114	94	**4,757**	5,192	5,664	**18,407**	22,141	25,055
Provision for Loan Losses	**17,029**	19,058	20,703	**281**	204	172	**4,161**	4,286	4,589	**21,471**	23,548	25,464
[3] Capital Base	**109,435**	93,983	84,645	**5,817**	5,246	4,692	**29,974**	29,788	29,012	**145,226**	129,017	118,349
Contingent Accts [Accept., LC's & Guarantees]	**20,791**	20,008	14,379	**198**	69	40	**3**	3	3	**20,992**	20,080	14,422
Funds Under Management	**424**	387	364	**0**	0	0	**0**	0	0	**424**	387	364
Repos on behalf of or for on-trading to clients	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a	**n/a**	n/a	n/a
%												
Rate of Asset [1] Growth	**15.4%**	10.7%	12.0%	**24.6%**	-2.0%	22.2%	**12.9%**	7.2%	8.9%	**15.1%**	9.6%	11.6%
Rate of Deposit Growth	**13.6%**	12.2%	7.4%	**27.9%**	15.4%	25.3%	**13.0%**	10.4%	7.7%	**13.8%**	11.8%	7.8%
Rate of Loans Growth (gross)	**19.7%**	8.6%	5.2%	**42.7%**	37.1%	30.5%	**10.6%**	9.4%	10.1%	**18.3%**	9.3%	6.6%
Rate of Capital Base Growth	**16.4%**	11.0%	7.1%	**10.9%**	11.8%	18.9%	**0.6%**	2.7%	6.5%	**12.6%**	9.0%	7.4%

Appendix 1 Cont'd

Rate of NPLs (3 Mths &>) Growth	**-19.8%**	-12.8%	3.4%	**24.6%**	21.3%	-21.7%	**-8.4%**	-8.3%	-9.0%	**-16.9%**	-11.6%	0.2%
Investments **:**Total Assets [1]	**25.4%**	26.0%	25.4%	**37.3%**	44.8%	60.6%	**41.7%**	39.3%	41.0%	**29.0%**	29.3%	29.7%
Loans (net of prov.):Total Assets [1]	**46.0%**	44.1%	44.7%	**47.7%**	41.6%	29.7%	**46.1%**	47.0%	45.8%	**46.1%**	44.6%	44.5%
Fixed Assets**:**Total Assets [1]	**1.9%**	2.0%	2.1%	**0.6%**	0.8%	0.3%	**2.0%**	2.1%	2.0%	**1.9%**	2.0%	2.0%
Loans (gross) : Deposits	**74.2%**	70.4%	72.7%	**88.1%**	78.9%	66.4%	**68.3%**	69.8%	70.4%	**73.3%**	70.5%	72.1%
Liquidity												
Average Domestic Currency Cash Reserve: Average Prescribed Liabilities [4]	**12.0%**	12.0%	12.0%	**12.0%**	12.0%	12.0%	**1.0%**	1.0%	1.0%	**9.5%**	9.5%	9.4%
Average Domestic Currency Liquid Assets: Average Domestic Prescribed Liabilities [4]	**30.0%**	30.6%	35.7%	**29.2%**	26.8%	32.4%	**18.3%**	12.7%	18.1%	**27.4%**	26.5%	31.5%
Asset Quality												
Prov. For Loan Losses:Total Loans (gross)	**3.4%**	4.6%	5.4%	**1.6%**	1.6%	1.9%	**3.2%**	3.7%	4.3%	**3.3%**	4.3%	5.1%
Prov. For Loan Losses: NPLs (3 Mths &>)	**126.1%**	113.2%	107.3%	**197.9 %**	178.9 %	183.0 %	**87.5%**	82.6%	81.0%	**116.6%**	106.4%	101.6%
NPLs (3 Mths &>):Total Loans (gross)	**2.7%**	4.1%	5.1%	**0.8%**	0.9%	1.0%	**3.7%**	4.4%	5.3%	**2.9%**	4.1%	5.0%
NPLs (3 Mths &>): (Total Assets [1]+ IFRS Provision for losses)	**1.3%**	1.8%	2.3%	**0.4%**	0.4%	0.3%	**1.7%**	2.1%	2.4%	**1.3%**	1.8%	2.3%
Capital Adequacy												
Deposits + Borrowings: Capital (:1)	**7.7**	7.6	7.7	**5.0**	4.5	5.2	**7.6**	6.7	6.5	**7.6**	7.3	7.3
Capital Base**:**Total Assets [1]	**10.3%**	10.2%	10.2%	**15.4%**	17.3%	15.1%	**10.8%**	12.1%	12.6%	**10.6%**	10.8%	10.8%
[5] Capital Adequacy Ratio [CAR]	**14.1%**	13.5%	14.3%	**16.5%**	19.4%	17.4%	**18.4%**	21.3%	22.8%	**14.9%**	14.9%	15.8%
NPLs (3 mths &>):Capital Base+Prov for loan losses	**10.7%**	14.9%	18.3%	**2.3%**	2.1%	1.9%	**13.9%**	15.2%	16.9%	**11.0%**	14.5%	17.4%
Profitability												
[6] Pre - tax Profit Margin (for the Calendar Quarter)	**26.9%**	16.6%	17.9%	**30.7%**	13.7%	12.1%	**10.4%**	13.8%	23.8%	**24.6%**	16.0%	18.8%
Pre - tax Profit Margin (for the Calendar Year)	**29.0%**	20.6%	17.9%	**23.7%**	13.5%	9.5%	**14.8%**	17.0%	22.7%	**26.7%**	19.8%	18.5%
Return on Average Assets (for the Calendar Quarter)	**0.8%**	0.5%	0.5%	**0.9%**	0.3%	0.3%	**0.2%**	0.3%	0.5%	**0.7%**	0.4%	0.5%
Return on Average Assets (for the Calendar Year)	**3.4%**	2.2%	2.1%	**2.6%**	1.3%	0.9%	**1.2%**	1.4%	2.0%	**2.9%**	2.0%	2.0%
[7] Income Assets/Expense Liabilities (at 31 December)	**105.7%**	105.3%	105.2%	**119.6 %**	120.0 %	120.2 %	**108.3%**	109.8%	110.2%	**106.6%**	106.6%	106.7%

Appendix 1 Cont'd

Notes:
n/a not applicable

- Based on unaudited data submitted to BOJ by supervised institutions up to 16 February 2017. Prior years indicators may have revisions arising from amendments.

a Effective January 2004, the Bank of Jamaica revised its reporting requirements in line with International Financial Reporting Standards (IFRS) and in this regard the following change was effected:

The composition of "Provision for Loan Losses" has been segregated into two (2) distinct components being:

i. provision for losses computed in accordance with IFRS; and
ii. any incremental provisioning necessary under prudential loss provisioning requirements (treated as an appropriation from net profits).
Consequently, "Total Loans (net of prov.)" represents gross loans net of IFRS loan loss provisions per (i) above

FIA Licensees are now referred to as merchant banks in accordance with Section 2 (1) of the Banking Services Act which came into effect 30 September 2015.

Under transitional arrangements, the computation of regulatory capital base and related indicators continue to be computed in accordance with prior legislation.

[1] Total Assets and Liabilities reflected net of IFRS Provision for Losses and include Contingent Accounts (Customer Liabilities for Acceptances, Guarantees and Letters of Credit).
In keeping with IFRS, Total Assets and Liabilities were redefined to include Contingent Accounts.

[2] Total Assets net of IFRS Provision for Losses and Contingent Accounts (Customer Liabilities for Acceptances, Guarantees and Letters of Credit).

[3] Capital Base - Banks & Merchant Banks: (Ordinary Shares+ Qualifying Preference Shares+ Reserve Fund + Retained Earnings Reserve Fund) less impairment by net losses of individual institution.
-Building Societies: (Permanent Capital Fund + Deferred Shares + Capital Shares + Reserve Fund + Retained Earnings Reserve Fund) less impairment by net losses of individual society.

[4] Prescribed Liabilities include:
(i) deposit liabilities, (ii) reservable borrowings and interest accrued and payable on (i) & (ii).

[5] Capital Adequacy Ratio (CAR): Qualifying Capital (Tier 1 + Tier 2 capital items less prescribed deductions) in relation to Risk Weighted Assets and Foreign Exchange Exposure.

[6] Pre-tax Profits include extraordinary income/expenditure and adjustments for prior periods.
Return on Average Assets is computed using pre-tax profits as well as assets before provision for losses (in accordance with IFRS) and including contingent accounts (Acceptances, Guarantees and Letters of Credit).

[7] Income Assets comprise FC Cash Reserves, Placements, Investments, Repo Assets and Loans less Non-Performing Loans (3 months & over). Expense Liabilities comprise Deposits and Borrowings including Repo Liabilities (from BOJ, Banks, OFI etc).

	COMMERCIAL BANKS			MERCHANT BANKS			BUILDING SOCIETIES		
	Dec-16	Dec-15	Dec-14	Dec-16	Dec-15	Dec-14	Dec-16	Dec-15	Dec-14
Required Cash Reserve Ratio	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	1% / 12%	1% / 12%	1% / 12.0%
Required Liquid Assets Ratio (incl Cash Reserve)	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	5% / 26.%	5% / 26.%	5% / 26.0%

*** The Reserve Requirements are differentially applied to societies not meeting the prescribed threshold of residential mortgage lending in relation to savings funds.*
Societies that meet the prescribed 'qualifying asset' threshold attract the lower Reserve Requirments indicated above. Societies which do not, are required to meet the Reserve Requirements which apply to banks and merchant banks.

Source: Financial Institutions Supervisory Division, Bank of Jamaica

Appendix 2

Technological Innovations in Financial Services and the Implications for Deposit Insurance

Technological innovations in financial services are redefining the way in which financial consumers store, save, borrow, invest, transfer, spend and protect money. These innovations are also attracting the interest of new players leading to a fundamental re-imaging of the processes and business model of the financial services sector. **Consequently, there is the need to establish an enabling and proportionate legal and regulatory framework, and reassess the design of deposit insurance and integrated compensation schemes to protect financial consumers and preserve the stability of financial systems.**

The evolving trends in technologically enabled financial innovations that result in new business models, applications, processes or products with an associated material effect on financial markets, institutions and the provision of financial services are referred to as fintech[21]. Examples of fintech across the financial sector are shown in Box 1.

BOX 1: FINTECH ACROSS THE FINANCIAL SECTOR

Payment services & market infrastructures	• E-money and mobile money products • Application program interfaces allowing overlay of services on existing products
Leveraging transaction data & other sources for credit appraisals	• Transaction data from e-commerce and payment platforms • Mobile phone usage data • Social Network related data Deposits, Lending & Capital Raising
Deposits, Lending & Capital Raising	• Crowd-sourcing ideas and funding them through crowd-funding • Peer 2 peer lending • Internet-only banks Investment Management
Investment Management	• Automated processing and dissemination of investment advice

Source: World Bank

Fintech creates non-traditional platforms that provide expanded access and usage of banking products and services. Advancements in the digital financial services landscape provide great potential to expand financial inclusion and help underserved populations in emerging economies gain access to formal financial services.

As such, fintech is gaining significant momentum globally. The value of global investment in the fintech sector grew in 2015 to US$22.3 billion compared to US$1.8 billion in 2010[22] reiterating the fact that the sector is growing rapidly.

[21] As defined by the FSB.

[22] Refer Fintech and the Evolving Landscape: Landing Points for the Industry-http://www.FinTechinnovationlablondon.co.uk/pdf/FinTech_Evolving_Landscape_2016.pdf.

While fintech offers many advantages, there is the potential for systemic risks arising from: the influence of changes in customer loyalties on the stability of bank funding; the impact on credit quality and the macro economy; and the impact of new investing and risk management paradigms on the functioning of financial markets. Virtual currencies[23] (a fintech product) although not yet widely used, can potentially create financial, operational, legal, customer protection and security risks. They will: pose a challenge to central banks' control over the important functions of monetary and exchange rate policy; influence the price of credit for the whole economy; and make it more difficult for statistical agencies to gather data on economic activity. The challenge for regulators and deposit insurers is to ensure that fintech develops in a way that maximizes the opportunities and minimizes the risks to the financial system. Key regulatory considerations are highlighted in Box 2.

BOX 2: FINTECH – REGULATORY CONSIDERATIONS

The FSB in examining the regulatory issues with fintech outlined some important considerations including indentifying:

- Fintech activities that constitute traditional banking activities;
- The potential changes to the safety and soundness of existing regulated firms, the supervisory responses that should be in place; macroeconomic and macro-financial dynamics;
- Implications for the aggregate level of cyber and operational risk in the financial system; and
- Fintech activities that could become systemic because they provide new critical economic functions or market infrastructure, example if certain digital wallets become dominant

Source: Financial Stability Board

Implications for Deposit Insurance

Fintech has the potential to efficiently support the operations of deposit insurers by facilitating faster payout timelines through: the immediate access to customer and account data of a failed bank; authentication of data and depositor information; communication with depositors; and disbursement of insured funds utilizing payment channels that are immediately accessible to depositors. Fintech can also support non-payout resolution strategies by facilitating the timely transfer of deposit and loan accounts to an acquiring bank (i.e. purchase and assumption or a bridge bank) and ensuring depositors have seamless continuity of access to their accounts when a bank is deemed non-viable thereby minimizing any disruption to the financial system.

Notwithstanding, deposit insurers will have to adjust the structure of deposit insurance schemes to adapt to a technology-intensive banking system to ensure that fintech does not pose a threat to depositor protection and financial system stability.

Fintech provides financial consumers with numerous choices of products and services some of which will appear to be deposit-like instruments that are not covered under the deposit insurance scheme. This requires jurisdictions to ensure there is:

- Clarity in law regarding what constitutes a deposit and who is eligible for deposit insurance/protection;
- Statutory disclosure requirements for all financial

[23] The legal status of virtual currencies e.g. bitcoins varies substantially from country to country. While some countries have explicitly allowed their use and trade, others have published cautions with regard its use, banned or restricted it.

institutions regarding the insurable status of a product and appropriate sanctions for non-compliance and;

- Robust financial education and awareness programmes to inform depositors on financial products eligible for deposit insurance.

With financial technology, the structure of deposit accounts is more complex and poses a challenge to deposit insurers in identifying the ultimate beneficiary/owner of the funds held in respective of deposit accounts. To ensure the protection of depositors, it is necessary to have in place: appropriate deposit insurance coverage rules for beneficiaries of deposit accounts; adequate regulations and supervision regarding the maintenance of beneficiary information (e.g. know your customer policies and procedures) and explicit rules for the establishment of bank accounts where applicable.

Fintech removes geographic boundaries for doing banking business and can impact depositors' expectations for access to similar deposit insurance coverage across jurisdictions. This can create cross border issues when resolving a failed bank.

The establishment of financial technology companies (that are not traditional banks) may create adverse competition within the financial system particularly where such services are cheaper and more accessible. Banks are required to pay premiums for deposit insurance and satisfy prudential requirements. In this regard, competing fintech companies can impact the viability of banks, create moral hazard and may not provide adequate protection of depositors. Regulations including licensing for companies offering fintech services that can compete with traditional banks must be adequately managed.

Fintech also has the potential to change the traditional structure and composition of financial systems within jurisdictions as traditional banks may no longer be the most used/important intermediary in the financial system. It will therefore become necessary for appropriately designed schemes or enhanced depositor protection schemes to be established to protect the users of fintech services.

Fintech in Jamaica

In response to the trend in providing electronic banking services, in April 2013 the Bank of Jamaica published its *"Guidelines for Electronic Retail Payment Services (ERPS)[24]"*. The ERPS seeks to foster the structured design, development and implementation of retail payment systems. The ERPS also supports the *GOJ's National Financial Inclusion Strategy (NFIS)* aimed at creating an environment that makes it easier for Jamaicans to save, invest, do business and obtain relevant information on financial products.

Since the implementation of the ERPS, BOJ has approved a number of applications to offer mixed mobile wallet[25] services to include inter alia, balance enquiry, bill payment, mobile top-up, loyalty programmes, microfinance loans disbursement; pre-paid cards and pilots for mobile payments. Institutions which have commenced offering mobile wallet services includes inter alia, the Jamaica Cooperative Credit Union League, banks, payment services and other financial services institutions.

The ERPS stipulates that institutions are required to deliver electronic retail payment services using the following options:

Option 1 provides for the offer of customer account based payment services by Bank of Jamaica regulated deposit taking institutions (DTIs). Option 2 provides for custodian account based payment services, which covers pre-funded electronic retail payment service that may be offered by authorized entities. Authorized entities must maintain "Custodian Accounts" at a DTI where deposits are held in a trust on behalf of customers. Funds for customers must therefore pass through the respective accounts which form a part of the deposit liabilities in the banking system and are eligible for deposit insurance.
To ensure customers are protected, the JDIC also has regulations in place regarding the maintenance of trust and nominee accounts; recordkeeping requirements and disclosure of information for the operators of custodian accounts[26].

[24] This includes requirements regarding: minimum capital, average daily liquidity, fit and proper and governance and operational arrangements.

[25] A mobile wallet is a software application on a mobile handset that functions as a digital container for payment cards, tickets, loyalty cards, receipts, vouchers and other items that might be found in a conventional wallet.

[26] The Deposit Insurance (Joint, Trust and Nominee Accounts) Regulations.

The Way forward

The fintech industry in Jamaica, consistent with the rest of the world is continuously growing. Cognizant of the evolving trend, and its implications to the financial system and the real economy authorities/regulators in Jamaica continue to pursue coordinated initiatives to:

- facilitate technological developments in the financial industry that will expand the retail payments infrastructure and foster easier access to and greater use;
- enhance the legal, regulatory and supervisory environment and manage systemic risks that may arise, without restricting innovation;
- ensure clarity of regulations and policies; and
- educate and inform depositors and other consumers of financial services as well as provide protection consistent with public policy objectives.

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Board of Directors

Position of Director	Fees ($)	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Chairman	166,500	-		-	166,500
Director 1	49,750	-	-	-	49,750
Director 2	73,500	-	-	-	73,500
Director 3	116,050	-	-	-	116,050
Director 4	33,000	-	-	-	33,000
Director 5	90,050	-	-	-	90,050
Director 6 (CEO)	-	-	-	-	-
Previous Board Members	62,500	-	-	-	62,500
Total	**591,350**				**591,350**

Senior Executives Compensation

Position of Senior Executives	Salary ($)	Gratuity (In Lieu of Pension) ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	*Other Allowances/ Benefits ($)	Non-Cash Benefits ($))	Total ($)
Chief Executive Officer	8,879,937	2,786,254	2,745,684	3,826,823	-	18,238,698
Director, Finance, Funds and Asset Management	4,832,334	1,208,083	1,341,624	556,750	-	7,938,791
General Counsel/ Corporate Secretary (Acting)	3,830,440	902,152	1,341,624	311,704	-	6,385,920
Director, Intervention, Resolutions and International Relations	4,832,334	1,208,083	1,341,624	603,087	-	7,985,128
Director, Monitoring and Risk Assessment	4,456,376	1,103,744	1,332,242	305,116	-	7,197,478
TOTAL	**26,831,421**	**7,208,316**	**8,102,798**	**5,603,480**	**-**	**47,746,015**

Note: Other Allowances/Benefits include medical and group life premiums, vacation leave payments, merit payments and interest rate subsidy

Audited Financial Statements

Table of Contents

Independent Auditors' Report to the Members	73
Statement of Financial Position	77
Statement of Profit or Loss and Other Comprehensive Income	78
Statement of Changes in Equity	79
Statement of Cash Flows	80
Notes to the Financial Statements	81

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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jamaica Deposit Insurance Corporation ("the Corporation"), set out on pages 77 to 105, which comprise the statement of financial position as at March 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at March 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Deposit Insurance Act.

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Deposit Insurance Act, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

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

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on additional matters as required by the Deposit Insurance Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on additional matters as required by the Deposit Insurance Act (cont'd)

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Deposit Insurance Act, in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

July 25, 2017

Statement of Financial Position

March 31, 2017

	Notes	2017 $'000	2016 $'000
ASSETS			
Cash and cash equivalents		1,075,895	840,213
Investment securities	4	17,089,446	14,102,310
Trade and other receivables	5	146,384	287,422
Property, plant and equipment	6	178,501	110,722
		18,490,226	15,340,667
LIABILITIES AND EQUITY			
LIABILITIES			
Unearned premium income	7	1,239,559	740,261
Trade and other payables		228,997	18,959
		1,468,556	759,220
EQUITY			
Share capital	8	1,000	1,000
Capital reserves	9	101,601	72,536
Fair value reserves	10	376,845	307,785
Deposit insurance fund	11	16,542,224	14,200,126
		17,021,670	14,581,447
		18,490,226	15,340,667

The financial statements on pages 77 to105 were approved for issue by the Board of Directors on July 25, 2017 and signed on its behalf by:

M. Halsall ______ Board Member
Myrtle Halsall

Antoinette McK ______ Chief Executive Officer
Antoinette McKain

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

Statement of Profit or Loss and Other Comprehensive Income

Year ended March 31, 2017

	Notes	2017 $'000	2016 $'000
Income:			
Insurance premiums	2(i)	1,076,597	937,283
Interest earned	2(i)	1,208,858	1,127,598
Foreign exchange gain		250,195	146,128
Other income		18,559	7,414
		2,554,209	2,218,423
Expenses:			
Administration expenses	12	(212,111)	(188,187)
Surplus from operations		2,342,098	2,030,236
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value gain on available-for-sale investments		69,060	307,785
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land, building and freehold improvement		29,065	-
Other comprehensive income		98,125	307,785
Total comprehensive income		2,440,223	2,338,021

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

Statement of Changes in Equity

Year ended March 31, 2017

	Share Capital $'000 (Note 8)	Capital reserve $'000 (Note 9)	Fair value reserves $'000 (Note 10)	Deposit insurance fund $'000 (Note 11)	Total $'000
Balances at March 31, 2015	1,000	72,536	-	12,169,890	12,243,426
Surplus from operations	-	-	-	2,030,236	2,030,236
Fair value gain on available-for-sale investments	-	-	307,785	-	307,785
Total comprehensive income	-	-	307,785	2,030,236	2,338,021
Balances at March 31, 2016	1,000	72,536	307,785	14,200,126	14,581,447
Surplus from operations	-	-	-	2,342,098	2,342,098
Fair value loss on available-for-sale investments	-	-	69,060	-	69,060
Surplus on revaluation of land, building and freehold improvement	-	29,065	-	-	29,065
Total comprehensive income	-	29,065	69,060	2,342,098	2,440,223
Balances at March 31, 2017	1,000	101,601	376,845	16,542,224	17,021,670

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

Statement of Cash Flows

Year ended March 31, 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities:			
Surplus for the year		2,342,098	2,030,236
Adjustments for:			
Depreciation	6	5,432	4,811
Interest income		(1,208,858)	(1,127,598)
Unearned premium income		499,298	172,624
Foreign exchange gain		(250,195)	(146,128)
Loss on disposal of property, plant and equipment		-	305
Operating profit before changes in working capital		1,387,775	934,250
Changes in:			
Trade and other receivables		141,038	58,454
Trade and other payables		210,038	(4,886)
		351,076	53,568
Net cash provided by operations		1,738,851	987,818
CASH FLOWS FROM INVESTING ACTIVITIES:			
Addition to property, plant & equipment	6	(44,146)	(5,800)
Investment securities, net		(2,617,388)	(1,855,558)
Interest received		1,158,365	1,121,908
Cash used in investing activities		(1,503,169)	(739,450)
Increase in cash balance at end of year		235,682	248,368
Cash balance at the beginning of the year		840,213	591,845
Cash balance at the end of the year		1,075,895	840,213

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

1. The Corporation

The Jamaica Deposit Insurance Corporation (the Corporation) is incorporated and domiciled in Jamaica. The Corporation was established in accordance with the Deposit Insurance Act 1998 (the Act) and commenced operations on 31 August 1998. The registered office of the Corporation is located at 30 Grenada Crescent Kingston 5.

The principal objective of the Corporation is to manage a scheme to provide insurance against the loss of deposits held in insured financial institutions, up to a maximum of $600,000 per depositor, in each right and capacity, in each institution.

The Corporation has the power to do all things necessary or incidental to the furtherance of its objective including levying premiums and policyholders and managing a Deposit Insurance Fund. Among other things it can make enquires of a policyholder as to the conduct of its affairs and act as receiver, liquidator or judicial manager of any insolvent policyholder, or of its holding Corporation or subscriber, which becomes insolvent.

2. Basis of Preparation and Significant Accounting Policies

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board.

New, revised and amended standards and interpretations that became effective during the year:

Certain new IFRS, interpretations of and amendments to existing standards which were in issue, came into effect for the current year. The Corporation has assessed them and has adopted those which are relevant to the financial statements. The adoption of these amendments and improvements did not result in any changes to the amounts recognised, presented and disclosed in the financial statements.

New, revised and amended standards and interpretations not yet effective:

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Corporation has not early-adopted. The Corporation has assessed the relevance of all such new standards, amendments and interpretations with respect to the Corporation’s operations and has determined that the following are likely to have an effect on the financial statements.

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

2. Basis of Preparation and Significant Accounting Policies (continued)

(a) Statement of compliance (continued):

New, revised and amended standards and interpretations not yet effective (continued):

- IFRS 9, *Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The Corporation will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Corporation is assessing the impact that these standards will have on its financial statements.

(b) Basis of preparation and functional currency

The Corporation's functional currency is the Jamaica dollar and the financial statements are presented in thousands of Jamaica dollars (J$'000) unless otherwise stated. The financial statements are prepared on the historical cost basis except for available-for-sale investments and property, plant and equipment which are carried at revalued cost.

2. Basis of Preparation and Significant Accounting Policies (continued)

(c) Accounting estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make judgement, estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. The estimates and associated assumptions are based on historical experience and/or various other factors that are believed to be reasonable under the circumstances. Actual amounts could differ from these estimates.

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

Judgements made by management in the application of IFRS that could have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows of impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(ii) Held-to-maturity investments

The Corporation follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires judgement. In making this judgement, the Corporation evaluates its intention and ability to hold such investments to maturity. If the Corporation fails to keep these investments to maturity other than for specific circumstances, for example, selling other than an insignificant amount close to maturity, it will be required to reclassify the entire class as available for-sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held-to-maturity investments is compromised, there would be no effect on the carrying value in the current year.

(iii) Provision for losses

No claim has been made on the Corporation to date and, based on the most recent review of the circumstances of the insured financial institutions, management does not deem it necessary to make any provision for losses at this time.

2. Basis of Preparation and Significant Accounting Policies (continued)

(c) Accounting estimates and judgements (continued):

(iv) Fair value of financial assets determines using valuation techniques

As described in Note 15(d), where the fair values of financial assets recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(d) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost and comprise cash at bank and in hand.

(e) Investments

The Corporation classifies investments into the following categories: held-to-maturity and available-for-sale financial assets. Management determines the appropriate classification of investments at the time of purchase.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. Where the Corporation sells other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale.

(ii) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest or exchange rates are classified as available-for-sale. These investments are initially recognised at cost, which includes transaction costs, and are subsequently remeasured at fair value based on amounts derived from cash flow models.

2. Basis of Preparation and Significant Accounting Policies (continued)

(e) Investments (continued)

(ii) Available-for-sale (continued)

Changes in the fair value, other than impairment losses and foreign currency differences are recognised in other comprehensive income and accumulated in the fair value reserve in equity. When securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of profit or loss and other comprehensive income as gains and losses from investment securities.

(iii) Accounting for the Fixed Rate Accreting Notes (FRANs)

In accordance with IAS 39, Financial Instruments Recognition and Measurement and IAS 1, Presentation of Financial Statements, the NDX transaction is treated as a disposal of Old Notes and an acquisition of New Notes. Generally, any difference between the carrying value of Old Notes and the fair value of New Notes (including FRANs) is recognised in the statement of comprehensive income as a gain/loss.

Initial recognition

For Old Notes that were classified as "available-for-sale", any gain/loss computed would be net of any unrealised gains/losses in equity at the date of exchange.

Having regard to the fact that the FRANs, which are initially on less favourable terms than other New Notes, are mandatory for state-owned/controlled entities, exchange of Old Notes into FRANs can be considered a "transaction with the owners in their capacity as owners" under IAS 1, Presentation of Financial Statements.

In these circumstances, any gain/loss arising on transactions with owners/shareholders is recorded directly in equity. Therefore, as a state owned/controlled entity, the loss arising on initial recognition of the FRANs is recognised directly in equity similar to a distribution. This loss does not, therefore, form a component of other comprehensive income (OCI).

Fair value

Due to the lack of a market in the FRANs, the fair value of the FRANs is determined based on the present value of the future cash flows using an appropriate discount rate based on market yields on other New Notes with similar maturity as the FRANs issued under the NDX.

A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The recoverable amount of a financial asset carried at fair value is the value of expected future cash flows discounted at current market interest rates for similar financial assets.

All purchases and sales of investment securities are recognised at settlement date.

2. Basis of Preparation and Significant Accounting Policies (continued)

(f) Trade and other receivables

Trade and other receivables are carried at original amounts less impairment losses. A provision for impairment of receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest.

(g) Property, plant and equipment

Land and buildings are shown at fair value based on triennial valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation.

Increases in the carrying amount arising on the revaluation of land and buildings are credited to capital reserves in shareholder's equity. Decreases that offset previous increases of the same asset are charged against capital reserves directly in equity; all other decreases are charged to the profit or loss.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the expected useful life of each asset held at the beginning of the year at the following rates:

Building	2.5%
Freehold improvement	2.5%
Furniture and fixtures	10%
Motor vehicles	20%
Computers	20%
Machines and equipment	10%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the surplus from operations. Repairs and renewals are charged to the profit or loss when the expenditure is incurred.

The estimated useful lives, residual values and depreciation method are reviewed at each reporting date with the effect of any changes in estimate accounted for on a prospective basis.

(h) Trade and other payables

Trade and other payables are measured at cost.

2. Basis of Preparation and Significant Accounting Policies (continued)

(i) Revenue recognition

(i) Insurance premiums

Insurance premiums are based on the amount of insurable deposits held by member institutions as at December 31 of the previous year. Insurance premiums are payable initially on the issuance of a policy and subsequently in annual or half yearly installments on or before the policy's anniversary date. Premium income is recognised on the accrual basis.

(ii) Interest income

Interest revenue is recognised when it is probable that the economic benefits will flow to the Corporation and the amount can be measured reliably. Interest income is accrued on the time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(j) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit or Loss.

(k) Provision for losses

The Act requires that the Corporation shall review the size of its Deposit Insurance Fund at least annually having regard to its liabilities and potential liabilities and taking into account the advice of duly qualified professionals and, as necessary, make such recommendation to the Minister of Finance and the Public Service as it deems appropriate to enable it to meet its obligations.

In the event that the ultimate insurance losses exceed the Deposit Insurance Fund, the Corporation may, with the approval of the Minister, increase annual premiums and recommend that the Government increase its contributions by way of advances to the Fund.

(l) Related party

A related party is a person or company that is related to the entity which is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) Has control or joint control over the reporting entity;

2. Basis of Preparation and Significant Accounting Policies (continued)

(l) Related party (continued)

(a) A person or a close member of that person's family is related to a reporting entity if that person (continued):

(ii) Has significant influence over the reporting entity; or

(iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan established for the benefit of employees of either the Corporation or an entity related to the Corporation.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity (or of a parent of the entity).

(viii) The entity or any member of a group of which it is a part, provides key management services to the Corporation.

A related party transaction involves transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The Corporation has a related party relationship with its directors, companies with common directors and key management personnel. "Key management personnel" represents certain senior officers of the company.

(m) Impairment

The carrying amounts of the Corporation's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

2. Basis of Preparation and Significant Accounting Policies (continued)

(m) Impairment (continued)

(i) Calculation of recoverable amount:

The recoverable amount of the Corporation's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(n) Financial assets and financial liabilities

(i) General:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, investments and accounts receivable. Similarly, financial liabilities include accounts payable.

(ii) Recognition and initial measurement:

Financial assets are recognised initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets at fair value are measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue. Other transaction costs are recognised in surplus or deficit.

(iii) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

2. Basis of Preparation and Significant Accounting Policies (continued)

(n) Financial assets and financial liabilities (continued)

(iii) Fair value measurement (continued):

When available, Management measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on arm's length basis.

If a market for a financial instrument is not active, Management establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same and discounted cash flow analysis.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Corporation, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. Management calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When a transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in surplus or deficit on an appropriate basis over the life of the instrument.

All changes in fair value, other than interest and dividend income and expense, are recognised in surplus or deficit as net gain from financial instruments at fair value through profit or loss.

(iv) Identification and measurement of impairment:

At each reporting date, Management assesses whether there is objective evidence that financial assets are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

2. Basis of Preparation and Significant Accounting Policies (continued)

(n) Financial assets and financial liabilities (continued)

(iv) Identification and measurement of impairment (continued):

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Corporation on terms that the Corporation would not otherwise consider, indications that a borrower or issuer will enter bankruptcy or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through surplus or deficit.

Management writes off financial assets when they are determined to be uncollectible.

(v) Derecognition:

Management derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Coporation is recognised as a separate asset or liability in the statement of financial position.

On derecognition of a financial asset, the difference between the carrying amount of the asset or the carrying amount allocated to the portion of the asset derecognised, and the consideration received including any new asset obtained less any new liability assumed is recognised in surplus or deficit.

Management derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3. Income Taxes and Insurance Legislation

The Corporation is exempt from income tax, transfer tax, stamp duty, recording and registration fees and is also exempt from the provisions of the Insurance Act under Sections 8 and 21, respectively, of the Deposit Insurance Act, 1998.

4. Investment securities

	2017 $'000	2016 $'000
(a) Held-to-maturity:		
Government of Jamaica	9,628,725	8,862,306
Interest accrued	104,147	95,058
	9,732,872	8,957,364

4. Investment securities

	2017 $'000	2016 $'000
(b) Available-for sale:		
Government of Jamaica	7,209,574	5,039,350
Interest accrued	147,000	105,596
	7,356,574	5,144,946
	17,089,446	14,102,310

(c) Remaining term to contractual maturity

	2017			
	Under 1 year $'000	1 to 5 years $'000	over 5 years $'000	carrying value $'000
Held-to-maturity:				
Government of Jamaica-				
Fixed rate accreting notes	-	-	7,485,329	7,485,329
Benchmark investment note	-	418,648	-	418,648
BOJ FR CD	1,724,748	-	-	1,724,748
Interest accrued	11,762	2,691	89,694	104,147
	1,736,510	421,339	7,575,023	9,732,872
Available-for-sale:				
Government of Jamaica-				
Benchmark investment note	369,221	-	-	369,221
GOJ Local Bond	-	994,059	-	994,059
GOJ Global Bond	1,542,679	4,303,615	-	5,846,294
Interest accrued	55,191	91,809	-	147,000
	1,967,091	5,389,483	-	7,356,574
	3,703,601	5,810,822	7,575,023	17,089,446

	2016			
	Under 1 year $'000	1 to 5 years $'000	over 5 years $'000	carrying value $'000
Held-to-maturity:				
Government of Jamaica-				
Fixed rate accreting notes	-	-	7,364,302	7,364,302
Benchmark investment note	-	198,004	-	198,004
BOJ VR CD	1,300,000	-	-	1,300,000
Interest accrued	1,783	2,661	90,614	95,058
	1,301,783	200,665	7,454,916	8,957,364

4. Investment securities (continued)

(c) Remaining term to contractual maturity (continued)

	2016			
	Under 1 year $'000	1 to 5 years $'000	over 5 years $'000	carrying value $'000
Available-for-sale:				
Government of Jamaica-				
Benchmark investment note	-	369,974	-	369,974
BOJ VR CD	230,000	-	-	230,000
GOJ Global Bond	-	4,439,376	-	4,439,376
Interest accrued	33	105,563	-	105,596
	230,033	4,914,913	-	5,144,946
	1,531,816	5,115,578	7,454,916	14,102,310

(d) Average effective yields by the earlier of the Contractual re-pricing or maturity dates:

	2017			
	Under 1 year %	1 to 5 years %	over 5 years %	carrying value %
Fixed rate accreting notes	-	-	11.56	11.56
Benchmark investment notes	7.50	6.85	-	7.18
BOJ FR CD	6.14	-	-	6.14
GOJ Local Bonds	-	5.25	-	5.25
GOJ Global bond	10.63	7.77	-	9.20

	2016			
	Under 1 year %	1 to 5 years %	over 5 years %	carrying value %
Fixed rate accreting notes	-	-	11.56	11.56
Benchmark investment notes	-	7.1	-	7.1
BOJ VR CD	5.254	-	-	5.254
GOJ Global bond	-	8.3	-	8.3

5. Trade and other receivables

	2017 $'000	2016 $'000
Withholding tax recoverable	126,268	276,519
Prepayments	464	802
Other recoverable	19,652	10,101
	146,384	287,422

6. Property, plant & equipment

	Land $'000	Building & freehold improvement $'000	Furniture & fixtures $'000	Work-in-progress $'000	Computers machines & equipment $'000	Total $'000
At cost:						
March 31, 2015	26,300	73,700	14,664	1,442	32,871	148,977
Additions	-	-	30	296	5,474	5,800
Disposal	-	-	(2,282)	-	(385)	(2,667)
March 31, 2016	26,300	73,700	12,412	1,738	37,960	152,110
Additions	-	4,864	106	34,972	4,204	44,146
Revaluation	100	25,036	-	-	-	25,136
March 31, 2017	26,400	103,600	12,518	36,710	42,164	221,392
Depreciation:						
March 31, 2015	-	1	12,215	-	26,723	38,939
Charge for the year	-	1,846	283	-	2,682	4,811
Disposal	-	-	(1,977)	-	(385)	(2,362)
March 31, 2016	-	1,847	10,521	-	29,020	41,388
Charge for the year	-	2,082	234	-	3,116	5,432
Eliminated on revaluation	-	(3,929)	-	-	-	(3,929)
March 31, 2017	-	-	10,755	-	32,136	42,891
Net book values:						
March 31, 2017	26,400	103,600	1,763	36,710	10,028	178,501
March 31, 2016	26,300	71,853	1,891	1,738	8,940	110,722

The Corporation's land, buildings & freehold improvement were revalued on the basis of open market value by Allison, Pitter & Company, independent qualified valuators, carried out in December 2016. The revaluation surplus arising on revaluation was credited to capital reserves in shareholders' equity.

6. Property, plant & equipment (continued)

If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017 $'000	2016 $'000
Cost	36,591	36,591
Accumulated depreciation	(13,539)	(13,173)
Net book value	23,052	23,418

The fair value of land, building & freehold improvement is categorised as level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market comparable approach: • The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable assuming no cost delay in making the substitution. • The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. • However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties	• Details of the sales of comparable properties • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

7. Unearned premium income

This represents the portion of insurance premiums received from policyholders relating to the period subsequent to March 31, 2017.

8. Share capital

Authorised capital of the Corporation of $1,000,000 is fully subscribed by the Government of Jamaica in accordance with Section 9 (1) of the Deposit Insurance Act, 1998.

9. Capital reserves

Capital reserves comprise unrealised surplus arising from the revaluation of the Corporation's land and buildings.

10. Fair value reserves

This represents unrealised gains on available-for-sale investments.

11. Deposit insurance fund

In accordance with the Deposit Insurance Act, the Corporation maintains a Deposit insurance fund for the insurance of deposits, or parts thereof, held by policyholders against the risk of loss of deposits in each institution (see note 15d).

	2017 $'000	2016 $'000
Balance at beginning of year	14,200,126	12,169,890
Surplus from operations:		
Surplus from insurance operations	1,076,597	937,283
Surplus from investment and administration operations	1,265,501	1,092,953
	2,342,098	2,030,236
Deposit Insurance Fund at year end	16,542,224	14,200,126

12. Expenses by nature

	2017 $'000	2016 $'000
Auditors' remuneration	1,750	1,369
Depreciation	5,432	4,811
Directors' emoluments –		
Fees	591	362
Management remuneration	18,235	13,883
Printing and stationery	1,392	1,369
Professional fees	8,666	9,209
Public education	18,120	9,264
Repairs and maintenance	10,072	5,283
Staff costs (excluding directors' management remuneration)	123,677	119,591
Utilities	7,607	7,028
Other expenses	16,569	16,018
	212,111	188,187

13. Staff costs

	2017 $'000	2016 $'000
Wages and salaries	80,613	74,227
Statutory contributions	6,809	7,000
Others	36,255	38,364
	123,677	119,591
Management remuneration	18,235	13,883
	141,912	133,474

The number of persons employed by the Corporation at the end of the year was 21 (2016: 21).

14. Related party transactions

(a) The Corporation is a statutory body which was established in accordance with the Act. Significant elements of the relationship between the Corporation and the Government of Jamaica are as follows:

(i) Representation on the Board of Directors;

(ii) Transactions with the Government of Jamaica for the year are as follows:

	2017 $'000	2016 $'000
Investment balance	15,352,936	12,570,494

14. Related party transactions (continued)

(b) Significant elements of the relationship between the Corporation and the Bank of Jamaica are as follows:

(i) Representation on the Board of Directors;

(ii) Under Sections 7(1) and 7(2) of the Deposit Insurance Act, 1998, consultations are entered into between the Bank of Jamaica and the Corporation on certain matters relating to policyholders;

(iii) Transactions and balances with the Bank of Jamaica for the year are as follows:

	2017 $'000	2016 $'000
Investment balance	1,736,510	1,531,816
Cash balance	974,027	807,047
	2,710,537	2,338,863

(c) Transactions and balances with key management:

	2017 $'000	2016 $'000
Wages and salaries	22,613	23,024
Statutory contributions	1,585	1,116
Other staff benefits	7,158	5,776
	31,356	29,916

15. Financial risk management

The Corporation's activities expose it to a variety of financial risks: market risk (including currency and interest rate risks), credit risk and liquidity risk.

The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. The Corporation's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Corporation's financial performance.

The Corporation's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Corporation's objective is to develop and manage a Deposit Insurance Fund by investing in securities of the Government of Jamaica, or in such foreign securities as may from time to time be approved by the Board of Directors.

The Corporation achieves capital growth through investing in a selection of debt securities issued by the Government of Jamaica.

15. Financial risk management (continued)

Subsection (2) of Section 4 of the Deposit Insurance Act stipulates that "the Corporation shall take all measures as may be necessary to ensure that there is the least possible exposure of the Corporation to loss." In this regard, the Corporation's policy is to manage the resources of the Deposit Insurance Fund in a professional manner, consistent with providing confidence in the Deposit Insurance Scheme. It will seek at all times to achieve its investment objectives with the least possible exposure to risk, without compromising standards of quality, security or control.

(a) Market risk

The Corporation takes on exposure to market risks, which is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Treasury Management and Investment Committees, which carry out extensive research and monitor the price movement of financial assets on the local and international markets.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Corporation is exposed to foreign exchange risk arising from currency exposures with respect to the US dollar. Foreign exchange risk arises from foreign currency denominated investment securities and cash balances.

The Corporation manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities, if any, is kept to an acceptable level by monitoring currency positions, while seeking to maximise foreign currency earnings.

The table below summarises the Corporation's exposure to foreign currency exchange rate risk arising mainly in respect of US dollar denominated balances at March 31, 2017. The Corporation has no foreign currency liabilities.

	2017 $'000	2016 $'000
J$ equivalent		
Financial assets		
Investment securities	6,976,665	4,534,176
Cash at bank	21,846	70,668
	6,998,511	4,604,844

15. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Currency sensitivity

The change in currency rate represents management's assessment of the possible range of changes in the US dollar exchange rates. The Corporation had no significant exposure to any other currency at year end.

	% change in Currency rate 2017	Effect on surplus and deposit fund 2017 $'000	% change in currency 2016	Effect on surplus and deposit fund 2016 $'000
US$ against the J$-				
Revaluation	1	69,985	1	46,048
Devaluation	6	419,910	8	368,388

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Corporation is exposed to interest rate risk based on the effects of fluctuations in prevailing interest rates. Management manage this risk by carefully monitoring interest rate movements.

The table below summarises the Corporation's exposure to interest rate risks. It includes the Corporation's financial assets at fair values.

	2017		
	US$ denominated $'000	J$ denominated $'000	Total $'000
J$ Equivalent			
Fixed rate	6,840,353	369,221	7,209,574
Variable rate	-	418,648	418,648
	6,840,353	787,869	7,628,222

	2016		
	US$ denominated $'000	J$ denominated $'000	Total $'000
J$ Equivalent			
Fixed rate	4,439,376	599,974	5,039,350
Variable rate	-	1,498,004	1,498,004
	4,439,376	2,097,978	6,537,354

At the reporting date the Corporation had no interest-bearing financial liability.

15. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity to interest movement:

The following table indicates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Corporation's surplus from operations and equity.

The sensitivity of the surplus from operations is the effect of the assumed changes in interest rates on net income based on the floating rate, non-trading financial assets.

The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variable, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

	Effect on surplus from operations 2017 $'000	Effect on equity 2017 $'000	Effect on surplus from operations 2016 $'000	Effect on equity 2016 $'000
Jamaica dollar instruments				
Change in basis points:				
(2017: -100) (2016: -150)	(4,186)	(3,692)	(22,470)	(9,000)
(2017: +100) (2016:+ 100)	4,186	3,692	14,980	6,000
US dollar instruments				
Change in basis points:				
(2017: -50) (2016: -100)	-	(34,202)	-	(44,394)
(2017: +100) (2016:+ 250)	-	68,404	-	110,985

Cash flow sensitivity analysis for variable rate instruments:

A change of +/-100 (2016: +100/-150) basis points in interest rates at the reporting date would have increased/(decreased) surplus from operations by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	2017 Effect on surplus from operations		2016 Effect on surplus from operations	
	100bp Increase $'000	100bp decrease $'000	100bp increase $'000	150bp decrease $'000
Cash flow sensitivity	$4,186	(4,186)	14,980	(22,470)

15. Financial risk management (continued)

(a) Market risk (continued)

(iii) Other price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Corporation has no significant exposure to other price risk.

(b) Credit risk

The Corporation takes on exposure to credit risk, which is the risk that counterparties will cause a financial loss for the Corporation by failing to discharge their contractual obligations. The Corporation is primarily exposed to the credit risk associated with holding its entire investment portfolio in Government of Jamaica instruments.

Some secondary level of exposure to credit risk arises from the financial institutions with which the Corporation transacts business and, accordingly, the Corporation deals only with well recognised, high quality institutions in order to mitigate this risk.

The Corporation's maximum exposure to credit risk is represented by the amounts included for investment securities and cash at bank on the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfill claims and other liabilities incurred.

Liquidity risk management process

The Corporation's liquidity management process, as carried out within the Corporation and monitored by the Finance, Funds and Asset Management Department, includes:

(i) Monitoring future cash flows and liquidity on a regular basis;

(ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and

(iii) Optimising cash returns on investment.

Monitoring and reporting take the form of monthly cash flow measurement and projections.

15. Financial risk management (continued)

(c) Liquidity risk (continued)

Financial liabilities cash flows

The Corporation has no significant levels of recorded financial liabilities. Assets available to meet all liabilities include cash and bank balances and investment securities. The Corporation is able to meet unexpected net cash outflows by selling securities and accessing additional funding sources from the Government of Jamaica and other financing institutions.

(d) Adequacy of the Deposit Insurance Fund

The Corporation's capital comprises share capital, reserves and the Deposit Insurance Fund (DIF). JDIC is not subject to externally imposed capital requirements, and there were no changes in what the Corporation considers as capital, and management of capital was performed on a basis consistent with that of prior years.

The Corporation's principal objective is to establish and manage a scheme for the insurance of deposits, or part thereof, held by Policyholders against the risk of loss of deposits up to a maximum of $600,000 per depositor per ownership category, per institution. The Deposit Insurance Act (DIA) requires that the Corporation reviews the size of its Deposit Insurance Fund at least annually having regard to its liabilities and potential liabilities and taking into account the advice of duly qualified professionals.

The Corporation conducts an annual survey of the distribution of insurable deposits of Policyholders. The data gathered through this survey is used to determine the estimated insured deposits of the banking system as at a point in time, the level of deposit insurance coverage and the potential coverage under various scenarios. The survey data also provides a basis for determining the adequacy of the Fund with regards to the Corporation's potential liabilities.

As at December 31, 2016, there were 11 (2015: 11) member institutions with total insured deposits estimated at $306 billion (2015: $284 billion), of which the DIF covered 5.2% (2015: 4.8%). The adequacy of the DIF will be based primarily on the assessed risk posed by Policyholders. The target level of the DIF is considered as a reserve target, which should be sufficient to cover the insured deposit liabilities of at least two medium-size institutions. In relation to its insurance obligations, the Corporation's main exposure is to unexpected loss from the non-viability or insolvency of a Policyholder that is not readily estimated due to the unavailability of data on specific loss experience.

The key mechanisms used to manage the level of capital are premium assessments and borrowings.

If a Policyholder's future viability or solvency is deemed to be at risk by the Supervisor of Banks, or the Policyholder becomes insolvent and the Corporation is required to resolve by providing financial assistance or pay out depositors in accordance with its resolution powers under the DIA, and the Fund is insufficient to meet the obligation, the Corporation has the power to borrow, as well as, with the approval of the Minister of Finance and Planning, prescribe the levying of additional premiums payable by Policyholders.

16. Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides an analysis of financial instruments held as at March 31, 2017 that, subsequent to initial recognition, are measured at fair value.

The financial instruments are grouped into Levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices as at March 31, 2017). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(i) Valuation technique and significant un-observation inputs

The valuation techniques used in measuring fair values, as well as the significant unobservable inputs used are as follows:

Type	Valuation technique
Government of Jamaica securities	The valuation model is based on yields derived from pricing services which may include data not observed in actual market transaction but indicative information.
Cash at bank and trade and other receivables	Assumed to approximate their carrying values, due to their short term nature.

16. Fair values of financial instruments (continued)

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

There are no financial instruments classified as Levels 1 and 3, and there were no transfers between levels during the year.

Fair values were estimated as follows:

		2017			
		Carrying value			**Fair value**
	Notes	Loans and receivables $'000	Available-for-sale $'000	Total $'000	Level 2 $'000
Financial assets measured at fair value:					
Government of Jamaica securities	4	-	7,356,574	7,356,574	7,356,574
Financial assets not measured at fair value:					
Government of Jamaica securities	4	9,732,872	-	9,732,872	-

		2016			
		Carrying value			**Fair value**
	Notes	Loans and receivables $'000	Available-for-sale $'000	Total $'000	Level 2 $'000
Financial assets measured at fair value:					
Government of Jamaica securities	4	-	5,144,946	5,144,946	5,144,946
Financial assets not measured at fair value:					
Government of Jamaica securities	4	8,957,364	-	8,957,364	-

17. Capital commitment

As at March 31, 2017 the Corporation had capital commitment in relation to the development of the Payout Management Information System (PMIS) at the budgeted cost of $28.12 million (2016: $145.35 million).

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