JDIC
JAMAICA DEPOSIT INSURANCE CORP.
15 YEARS OF PROTECTING DEPOSITORS
1998 – 2013

ANNUAL REPORT FY2013/2014

JAMAICA DEPOSIT INSURANCE CORPORATION

PROMOTING FINANCIAL INCLUSION

Visitors to the St William Grant Park in Downtown Kingston, where the Corporation in collaboration with the Bank of Jamaica, the Financial Services Commission, the Jamaica Stock Exchange and the Caribbean Regional Technical Assistance Centre, with the assistance of the Kingston & St Andrew Corporation, hosted a 2-day Financial Markets Fair (August 30-31, 2013) under the theme *Promoting Financial Inclusion through Public Education and Awareness.* The Fair was part of the main event that marked the Corporation's 15th year of operation. *(For details please refer to Review of Operations - Public Education and Awareness).*

The St William Grant Park is named in honour of William Grant, a trade unionist and labour activist; regarded as the person to have started the struggle of the working class in Jamaica. The Park was previously called Victoria Park in honour of Queen Victoria of England, but was renamed shortly after Grant's death in 1977. There are several statues in the Park, including that of two National Heroes: The Right Excellent Norman Washington Manley and Sir Alexander Bustamante; and Edward Jordan the first black Mayor of the City of Kingston (1854-1866).

PROMOTING FINANCIAL INCLUSION

June 30, 2014

Dr the Honourable Peter Phillips, MP
Minister of Finance and Planning
Ministry of Finance and Planning
30 National Heroes Circle
Kingston 4

Dear Minister:

In accordance with Section 11(1) of the Deposit Insurance Act, 1998, I have the honour to submit to you the Annual Report of the Jamaica Deposit Insurance Corporation for the Financial Year 2013/2014 and a copy of the Corporation's Accounts as at March 31, 2014, duly certified by its Auditors.

Yours sincerely

Chairman

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

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 in a timely manner and encourage feedback.

EXCELLENCE

We continuously measure and monitor productivity to improve our operations.

PROFESSIONALISM

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

TEAMWORK

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

MILESTONES

1998	The Corporation was established under the Deposit Insurance Act (DIA), 1998. All commercial banks, merchant banks and building societies became compulsory members of the Deposit Insurance Scheme. The coverage limit prescribed was J$200,000 per depositor, per institution.
2001	The Deposit Insurance coverage limit was increased from J$200,000 to J$300,000.
2002	The Corporation became a founding member of the newly established International Association of Deposit Insurers (IADI). IADI facilitates the sharing of knowledge and expertise among Deposit Insurers to enhance the effectiveness of Deposit Insurance systems. The Financial Regulatory Council (FRC) was established. Membership comprises the JDIC's CEO and the executive heads of the other financial system safety net partners. FRC facilitates information sharing and developing policies for the financial sector towards ensuring that prompt and appropriate action is taken for financial system safety and soundness.
2007	The Deposit Insurance coverage limit was increased from J$300,000 to J$600,000.
2009	The Basel Committee on Banking Supervision (BCBS) and IADI developed the *Core Principles for Effective Deposit Insurance Systems.* The Core Principles provide broad policy guidance for deposit insurers and have been endorsed by the international community as standards of best practice. The Corporation has adopted the Core Principles.
2010	The BCBS and IADI in collaboration with the IMF, the World Bank, the European Commission and the European Forum of Deposit Insurers developed a methodology for evaluating and assessing the degree of compliance with the Core Principles which the JDIC has adopted. JDIC hosts major international Conference *'Bank Insolvency in the Caribbean – Law and Best Practice'.* Twenty five countries were represented.
2011	**The DIA was amended to allow for:** • Provision of financial assistance in the form of loans and guarantees with security to resolve Policyholder institutions in financial distress. • Separate coverage for each beneficiary in trust accounts and nominee accounts. • Separate coverage for depositors where their Policyholder institutions merge. • Easier access to deposit insurance payments through transfer agents.
2013	JDIC marks 15 years of protecting depositors with a Financial Markets Symposium and Fair under the theme *'Promoting Financial Inclusion through Public Education and Awareness'.* The event was held in partnership with other financial system safety partners, the Jamaica Stock Exchange, the Caribbean Technical Assistance Centre and the Kingston and St. Andrew Corporation.

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OUR BUSINESS

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

- 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 of member institutions up to a maximum of $600,000 per depositor, per insured institution. At this limit, 96.8 percent of the number of deposit accounts in member institutions are fully covered under the Scheme as at December 2013.

- 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.

- In addition to the reimbursement of depositors the JDIC also has the power, in certain circumstances and based on the assessment of the Bank of Jamaica/ Supervisor of Banks; to provide financial assistance by making loans or advances and issuing guarantees with security to resolve a Policyholder deemed to be in financial distress to a state of viability in order to protect depositors.

- 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.

- Deposit accounts held in different ownership categories are covered separately, each up to the prescribed coverage limit *(see details overleaf in the Rules of Deposit Insurance Coverage).*

- 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 Jamaica dollars.

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

- The JDIC manages a Deposit Insurance Fund (DIF/the Fund) which at the end of March 2014 was $10.3 billion. The Fund is primarily made up of annual premiums collected from member institutions and investment income. Under the Deposit Insurance Act, the JDIC can borrow additional amounts for the Fund as required.

RULES OF DEPOSIT INSURANCE COVERAGE

- Deposit insurance is FREE and AUTOMATIC for depositors of all commercial banks, merchant banks and building societies. The deposit insurance coverage limit is $600,000 per depositor, per Policyholder.
- The ownership categories for the purpose of deposit insurance are: Individual Accounts; Joint Accounts; Trust Accounts; Nominee Accounts; and Business Accounts. Business Accounts include sole traders; partnerships; companies and unincorporated associations.
- Where a depositor holds more than one deposit account in a Policyholder:
  a. in different ownership categories - each deposit will be insured separately;
  b. in the same ownership category - all deposits will be added together and treated as a single deposit.

Rules of Deposit Insurance Coverage[1] for Various Ownership Categories

Individual Accounts

Accounts owned by the same individual are added together and insured up to the maximum coverage limit of $600,000.

SCENARIO
John Berry has a savings account with $200,000 and a certificate of deposit with $300,000. Both accounts are added together and, John's total insured amount is $500,000.

Joint Accounts

Joint accounts owned by the same persons are added together and insured up to the maximum coverage limit of $600,000.

SCENARIO
John Berry and Susan Berry are owners of a joint savings account with $450,000 and a joint chequing account with $500,000.

Both accounts when added together total $950,000. The total insured amount is $600,000 and $350,000 is uninsured.

Trust & Nominee Accounts

Each beneficiary of a trust or nominee account is insured up to $600,000, separately from the other deposits that are held by the beneficiary in other ownership categories and other trust or nominee accounts.

SCENARIO
John Brown maintains a savings account in trust for Ted Burke with $400,000. John Brown also has a personal chequing account with $600,000.

The insured amount for Ted as the beneficiary of the trust account is $400,000 and John's personal account is $600,000 as both accounts are covered separately.

Business Accounts

Business accounts are insured separately from other deposits that are held by their owners in other ownership categories.

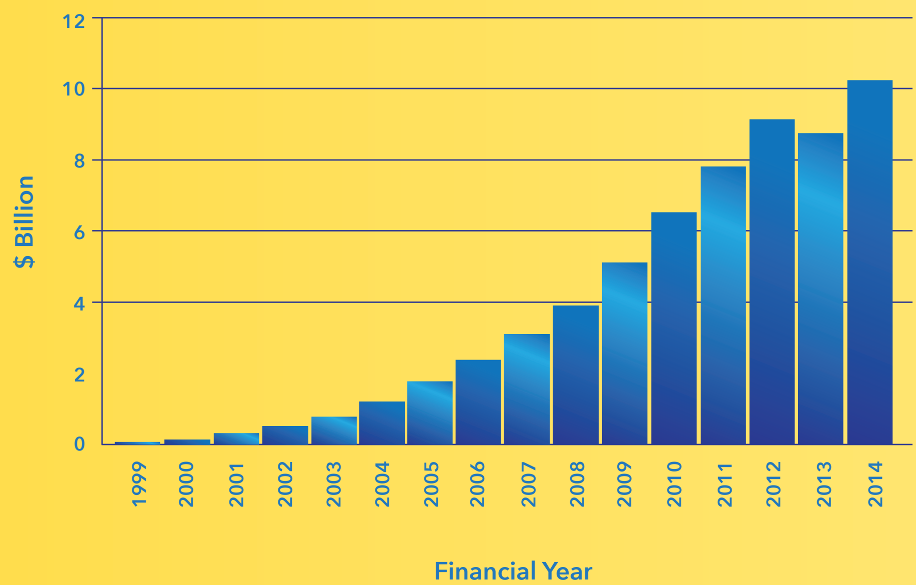
SCENARIO
Sue Ming T/A SM Supplies maintains a savings account with a balance of $300,000. Sue Ming also maintains a certificate of deposit in an individual capacity for $250,000.

The insured amount is $300,000 for Sue's business account and $250,000 for her individual acccount as both accounts are covered separately.

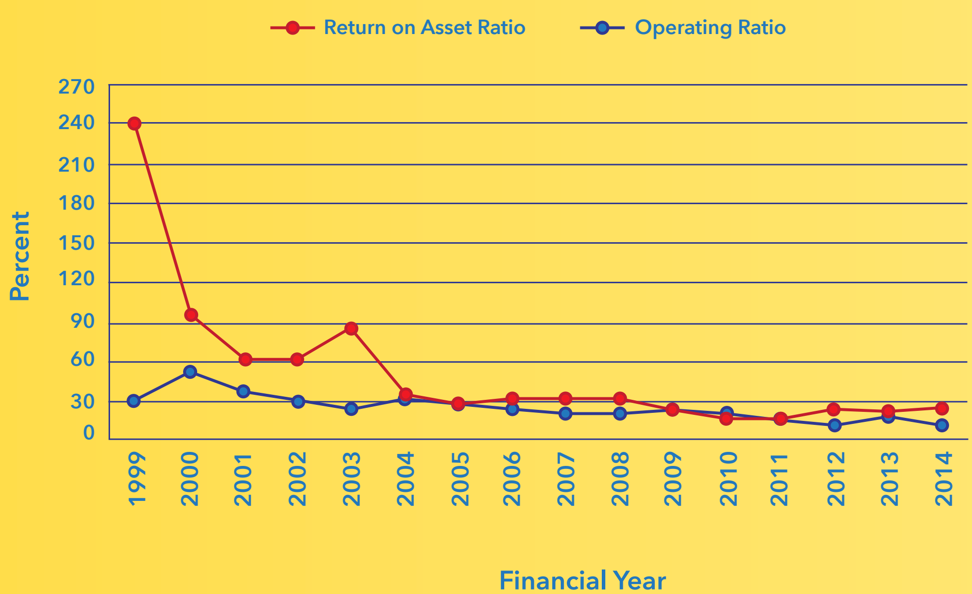
[1] Refer to the Corporation's website www.jdic.org for further details on the Rules of Deposit Insurance Coverage, including the computation of insured balances.

FINANCIAL HIGHLIGHTS

Deposit Insurance Fund



Key Performance Ratios



CHAIRMAN'S REMARKS

This financial year marks the 15th milestone of the operations of the Jamaica Deposit Insurance Corporation (JDIC). Over these 15 years the Corporation has established itself as an important part of the country's financial safety net structure along with the Bank of Jamaica and the Financial Services Commission.

One of the key strategies that has been sustained by the JDIC during this decade and a half has been to achieve the proactive readiness of the Corporation's technical resources and operational processes. This is to ensure that the Corporation is in a position to pay out depositors or participate in other resolution strategies in the event that one or more Policyholder was considered to be in a state of financial distress. Another important strategy has been public education and awareness to engender an informed public with a view to enhancing confidence within the financial system. In the formulation of its strategies the Corporation subscribes to standards set by the International Association of Deposit Insurers and the Financial Stability Board among others. Also important to the mandate of the Corporation is the management of the Deposit Insurance Fund (DIF) to assure an adequate build up of financial resources that will enable the Corporation to conduct its payout and resolution activities. It is in this context that the Corporation also collaborates with the Supervisor of Banks and monitors the level of risk that Policyholders pose to the DIF.

As the viability of Policyholders is largely impacted by the performance of the macro economy, the Corporation is also concerned with review and analysis of the economic performance of the country. In short, over the period of the life of the Corporation the performance of the macro economy has been challenging. Most Policyholders however remained resilient so that there were no Policyholder failures and, in addition, a few healthy mergers and acquisitions have served to strengthen the remaining institutions. In the absence of pay out intervention and resolution the DIF continues to build up steadily.

In financial year 2013/14 developments in the local economy were impacted by the Government of Jamaica (GOJ) medium-term economic and financial programme (MTEFP) supported by the 48-month IMF Extended Fund Facility (EFF), which was approved in May 2013. The IMF has reported that the overall policy implementation has been strong with all quantitative and most indicative targets met towards the end of March 2014. In light of the strong performance in respect of the IMF EFF, Jamaica's sovereign ratings were improved resulting in the strengthening of business and consumer confidence by the end of the year.

The second National Debt Exchange Programme in February 2013, as part of the fiscal consolidation conditionalities for the EFF, caused periodic liquidity challenges for some Policyholders. The Bank of Jamaica acted to successfully alleviate these strains for Policyholders by ensuring sufficient liquidity for them to conduct ordinary business. Despite the challenges Policyholders ended the year adequately capitalized with improved asset quality indicators and improved profitability.

In support of the requirements of the MTEFP, the Corporation continued to work closely with the Ministry of Finance and Planning, the Bank of Jamaica and other members of the Financial Regulatory Council (FRC). This was towards implementation of policies, procedures and regulatory reforms which support a more robust framework within which licensed financial institutions and consumers of financial services should operate.

With regard to its own operations, the Corporation continued to efficiently manage the DIF, which at March 31, 2014 was $10.3B, an increase of 18.5 percent compared to the previous year and over 57 percent in the last five years. An adequate level of coverage for depositors was maintained at approximately 97 percent of the insurable deposit accounts within the banking system. Of note, this exceeded the international best practice standards of 90 to 95 percent.

In marking its 15th year of operation the Corporation successfully hosted a Financial Markets Symposium and Fair held under the theme *Promoting Financial Inclusion through Public Education and Awareness.*

Always mindful of the importance of sound corporate governance for the Corporation to maintain its reputation the Board reviewed its Corporate Governance Policies to align with amendments to the *Corporate Governance Framework for Public Bodies in Jamaica* as well as standards governing its own Policyholders and international standards as was appropriate.

I take this opportunity to commend my fellow Board members and the Chairpersons and members of the Board Committees for meticulous work during the year. This augured well for the continued strengthening of the core operations of the Corporation.

The Board, in its oversight role, continues to support the Chief Executive Officer and the Management Team as they conduct the affairs of the Corporation, ensuring that the highest standards of performance are maintained. As the Corporation looks forward in respect of developments in the financial system landscape, the risks that are posed, and the required financial system safety net enhancements, it will seek to improve its technical and operational capacity to meet such challenges as may arise.

On behalf of the Board I express gratitude to all our stakeholders, local and international, our Policyholders and Financial System Safety Net partners as we close another successful year.

Peter Thomas, OD, ACII, JP
Chairman

CEO'S REPORT ON OPERATIONS

Summary of the Economic and Regulatory Environment and Policyholder Performance

During this 15th anniversary year for the Corporation the global economy saw marginal improvement and importantly so for Jamaica's main trading partners. This represented an improvement over the previous year where the general slowing of global economic activity contributed to weak external and domestic demand. The expansion of economic activity abroad facilitated increased external demand for locally produced goods and services and contributed to real GDP growth for Jamaica of 0.9 percent in contrast to the contraction of 0.7 percent the year before.

Following on the Government of Jamaica National Debt Exchange in the previous financial year, with appropriately timed and purposed liquidity support from the Bank of Jamaica, Policyholders were able to meet business objectives. By the end of the year capital ratios remained above the benchmark and non-performing loan ratios and profitability improved. Against this background all Policyholders remained solvent.

Work on enhancing the framework for the regulation of JDIC's Policyholders accelerated and by the end of the financial year the Omnibus Banking Bill was ready for review by a Joint Select Committee of the Parliament with a view to early debate in the Houses of Parliament in the new financial year. Generally better aligning the Jamaican banking system to recommendations from a recent country review by international financial system regulatory standard setting bodies, the proposed new law includes: effecting legislative amendments necessary for Basel II and Basel III implementation and full compliance with Basel Core Principles; incorporating holding company legislation to allow for more effective consolidated supervision of banking groups of which a deposit-taking institution is a part; addressing illegal deposit-taking activities; and establishing a regime pertaining to the offer of electronic financial services.

Key Business Strategies and Initiatives

In furtherance of its mandate to protect depositors and contribute to confidence and financial stability, the Corporation continued to pursue its business strategies of: proactive readiness; strengthening operational efficiency; resolution management; strong partnerships and public education and awareness. There was continued focus on developing and improving internal policies to support its payout and non-payout resolution strategies for financial institutions which might be in financial distress.

It is considered best practice that non-banking crisis periods are when systems should be developed and tested for effective implementation in crisis periods. It is also the period when public education on the financial system is best received and has the desired result of a greater likelihood of the preservation of confidence and financial stability during periods of crisis. In this context public awareness has continued to be one of the key business strategies of the Corporation. International trends now indicate that the scope of public education and awareness in respect of the financial system also extends to consumer protection and financial inclusion which can also contribute to economic growth. The Corporation therefore considered it appropriate to mark its 15th year in operation with the staging of a Symposium and Financial Markets Fair under the rubric *"Promoting Financial Inclusion Through Public Education and Awareness"*. This targeted small and medium sized enterprises and unbanked persons. Updated Rules of Deposit Insurance Coverage compiled in a more simplified format were also issued at this time.

Management of Resources

Fiscal consolidation measures applicable to public bodies continued under the Government's Medium Term Economic and Financial Programme (MTEFP) and the Corporation continued to manage its expenses in that vein. Retaining staff continued to be challenging in the constrained environment, but staff development through a policy of inclusiveness and multidisciplinary team work for all projects and activities allowed it to maximize its human resource capacity to meet corporate strategic targets.

Financial Performance and Fund Management

The Corporation complied with all quarterly overall balance targets and other reporting requirements agreed with the Ministry of Finance and Planning under the MTEFP. With a focus on minimizing expenditure, without compromising the ability of the Corporation to meet its mandate, the Corporation managed to improve on its budgeted key performance ratios.

The Deposit Insurance Fund ended the year at $10.3B, an 18.5 percent increase when compared to the previous year. It is expected that the Fund will reach approximately $12.2B at the end of FY2014/15.

The Deposit Insurance Coverage Limit at $600,000 per depositor remained relevant during the period with 96.8 percent of insurable deposits within the banking system being fully covered in line with international benchmark standards of between 90 to 95 percent.

Concluding Remarks

The Management team takes this opportunity to thank the Chairman and members of the Board for their committed efforts to the sound governance of the Corporation and recommendations for improvements in processes during the year.

We also thank Safety Net Partners and Policyholders and the public for working with JDIC during the year on various initiatives evidencing the commitment to the objectives of protecting the financial system.

Finally, but not less importantly, I thank the JDIC team for its continued support and responsiveness to all the challenges met during the year and look forward to our best performance in the coming financial year.

Antoinette McKain
Chief Executive Officer

CORPORATE GOVERNANCE

The consistent practice of sound governance is important for the Corporation to achieve its objectives and maintain its reputation. *The BCBS/IADI Core Principles for Effective Deposit Insurance Systems (Core Principles)* state that *"the sound governance of agencies comprising the financial system safety net strengthens the financial system's architecture and contributes directly to system stability."*[2] This is in keeping with heightened global and local attention to corporate accountability in the governmental/ public sector as well as with the obligations of the Corporation under its governing statutes, the *Deposit Insurance Act (DIA)*, the *Public Bodies Management and Accountability Act (PBMA)* and the *Financial Administration and Audit Act (FAAA)*.

Under the DIA, the Corporation is responsible to Parliament, through the Minister of Finance and Planning. The effective performance of the Board of Directors helps to ensure that objectives are realised, resources are properly managed, important relationships are forged and maintained and the interests of stakeholders are duly served in the decisions taken.

The corporate governance standards adopted by the Corporation and outlined in its Corporate Governance Policy were established in accordance with its governing statutes and regulations and are benchmarked against related local and international best practice standards. During the year, the Corporation updated its corporate governance policies taking into account the Bank of Jamaica's *Standards of Sound Business Practices*; *the Core Principles*; *the Accountability Framework for Senior Executive Officers* and *the Corporate Governance Framework for Public Bodies in Jamaica*.[3]

The Corporation appreciates the importance of ensuring that its governance standards and practices are clear, effectively communicated and understood by all stakeholders.

BOARD OF DIRECTORS – COMPOSITION AND MANDATE

The Board of Directors (the Board) is comprised of seven (7) members; four (4) of whom are appointed by the Minister of Finance and Planning and three (3) ex-officio members. The three (3) ex-officio members are the Governor of the Bank of Jamaica, the Financial Secretary and the Chief Executive Officer of the Corporation (or their nominees).

It is the function of the Board of Directors to set the strategic direction of the Corporation. The Board, in accordance with the PBMA and the Corporation's Board Governance Policy, ensures that the management of the Corporation complies with strong governance standards and internal controls practices; and that a sound and effective system of risk management exists.

During the calendar year (CY) 2013 the Board met six (6) times.[4] Under the oversight of the Board, the Corporation achieved its broad objectives and met the prescribed deadlines for the preparation and submission of the:

- Three-year Corporate Plan, Operating and Capital Budgets for FY2014/15 - FY2016/17;
- Quarterly and half-yearly reports as required under the PBMA; and
- Annual Report along with the audited financial statements for FY2012/13.

[2] The BCBS-IADI Core Principles for Effective Deposit Insurance Systems - Principle 5 - Governance.

[3] Refer www.mofp.gov.jm.

[4] The Deposit Insurance Act requires the Board to meet at least six (6) times during a calendar year.

BOARD OF DIRECTORS		NUMBER OF MEETINGS ATTENDED (CY)/ EXPECTED ATTENDANCE
Peter Thomas, OD, ACII, JP	Chairman	6/6
Bridgett Wilks	Nominee of the Financial Secretary	4/6
Brian Wynter, CD	Governor, Bank of Jamaica	2/6
Antoinette McKain	Chief Executive Officer	6/6
Lloyd Duncan	Director	5/6
Howard Mitchell	Director	4/6
Marlene Myrie Porter	Director	6/6
Sophia Frazer-Binns*	General Counsel/Corporate Secretary	4/4
Alicia Hussey**	General Counsel/Corporate Secretary	1/1
Clover Edwards	Chief Administrative Assistant /Recording Secretary	6/6

*Demitted office on October 31, 2013

**Joined JDIC on December 9, 2013

BOARD COMMITTEES

The three (3) standing committees of the Board are Audit, Corporate Governance and Investment.

Audit Committee

The principal responsibilities of the Audit Committee are set out in the PBMA as well as the FAAA, under which it is mandated that every public body that has more than four (4) directors shall establish an Audit Committee comprising not less than three (3) directors.

In accordance with its terms of reference, the Audit Committee oversees the management of the financial affairs as well as the internal and external audit functions of the Corporation and advises the Board, at least quarterly, on the adequacy and efficiency of these functions. The Audit Committee also advises the Board on the extent to which the objectives of the Corporation are being achieved and plays a significant role in reviewing the efficiency of risk management functions.

Consistent with its terms of reference, the Audit Committee met four (4) times during the financial year. The Committee adopted a vigorous approach to the implementation and approval of a detailed Internal Auditor's Risk Assessment and Work Plan. The Committee recommended an overall review of the business processes for the preparation of the audited financial statements which enabled the completion of these statements for the FY2013/14, for approval by the Board and submission to the Minister of Finance and Planning within fourteen (14) days of the end of the financial year. This was the earliest submission of the accounts on record at the Corporation.

AUDIT COMMITTEE		NUMBER OF MEETINGS ATTENDED (CY)/ EXPECTED ATTENDANCE
Marlene Myrie Porter	Director, Chairperson	4/4
Lloyd Duncan	Director	4/4
Howard Mitchell	Director	2/4
Owen McKnight	Ministry of Finance and Planning Representative	4/4
Sophia Frazer-Binns*	General Counsel/ Corporate Secretary	2/2
Alicia Hussey**	General Counsel/ Corporate Secretary	2/2
Ronald Edwards	Director, Finance, Funds and Asset Management	4/4
Clover Edwards	Chief Administrative Assistant/ Recording Secretary	4/4

* Demitted office on October 31, 2013

** Joined JDIC on December 9, 2013

Corporate Governance Committee

The Corporate Governance Committee oversees the implementation of sound corporate governance principles within the Corporation and ensures compliance with same. The Committee's mandate and terms of reference are in keeping with the *Government of Jamaica (GOJ) Corporate Governance Framework for Public Bodies in Jamaica* and other standards of the financial regulatory industry and international best practice.

During the year the Committee reviewed and revised the Corporate Governance Policy and the Board Committees' assessment framework. The Committee also reviewed the proposal for the evaluation of the internal auditors and provided recommendations for improvements. A proposed framework to enhance the assessment of the Chief Executive Officer was extensively discussed by the Committee, guided by the *GOJ Accountability Framework for Senior Executive Officers*.

CORPORATE GOVERNANCE COMMITTEE		NUMBER OF MEETINGS ATTENDED (CY)/ EXPECTED ATTENDANCE
Peter Thomas, OD, ACII, JP	Board Chairman, Chairperson	2/2
Marlene Myrie Porter	Director	2/2
Howard Mitchell	Director	1/2
Antoinette McKain	Chief Executive Officer	2/2
Sophia Frazer-Binns*	General Counsel/Corporate Secretary	1/1
Alicia Hussey**	General Counsel/Corporate Secretary	1/1
Clover Edwards	Chief Administrative Assistant/Recording Secretary	2/2

*Demitted office on October 31, 2013

**Joined JDIC on December 9, 2013

Investment Committee

The Investment Committee is comprised of two (2) Board members, one of whom is the Chief Executive Officer; the Chief Financial Officer and senior members of staff, who are recommended to the Board of Directors by the CEO. The Committee manages the Corporation's investment portfolio in keeping with the Investment Policy, which outlines the investment objectives and guidelines, particularly as they relate to portfolio composition, investment limits and prohibited investments. Its main responsibility is to advise the Board on the suitability of proposed investment categories, as well as the general performance of the Fund.

The Committee received and reviewed reports from the Treasury Management Committee, a standing executive management committee which carries out the day-to-day management of the investment function of the Corporation. With the assistance of the Investment Committee, the Board duly considered the trends in the Fund growth and implications as well as the impact of the National Debt Exchange (NDX[5]) on the Fund and the considerations impacting the availability of contingency funding.

INVESTMENT COMMITTEE		NUMBER OF MEETINGS ATTENDED (CY)/ EXPECTED ATTENDANCE
Lloyd Duncan	Director, Chairperson	2/2
Antoinette McKain	Chief Executive Officer	2/2
Ronald Edwards	Director, Finance, Funds and Asset Management	2/2
Nicole Brown Crooks*	Director, Monitoring and Risk Assessment	0/1
Donna-Marie McDonald	Operations and Project Assistant/Recording Secretary	2/2

*Demitted office December 31, 2013.

ENTERPRISE RISK MANAGEMENT (ERM)

The Corporation is keen on identifying, monitoring, managing and mitigating risks. Included in its system of internal controls is an ongoing programme for identifying its principal risks across all functional areas of operation. As part of the annual corporate planning exercise, corporation-wide risk assessment is conducted, where in addition to other risks, all business, operational, regulatory, financial and human resource risks are taken into account. These are prioritized and risk management actions identified, monitored and managed throughout the financial year.

To further enhance its ERM capabilities, the Corporation is also in the process of having a formal ERM framework developed for implementation, based on ISO 31000 standards. Specific staff will be designated/co-opted as members of an ERM Committee and will be trained in corporate risk management. This is precursory to implementation of a formal ERM Framework for public bodies.

[5] In February 2013, the Corporation participated in the NDX transaction as part of a GOJ fiscal consolidation exercise, under which it exchanged its holdings of domestic debt instruments issued by the GOJ for new, longer dated debt instruments with lower coupon rates.

STATEMENT OF COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

The Corporation believes that a structured and consistent Corporate Social Responsibility (CSR) programme is fundamental to achieving excellence in conducting business and in demonstrating effective and commendable leadership. As such, the Corporation remains committed to not only contributing to confidence and stability in the financial system, but to the overall development of the society, improving the technical ability of individuals for the management of their financial affairs and the successful conduct of business.

During the year, the Corporation through its public education and awareness outreach activities continued to focus on delivering financial education to the public in an effort to increase the level of financial literacy in the society. Additionally, through its summer employment and internship programme the Corporation continued to include high school and university students in its research. The Corporation remains committed to these initiatives while ensuring the delivery of exemplary service to stakeholders.

BOARD OF DIRECTORS

Lloyd Duncan | Marlene Myrie Porter | Brian Wynter, CD | Peter Thomas, OD, ACII, JP | Bridgett Wilks | Antoinette McKain | Howard Mitchell

Peter Thomas, OD, ACII, JP, Chairman

Peter Thomas was appointed Chairman of the JDIC Board on April 18, 2012. He is the Managing Director of National Property and General Insurance Brokers Limited, a position he has held for the past 32 years. An Insurance Underwriter by profession, Mr Thomas has over 40 years' experience in the insurance industry in Jamaica, the Caribbean and the United Kingdom with specialist training in Risk Management, Property and Engineering Insurance from the Swiss Reinsurance Company Limited, Zurich. He also studied General Insurance with the Chartered Insurance Institute and Management Courses at Henley College in the United Kingdom.

Mr Thomas has held numerous positions including several managerial posts with National Employers Mutual General Insurance (1967-1972), an insurance firm, with their then Head Office in the United Kingdom. He also served as Manager and Deputy Managing Director at Motor Owners Mutual Insurance Association Limited (1972-1981).

An astute entrepreneur, Mr Thomas has been involved in various business ventures and serves as Chairman and Board member of many public, private, service and professional organizations. Peter Thomas is an avid sports fan and enjoys music and theatre. He is presently a member of the Lay Magistrates Association of Jamaica and a Life Member of the Kingston Lions Club. He has also published titles on "The Marketing of Non-Life Insurance in the Caribbean" and "Views on a Caribbean Reinsurance Company".

Brian Wynter, CD, Governor, Bank of Jamaica

Brian Wynter was appointed Governor of the Bank of Jamaica on November 23, 2009. As Governor, he is Chairman of the Board of Directors of the Bank and an ex-officio Director on the JDIC Board.

Mr Wynter graduated from the London School of Economics and Political Science in 1981 with a BSc (Economics) honours degree. He received the Graduate Diploma in Law from The City University, London and was called to the Bar of England and Wales in 1983 after completing the professional qualifying examinations at the Inns of Court School of Law, London. He was enrolled as an attorney in the Supreme Court of Judicature, Jamaica in 1990. Mr Wynter also has a Masters degree specializing in International Economics from Columbia University School of International and Public Affairs, New York.

Before returning to Jamaica in 1988, Mr Wynter worked with Chase Investment Bank and Schroder Wertheim International Company, in New York. In Jamaica, he worked with the National Investment Bank of Jamaica as Director of Investment, Mutual Security Merchant Bank as Senior General Manager, before moving in 1991 to Citibank, NA, where he spent four years as Vice President.

Mr Wynter was Deputy Governor of the Bank of Jamaica, with responsibility for Banking and Market Operations, from 1995 until his appointment as Technical Advisor to the Minister of Finance in 1999. In 2001, Mr Wynter was appointed the first Executive Director of the then newly-established Financial Services Commission and served in that capacity until 2007 when he joined the Caribbean Regional Technical Assistance Centre (CARTAC) in Barbados as Capital Markets/Financial Sector Advisor.

Bridgett Wilks, Nominee of the Financial Secretary

Bridgett Wilks, a career public servant, holds a BSc and MSc in Economics from the University of the West Indies.

Mrs Wilks was a member of the Task Force that was established to work on the legislative framework that led to the development of the Deposit Insurance Act and the establishment of the Deposit Insurance Scheme. Appointed to the JDIC Board in August 2005 as the Nominee of the Financial Secretary, she continues to serve in that capacity.

Mrs Wilks is the Divisional Director of the Financial Regulations Division (FRD) of the Ministry of Finance and Planning. The FRD is responsible for the development of policy for the Financial Sector. Mrs Wilks has worked at the Department of Statistics and the Petroleum Corporation of Jamaica and has been working at the Ministry of Finance for over 20 years.

Antoinette McKain, Chief Executive Officer

An Attorney-at-Law, Antoinette McKain 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 and public sector 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. Ms McKain holds a MBA (Finance) from the University of Manchester and Wales and is now pursuing the Chartered Banker MBA designation.

Lloyd Duncan

Mr Lloyd Duncan is a Chartered Accountant with over 30 years experience in public accounting, financial management of a housing bank and management consulting in the areas of privatization, mergers and acquisitions, business valuations, operations review and institutional assessment, and financial feasibility assessment. This body of work has been across various industries including sugar, petroleum, bauxite and alumina, electricity and water, airports and airline, hotels, transportation, agriculture and the financial sector.

Howard Mitchell

Having graduated from the University of the West Indies (BSc in Government) and the University of Miami (LL.M in International Trade Law), Mr Mitchell has spent more than 30 years in the legal field.

Mr Mitchell currently serves as Chairman of Corrpak Jamaica Limited, Island Grill/Chicken Mistress and TM Traders Limited. He also holds directorships on the boards of the St Catherine Vicariate and G. Raymond Chang Foundation. In addition, he served as Chairman of the National Housing Trust, Coffee Industry Board, Cocoa Industry Board, Bauxite and Alumina Trading Company of Jamaica/Jamaica Bauxite Mining Limited and Jamaica Bauxite Institute. He has served as a Justice of the Peace since 2009.

Marlene Myrie Porter

Marlene Myrie Porter joined the Jamaica Promotions Corporation in January 2008 as the Manager of the Business Facilitation Department and was subsequently appointed to her current position of Export Development Manager. In these roles, Mrs Myrie Porter has enjoyed extensive and successful collaboration with various Jamaican exporters. Many micro, small and medium sized businesses have also benefited from her expertise as she has provided useful guidance in the design and implementation of enterprise development and capacity building programmes, which have helped to enhance their competitiveness and ability to take advantage of market opportunities.

Mrs Myrie Porter previously served as an Assistant Director in the Economic Research and Programming Division at the Bank of Jamaica, following a short period in the commercial banking sector. She holds an MBA from the University of New Orleans, and MSc. (Economics) and BSc. degrees from the University of the West Indies. She is also a trained Mathematics teacher.

EXECUTIVE MANAGEMENT

First row L-R: **Dawn Marie Brown,*** Director, Monitoring and Risk Assessment; **Ronald Edwards,** Director, Finance, Funds and Asset Management; **Antoinette McKain,** Chief Executive Officer and **Alicia Hussey,**** General Counsel/Corporate Secretary

Second row L-R: **Marjorie McGrath,** Manager, Corporate Communications; **Carla Myrie,** Manager, Human Resource and Administration and **Eloise Williams Dunkley,***** Director, Intervention, Resolutions and International Relations

* Joined JDIC March 10, 2014
**Joined JDIC December 9, 2013
*** Appointed Director, April 1, 2013

Sophia Frazer-Binns, General Counsel/Corporate Secretary and Nicole Brown Crooks, Director, Monitoring and Risk Assessment, resigned on October 31 and December 31, 2013 respectively.

TEAM MEMBERS

(L-R) Seated – Carla Myrie, Hannah Dixon, Antoinette McKain and Dawn Marie Brown; **Second Row** – Omar Cheevers, Ronald Edwards, Alicia Hussey, Marjorie McGrath, Stephanie Williams, Randia Scott, Daren Roberts, Michael Allen, Eloise Williams Dunkley and Clover Edwards; **Third Row** – Roxan Jackson, Pamella Lawrence, Lucius Bullens and Delgado Williamson; **Stairs** – Tracey Tucker, Stacy Earl, Carnel Campbell, Pearzie Reid, Ramona DaCosta and Odette Barron

MANAGEMENT'S DISCUSSION & ANALYSIS

MACROECONOMIC PERFORMANCE

Global economic activity improved marginally in FY2013/14 reflecting stronger growth out-turns for advanced economies and modest performance in emerging market economies. This improvement in economic activity is expected to continue in FY2014/15 mainly driven by strong out-turns in the United States, United Kingdom, Canada, China and Japan[6]. Latin America and the Caribbean region are also projected to record marginal economic growth[7].

Expansion in economic activity in the global economy during the review period facilitated increased external demand for locally produced goods and services. In light of this expansion and favourable real sector conditions, real GDP increased by 0.9 percent compared with a decline of 0.7 percent in the previous year *(Table 1)*. Growth was propelled mainly by expansions in the Mining and Quarrying; Agriculture, Forestry & Fishing; and Construction industries. The Finance & Insurance Services industry recorded a modest growth of 0.4 percent relative to 0.7 percent in FY2012/13. This out-turn was fuelled by higher: (i) net interest income on loans and advances (ii) value of total assets at deposit-taking institutions, (iii) fees and commission income, and (iv) gains on foreign exchange transactions. Despite the reported increase in real sector performance, unemployment levels remained a concern.

TABLE 1: PERFORMANCE OF KEY MACROECONOMIC INDICATORS

INDICATORS	FY2013/14 (P)	FY2012/13	FY2011/12
GDP Growth (%)	0.9	-0.7	-0.6
Inflation (%)	8.3	9.1	7.3
NIR (US$ Million)**	1,303.6	884.3	1,777.1
Total Public Debt (Trillion $)*	1.9	1.8	1.7
Debt (% GDP)*	131.9	135.6	131.5
Fiscal Balance (% of GDP)*	0.1	-4.1	-6.4
Primary Surplus (% of GDP)*	7.5	5.4	3.1
182-day T-Bill Rate (%)**	9.1	6.4	6.5
Exchange Rate (J$/US$)**	109.8	98.9	87.3

P – Provisional
**Sources: PIOJ Quarterly Press Release March 2014; *GOJ Fiscal Policy Paper FY2014/15; and **BOJ Quarterly Monetary Policy Report March 2014*

[6] IMF World Economic Outlook April 2014

[7] Sub-Saharan Africa, Middle East and North Africa are forecasted to also improve.

Developments in the domestic macroeconomic environment were conditioned by the GOJ medium-term economic programme supported by the 48-month International Monetary Fund (IMF) Extended Fund Facility (EFF), which was approved in May 2013. The IMF has reported that the overall policy implementation of the IMF EFF has been strong and all quantitative and most indicative targets were met towards the end of March 2014[8]. The IMF Executive Board had completed the review for three quarterly tests to the end of December 2013, which facilitated the release of approximately US$345.8 million in disbursements[9].

Jamaica's long term foreign and local currency sovereign rating was upgraded to 'B-' from 'CCC+' by Standard and Poor's Ratings Services in September 2013. This was informed by progress in stabilizing the domestic economy, staunching the loss of foreign exchange reserves; and access to funding from multilateral lending agencies. Jamaica's sovereign credit rating was further upgraded by Fitch Ratings Service[10] in February 2014, while Moody's Investor Service revised its outlook from stable to positive in the same month.

In light of strong performance in respect of the IMF EFF, improved sovereign credit ratings and marginal growth in the latter half of the year, consumer and business confidence improved towards the end of March 2014. This improvement allowed for expansions in business investments and consumer purchasing plans.

Despite the increased confidence in the domestic market, the Jamaica dollar continued to depreciate against the United States dollar fuelled mainly by demand pressures relating to (i) current account transactions (ii) lingering uncertainty relating to Jamaica's ability to meet the Net International Reserve (NIR) targets under the IMF EFF; and (iii) continued hedging against further depreciation of the Jamaica dollar. Relative to March 2013, the Jamaica dollar depreciated against the United States dollar by 10.8 percent ($109.8: US$1) at the end of March 2014.

In addition to its regular 30-day Certificate of Deposits, the Bank of Jamaica (BOJ) augmented its liquidity management operations through a series of special open market operations (OMO) securities[11]. Furthermore, the BOJ enhanced its liquidity management framework for deposit-taking institutions to alleviate periodic liquidity constraints and ensure stability in the system. The enhancements included the introduction of a Standing Liquidity Facility (overnight tenors), a bi-monthly and a six-month Repurchase Operation[12]. Overall, the BOJ's OMO resulted in a net purchase of approximately US$381.4 million during the year. The net purchase of foreign currency along with initial and quarterly disbursements from the IMF boosted the NIR to US$1,303.6 million at the end of March 2014[13].

The average yields on GOJ Treasury Bills in the domestic market increased in the context of higher investor risk premium which was affected by continued depreciation of the Jamaica dollar, low prospects for growth and high inflation expectations. However, out-turns for the average yield on GOJ global bonds have been quite the opposite, as the composite average yield on these instruments declined in the context of: the successful completion of quarterly targets under the IMF EFF; increased prospects for growth; and sovereign credit rating upgrades.

In respect of consumer prices, headline inflation was 8.3 percent for the fiscal year, marginally below the BOJ's projection within the range of 8.5 – 10.5 percent and below the 9.1 percent recorded in FY2012/13. This out-turn for FY2013/14 was mainly influenced by increases in bus and taxi fares, higher prices for processed foods; and higher rates for electricity, water and sewage.

[8] The IMF has noted that the indicative target relating to tax collection was missed for the March 2014 quarter.

[9] Recommendations from the IMF mission which conducted the Article IV Consultation for the fourth review (March quarter 2014) of Jamaica's performance under the programme is expected to be considered by the IMF Board in June 2014. Upon approval, about US$71 million (Special Drawing Rights (SDR) 45.95 million) is expected to be made available to Jamaica.

[10] From 'CCC' to 'B-'

[11] Denominated in both domestic and foreign currencies with varying tenors.

[12] Liquidity support was provided to deposit- taking institutions that made placements on BOJ's foreign currency CD's with a minimum tenor of two years.

[13] The GOJ met its quarterly NIR targets as at quarter ending June 2013, September 2013, December 2013 and March 2014 as outlined in the IMF EFF.

Against the background of the GOJ's medium-term economic programme and the IMF EFF the following are the projections for key macroeconomic indicators.

TABLE 2: MEDIUM TERM PROJECTIONS FOR KEY MACROECONOMIC INDICATORS

INDICATORS	FY2014/15	FY2015/16	FY2016/17
GDP Growth (%)	1.4	1.8	1.9
NIR (US$' Million)	1,453.0	1,612.6	1,761.3
Inflation (%)	8.5	8.0	8.0
Fiscal Balance (% GDP)	-0.7%	-0.2	1.4
Primary Surplus (% GDP)	7.5%	7.5	7.5
Debt (% GDP)	129.3%	122.7	114.5

Source: Government of Jamaica Fiscal Policy Paper FY2014/15

REGULATORY ENVIRONMENT

Legislative Developments

During the review period there was extensive consultation with stakeholders in the financial sector on proposals for several legislative changes geared towards strengthening the financial system and furthering the Corporation's mandate. This strengthening was marked by the drafting of the long awaited Banking Services Bill (formerly Omnibus Bill) and the Regulations for Joint, Trust and Nominee Accounts (the Regulations).

Draft Deposit Insurance (Joint, Trust and Nominee Accounts) Regulations

In furtherance of the amendment to Section 18(C) of the Deposit Insurance Act 2011 (DIA), the Regulations for Joint, Trust and Nominee Accounts (the DIA Regulations) were drafted.

The amendment to the DIA gave recognition to the commercial expectation of depositors and, inter alia, provided for separate insurance coverage for the beneficiaries of trust and nominee accounts.

The DIA Regulations were drafted subsequent to consultation with Policyholders and other stakeholders and they seek to guide the disclosure requirements of joint account owners; trustees and nominees and the record-keeping requirements of Policyholders. The DIA Regulations will be presented to Parliament by the Minister of Finance and Planning in FY2014/15.

Bank of Jamaica (Amendment) Act

The first draft of the Bill (entitled "An Act to Amend the Bank of Jamaica Act") was circulated to stakeholders for feedback. This Act is to expressly place the institutional responsibility for the stability of Jamaica's financial system in the Bank of Jamaica.

The amendments will:

1) Outline the mandate of the Bank of Jamaica's role of maintaining financial system stability.
2) Mandate the establishment of a Financial System Stability Committee
3) Expand the regulatory oversight of the Bank of Jamaica to institutions deemed to be of systemic importance.

4) Grant powers to the Bank of Jamaica to obtain information from systemically important financial institutions.
5) Give Bank of Jamaica the necessary powers to direct and impose measures to mitigate and control risks.
6) Mandate the establishment of a central financial system database.
7) Mandate the publication of a financial stability report within three (3) months after the end of the financial year.

The Banking Services Bill/Omnibus Bill

The Banking Services Bill (the Bill) was tabled in Parliament in March 2014. The Bill is intended to enhance the regulatory and supervisory standards of the Bank of Jamaica and is in keeping with developments in international standards outlined in the Basel Committee's Core Principles for Effective Banking Supervision (BCPs).

Currently, several different legislation govern the various categories of institutions in the deposit-taking sector. This has resulted in unwarranted inconsistencies in the regulatory regime. The Bill aims to eliminate these inconsistencies by consolidating the *Banking Act, Financial Institutions Act,* the *Building Societies Act* and the *Bank of Jamaica (Building Societies) Regulations.* This consolidation will repeal the *Banking Act* and *the Financial Institutions Act* and facilitate seamless amendments in the overall regulatory regime. It is also intended to implement enhancements regarding consolidated and conglomerate supervision and will bring the regulation of banking business more in line with international standards. Other enhancements to the regulatory regime will also focus on issues such as the prompt corrective action, electronic reporting to the Supervisor by licensees and the implementation of an enforceable code of conduct for licensees.

The Bank of Jamaica (Credit Union) Regulations

The Bank of Jamaica (Credit Union) Regulations is still pending. When passed, the operations of credit unions will be governed in accordance with the prudential supervisory regime of the Bank of Jamaica. These regulations will cover, among other things, licensing, prohibited business, capital, remedial and intervention processes and the role of specially authorized credit unions.

The Cooperative Societies (Amendment) Bill

This Bill was drafted following on the decision to bring credit unions under the regulatory ambit of the Minister of Finance and Bank of Jamaica. The principal Act is being amended to:

1) require the prior approval of the Minister of Finance before a cooperative society can operate or continue to operate as a credit union; and
2) restrict the deposit-taking activities of cooperative societies who are not operating as credit unions.

Building Societies (Licenses) Regulations

These are being amended to harmonize the licensing fees framework for building societies wtih that of other Policyholders on the grant of a licence.

Credit Classification/Loan Provisioning Regulations

The Bank of Jamaica is undertaking a re-draft of earlier guidance notes and proposed regulations which were provided to the industry. Under the proposed framework, supervisory rules to address highly technical aspects of the regulatory framework will be developed and issued by the Bank of Jamaica and will be subject to affirmative resolution.

Qualification of Auditors Regulations

These regulations have been drafted and submitted to the Minister for approval. They will specify expectations for auditors in undertaking an external audit of a supervised financial institution. Of note, the Banking Services Bill will outline the criteria for an "eligible auditor".

The Proceeds of Crime Act (POCA)

The amendments to POCA provide clarity particularly with respect to reporting obligation deficiencies, the powers that competent authorities have in relation to their monitoring role and the cash transaction limit, which was set at J$1 million.

The (Money Laundering Prevention) Regulations under the POCA were also amended and several designation Orders were prepared. These Orders include the Proceeds of Crime (Designated Non-Financial Institution)(Real Estate Dealers) Order 2013, the Proceeds of Crime (Designated Non-Financial Institution) (Attorneys-at-law) Order 2013 and the Proceeds of Crime (Designated Non-Financial Institution) (Public Accountants) Order 2013.

The Financial Investigations Amendment Bill

The amendments will incorporate provisions that establish the Financial Investigation Division's[14] ability to function with autonomy as well as its ability to cooperate with its international counterparts.

[14] The Financial Investigations Division is a unit within the Ministry of Finance and Planning which was established on December 16, 2002. The Division has evolved with time and the objectives now focus on the need to deter the use of Jamaica's economy for money laundering and other financial crimes thereby contributing to a stable financial sector and an investor friendly environment.

POLICYHOLDER PROFILE AND PERFORMANCE

PROFILE OF POLICYHOLDERS

The number of member institutions in the DIS was reduced to twelve (12) during the financial year. This was due to the amalgamation of FirstCaribbean International Bank (Jamaica) Limited and FirstCaribbean International Building Society in August 2013[15]. Accordingly, the DIS comprised seven (7) commercial banks, two (2) FIA licensees and three (3) building societies. Capital & Credit Merchant Bank Limited was rebranded as JMMB Merchant Bank Limited[16].

Commercial Banks

- Bank of Nova Scotia Jamaica Limited*[17]
- Citibank, N.A.
- FirstCaribbean International Bank (Jamaica) Limited
- First Global Bank Limited
- National Commercial Bank Jamaica Limited
- RBC Royal Bank (Jamaica) Limited
- Sagicor Bank Jamaica Limited

Merchant Banks (FIA Licensees)

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

Building Societies

- Jamaica National Building Society
- Scotia Jamaica Building Society*
- Victoria Mutual Building Society

[15] FirstCaribbean International Building Society surrendered its licence under the Building Societies Act to the Bank of Jamaica in August 2013, with all its business being absorbed by its parent company FirstCaribbean International Bank (Jamaica) Limited.

[16] The rebranding of Capital & Credit Merchant Bank Limited was effective March 2013, further to the acquisition of the Capital & Credit Financial Group by the Jamaica Money Market Brokers (JMMB) Group.

[17] Related deposit-taking Institutions.

POLICYHOLDERS' PERFORMANCE

The commercial banking sector continued to dominate the banking system, accounting for 75.5 percent of the total assets at the end of the financial year and therefore largely influenced the performance of the system. Building societies accounted for 21.6 percent, while FIA Licensees accounted for 2.9 percent.

Conditions in the Policyholder environment continued to strengthen against the background of improvements in both the domestic and global economy. As at March 2014, Policyholders remained adequately capitalized and solvent. Additionally, credit quality indicators continued to improve consequent to the declining trend in non-performing loans. Overall, Policyholders recorded an improvement in profitability.

Encouragingly, the BOJ liquidity management operations significantly enhanced Policyholders' operations in the context of tight Jamaican dollar liquidity. Policyholders benefited from bi-monthly and six-month repurchase operations, as well as access to the Standing Liquidity Facility (overnight) provided by the BOJ.

TABLE 3: SUMMARY FINANCIAL PERFORMANCE OF BANKING SYSTEM

KEY FINANCIAL INDICATORS	MARCH 2012 $'M	MARCH 2013 $'M	MARCH 2014 $'M	MARCH 2014/ MARCH 2013 (%)
Total Assets	825,037	898,471	1,004,671	11.8
Cash and Bank	137,318	176,234	228,989	29.9
Investments	269,041	250,500	255,215	1.9
Loans & Advances (gross)	374,365	426,950	468,988	9.8
Non-performing Loans	32,158	26,569	22,889	-14.1
Interest Income	63,848	66,880	71,113	6.3
Non-interest Income	37,950	29,238	33,253	13.7
Interest Expense	13,356	13,720	14,795	7.8
Non-interest Expense	59,641	63,959	72,318	13.1
Pre-tax Profit	29,715	18,955	21,654	14.2
Efficiency ratio (Non-int exp/Op inc)	58.6%	66.5%	69.3%	

At the end of the fiscal year, total assets in the banking system increased by 11.8 percent or $106.2 billion to $1,004.7 billion, primarily driven by increases in cash and bank balances and loans and advances. Cash and bank balances grew by 29.9 percent to $229.0 billion as Policyholders accessed liquidity support from the BOJ through special repurchase agreements and the establishment of the Standing Liquidity Facility.

Total loans and advances increased by 9.8 percent to $469.0 billion, reflecting an expansion in local currency borrowing by both households and businesses. At the same time, investments rose marginally by 1.9 percent or $4.7 billion as a result of an increase in domestic currency investments by both commercial banks and building societies.

Asset quality indicators in the banking system recorded marked improvements as a consequence of continued declines in non-performing loans (NPLs)[18]. As such, NPLs decreased by 14.1 percent in FY2013/14 compared to a decline of 17.2 percent for the corresponding period in FY2012/13.

[18] Non-performing loans refer to past due loans (3 months and over).

The decline in NPLs during the financial year was mainly due to NPL write-offs and repayment of non-performing business loans within the productive sectors. Arising from the decline in NPLs and growth in total loans (9.8 percent), the ratio of NPLs to total loans improved from 6.2 percent to 4.9 percent at the end of the review period. All three sub-sectors recorded out-turns for the NPLs to total loan ratio well within the prudential maximum of 10 percent *(Appendix I and Figure 2)*.

The ratio of NPL to capital plus provisioning for the banking system also improved during the fiscal year in the context of a decline in NPLs, lower provisioning and growth in the banking system's statutory capital base. Of note, all three sub-sectors satisfied the prudential maximum of 20 percent.

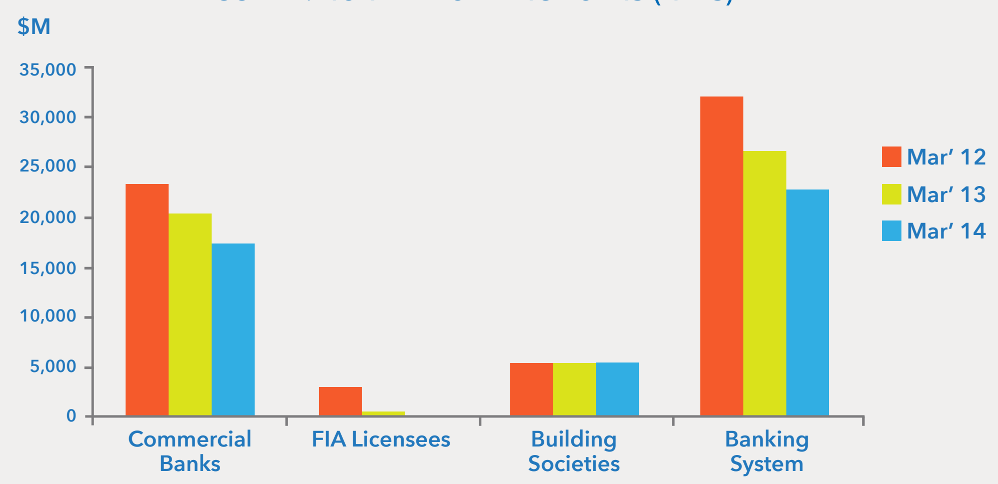
The banking system was resilient to adverse market conditions and this was reflected in marked improvement in capital levels relative to total assets. Consequently, the primary ratio (capital as a percentage of assets) improved to 11.1 percent (from 10.3 percent in FY2012/13), while the risk-weighted capital adequacy ratio was recorded at 16.0 percent (14.0 percent in FY2012/13). The outcome for each ratio was well above the BOJ prudential minima.

Notwithstanding the general increase in the cost of providing banking services (interest and non-interest expense) during the fiscal year, the banking system recorded pre-tax profits of $21.7 billion an increase of 14.2 percent over the review period. This compared well with the decline of 35.7 percent in pre-tax profits that was recorded for FY2012/13. The growth in pre-tax profits during the review period was mainly facilitated by a 13.7 percent growth in non-interest income[19] and a 6.3 percent increase in interest income from loans and advances.

At the sub-sector level, commercial banks recorded a 1.2 percent decline in pre-tax profits. This decline was primarily due to an increase of 15.3 percent in non-interest expense resulting from an increase in staff costs and other operating costs which accounted for $2.2 billion and $2.5 billion respectively.

In contrast, the building societies and the FIA licensees sub-sectors recorded substantial increases in their pre-tax profits of 89.4 percent and 452.1 percent respectively. The out-turn for the building societies sub-sector was driven by an increase in non-interest income from fees and charges and higher dividends and trading gains. Conversely, pre-tax profits performance of FIA licensees benefited from an increase in interest income due to loans and advances. Despite the increased income within the building society and FIA sub-sectors, the banking system's efficiency ratio[20] increased to 69.3 percent from 66.5 percent in the previous fiscal year.

FIGURE 1: NON PERFORMING LOANS (NPLS)



[19] Fees, commission income and foreign exchange gain.

[20] Efficiency ratio refers to the ratio of non-interest expense relative to operating income. The international benchmark ratio is 60 percent and the increase over the previous year represents an adverse movement.

FIGURE 2: NPLS TO TOTAL LOANS

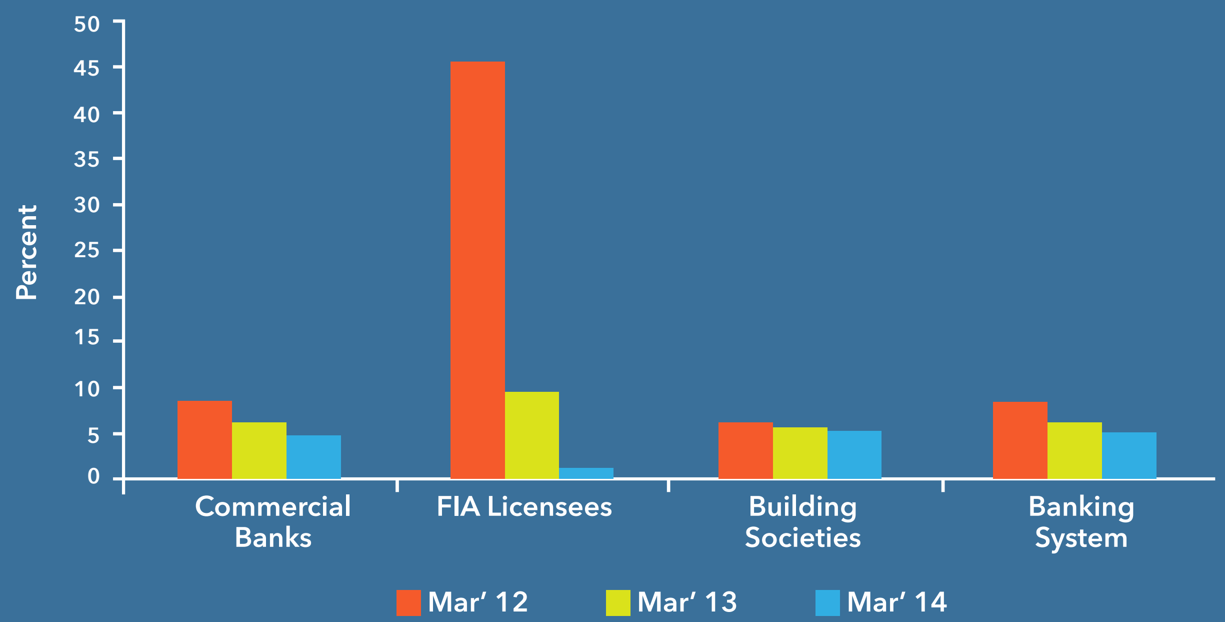


FIGURE 3: NPLS TO CAPITAL PLUS PROVISIONING

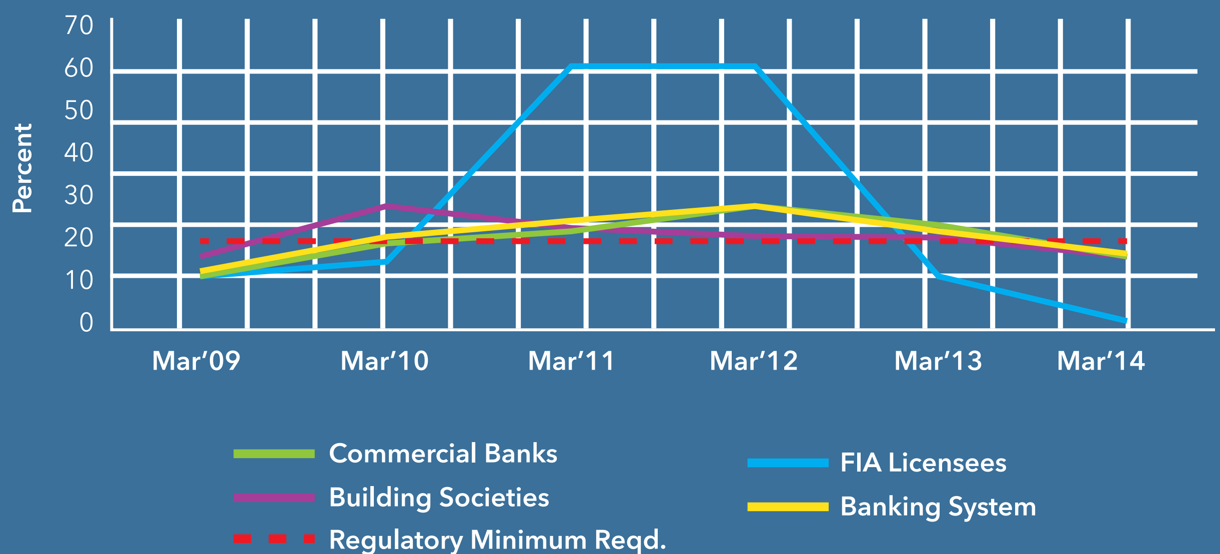
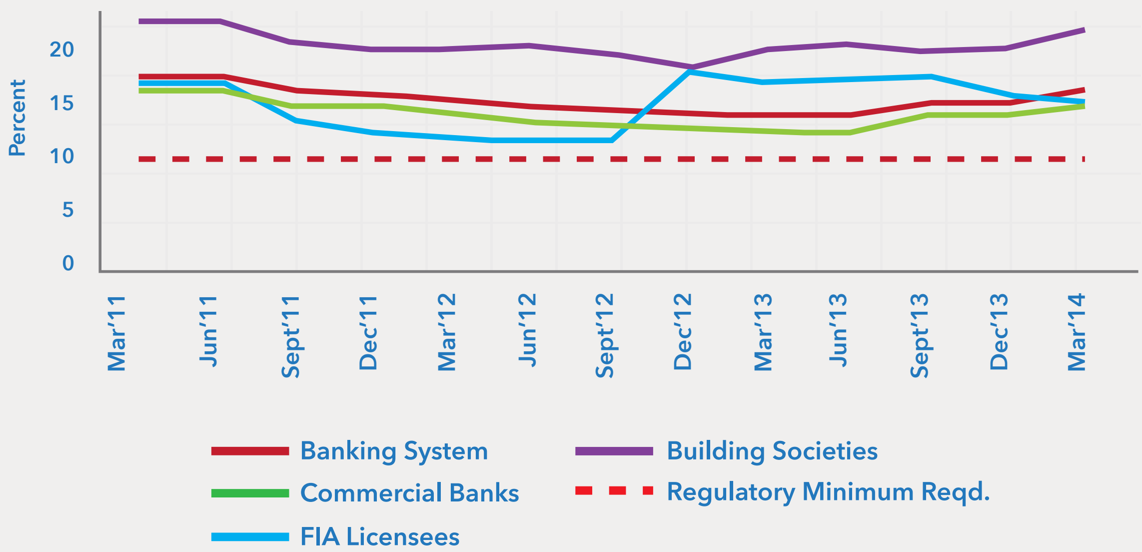


FIGURE 4: RISK WEIGHTED CAPITAL ADEQUACY RATIO



Profile of Deposits Eligible for Deposit Insurance Coverage - Insurable Deposits

Total insurable deposits in the banking system grew by 7.5 percent to $580.1 billion in calendar year (CY) 2013[21], consistent with the marginal improvement in economic activity during the year *(Table 4)*. At the same time, the number of insurable deposit accounts moved up to 4.2 million (from 4.1 million). Against the background of an increase in insurable deposits and a relatively unchanged number of accounts, the average balance in an insurable deposit account grew by 6.1 percent to $139,749 from $131,715. Insurable deposits held in foreign currencies increased by 12.9 percent to $254.1 billion at the end of December 2013, compared to a 13.8 percent growth in 2012. This was mainly influenced by the higher rate of conversion for deposits held in foreign currencies compared to December 2012. At the same time, insurable domestic currency deposits recorded an increase of 3.7 percent to $326.0 billion relative to a 4.7 percent increase in 2012.

TABLE 4: TOTAL INSURABLE DEPOSITS AS AT DECEMBER 31, 2012 AND DECEMBER 31, 2013

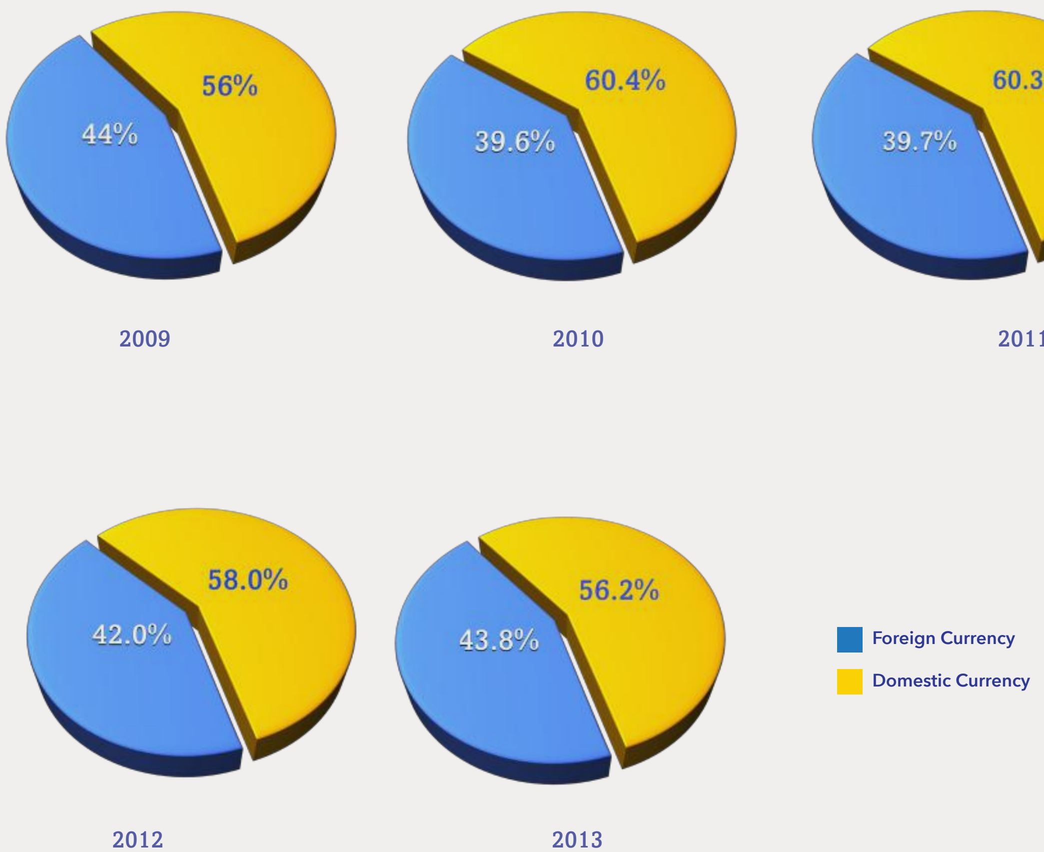
Sub-Sectors	Total Insurable Deposits December 31, 2012	% of Total Insurable Deposits December 31, 2012	Total Insurable Deposits December 31, 2013	% of Total Insurable Deposits December 31, 2013
	($'000)	%	($'000)	%
Commercial Banks	398,911,334	73.9%	428,023,553	73.8%
Building Societies	132,834,153	24.6%	141,871,173	24.5%
FIA Licensees	7,754,572	1.5%	10,138,736	1.7%
Grand Total	**539,500,059**	**100.0%**	**580,033,462**	**100.0%**

[21] Information presented in this section reflects the results of the Survey of the Distribution of Insurable Deposits which is conducted annually as at December 31st.

Share of Insurable Deposits held in Domestic and Foreign Currencies

Given the larger increase in insurable foreign currency deposits relative to those held in domestic currency, the share of domestic currency deposits as a percentage of total insurable deposits decreased to 56.2 percent (from 58.3 percent in 2012). Conversely, the share of insurable foreign currency deposits as a percentage of total insurable deposits increased to 43.8 percent of total insurable deposits, up from 41.7 percent in 2012.

The Pie Charts below highlight the trends in the share of domestic and foreign currency insurable deposits for 2009-2013.



Profile of Deposits Covered by Deposit Insurance - Insured Deposits

As with total insurable deposits, estimated insured deposits posted a noticeable increase during CY2013. Estimated insured deposits grew by 6.7 percent to $245.6 billion in December 2013 relative to marginal growth of 1.0 percent in 2012 *(Table 5)*. In light of a larger increase in total insurable deposits (7.5 percent) relative to estimated insured deposits, the ratio of estimated insured deposits to total insurable deposits declined marginally to 42.3 percent compared to 42.6 in December 2012. The share of estimated insured deposits for each sub-sector was relatively consistent with outcomes recorded in previous years. Commercial banks, building societies and FIA licensees accounted for 70.1 percent, 29.4 percent and 0.5 percent, respectively of total estimated insured deposits in the banking system.

TABLE 5: TOTAL ESTIMATED INSURED DEPOSITS AS AT DECEMBER 31, 2012 AND DECEMBER 31, 2013

Sub-Sectors	Estimated Insured Deposits December 31, 2012 ($'000)	% of Total Estimated Insured Deposits December 31, 2012 %	Estimated Insured Deposits December 31, 2013 ($'000)	% of Total Estimated Insured Deposits December 31, 2013 %
Commercial Banks	158,899,281	69.1%	172,017,729	70.1%
Building Societies	69,989,103	30.4%	72,243,411	29.4%
FIA Licensees	1,180,302	0.5%	1,288,981	0.5%
Grand Total	**230,068,686**	**100.0%**	**245,550,121**	**100.0**

The Deposit Insurance Fund Ratio (DIF Ratio) represents the proportion of total estimated insured deposits ($245.6 billion) that is covered by the Fund at a given point in time. At the end of CY2013, the DIF Ratio was recorded at 4.0 percent (4.5 percent in 2012) which is attributable to a decline in the value of the DIF resulting from the Corporation's participation in the NDX.

Profile of Fully Insured Accounts

The percentage of total insurable accounts that are fully insured declined marginally to 96.8 percent in 2013 from 97.0 percent in December 2012 *(Table 6)*.

TABLE 6: NUMBER OF FULLY INSURED ACCOUNTS AND VALUE OF DEPOSITS (PERCENTAGE)

	2009	2010	2011	2012	2013
% Number of Accounts	97.4	97.2	97.2	97.0	96.8
% Dollar Value of Deposits	31.2	31.6	32.4	28.9	28.7

Building societies continued to account for the largest share of fully insured accounts at 97.7 percent, followed by commercial banks (96.1 percent) and FIA licensees (86.1 percent), respectively *(Table 7)*.

TABLE 7: TOTAL NUMBER OF INSURABLE AND FULLY INSURED ACCOUNTS AT DECEMBER 31, 2013

Sub-Sectors	Total No. of Insurable Accounts 2013	No. of Accounts Fully Insured 2013	% of Total Insurable Accounts that are Fully Insured
Building Societies	1,971,000	1,924,939	97.7%
Commercial Banks	2,170,272	2,085,993	96.1%
FIA Licensees	9,258	7,971	86.1%
Grand Total	**4,150,530**	**4,018,903**	**96.8%**

Given that 96.8 percent of total insurable accounts in the banking system remain fully insured, the Corporation has continued to meet its public policy objective of protecting the majority of small retail depositors.

Glance of Total Banking System - Retail And Corporate Deposits

The main source of deposits in all three subsectors of the banking system was from individual/ retail depositors which accounted for 68 percent of total deposits. Deposits held by retail depositors were distributed as follows: 59.8 percent, 97.6 percent and 68.6 percent in the commercial bank, building society and FIA licensee sub-sectors respectively with the remaining share representing corporate deposits *(Figures 5, 6 and 7)*.

Figure 5: Share of Retail and Corporate Deposits in Commercial Banks

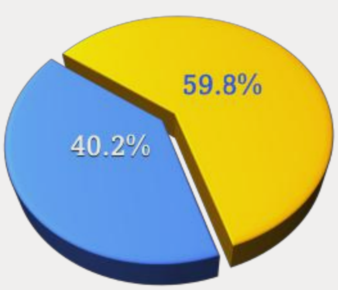


Figure 6: Share of Retail and Corporate Deposits in Building Societies

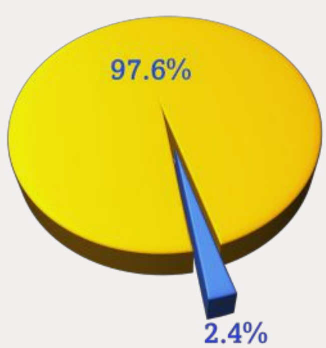
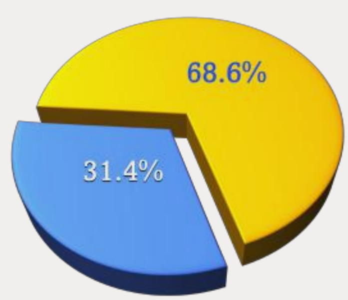
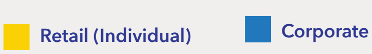


Figure 7: Share of Retail and Corporate Deposits in FIA Licensees





REVIEW OF OPERATIONS

FINANCIAL OPERATIONS AND FUND MANAGEMENT

The Corporation met both its internal and external financial targets for the review period. Total Income increased by 5.9 percent and the DIF balance increased by 18.5 percent over the previous year's balance. The income and expenditure out-turn is reflected in *Tables 8 and 9* and the key performance ratios in *Table10*. The Overall Balance[22] out-turns are the main external quarterly financial targets used by the Ministry of Finance and Planning to assess the performance of the Corporation. The agreed out-turn for the year was $1,986.85 million and the actual was $2,081.44 million.

The Corporation ended the year with total assets of $11 billion, which was an increase of 23.6 percent over the previous year's total assets of $8.9 billion. This significant increase was as a result of the adjustment in the previous year to the Fund balance arising from the loss on the conversion of investment instruments of $2.1 billion in the previous year, relating to the Corporation's participation in the NDX.

Total income, as detailed in the Statement of Profit or Loss and Other Comprehensive Income *(Table 8)*, was $1.8 billion, which increased by 5.9 percent when compared with the previous year's total of $1.7 billion. Total Income is comprised of the following:

- Insurance Premiums, which increased by 8.5 percent arising from the increases in Insurable Deposits
- Interest Earned, which increased by 7.0 percent resulting from the investment strategies employed and the upward trend in interest rates
- Other Income, which declined by 36.7 percent resulting from the reduction in gains on foreign exchange conversions.

TABLE 8: STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME[23]

	FY2013/14 ACTUAL $M	FY2013/14 BUDGET $M	FY2012/13 ACTUAL $M	FY2011/12 ACTUAL $M
Insurance Premiums	809.3	809.3	745.5	727.8
Interest Earned	922.9	822.5	862.6	780.7
Other Income	93.6	-	148.0	26.5
Total Income	1,825.8	1,631.8	1,756.1	1,535.0
Administrative Expenses	(209.3)	(251.1)	(180.8)	(178.0)
Surplus from Investment and Administrative Operations	807.2	571.4	829.8	629.2
Surplus from Operations	1,616.5	1,380.7	1,575.3	1,357.0

[22] The Overall Balance is the difference between revenue and expenditure, net receivables and payables, adjusting for capital expenditure and net lending (above the line). From below the line, a deficit in the overall balance is financed by a drawdown in cash assets (cash from operations) and use of other financial assets acquired for liquidity purposes and by an increase in the debt liabilities through borrowing.

[23] As a result of the amendments to IAS 1 with a date of initial application of January 1, 2013, the title *"Statement of Comprehensive Income"* has been changed to *"Statement of Profit or Loss and Other Comprehensive Income"*.

Total administrative expenditure budgeted for FY2013/14, when compared to the previous year's expenditure, increased by 15.8 percent to $209.3 million. This was due mainly to an increase in public education and awareness expenses projected for the staging of the Financial Markets Symposium and Fair and the increase in the staff complement during the year.

Actual administrative expenditure during the year was however 16.6 percent less than budgeted due to a reduction in staff expenses, utilities and travel expenses. Reduction in staff expenses was due to the deferral of implementation of the pension scheme to FY2014/15.

TABLE 9: SUMMARY OF ADMINISTRATIVE EXPENSES DISTRIBUTION

ADMINISTRATIVE EXPENSES	FY2013/14 ACTUAL %	FY2013/14 BUDGET %	FY2012/13 ACTUAL %	FY2011/2012 ACTUAL %
Staff Costs	65	68	65	65
Public Education and Awareness	13	10	10	10
Professional Fees	7	5	5	8
Depreciation	3	2	3	3
Other	12	15	17	14
TOTAL	**100**	**100**	**100**	**100**

The key performance ratios *(Table 10)* out-turn for the year improved when compared with the budgeted ratios. This resulted from an increase in interest earned and other income arising from the investment strategies employed and the reduction in administrative expenses consequent on the deferral of the pension scheme implementation and cost containment measures during the year.

TABLE 10: SUMMARY OF KEY PERFORMANCE RATIOS

KEY PERFORMANCE RATIOS	DEFINITION	FY2013/14 ACTUAL %	FY2013/14 BUDGET %	FY2012/13 ACTUAL %	FY2011/2012 ACTUAL %
Operating	Administrative Expenses/Interest Earned	22.7	30.5	20.9	22.8
Net Surplus	Surplus from Operations/Total Revenue	88.5	84.6	89.7	88.4
Return on Assets	Surplus from Operations/Total Assets	14.6	12.6	17.7	13.3
Asset Management	Total Revenue/Total Assets	16.5	14.8	19.7	15.1

FUND MANAGEMENT

The DIF balance at the end of the financial year was $10.3 billion, an increase of 18.5 percent when compared to the previous year. The Fund grew by 57.3 percent over the last five years *(Table 11),* although growth was restricted by the loss arising from participating in the NDX and the downward trend of interest rates over the period.

TABLE 11: FIVE-YEAR FUND GROWTH

	FY2013/14 $M	FY2012/13 $M	FY2011/12 $M	FY2010/11 $M	FY2009/10 $M
Insurance Premiums	809.3	745.5	727.8	721.0	643.0
Net Investment Income	807.2	829.8	629.2	595.3	801.1
Previous Year Deposit Insurance Fund	8,725.0	9,246.9	7,889.9	6,573.6	5,129.5
Loss on National Debt Exchange	-	(2,097.2)	-	-	-
Deposit Insurance Fund	10,341.5	8,725.0	9,246.9	7,889.9	6,573.6

The investment activities were guided by the Investment Policy and strategies employed, incorporating the recommendations from the annual Fund Evaluation. One of the investment strategies was to invest in short-term instruments in order to maintain liquidity and to ensure that the Corporation is able to respond promptly should there be a need for intervention in an institution deemed to be in financial distress.

The decline in the ratio of longer term instruments was planned to maintain the liquidity position. The year ended with 75 percent of securities with a tenor of five years and over, compared with 86 percent in the previous year *(Table 12)*. The Corporation classifies investment instruments into two categories, Held-to-Maturity and Available-for-sale. Management determines the appropriate classification of investments at the time of purchase. At year-end investment instruments in the Held-to-Maturity category were 77 percent compared to 83 percent in the previous year.

TABLE 12: INVESTMENT INSTRUMENTS MATURITY PROFILE

TENOR	FY2013/14 DISTRIBUTION %	FY2012/13 DISTRIBUTION %	FY2011/12 DISTRIBUTION %
0 – 12 months	6.8	8.2	28.7
1 – 3 years	4.9	5.5	54.7
3 – 5 years	3.7	-	13.9
5 years and over	74.6	86.3	2.7
TOTAL	**100.0**	**100.0**	**100.0**

Table 13 shows the distribution of the investment securities portfolio and comparison with the previous years.

TABLE 13: INVESTMENT SECURITIES PORTFOLIO DISTRIBUTION

INVESTMENT SECURITIES	FY2013/14 DISTRIBUTION %	FY2012/13 DISTRIBUTION %	FY2011/12 DISTRIBUTION %
Fixed Rate Accreting Notes	72	85	-
Benchmark Investment Notes	19	6	87
US$ Benchmark Notes	8	8	12
Interest Accrued	1	1	1
TOTAL	**100**	**100**	**100**

SUMMARY FINANCIAL PROJECTIONS TO MARCH 31, 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	YEAR ENDING MARCH 31, 2015 $'000
Total Income	2,111,817
Total Expenses	(215,141)
Surplus from Operations	1,901,676
Surplus from Operations – Balance at Beginning of the Year	**10,282,109**
Deposit Insurance Fund – Balance at End of the Year	**12,183,785**

CASH AND BANK	YEAR ENDING MARCH 31, 2015 $'000
Total Inflow	9,185,414
Total Outflow before Investments	(398,637)
Investments	(8,765,377)
Net outflow	21,400
Balance at Beginning of the Year	**30,230**
Balance at End of the Year	**51,630**

STATEMENT OF FINANCIAL POSITION	MARCH 31, 2015 $'000
Fixed Assets	112,468
Investments	11,668,253
Cash and Bank	51,630
Other Current Assets	429,250
Total Assets	**12,261,601**
Current Liabilities	26,893
Capital	1,000
Capital Reserves	56,393
Fair Value Reserves	(6,470)
Deposit Insurance Fund	**12,183,785**
Total Liabilities	**12,261,601**

MONITORING AND RISK ASSESSMENT

Monitoring and Risk Assessment (MRA) is one of the core functional areas, which impact the overall performance of the Corporation. This function is integral to the management of the DIF and intervention and resolution strategies and entails inter alia:

- Monitoring the performance of Policyholders on an ongoing basis and the assessment of the risk which they may present to the Corporation and the DIF. This is done through collaboration and information sharing with Policyholders and the Bank of Jamaica and also through the work of the Financial Regulatory Council (FRC).
- Researching and analyzing economic and market conditions to inform trends likely to impact Policyholders' performance.
- Developing and promoting appropriate policies in relation to the Corporation's role in maintaining financial stability.

In this context, during the review period, the Corporation conducted the following activities:

Collaboration with Policyholders

Ongoing collaboration with Policyholders continued to ensure compliance with the Policy of Deposit Insurance. The Corporation was provided with financial performance data as well as periodic updates in relation to product offerings and changes to the ownership, operational and management structures of Policyholders.

Review of the Deposit Insurance Fund

As required by statute[24], the annual review of the DIF was conducted to determine:

i. Exposure of the DIF to Policyholders' risks

ii. Adequacy of the DIF vis-a-vis expected liabilities and potential liabilities

iii. Funding needs to meet the Corporation's expected liabilities and potential liabilities within the short term (one year).

The assessment considered the risk profile of individual Policyholders, the sub-sectors and the total banking system as provided by the Corporation's *Policyholders' Risk Assessment Framework*. The review showed that the Fund was adequate to cover the potential liabilities and expected liabilities of the Corporation for FY2013/14, given the risks posed by Policyholders and the Corporation's expected operational expenses. Fundamental to the assessment was an assumption that there would be no material change in the assessed risk profile of Policyholders over the review period. Estimated short term funding needs of the Corporation formed the basis of subsequent investment decisions and considerations for contingency funding strategies *(see Financial Operations and Fund Management)*.

Survey of the Distribution of Insurable Deposits (SID)

The Corporation conducted its annual survey of the distribution of insurable deposits in the banking system as at December 31, 2013. The SID provided essential data for determining:

i. An estimate of the dollar value of insured deposits in the banking system *(see Table 4 - Total Insurable Deposits)*.

ii. An estimate of the Corporation's potential liabilities.

iii. The appropriateness of the existing prescribed coverage limit.

It was determined that at the present coverage limit of $600,000 remained appropriate, with 96.8 percent of the number of insurable deposit accounts in the banking system being covered. This is in keeping with the IADI recommended coverage target/best practice of 90 to 95 percent.

[24] Section 17 (4) of the DIA dictates that the DIF be reviewed at least once annually.

Review of Policies

The Membership Admission Framework and the Policyholders' Risk Assessment Framework are two major policies that guide the Corporation's monitoring and risk assessment function. In anticipation of the passing of the *Bank of Jamaica (Credit Unions) Regulations,* these policies were reviewed and updated.

Proposals with regard to the specific deposit insurance design features for the admission of credit unions to the DIS were also reviewed. These related to the scope of coverage, premium assessment and fund management. This was done to ensure a seamless integration of the Credit Union sub-sector into the DIS when regulations are passed. At the appropriate time, proposals will be circulated for consultation with relevant stakeholders.

INTERVENTION AND RESOLUTIONS

The Corporation's statutory obligation to provide protection to depositors and contribute to confidence and financial stability requires the prompt intervention and resolution of a Policyholder that is deemed to be in a state of financial distress[25]. Consequently, the Corporation continued to place significant emphasis on strengthening its capacity to effectively intervene and resolve Policyholders[26]. During the year, the Corporation focused on enhancements to specific payout resolution processes. This is to ensure that depositors are provided with quick access to their insured deposits in the event of a Policyholder failure and a payout is determined to be the most effective resolution strategy.

Access to and Accuracy of Depositors' Data

Research conducted by IADI[27] indicates that the greatest impediments to the deposit insurer making timely and efficient payouts are: the lack of access to depositors' records in advance of a failure; the inability of banks to provide the requisite depositor records within the desired timeframe; and poor quality and inaccurate depositor records. Against this background and subsequent to stakeholder consultations, the Corporation issued *"Guidelines on the Record-keeping Requirements for all JDIC Policyholders"* (the Guidelines) in March 2012.

During the year all Policyholders participated in meetings with the JDIC as well as provided feedback and status updates on the progress of their respective implementation plans. Based on feedback received, the Corporation revised the Guidelines to provide greater clarity regarding data extraction and transmission procedures; and the format and content of customer and account data files. The revisions are intended to enhance the efficient implementation of the Guidelines by Policyholders and promote compliance. The revised Guidelines will be dispatched to Policyholders in April 2014, with implementation expected by December 2014.

Upon implementation of the Guidelines, the Corporation will deploy a robust compliance framework for the ongoing monitoring and independent assessment of each Policyholder's level of compliance. The proposed compliance framework contemplates such features as data encryption and obfuscation to ensure confidentiality and these proposals will be shared with stakeholders for consultation in FY2014/15.

Payment Disbursement Methods and Operational Readiness through Simulations

Simulation exercises continue to be an effective tool used by the Corporation for testing and enhancing payout processes and systems. Simulations also provide a means for training and preparing staff to execute payout processes. In this regard, the

[25] Please refer to the Deposit Insurance Act Section 2 (2) for the definition of "financial distress". (See Glossary)

[26] The Corporation has the powers to make payments out of the Fund in respect of an insured deposit up to the maximum prescribed coverage limit in the circumstances specified in section 18 of the DIA or provide financial assistance in the form of loans and advances or guarantees in accordance with Section 5 (2) of the DIA and the legal framework governing the intervention of Policyholders.

[27] IADI Guidance Paper - Enhanced Guidance for Effective Deposit Insurance Systems: Reimbursement Systems and Processes, November 2012.

Corporation conducted a simulation exercise to enhance and test its capacity to produce in–house, large volumes of cheques as a payout disbursement method. Collaboration also continued with a Policyholder to review and enhance the processes to facilitate payments to depositors by way of an insured deposit portfolio transfer (IDPT)[28].

In order to expand the range of alternative payment methods, and consistent with the trend and increased usage of electronic payment solutions in Jamaica, the Corporation will also pursue initiatives to facilitate the direct disbursement of deposit insurance payments using electronic channels.

Automation of the Payout Process

The Corporation continued to pursue activities towards fully automating its payout business processes. The proposed automation will also support the compliance framework for the Record-keeping Guidelines, as well as facilitate different payment disbursement methods.

PUBLIC EDUCATION AND AWARENESS

Promoting Financial Inclusion through Public Education and Awareness was the theme of the activities that marked the Corporation's 15th anniversary, as it continued to promote financial education and focus on its vision to inspire financial system confidence and stability.

Research shows that a dominant factor causing persons (including the unbanked) to remain disconnected from the formal financial system, is a lack of knowledge and understanding about the system. Further, the research suggests that financial education is critical as it helps to, inter alia, promote an understanding of financial services; deepen knowledge of the risks and benefits of these services; and increase the level of household savings.

The Organization for Economic Co-operation and Development (OECD) defines financial education as:

> *"The process by which financial consumers/ investors improve their understanding of financial products and concepts; and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and take other effective actions to improve their financial well-being and protection."*

Against this background, the Corporation hosted a *Financial Markets Symposium and Fair* during August 29-31, 2013. *(Refer also to Appendix 2 and 3).*

Financial Markets Symposium and Fair

The Financial Markets Symposium and Fair – *Promoting Financial Inclusion through Public Education and Awareness* - was the main public education activity for the review period. Held in association with the other financial system safety net partners; the Jamaica Stock Exchange; the Caribbean Regional Technical Assistance Centre (CARTAC)[29]; and the Kingston & St Andrew Corporation, the event was a strategic public education thrust targeting small savers, investors, and unbanked persons. The main objective was to facilitate increased financial literacy, financial education, promote financial inclusion and demystify misconceptions about financial system issues, products, services, risks and protections.

[28] An insured deposit portfolio transfer is defined as the electronic transfer of the insured deposit portfolio of a failed Policyholder to a viable Policyholder for the purpose of effecting payment of the insured deposits to the depositors. The acquiring Policyholder ("transferee"), acting on behalf of the Corporation makes the payments due to the depositors by cheques, cash or by opening deposit accounts in the depositors names, and in doing so becomes the Corporation's transfer agent. Such an agreement is contingent on the availability of a Policyholder.

[29] CARTAC is one of eight IMF Regional Technical Assistance Centers (RTACs) located around the world in the Pacific, the Caribbean, Africa, the Middle East, and Central America. These Centers were created to help countries strengthen human and institutional capacity to design and implement sound macroeconomic policies that promote growth and reduce poverty.

HIGHLIGHTS OF THE FINANCIAL MARKETS SYMPOSIUM AND FAIR, AUGUST 29 – 31, 2013

Launch of the Financial Markets Symposium and Fair at the Kingston and St Andrew Corporation. L-R: Superintendent Steve McGregor, Commanding Officer of Kingston Central Police Division; Ms Nadene Newsome, Communications Manager, Financial Services Commission; Mr Tony Morrison, Acting Public Relations Manager, Bank of Jamaica; Her Worship the Mayor Senator Councillor Angela Brown-Burke; and CEO of JDIC, Ms Antoinette McKain

JDIC's Chairman Mr Peter Thomas and Minister of Finance and Planning, Dr the Hon. Peter Phillips exchange thoughts during the Symposium

Students of the Kingston Technical High School receive information packages for the Symposium

Chairman of the JDIC, Mr Peter Thomas; Governor of BOJ, Mr Brian Wynter; Minister of Finance and Planning, Dr the Hon. Peter Phillips; CEO of JDIC, Ms Antoinette McKain; President and CEO of The Financial Literacy Group, USA, Mr Dan Iannicola and Financial Sector Supervision Advisor of CARTAC, Mr Courtney Christie-Veitch at the Symposium

Members of the audience listen attentively at the Symposium

Parents and Children eagerly await financial education videos and treats at the Kiddies Village on the Fair grounds in St William Grant Park

Staff and other Team Members at the St William Grant Park as the Fair closes on Day 2

The Symposium was held at the Bank of Jamaica Auditorium on August 29 and targeted representatives of financial and educational institutions, business development and micro-financing agencies, Ministries of Government, and other stakeholders involved in the development and execution of financial literacy programmes. The topics/areas covered in the presentations included:

- *The Role of Deposit Insurance in Financial Inclusion*
- *Promoting Social Cohesion and Economic Development through Financial Inclusion/ Financial Literacy (Refer Appendix 3 for Summary)*
- *Banking the Unbanked in Jamaica*
- *Financial Literacy: The Trinidad and Tobago Experience*
- *The Electronic Payment System*
- *The Role of MSME's in Financial Inclusion and Economic Development.*

The Fair which was held on the grounds of the St William Grant Park in Downtown Kingston was designed to be more interactive. It was pitched for the average Jamaican, that is, small savers and investors; small and medium sized business owners and unbanked persons.

The Fair included booth displays by member institutions and other financial and government institutions. There were also mini presentations on various topics under the major subject areas of *Financial Regulation Made Simple; All About Savings and Investments; Setting Up a Business; Understanding Money and Credit; Guarding Against Financial Crimes; and Preparing for a Rainy Day.* Specific presentation topics included:

- *What is Money and How Does Money Work in the Economy*
- *BOJ's Role in Regulating*
- *Deposit Insurance and You*
- *Deposit-taking Institutions*
- *The Importance of Saving*
- *Savings Made Easy with Credit Unions*
- *Types of Business Organizations in Jamaica and the Benefits of Each*
- *Understanding and Accessing Micro-Financing*
- *Understanding Credit and Types of Interest Rates that Affect Your Loans*
- *Credit Bureaus and You*
- *Guarding Against Fraud*
- *The Importance of Insuring Your Assets*
- *Financial Planning For Retirement*

Please visit the JDIC's website at http://www.jdic.org/library to view the presentations.

A Children's Village was also set up in the park to allow children attending the Fair to participate in financial education activities, while having fun. Several video stories were shown which demonstrated the art and benefits of saving and budgeting from an early age. The children were also provided with JDIC commemorative 15th anniversary savings piggy banks.

The Corporation undertook additional activities that served to further promote its business and functions, as well as strengthen awareness of the deposit insurance scheme. These included advertising and promotion, Policyholder partnerships and continued focus on enhancing its schools' programme.

Advertising and Promotion

Use of the media remained a key vehicle for disseminating information to a broad audience. The Corporation's advertising campaign deviated from its usual phased media placements with strategic effort placed on a continuous advertising programme to build interest in the Financial Markets Symposium and Fair, while still deepening knowledge and understanding of the DIS. In this regard, Officers of the Corporation participated in several television and radio interviews, as well as maintained a daily presence at several strategic locations throughout the corporate area to provide information on the DIS and the Fair to the general public.

Advertising on public transportation on routes in the Kingston Metropolitan Transport Region (KMTR) continued, as well as the use of strategically placed billboards and videoboards. An updated Handbook, *Rules of Deposit Insurance Coverage,* highlighting the various ownership categories and calculating deposit insurance entitlements was published. The Handbook was disseminated through Policyholders' branch networks and is also available online at http://www.jdic.org. A 15th Anniversary Supplement was also published.

Policyholder Partnerships

Collaboration and partnership with Policyholders continued to be crucial to the success of the public education and awareness programme. Policyholders played a vital role in the execution of the Financial Markets Symposium and Fair through booth displays promoting their products and services and presentations on various financial topics. Meetings were also arranged and commenced during the last quarter with the heads of all Policyholder institutions to discuss mutual agendas. The focus and strategies of the institutions were also discussed within the context of the current economic climate. Additionally, plans to conduct two Policyholders' training sessions commenced during the last quarter for execution early in FY2014/15.

Financial Education in Schools

"Good financial habits formed at an early age are likely to benefit schooling, employment and standards of living through adulthood… Second, the focus on youth leverages their learning capacity as students who are primed to absorb, recall and apply learning"[30]. It can be further argued that these students will be able to influence and guide future financial decisions of their families. As such the Corporation, like many other deposit insurers, continued to demonstrate its interest in financial education in secondary and tertiary institutions through a targeted schools' programme.

During the review period work continued on the development of an online financial education game ("the Game"). The ultimate objective of the Game is to increase financial literacy and awareness in schools and to encourage students, in collaboration with teachers and parents, to learn about deposit insurance and the financial system. The Game, which will be launched during FY2014/15, is intended for grades 7 – 13 students and will be accessible via the Corporation's website at www.jdic.org and its Facebook page.

The schools' programme generally includes poster, web-design and essay competitions addressing various topics of relevance to deposit insurance and the financial system. Presentations and participation in other school-related events, such as back to school bazaars, are also features of the programme.

INTERNATIONAL RELATIONS

International Association of Deposit Insurers (IADI)

The Corporation is a founding member of the International Association of Deposit Insurers (IADI, the Association)[31], which was established in May 2002. The objective of IADI is to enhance the effectiveness of Deposit Insurance Systems by promoting guidance and international cooperation.

The Corporation is also a member of the IADI Caribbean Regional Committee (CRC)[32] and the technical working group of the IADI Research and Guidance Sub Committee on Integrated Protection Schemes.

[30] The Impact of High School Financial Education – The World Bank Development Research Group & Latin America and the Caribbean Region, December 2013.

[31] IADI is a non-profit organization constituted under Swiss Law and is domiciled at the Bank for International Settlements in Basel, Switzerland. Currently, IADI has 75 Members, 7 Associates, and 12 Partners.

[32] Other members of the CRC are: Deposit Insurance Corporation of Trinidad and Tobago (Chair); Barbados Deposit Insurance Corporation; Deposit Insurance Corporation, Central Bank of Bahamas; and one Associate Member, The Ministry of Finance, Government of the Virgin Islands.

JDIC Team Members Eloise Williams Dunkley (4th left); Nicole Brown Crooks (2nd right) and Antoinette McKain (3rd right) with representatives of the Caribbean Regional Committee (CRC) at the 12th IADI Annual General Meeting, November 4-8, 2013 in Buenos Aires Argentina. Other members, L-R are; Noel Nunes, Deposit Insurance Corporation of Trinidad and Tobago; Jeremiah Frett and Jeremy Vanterpool, Ministry of Finance, Government of the Virgin Islands; Arjoon Harripaul, Deposit Insurance Corporation of Trinidad and Tobago and Kester Guy, Barbados Deposit Insurance Corporation.

During the year, the Corporation actively participated in the activities of the Association by engaging in discussions and exchanging information with members through such fora as training courses, conferences and surveys. This level of interaction allows the JDIC to keep abreast of trends and possible changes that could impact the design of the DIS and the Corporation's operations, as well as to benchmark its activities against other deposit insurance agencies.

Within the region, the Corporation continued to pursue activities in furtherance of the strategic objectives of IADI to expand its membership and provide outreach to new members as well as support to existing members. The Corporation provided guidance and shared information on the design of its deposit insurance system with the Ministry of Finance, Government of the Virgin Islands as they seek to establish a deposit insurance scheme. The Corporation also commenced work with the Deposit Insurance Corporation of Trinidad and Tobago (DICTT) on matters relating to the planning and hosting of the 13th IADI Annual General Meeting and Conference to be held in Trinidad in October 2014.

INITIATIVES TO ENHANCE THE DESIGN OF JAMAICA'S DEPOSIT INSURANCE SYSTEM

In order to effectively execute its mandate the Corporation benchmarks its operations against international standards. Given the developments in international standards in recent years, the Corporation commenced a comprehensive self assessment of the design of Jamaica's Deposit Insurance System against the: *BCBS/IADI Core Principles for Effective Deposit Insurance Systems* (The Core Principles) and the Financial Stability Board *"Key Attributes for Effective Resolution Regimes for Financial Institutions"* (The Key Attributes).

BCBS/IADI Core Principles for Effective Deposit Insurance Systems

The BCBS/IADI *Core Principles for Effective Deposit Insurance Systems* (Core Principles) and their compliance assessment methodology set out the key elements for the design of an effective deposit insurance system. The Core Principles are used by countries as a guide for assessing the quality of their DIS and identifying gaps in their practices as well as corrective actions. In addition to evaluating specific design features the assessment also includes a review of the structural, institutional and legal framework of the DIS as well as its relationship with the FSSN partners. The Corporation's assessment of its level of compliance with the Core Principles will inform the further strengthening of the legislative and operating framework of the DIS and the financial safety net as well as ensure conformity[33]. The assessment will also take into consideration the enhancements to the Core Principles which are currently being revised by IADI[34].

The assessment will continue in FY2014/15 with technical support from the United States Treasury – Office of Technical Assistance (OTA). The assistance from the OTA also brings an independent and varied perspective to the process consistent with the assessment methodology.

Financial Stability Board "Key Attributes for Effective Resolution Regimes for Financial Institutions"

The *"Key Attributes for Effective Resolution Regimes for Financial Institutions"* (Key Attributes)[35] set out the core elements for an effective resolution regime. The FSB recommends that the implementation of these key attributes should allow authorities to manage the failure of large, complex and internationally active financial institutions[36] in an orderly manner and without exposing taxpayers to loss, while protecting vital economic functions and minimizing systemic disruption[37].

The Corporation, given its resolution powers is also guided by the FSB Key Attributes. Against this background the Corporation conducted an internal assessment of the intervention and resolution framework for Policyholders against the Key Attributes. The review highlighted the need for further strengthening of aspects of the legal and operating framework to better reflect the role and functions of the Corporation in the resolution regime for Policyholders. Notably, the draft Omnibus Banking Bill *(refer Legislative Developments)* incorporates enhanced supervisory standards in keeping with developments in international trends and will address some of the gaps identified during the assessment.

[33] The IADI and the BCBS have recommended that a jurisdiction's deposit insurance guarantee scheme's compliance with the Core Principles be included in Financial Sector Assessment Programme (FSAP) reviews.

[34] Given the experience using the Core Principles and international regulatory enhancements, IADI established an internal Steering Committee in February 2013 to review and update the Core Principles. The IADI will collaborate with other international bodies to develop a finalized revised set of Core Principles, which are scheduled for release in 2014.

[35] The "Key Attributes for Effective Resolution Regimes for Financial Institutions" (Key Attributes) was published by the Financial Stability Board (FSB)35 in October 2011.

[36] The key attributes are not sector specific and are intended to be applicable to both banks and non-bank financial institutions.

[37] A consultative document on the "Assessment Methodology for Key Attributes of Effective Resolution Regimes for Financial Institutions" dated August 28, 2013 was issued for comments/feedback by the FSB.

In particular, the Omnibus Banking Bill contemplates providing the Supervisory Authority with the power to set binding Supervisory Rules to promote the stability of the deposit-taking sector. Other proposed provisions include the establishment of quantitative trigger mechanisms to facilitate prompt intervention and corrective actions to resolve a distressed Policyholder before all equity has been fully wiped out and the need for consultation with and notification to the Corporation; provisions for licensing, regulation and supervision of Financial Holding Companies (FHC) and the enhanced information sharing among regulators and other FSSN members.

The Corporation will continue to pursue initiatives to strengthen its resolution framework, as well as facilitate the coordinated resolution of Policyholders and better align its operations with these international standards.

MANAGEMENT OF STRATEGIC RESOURCES

HUMAN RESOURCE AND ADMINISTRATION

Efficient and effective management of the Corporation's resources remained the key focus of activities during the review period. Achievement of the Corporation's corporate objectives is highly dependent on having the right staff in place; targeted learning and development of employees; as well as providing a safe and healthy environment for staff. As such, the human resource and administration policies, procedures and practices were revised to address emerging issues and various initiatives pursued during the period towards the attainment of these objectives.

Staff Complement

The staff complement at the end of the review period was 28, compared to 29 for the previous period. The complement comprised 26 fixed-term contract employees and two temporary employees. The attrition rate for the period was 16 percent, compared to 6 percent for the previous period. This was due to an increased number of resignations, mainly to pursue other job opportunities.

The demographics of the team have remained consistent over the years. The ratio of males to females was 23 percent while there is a relatively even distribution of Generations X, Y and Baby Boomers throughout the Corporation.

Learning and Development

There was continued focus on learning and development for all employees. During the year, team members participated in a number of training and development activities, including the following:

- *Supervisory Experiences in Implementing Global Banking Reforms* – Toronto Centre – providers of global leadership in financial supervision.

JDIC Team Member Sarah Baker (2nd row, 4th right) with other representatives at the Toronto Centre International Programme for Banking Supervisors: Global Banking Reforms and Supervisory Response, June 16 – 21, 2013, Toronto, Canada. The Toronto Centre is renowned as providers of global leadership in financial supervision.

- *Claims Management: Reimbursement to Insured Depositors* – International Association of Deposit Insurers
- *Financial Services Regulation* - Financial Stability Institute's web-based courses
- *Effective Corporate Governance with a Public Sector Emphasis* – Institute of Chartered Accountants of Jamaica
- *Financial Modeling* – Jamaica Institute of Financial Services
- *Performance Management* – Jamaica Employers' Federation
- *Treasury Management* – Jamaica Institute of Financial Services
- *Critical Thinking for Managers and Decision Makers* – Jamaica Employers' Federation
- *Records Management for the Financial Services Sector* – Jamaica Institute of Financial Services

Employee Engagement

The Corporation continued to encourage and facilitate an inclusive culture which provides for the development of a workforce that has the fullest understanding of the role and function of the Corporation, as an important contributor/member of Jamaica's financial system safety net. In keeping with this culture, cross-disciplinary teams and staff members at different levels participated in the development of various policies and corporate decisions. This was achieved primarily through standing committes and the establishment of ad hoc committees and working groups for various projects. The standing committees are: Treasury Management; Business Continuity and Disaster Recovery; Records and Information Management; Procurement and Disposal of Assets, while the ad hoc committees included Expenditure Oversight; Payout Management Information Systems and Legislative Review.

Employee Health and Wellness

Recognizing the importance of healthy lifestyles in maintaining a productive workforce, a number of initiatives were undertaken to expose the staff to issues pertaining to health and wellness. The initiatives included general health checks for staff conducted by the Sagicor wellness services mobile unit, and the participation of Team JDIC in the Sagicor Sigma Corporate Run, as well as other running events during the year.

Occupational Health and Safety

There was a comprehensive effort to review the emergency and evacuation procedures for the Corporation. The service of the Office of Disaster Preparedness and Emergency Management was engaged to conduct a safety and emergency sensitization session in preparation for fire and earthquake drills.

Pension Arrangements

The Board-appointed Pension Scheme Development Committee continued its work during the year to examine Management's proposal for a Pension Plan for the staff, with a view to making a recommendation to the Board. The Committee's terms of reference required that the proposals considered public policy; public sector direction; adequacy and fairness to staff; affordability and sustainability.

Following numerous consultations with various stakeholders and actuaries, the Committee is at an advanced stage of deliberations and it is anticipated that a recommendation will be made to the Board early in FY2014/15.

Records Management

Implementation of the Records Management Programme continued with the employment of a Records and Information Management Officer. Further implementation activities commenced in keeping with ISO 15489 Standards.

University of the West Indies Summer Internship Programme

Since 2005, the Corporation has participated in the UWI's department of Economics summer internship programme. The programme provides an avenue for the development of the students through the participation in a structured research project in issues pertinent to the Corporation and by extension the financial services sector. For the review period, the programme continued with the hosting of one student during the summer who conducted research on *"Investing in Foreign Securities"*. The recommendations made are currently being reviewed by the Corporation.

Summer Employment Programme

The Corporation's efforts to contribute to the development of the country's youth through an annual summer employment programme continued with the engagement of a number of university and high school students, whose efforts were important to the successful staging of the Financial Markets Symposium and Fair. The students were afforded the opportunity to gain valuable exposure to the workplace as well as insights on the financial services sector and financial system regulation. At the end of the programme, the Corporation hosted a personal development workshop for the students which introduced them to topics such as *Grooming and Deportment, Preparing for the Job Interview,* and *Preparing the "Perfect" Résumé*.

INFORMATION AND COMMUNICATION TECHNOLOGY

During FY2013/14, the Corporation focused on the strengthening and maintenance of its Information and Communication Technology (ICT) infrastructure to support daily operations and intervention and resolution management. The infrastructure was upgraded with the acquisition of a new server, desktops and laptops. The new server will assist with the enhancement of the intervention and resolution strategies. The reliability of the ICT infrastructure was also improved with the implementation of a backup and recovery server located at an external data centre. This will assist the Corporation in its disaster preparedness and business continuity management plan.

Participants of the JDIC's Summer Internship and Summer Employment Programme.

STATUTORY COMPLIANCE REPORT

NAME OF REPORT	NATURE OF REPORT	STATUTORY AGENCY	ACT	PERIOD REPORTING	SUBMITTED
Access to Information Act Report	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	Access to Information Act, 2002	Monthly and Quarterly	✓
Annual Report and Audited Financial Statements FY2012/13	The Annual Report details the operations for the year (April – March) of the Corporation 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 Planning (MOFP)	Public Bodies Management and Accountability Act (PBMA) Deposit Insurance Act	Annually	✓
Corporate Plan Operating & Capital Budgets FY2014/15-2016/17	Statement of intent which outlines the strategic direction of the Corporation for 3 years. Includes vision, mission, SWOT analysis, planning assumptions, business strategies, financial plans, manpower requirements and measures to evaluate performance.	MOFP	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.	MOFP	-	Monthly	✓
Net Credit Report (Statement)	This report shows the month-end balances on investment categories and bank balances.	MOFP	-	Monthly	✓
Public Bodies Management and Accountability (PBMA) Report	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.	MOFP	PBMA	Quarterly and Half-yearly	✓
Public Sector Reporting System (PRS-1)	Report of all goods/services procured in any given month	MOFP	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
PROACTIVE READINESS		
Establish Policyholders' Record- Keeping Guidelines (the Guidelines)	Status updates were received from Policyholders as scheduled; and ongoing discussions and meetings held regarding their respective implementation initiatives.	Revise Guidelines based on Policyholder feedback, to include enhancement of the technical specification. The revised Guidelines will be dispatched to Policyholders during Q1 of FY2014/15; consequently the implementation period extended from October to December 2014.
Develop Policies and Procedures for the treatment of Clearing of Paper/Electronic Based Transactions during a Payout • Conduct research and document findings with regards to the payments, clearing and settlements arrangements for each sub-sector.	Completed	During FY2014/15 further discussions will be held with the operators of the payment, clearing and settlement systems to clarify gaps identified; and finalize drafting of the policies and procedures.
Conduct Annual Contingency Planning Session/Simulation Exercise (for Manual Payout Operations) • Develop Test Data Set; Crisis Scenarios and Simulation Plan. • Conduct contingency planning session to test operational readiness of all Departments /the Corporation. • Document findings and proposed action plan.	A simulation exercise was conducted in Q3 to test the readiness of the Corporation to prepare large volumes of cheques as one of the options to make timely disbursements to depositors. The simulation report and action items were submitted to the Committee of Management (COM). The Manual Payout Procedures were revised. The development of test data, crisis scenarios and simulation planning activities to test the revised Manual Procedures commenced and will be finalized in Q1 of FY2014/15.	Finalize testing of revised Manual Procedures, document findings and proposed action plan.
Establish Range of Deposit Insurance Payment Disbursement Methods - Insured Deposit Portfolio Transfer (IDPT) Simulation Project • Obtain the commitment of a Policyholder to act as Transferee and participate in the simulation exercise. • Confirm adequacy of the Policyholder's resources and efficiency of the proposed IDPT operating processes to facilitate the IDPT. • Develop simulation material.	The Corporation continued its discussions and simulation planning activities with a Policyholder to act as Transferee. Additional procedures to enhance the operating processes and the capability of the Policyholder to facilitate the IDPT were also drafted.	Finalize and test procedures to enhance the operating processes and the capability of the Policyholder to facilitate the IDPT. Commence discussions with other Policyholders to act as Transferees.

BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
PROACTIVE READINESS		
Assess the Impact of Credit Unions to the Deposit Insurance Scheme and determine the Initial and Annual Premiums to be levied and update the Membership Admission Framework • Update the Membership Admission Framework document with the proposals from the FY2012/13 research relating to Credit Union admission to the DIS. • Obtain Management (COM) sign-off on updated framework.	Completed	–
Update the Policyholder Risk Assessment Framework (PRAF) to include Credit Unions • Review and update the Policyholders' Risk Assessment Framework (PRAF) to incorporate any nuances to Credit Unions that have not yet been incorporated. • Obtain Management sign-off for the revised/ updated PRAF.	Completed	–
Update the Intervention and Resolution Framework to include Credit Unions (subject to BOJ's admission timetable) • Arrange meetings with a select number of Credit Unions. • Commence review of Credit Union operations; document findings and issues that impact the intervention and resolution processes.	Deferred to FY2014/15.	Update the Intervention and Resolution Framework to include Credit Unions (subject to BOJ's admission timetable).

SUMMARY PERFORMANCE SCORECARD

BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
STRONG PARTNERSHIPS		
Review Crisis Intervention Matrix in collaboration with other Safety Net Partners • Conduct research and provide technical input consistent with the Financial Regulatory Council (FRC) work plans and implementation timetables.	Due to other competing priorities there were no developments with regards to the work plans and implementation timetables of the FRC.	Continue to pursue initiative during FY2014/15.
Draft Proposal for Service Level Agreement with the Central Bank • Draft the Proposal for the Service Level Agreement for COM and sign off	The Proposal for a Service Level Agreement (SLA) with the Central Bank was drafted and submitted to COM for review.	Finalize review and share Proposal with the BOJ.
Assessment of Compliance with BCBS/ IADI Core Principles for Effective Deposit Insurance Systems • Sensitize stakeholders through correspondence and meetings and seek to obtain buy-in to participate in assessment exercise. • Obtain the commitment of IADI to provide technical assistance to conduct the assessment.	Completed Deferred to FY2014/15	Complete Preliminary Assessment Report and Action Plan to address areas of non-compliance with the Core Principles in FY2014/15. Assistance from IADI is contingent on the finalization of the preliminary assessment being conducted in collaboration with the United States Treasury - Office of Technical Assistance and the status of the actions to rectify the areas of non-compliance.
RESOLUTION MANAGEMENT		
Enhance the Corporation's Resolution Management Powers: Policies, Procedures and Systems to make loans or advances with security and guarantee, indemnify or become liable for the payment of monies for a Policyholder • Share policies and procedures document with the Bank of Jamaica. • Commence the drafting of legal documents/ templates for loans and guarantees.	Completed	Finalize drafting of legal documents/ templates for loans and guarantees in FY2014/15.

BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
STRENGTHENING OPERATIONAL EFFICIENCY		
Implement the Payout Management Information System (PMIS) • Complete procurement process and engage service provider (contingent on the approval of the respective external entities as per the GOJ Handbook of Procurement Procedures). • Complete System Analysis and Documentation.	The procurement process was non-responsive and will be extended.	Identify potential service providers and conduct procurement process.
Conduct Review of the Deposit Insurance Fund • Complete Deposit Insurance Fund Adequacy Review. • Present findings to Management and Board.	Completed	–
Acquire and Implement Financial Risk Management Application • Continue consultation with Regulators and other Deposit Insurers regarding the systems being used to conduct financial analysis. • Finalise business requirement documentation. • Develop TOR and commence procurement process	Initiatives commenced to explore the potential for a coordinated and coherent approach with another FSSN member to acquire the Financial Risk Management application.	Determine the way forward based on consultations with other regulators and potential service providers regarding the systems used to conduct financial analysis.
Conduct a Review of the Coverage Limit and Premium Assessment Rate • Present findings and recommendations from the Coverage Limit and Premium Assessment Rate review conducted in FY2012/13 to the Board.	Completed	–
Review and update the Membership Admission Framework to include the process by which the JDIC is informed in advance that the BOJ is considering granting a Licence to a Deposit-taking Institution. • Revise the Membership Admission Framework document to include the agreed timeframe **(contingent** on confirmation from the BOJ that the process now includes advising the JDIC).	The Corporation continued to await confirmation from the BOJ.	Follow up with the BOJ.

SUMMARY PERFORMANCE SCORECARD

BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
STRENGTHENING OPERATIONAL EFFICIENCY		
Review and Update the Draft Contingency Funding Plan • Follow up with the Bank of Jamaica regarding the lending terms and conditions applicable to the Corporation. • Liaise with and obtain/review the regulations governing borrowings by Government Entities.	Completed	Submit Draft Contingency Funding Plan to the MOFP in FY2014/15.
Implement JDIC Pension Arrangement	The Board Sub-Committee finalised its report to the Board and a presentation will be made to the Board for approval in FY2014/15.	Subject to Board approval, prepare the Pension Scheme rules, obtain the necessary approvals, and implement Pension Scheme.
Develop Records & Information Management Programme and Acquire necessary Software System	A Records and Information Management Systems Advisory Committee was established.	Continue the process to implement the manual records and information system.
Review and Update ICT Security Policy	Completed	Continue to review suggestions and further update the Policy as required.
Implement Enterprise Risk Management (ERM) Framework • Undertake research and training to determine the international best practices in developing ERM and selecting the appropriate international standard. • Develop draft ERM framework and Policy suitable for the Corporation.	Research continued to determine the most suitable and effective ERM Framework.	Commence work on the ERM Framework.
PUBLIC EDUCATION AND AWARENESS		
Host Financial Markets Symposium and Fair: Promoting Financial Inclusion Through Public Education and Awareness	Completed	-
Develop Terms of Reference (TOR) for Web-based Competition for Secondary Schools and launch Competition	Completed TOR	Continue procurement process to select a firm to undertake the development of the competition. Launch competition during Q3 of FY2014/15.
Produce new Handbook consistent with updated Rules of Deposit Insurance Coverage Policy Document	Completed	-
Admission of Credit Unions to DIS (subject to BOJ admission timetable) • Develop new messages/modify existing for print and electronic media • Review and update Policyholders' Training Manual as required • Train Credit Union staff	Subject to the BOJ admission timetable for Credit Unions.	Continue to liaise with BOJ regarding Credit Union admission timetable.

APPENDIX I

ANNUAL PRUDENTIAL INDICATORS OF COMMERCIAL BANKS,
LICENSEES UNDER THE FINANCIAL INSTITUTIONS ACT (FIA) AND BUILDING SOCIETIES
PUBLISHED PURSUANT TO SECTION 16 (6) OF THE BANKING ACT AND THE FIA
AND REGULATION 49 OF THE BANK OF JAMAICA (BUILDING SOCIETIES) REGULATIONS, 1995
31 MARCH 2014

	COMMERCIAL BANKS			FIA LICENSEES			BUILDING SOCIETIES			System Total (aggregation of all 3 sectors)		
	Mar-14	**Mar-13**	**Mar-12**	**Mar-14**	**Mar-13**	**Mar-12**	**Mar-14**	**Mar-13**	**Mar-12**	**Mar-14**	**Mar-13**	**Mar-12**
Number of institutions in operation	**7**	**7**	**7**	**2**	**2**	**2**	**3**	**4**	**4**	**12**	**13**	**13**
J$MN												
[1]**Total Assets** (incl. contingent accounts)	**774,725**	689,811	629,051	**28,982**	22,424	20,232	**216,738**	198,785	189,535	**1,020,445**	911,020	838,818
[2]**Total Assets** (excl. contingent accounts)	**759,311**	677,307	615,320	**28,622**	22,379	20,182	**216,738**	198,785	189,535	**1,004,671**	898,471	825,037
Cash & Bank Balances	**192,854**	153,602	119,602	**2,913**	1,567	1,264	**33,222**	21,065	16,452	**228,989**	176,234	137,318
Investments [incl. Securities Purch.] (net of prov.)	**162,940**	164,773	187,579	**17,548**	14,095	11,451	**74,728**	71,632	70,011	**255,216**	250,500	269,041
Total Loans (gross)	**361,913**	322,640	277,205	**7,626**	5,821	6,898	**99,449**	98,489	90,262	**468,988**	426,950	374,365
Total Loans (net of IFRS prov.) [a]	**353,689**	314,382	268,262	**7,580**	5,723	6,553	**97,900**	97,137	89,003	**459,169**	417,242	363,818
Total Deposits	**488,203**	464,949	409,845	**11,967**	8,882	6,471	**144,550**	134,747	123,703	**644,720**	608,578	540,019
Borrowings (incl. repos)	**125,214**	87,872	77,019	**10,602**	8,350	8,633	**32,680**	26,889	25,015	**168,496**	123,111	110,667
Non-Performing Loans [NPLs] (3 mths & >)	**17,349**	20,416	23,356	**96**	561	3,157	**5,444**	5,592	5,645	**22,889**	26,569	32,158
Provision for Loan Losses	**18,503**	19,687	19,867	**159**	752	2,420	**4,330**	4,293	3,649	**22,992**	24,732	25,936
[3] **Capital Base**	**81,678**	65,978	64,113	**3,991**	3,927	2,605	**27,624**	23,973	22,786	**113,293**	93,878	89,504
Contingent Accts [Accept., LC's & Guarantees]	**15,414**	12,504	13,731	**360**	45	50	**0**	0	0	**15,774**	12,549	13,781
Funds Under Management	**345**	318	306	**0**	0	0	**0**	0	0	**345**	318	306
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	**12.3%**	9.7%	6.0%	**29.2%**	10.8%	-21.4%	**9.0%**	4.9%	9.3%	**12.0%**	8.6%	5.8%
Rate of Deposit Growth	**5.0%**	13.4%	7.1%	**34.7%**	37.3%	-24.2%	**7.3%**	8.9%	3.9%	**5.9%**	12.7%	5.8%
Rate of Loans Growth (gross)	**12.2%**	16.4%	11.4%	**31.0%**	-15.6%	-3.5%	**1.0%**	9.1%	3.0%	**9.8%**	14.0%	8.9%
Rate of Capital Base Growth	**23.8%**	2.9%	4.7%	**1.6%**	50.7%	-24.8%	**15.2%**	5.2%	8.1%	**20.7%**	4.9%	4.4%
Rate of NPLs (3 Mths &>) Growth	**-15.0%**	-12.6%	36.6%	**-82.9%**	-82.2%	4.9%	**-2.6%**	-0.9%	1.1%	**-13.9%**	-17.4%	25.1%
Investments **:**Total Assets [1]	**21.0%**	23.9%	29.8%	**60.5%**	62.9%	56.6%	**34.5%**	36.0%	36.9%	**25.0%**	27.5%	32.1%
Loans (net of prov.):Total Assets [1]	**45.7%**	45.6%	42.6%	**26.2%**	25.5%	32.4%	**45.2%**	48.9%	47.0%	**45.0%**	45.8%	43.4%
Fixed Assets**:**Total Assets [1]	**2.0%**	2.1%	2.1%	**0.2%**	0.4%	0.4%	**1.8%**	1.8%	1.7%	**1.9%**	2.0%	2.0%
Loans (gross) : Deposits	**74.1%**	69.4%	67.6%	**63.7%**	65.5%	106.6%	**68.8%**	73.1%	73.0%	**72.7%**	70.2%	69.3%
Liquidity												
Average Domestic Currency Cash Reserve: Average Prescribed Liabilities [4]	**12.0%**	12.0%	12.0%	**12.1%**	12.0%	12.0%	**1.0%**	1.0%	1.0%	**9.2%**	9.2%	9.1%
Average Domestic Currency Liquid Assets: Average Domestic Prescribed Liabilities [4]	**30.6%**	33.1%	35.3%	**34.0%**	39.5%	29.6%	**13.0%**	13.1%	15.6%	**26.1%**	28.1%	30.1%
Asset Quality												
Prov. For Loan Losses:Total Loans (gross)	**5.1%**	6.1%	7.2%	**2.1%**	12.9%	35.1%	**4.4%**	4.4%	4.0%	**4.9%**	5.8%	6.9%
Prov. For Loan Losses: NPLs (3 Mths &>)	**106.7%**	96.4%	85.1%	**165.6%**	134.0%	76.7%	**79.5%**	76.8%	64.6%	**100.4%**	93.1%	80.7%
NPLs (3 Mths &>):Total Loans (gross)	**4.8%**	6.3%	8.4%	**1.3%**	9.6%	45.8%	**5.5%**	5.7%	6.3%	**4.9%**	6.2%	8.6%
NPLs (3 Mths &>): (Total Assets [1] + IFRS Provision for losses)	**2.2%**	2.9%	3.7%	**0.3%**	2.5%	15.3%	**2.5%**	2.8%	3.0%	**2.2%**	2.9%	3.8%

Capital Adequacy												
Deposits + Borrowings: Capital (:1)	**7.5**	8.4	7.6	**5.7**	4.4	5.8	**6.4**	6.8	6.6	**7.2**	7.8	7.3
Capital Base:Total Assets [1]	**10.5%**	9.6%	10.2%	**13.8%**	17.5%	12.9%	**12.7%**	12.1%	12.0%	**11.1%**	10.3%	10.7%
[5] Capital Adequacy Ratio [CAR]	**14.7%**	12.5%	14.4%	**15.2%**	16.8%	11.9%	**21.6%**	20.0%	19.8%	**16.0%**	14.0%	15.4%
NPLs (3 mths &>):Capital Base+Prov for loan losses	**17.3%**	23.8%	27.8%	**2.3%**	12.0%	62.8%	**17.0%**	19.8%	21.4%	**16.8%**	22.4%	27.9%
Profitability												
[6] Pre - tax Profit Margin (for the Calendar Quarter)	**19.4%**	12.1%	16.8%	**9.6%**	16.2%	1.8%	**25.0%**	8.9%	29.0%	**20.1%**	11.7%	18.8%
Return on Average Assets (for the Calendar Quarter)	**0.5%**	0.3%	0.5%	**0.2%**	0.5%	0.0%	**0.5%**	0.2%	0.7%	**0.5%**	0.3%	0.5%
[7] Income Assets/Expense Liabilities (at 31 March)	**105.8%**	103.1%	105.9%	**120.3%**	116.2%	102.5%	**110.3%**	111.0%	111.5%	**107.2%**	105.1%	107.1%

Notes:

n/a not applicable

- Based on unaudited data submitted to BOJ by supervised institutions up to 16 May 2014. 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

[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 & FIA Licensees: (Ordinary Shares+ Qualifying Preference Shares+ Reserve Fund + Retained Earnings Reserve Fund + Share Premium) 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).

Statutory Reserve Requirements :

	COMMERCIAL BANKS			FIA LICENSEES			BUILDING SOCIETIES**		
	Mar-14	**Mar-13**	**Mar-12**	**Mar-14**	**Mar-13**	**Mar-12**	**Mar-14**	**Mar-13**	**Mar-12**
Required Cash Reserve Ratio	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	1% / 12%	1% /12%	1% / 12%
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%

** The 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 assets' threshold attract the lower reserve requirements indicated above. Societies which do not, are requested to meet the requirements which apply to banks and FIA licensees.

Source: Financial Institutions Supervisory Division
Bank of Jamaica

APPENDIX II

FINANCIAL INCLUSION: INITIATIVES GEARED TOWARDS EXPANDING ACCESS TO FINANCIAL SERVICES

World Bank data revealed that in 2012, approximately 2.5 billion[38] people worldwide did not have access to financial services and were forced to rely on inconvenient and often risky means to manage their money (i.e. the unbanked and underserved). The reasons for this vary among countries and include high transaction costs, regulatory constraints, geographical and infrastructural barriers and low levels of financial education.

Recognising the potential benefits of extending access to financial services to the unbanked and underserved in boosting economic growth, alleviating income equality and enhancing financial stability, international organizations as well as governments have in recent times placed greater emphasis on implementing policies geared towards promoting "Financial Inclusion".

The Organisation of Economic Co-operation and Development (OECD) defines "Financial Inclusion" as *"the process of promoting affordable, timely and adequate access to a wide range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored and innovative approaches, including financial awareness and education with a view to promote financial well-being as well as economic and social inclusion"*[39].

Given the implications for social and economic growth and development, financial inclusion has moved up the global reform agenda and has become an emerging topic of great concern by policymakers and standard setting bodies (SSBs) such as: the Group of 20 (G-20); Basel Committee on Bank Supervision (BCBS); the Committee on Payment and Settlement Systems (CPSS); the Financial Action Task Force (FATF); the International Association of Deposit Insurers (IADI); the International Association for Insurance Supervisors (IAIS) and the OECD. These organisations have pursued initiatives to formally promote financial inclusion consistent with their respective mandates.

G-20 Principles for Innovative Financial Inclusion

To inform strategies for increasing financial inclusion based on country experiences the G-20's Financial Inclusion Experts Group drafted a set of nine *"Principles for Innovative Financial Inclusion"*[40] in 2010. The principles as outlined below are a reflection of the conditions conducive to spurring innovation for financial inclusion while protecting financial stability and consumers. They are not a rigid set of requirements, but are designed to help guide policymakers in the decision making process.

1. **Leadership:** Cultivate a broad-based government commitment to financial inclusion to help alleviate poverty.

2. **Diversity:** Implement policy approaches that promote competition and provide market-based incentives for delivery of sustainable financial access and usage of a broad range of affordable services (savings, credit, payments and transfers, insurance) as well as a diversity of service providers.

[38] Refer www.worldbank.org

[39] Refer OECD Working Paper on "Promoting Financial Inclusion through Financial Education"

[40] Refer "Innovative Financial Inclusion", 2010 "http://www.gpfi.org/sites/default/files/documents/Principles%20and%20Report%20on%20Innovative%20Financial%20Inclusion_0.pdf

3. **Innovation:** Promote technological and institutional innovation as a means to expand financial system access and usage, including addressing infrastructure weaknesses.

4. **Protection:** Encourage a comprehensive approach to consumer protection that recognises the roles of government, providers and consumers.

5. **Empowerment:** Develop financial literacy and financial capability.

6. **Cooperation:** Create an institutional environment with clear lines of accountability and co-ordination within government; and also encourage partnerships and direct consultation across government, business and other stakeholders.

7. **Knowledge:** Utilize improved data to make evidence based policy, measure progress, and consider an incremental "test and learn" approach acceptable to both regulator and service provider.

8. **Proportionality:** Build a policy and regulatory framework that is proportionate with the risks and benefits involved in such innovative products and services and is based on an understanding of the gaps and barriers in existing regulation.

9. **Framework:** Consider the following in the regulatory framework, reflecting international standards, national circumstances and support for a competitive landscape: an appropriate, flexible, risk-based Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime[41]; conditions for the use of agents as a customer interface; a clear regulatory regime for electronically stored value; and market-based incentives to achieve the long-term goal of broad interoperability and interconnection.

In implementing the above strategies, Policymakers and stakeholders should be careful to ensure that the institutional framework and policies to facilitate financial access does not threaten financial stability. Against this background the IADI recommends that there should be an "independent and non-corrupt institutional, legal and regulatory infrastructure to support the financial system along with efforts to expand financial access[42]".

Jamaica's Initiatives to Promote Financial Inclusion

Strategic approaches at the national level towards enhancing financial inclusion largely reflect the abovementioned principles. The Government of Jamaica (GOJ) has made a commitment to implement initiatives to reduce the cost of doing business through innovation in digital technology, which will harness ICT to facilitate greater access to financial services by the underserved.

To date, local initiatives geared towards increasing access to financial services and enhancing consumer protection include:

I. The National Financial Literacy Programme/ National Financial Literacy Baseline Survey

Jamaica is developing strategies geared towards the implementation of a National Financial Literacy Programme (NFLP). The NFLP will seek to provide individuals with the financial knowledge necessary to create household budgets, initiate savings plans, properly manage debt and make sound investment decisions thereby enhancing financial inclusion (consistent with the G-20 Principles - "Empowerment" and "Knowledge"). In furtherance of this initiative, the FSC partnered with the OECD's International Network of Financial Education to implement the National Financial Literacy Baseline Survey in 2012[43] to:

- Determine a measure of financial literacy that can provide national benchmarks;

[41] In 2011, FATF published Guidance on "Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion" which focuses on ensuring that Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) controls do not inhibit access to well regulated financial services for financially excluded and underserved groups. A revised Guidance was subsequently issued.

[42] Refer 2013 IADI Research Paper Financial Inclusion and Deposit Insurance

[43] Refer "Measuring Financial Literacy: Results of the OECD INFE Study in Jamaica" published in December 2012.

- Identify levels of financial literacy to enable policymakers to identify needs and gaps;
- Provide a basis for comparison of financial literacy across countries.

II. Promulgation of Legislation and Guidelines to Improve Access to Financial Services

a. Security Interests in Personal Property Act (SIPPA), 2013

The SIPPA was promulgated with the intent of increasing access to credit facilities by expanding the scope of the types of assets that may be used as security. The SIPPA is a landmark legislation which will allow for the use of assets such as motor vehicles, agricultural products, livestock, stocks and securities, machinery and equipment, crops and other agricultural yields, and unborn livestock as allowable collateral. This will make credit facilities more accessible to the general public, thereby promoting financial inclusion.

b. Draft Omnibus Banking Bill (Omnibus)- Agent Banking

The Bank of Jamaica (BOJ) has recognized the importance of *"Agent Banking"* in achieving greater financial inclusion and widening access to financial services. Against this background the BOJ has included provisions in the Banking Services Bill that will allow DTIs to deliver certain traditional banking services through non-bank entities by way of agency arrangements. This will also promote competition and the diversity of service providers. The proposed range of services that agents may offer include: loan and bill payments, inter-account funds transfers and account balance inquiries.

c. Guidelines for Electronic Retail Payment Services (Guidelines)

The objectives of these Guidelines issued by the BOJ are to inter alia: outline the standards to be observed by electronic retail payment service providers; foster and maintain public trust and confidence in electronic means of payment; and promote financial inclusion.

The Guidelines facilitate access to a broad range of services, promote technical and institutional innovation – including mobile banking and reduce regulatory gaps and barriers. The use of innovative payment instruments and methods can help to lower transaction costs and increase convenience, thereby facilitating access to financial services.

III. Codes of Conduct

Codes of conduct are intended to create an environment with clear lines of accountability, safeguard consumers' interests and improve their understanding of financial products.

a. Enforceable Code of Conduct

The Omnibus legislation (Banking Services Bill) proposes the implementation of an enforceable Code of Conduct (the Code) for deposit-taking institutions. The Code will, inter alia, address the need for: clear language for contracts and communication with customers; publication of standard competition information (e.g. fees and charges); and formal customer dispute resolution processes.

b. Voluntary Code of Conduct

The Jamaica Bankers Association[44] (JBA) also issued a voluntary code of conduct in January 2014 which sets standards of good banking practice for its members to follow when dealing with persons who are, or who may become, customers.

[44] The Jamaica Bankers Association is a non-profit organization that represents commercial and merchant banks in Jamaica.

Additionally, authorities are giving consideration to the development of a comprehensive regime to safeguard the protection of consumers of financial services by both deposit-taking and non deposit-taking institutions. Further "the Minister of Finance and Planning has mandated the Bank of Jamaica to undertake research to inform the development of a framework that would incorporate such a comprehensive approach for the protection of consumers of financial services and make appropriate recommendations"[45].

JDIC's Initiatives towards Promoting Financial Inclusion

The International Association of Deposit Insurers (IADI), of which the JDIC is a member, has also recognized the importance of Deposit Insurers in promoting financial inclusion by strengthening confidence in financial institutions and ensuring that the most vulnerable of the population understand the benefits and limitations of deposit insurance[46]. IADI also states that the involvement of deposit insurance in the promotion of financial inclusion need to be undertaken along with the strong engagement of the banking supervisory authorities and other financial 'safety net' participants.

One of JDIC's key business strategies is "Public Education and Awareness". The Corporation has a robust Public Education and Awareness Programme and initiatives to promote financial literacy and financial inclusion are critical elements of this programme. Public education activities are sometimes undertaken in collaboration with other financial system safety net partners and other stakeholders including Policyholders. One such major event was the hosting of the Financial Markets Symposium and Fair a public event held August 29 – 31, 2014. The event was held under the theme *"Promoting Financial Inclusion through Public Education and Awareness"* and was designed to target small savers and investors, particularly the unbanked. *(Refer to section on "Public Education and Awareness")*. One of the featured presentations is summarised in Appendix III.

[45] Refer BOJ Annual Report 2013.

[46] IADI Research Paper: Financial Inclusion and Deposit Insurance, June 2013.

APPENDIX III

SUMMARY: PROMOTING SOCIAL COHESION AND ECONOMIC DEVELOPMENT THROUGH FINANCIAL INCLUSION/FINANCIAL LITERACY

Dan Iannicola Jr., President and CEO of the Financial Literacy Group, USA, was a presenter at the JDIC Financial Markets Symposium held at the Bank of Jamaica, Kingston, Jamaica on August 29, 2013. The presentation, which focused on the trends and truths in financial literacy and provided tips on how to design an effective financial literacy programme, is summarized below.

Financial inclusion allows households to access a full range of financial services at reasonable costs; promotes sound and safe institutions governed by clear regulation and industry performance standards; enhances financial and institutional sustainability to ensure continuity and certainty of investment; and encourages competition to ensure choice and affordability for clients.

Financial education is important to empower consumers with the necessary skills to understand financial instruments and promote:

i. Social cohesion[47] which is important to foster longer term orientation (asset effect), provide social mobility and alleviate poverty;

ii. Economic development which inspires entrepreneurship, greater citizen self-sufficiency, allowing for less dependence on government support, capital formation through increased savings and investments; and

iii. Economic stability through increased consumer confidence and enhanced consumer protection.

TRENDS, TRUTHS AND TIPS FOR FINANCIAL LITERACY EDUCATION PROGRAMME DEVELOPERS:

1. THE TRENDS IN FINANCIAL LITERACY

- **Behavioural economics** – This involves recognizing that social, cognitive and emotional factors influence financial decisions. Individuals tend to prefer smaller payoffs now over larger payoffs in the future. This is known as hyperbolic discounting, which is one reason why people prefer to spend now than save for future use. Another behavioural trend is that people often plan for the future with the best intentions but when the future becomes the present, people generally deviate from those previous plans. To help deal with these human tendencies the "Save More Tomorrow Programme" was introduced to some employers in the United States, whereby employees were allowed to pre-commit a portion of their salaries to savings, while also taking account of expected future salary increases. It is also human tendency to be proactive when they believe that they are/will be losing money. Public education programmes should therefore highlight the possible losses that may result from making bad financial decisions.

- **Edutainment** – The use of video games, money-themed television programmes, contests and specialized lotteries as effective tools in promoting financial literacy.

- **Robust programme evaluation and research** – This involves recognizing that it

[47] The OECD defines social cohesion as: a cohesive society that works towards the well-being of all its members, fights exclusion and marginalization, creates a sense of belonging, promotes trust, and offers its members the opportunity of upward mobility.

is better to reach some consumers than none at all and using failures to achieve success. Research should be conducted to determine if the financial literacy programme is having the desired impact. When assessing the impact, in addition to assessing the change in knowledge, it is important to determine if there is a change in behaviour.

- **Workplace financial education** – This is considered to be one of the best ways to reach adults. In addition, it is beneficial to the employer as well as employees.

2. TRUTHS IN FINANCIAL LITERACY

- **Truth is key** – Financial literacy programmes should teach facts about financial services/ products and not fear. The goal is a skeptical, not cynical consumer.
- **Lessons should be rooted in concepts** – Financial concepts should be taught first, since financial concepts are universal and timeless and most persons are not mathematically inclined. The focus should therefore be on concepts.
- **Programmes must be experienced** – A hands on approach should be utilized.

3. TIPS IN DEVELOPING FINANCIAL LITERACY PROGRAMMES

- **Think strategically** – Choose the best ideas that will give the required results. More ideas do not necessarily mean more success.
- **Deploy technology** – Do not just use technology, deploy it. It is not just about having the right technology; the use of technology should be purposeful.
- **Brand selectively** – Your brand should be your purpose and not your name. It is not important that people know the name of your organization, it is important that they know what problems in their lives you are able to solve, since people will not be able to recognize/accept the solution if they do not know what problems are being addressed.

The goal of financial inclusion should be to replace financial fear with economic security. Through financial literacy people can live lives of choice instead of lives of chance.

All Presentations made at the JDIC Financial Markets Symposium and Fair may be accessed on the Corporation's website: www.jdic.org or on YouTube: http://www.youtube.com/user/JamaicaDeposit.

BOARD OF DIRECTORS COMPENSATION

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	133,500	-	-	-	133,500
Director 1	26,000	-	-	-	26,000
Director 2	48,000	-	-	-	48,000
Director 3	113,000	-	-	-	113,000
Director 4	17,500	-	-	-	17,500
Director 5	126,500	-	-	-	126,500
Director 6	51,500	-	-	-	51,500
Director 7 (CEO)	-	-	-	-	-
TOTAL	**516,000**	**-**	**-**	**-**	**516,000**

SENIOR EXECUTIVES COMPENSATION

Position of Senior Executive	Salary	Gratuity (in lieu of pension)	Travelling Allowance or Value of Assignment of Motor Vechile	Other Salary Payments and Allowances	Non-Cash Benefits	Total
Chief Executive Officer	8,289,709	1,171,719	2,745,684	1,155,938	749,624	14,112,674
Director, Finance, Funds and Asset Management	4,511,140	1,127,785	975,720	311,654	653,731	7,580,030
General Counsel/ Corporate Secretary (Joined December 9, 2013)	1,127,765	-	307,727	-	112,202	1,547,694
General Counsel/ Corporate Secretary (Demitted Office October 30, 2013)	2,163,549	903,636	677,688	12,500	142,543	3,899,916
Director, Intervention, Resolutions and International Relations	3,575,841	932,931	975,720	207,900	747,390	6,439,782
Director, Monitoring and Risk Assessment (Joined March 10, 2014)	258,423	-	-	-	-	258,423
Director, Monitoring and Risk Assessment (Demitted Office December 31, 2013)	2,423,056	850,553	776,823	366,528	466,503	4,883,463
TOTAL	**22,349,483**	**4,986,624**	**6,459,362**	**2,054,520**	**2,871,993**	**38,721,982**

NOTE: Non-Cash Benefits includes medical and group life premiums, interest rate subsidy and telephone charges.

ANNUAL REPORT FY2013/2014

JAMAICA DEPOSIT INSURANCE CORPORATION

AUDITED FINANCIAL STATEMENTS FY2013/2014

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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on the Financial Statements

We have audited the financial statements of Jamaica Deposit Insurance Corporation, set out on pages 73-103, which comprise the statement of financial position as at March 31, 2014, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on the Financial Statements, cont'd

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Corporation as at March 31, 2014, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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. 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.

Comparative information

The financial statements of the prior year were audited by another firm of chartered accountants, whose report on June 27, 2013 expressed an unqualified opinion.

KPMG

Chartered Accountants
Kingston, Jamaica

April 14, 2014

STATEMENT OF FINANCIAL POSITION
March 31, 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Cash at bank		612,129	91,867
Investment securities	4	9,913,940	8,276,122
Accounts receivable	5	406,772	426,707
Property, plant and equipment	6	95,630	97,825
		11,028,471	8,892,521
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Unearned premium income	7	594,839	78,411
Accounts payable		21,029	16,367
		615,868	94,778
SHAREHOLDER'S EQUITY			
Share capital	8	1,000	1,000
Capital reserves	9	56,393	56,393
Fair value reserves	10	13,703	15,334
Deposit insurance fund	11	10,341,507	8,725,016
		10,412,603	8,797,743
		11,028,471	8,892,521

The financial statements on pages 73 to 103 were approved for issue by the Board of Directors on April 14, 2014 and signed on its behalf by:

____________________ Chairman
Peter Thomas

____________________ 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, 2014

	Notes	2014 $'000	2013 $'000
Income:			
Insurance premiums	2(i)	809,250	745,540
Interest earned	2(i)	922,900	862,530
Foreign exchange gain		83,644	144,117
Gain on disposal of investments		6,872	-
Other income		3,105	3,909
		1,825,771	1,756,096
Expenses:			
Administration expenses	12	209,280	180,782
Surplus from operations	11	1,616,491	1,575,314
Other comprehensive income:			
Items that maybe reclassified to profit or loss:			
Fair value loss on available-for-sale investments		(1,631)	(209,276)
Total comprehensive income		1,614,860	1,366,038

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended March 31, 2014

	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, 2012	1,000	56,393	334,968	9,246,938	9,639,299
Surplus from operations	-	-	-	1,575,314	1,575,314
Fair value loss on available-for-sale investments	-	-	(209,276)	-	(209,276)
Total comprehensive income	-	-	(209,276)	1,575,314	1,366,038
Transaction with owner – loss on National Debt Exchange	-	-	(110,358)	(2,097,236)	(2,207,594)
Balances at March 31, 2013	1,000	56,393	15,334	8,725,016	8,797,743
Surplus from operations	-	-	-	1,616,491	1,616,491
Other comprehensive income: Fair value loss on available-for-sale investments	-	-	(1,631)	-	(1,631)
Total comprehensive income	-	-	(1,631)	1,616,491	1,614,860
Balances at March 31, 2014	1,000	56,393	13,703	10,341,507	10,412,603

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

STATEMENT OF CASH FLOWS
Year ended March 31, 2014

	2014 $'000	2013 $'000
Cash flows from operating activities:		
Surplus for the year	1,616,491	1,575,314
Adjustments for:		
Depreciation	5,709	5,362
Interest income	(922,900)	(862,530)
Unearned premium income	516,428	(362,814)
Foreign exchange gain	(83,644)	(144,117)
Loss on disposal of property, plant and equipment	9	296
Operating profit before changes in working capital	1,132,093	211,511
Changes in:		
Accounts receivable	75,389	34,108
Accounts payable	4,662	(81,052)
	80,051	(46,944)
Net cash provided by operations	1,212,144	164,567
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant & equipment	(3,523)	(4,537)
Investment securities, net	(1,555,805)	(1,509,002)
Interest received	867,446	898,533
Cash used in investing activities	(691,882)	(615,006)
Increase/(decrease) in cash balance at end of year	520,262	(450,439)
Effect of exchange rate changes on cash balances	-	79
Cash balance at the beginning of the year	91,867	542,227
Cash balance at the end of the year	612,129	91,867

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

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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 Company or subsidiary, 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.

Certain new revised and amended Standards and interpretations of, and amendments, came into effect for the current financial period. The Corporation has adopted the following new pronouncements including amendments to other standards, applicable to its operations, with a date of initial application of January 1, 2013. The nature and effect of the change are as follows:

- IFRS 13 *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as 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. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. Consequently, the Corporation has included additional disclosures in this regard [see note 15(d)].

  In accordance with the transitional provisions of IFRS 13, the Corporation applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Corporation's assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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

(a) Statement of compliance (continued):

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)

As a result of the amendments to IAS 1, items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future are presented separately from those that would never be reclassified to profit or loss. Also, the title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income.

A number of new standards, amendments to standards and interpretations have been issued which are not yet effective at the reporting date and which the Corporation has not early-adopted. Management 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:

- IFRS 9*, Financial Instruments* is effective for annual reporting periods beginning on or after January 1, 2018 (previously January 1, 2017). The standard retains but simplifies the mixed measurement model and establishes two primary categories for financial assets: amortised and fair value. It eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirement of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.

- *Amendments to* IAS 32 *Financial instruments: Presentation,* effective for annual reporting periods beginning on or after January 1, 2014, clarifies that an entity currently has a legal enforceable right to offset, if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all the counterparts. In addition, it clarifies that gross settlement is equivalent to net settlement, if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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

(a) Statement of compliance (continued):

- *Improvements to* IFRS 2010-2012 and 2011-2013 cycles contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after July 1, 2014. The main amendments applicable to the company are as follows:

  - IFRS 13 *Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

  - *IAS 24 Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

The Corporation is assessing the impact that these standards and amendments may have on its future 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 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.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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

(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. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised 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.

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

(e) Investments (continued)

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

Initial recognition (continued)

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.

(f) Accounts receivable

Accounts receivable 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.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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

(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 statement of profit or loss and other comprehensive income.

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 statement of profit or loss and other comprehensive income 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) Payables

Payables are stated at historical cost.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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 company and the amount of revenue 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 statement of comprehensive income.

(k) Provision for losses

The Act requires that the Corporation shall review the size of its Deposit Insurance Fund at least once 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 Planning 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.

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

(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;

(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 controlled, or jointly controlled by a person identified in (a).

(vi) 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).

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.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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

(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.

(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 instruments

A financial instrument is any contract that gives rise to both 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.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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

(o) Determination of profit

Fair value amounts represent estimates of the consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

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

		2014 $'000	2013 $'000
(a)	Held-to-maturity-		
	Government of Jamaica	7,963,732	7,056,318
	Interest accrued	98,575	75,574
		8,062,307	7,131,892
(b)	Available-for sale		
	Government of Jamaica	1,811,293	1,136,343
	Interest accrued	40,340	7,887
		1,851,633	1,144,230
		9,913,940	8,276,122

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

4. Investment securities (continued)

(c) Remaining term to contractual maturity

	2014			
	3 to 12 months $'000	1 to 5 years $'000	over 5 years $'000	carrying value $'000
Held-to-maturity:				
Government of Jamaica-				
Fixed rate accreting notes	-	-	7,100,725	7,100,725
Benchmark investment note	-	488,007	-	488,007
BOJ VR CD	375,000	-	-	375,000
Interest accrued	98,575	-	-	98,575
	473,575	488,007	7,100,725	8,062,307
Available-for-sale:				
Government of Jamaica-				
Benchmark investment note	-	1,001,794	-	1,001,794
GOJ Global Bond	-	809,499	-	809,499
Interest accrued	40,340	-	-	40,340
	40,340	1,811,293	-	1,851,633
	513,915	2,299,300	7,100,725	9,913,940

	2013			
	3 to 12 months $'000	1 to 5 years $'000	over 5 years $'000	carrying value $'000
Held-to-maturity:				
Government of Jamaica-				
Fixed rate accreting notes	-	-	7,056,318	7,056,318
Interest accrued	75,574	-	-	75,574
	75,574	-	7,056,318	7,131,892
Available-for-sale:				
Government of Jamaica-				
Benchmark investment note	-	454,146	-	454,146
US$ Benchmark notes	682,197	-	-	682,197
Interest accrued	7,887	-	-	7,887
	690,084	454,146	-	1,144,230
	765,658	454,146	7,056,318	8,276,122

4. Investment securities (continued)

(d) Average effective yields by the earlier of the Contractual repricing or maturity dates:

	2014			
	3 to 12 months %	1 to 5 years %	Over 5 years %	Carrying value %
Fixed rate accreting notes	-	-	11.56	11.56
Benchmark investment notes	-	7.25	-	7.25
BOJ VR CD	9.00	-	-	-
US$ Benchmark notes	9.00	-	-	9.00

	2013			
	3 to 12 months %	1 to 5 years %	Over 5 years %	Carrying value %
Fixed rate accreting notes	-	-	11.56	11.56
Benchmark investment notes	-	7.25	-	7.25
US$ Benchmark notes	7.00	-	-	7.00

National Debt Exchange

National Debt Exchange

In the prior year, the Corporation participated in the Government of Jamaica (GOJ) National Debt Exchange (NDX) transaction in February 2013. The acceptance of the offer resulted in the Corporation exchanging local debt instruments of J$8,323,456,000 and US$7,801,000. The exchange resulted in a one off loss of $2,097,236,000 (see note 11) for the Corporation.

5. Accounts receivable

	2014 $'000	2013 $'000
Withholding tax recoverable	391,553	410,782
Prepayments	3,689	4,975
Other recoverable	11,530	10,950
	406,772	426,707

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

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, 2012	25,000	65,000	14,986	107	27,061	132,154
Additions	-	-	235	672	3,630	4,537
Disposal	-	-	-	-	(715)	(715)
March 31, 2013	25,000	65,000	15,221	779	29,976	135,976
Additions	-	-	-	-	3,523	3,523
Disposals	-	-	(49)	-	(2,524)	(2,573)
March 31, 2014	25,000	65,000	15,172	779	30,975	136,926
Depreciation:						
March 31, 2012	-	-	11,495	-	21,713	33,208
Charge for the year	-	1,976	631	-	2,755	5,362
Disposal	-	-	-	-	(419)	(419)
March 31, 2013	-	1,976	12,126	-	24,049	38,151
Charge for the year	-	2,543	323	-	2,843	5,709
Eliminated on disposal	-	-	(49)	-	(2,515)	(2,564)
March 31, 2014	-	4,519	12,400	-	24,377	41,296
Net book values:						
March 31, 2014	25,000	60,481	2,772	779	6,598	95,630
March 31, 2013	25,000	63,024	3,095	779	5,927	97,825

The Corporation's land and buildings were revalued as at March 31, 2012 on the basis of open market value by Allison, Pitter & Company, independent qualified valuators. The revaluation surplus was credited to capital reserves in shareholders' equity.

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

	2014 $'000	2013 $'000
Cost	36,591	36,591
Accumulated depreciation	(8,883)	(8,593)
Net book value	27,708	27,998

Management has determined that the valuations carried in the financial statements on the basis of the last external valuations do not need further adjustments as at March 31, 2014.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

7. Unearned premium income

This represents the portion of insurance premiums received from policyholders relating to the period subsequent to March 31, 2014.

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 15(e)].

	2014 $'000	2013 $'000
Balance at beginning of year	8,725,016	9,246,938
Surplus from operations:		
Surplus from insurance operations	809,250	745,540
Surplus from investment and administration operations	807,241	829,774
	1,616,491	1,575,314
Loss on National Debt Exchange [note 4(d)]	-	(2,097,236)
Deposit Insurance Fund at year end	10,341,507	8,725,016

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

12. Expenses by nature

	2014 $'000	2013 $'000
Auditors' remuneration	900	1,037
Depreciation	5,709	5,362
Directors' emoluments –		
Fees	516	356
Management remuneration	14,150	13,839
Other	11,994	10,281
Printing and stationery	4,069	6,035
Professional fees	10,185	9,327
Public education	27,180	18,216
Repairs and maintenance	3,873	4,101
Staff costs	122,305	104,504
Utilities	8,399	7,724
	209,280	180,782

13. Staff costs

	2014 $'000	2013 $'000
Wages and salaries	75,524	71,861
Statutory contributions	7,335	5,821
Others	39,446	26,822
	122,305	104,504
Management remuneration	14,150	13,839
	136,455	118,343

The number of persons employed by the Corporation at the end of the year was 26 (2013: 24).

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

14. Related party transactions

(a) 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:

	2014 $'000	2013 $'000
Investment balance	9,913,940	8,276,122
Cash balance	610,532	82,565
	10,524,472	8,358,687

(b) Transactions and balances with key management:

	2014 $'000	2013 $'000
Wages and salaries	28,932	21,923
Statutory contributions	2,199	1,891
Other staff benefits	9,638	12,331

(c) Transactions with the Government of Jamaica as shareholder:

In the prior year, the Corporation participated in the NDX of February 2013, and exchanged existing instruments for FRANs. The resulting impact was a loss of $2,097,236,000 on these instruments, which has been recognised as a transaction with owners in their capacity as owners, and treated as a distribution in the statement of changes in equity [note 4(d)].

15. Financial risk management

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

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.

15. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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 at March 31. The Corporation has no foreign currency liabilities.

	2014		
	JMD	USD	Total
	$'000	$'000	$'000
Financial assets			
Investment securities	9,104,441	809,499	9,913,940
Cash at bank	611,970	156	612,129
	9,716,411	809,655	10,526,069

	2013		
	JMD	USD	Total
	$'000	$'000	$'000
Financial assets			
Investment securities	7,589,435	686,687	8,276,122
Cash at bank	91,045	822	91,867
	7,680,480	687,509	8,367,989

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

15. Financial risk management (continued)

(a) Market risk (continued)

Foreign currency sensitivity

The change in currency below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at year end for a reasonably expected change in foreign currency rates. This analysis includes investment securities and cash and bank balances.

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 2014	Effect on surplus and deposit fund 2014 $'000	% change in currency 2013	Effect on surplus and deposit fund 2013 $'000
USD-				
Revaluation	1	8,095	1	6,875
Devaluation	15	121,432	10	68,750

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

15. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Corporation's exposure to interest rate risks. It includes the Corporation's financial assets at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

	2014					
	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets:						
Investment securities	-	375,000	2,299,300	7,100,725	138,915	9,913,940
Cash at bank	612,089	-	-	-	40	612,129
	612,089	375,000	2,299,300	7,100,725	138,955	10,526,069

	2013					
	Within 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	over 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets:						
Investment securities	-	682,197	454,146	7,056,318	83,461	8,276,122
Cash at bank	91,827	-	-	-	40	91,867
	91,827	682,197	454,146	7,056,318	83,501	8,367,989

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 the Deposit Insurance Fund.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

15. Financial risk management (continued)

(a) Market risk (continued)

Interest rate sensitivity (continued)

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 the Deposit Insurance Fund 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 2014 $'000	Effect on deposit insurance fund 2014 $'000	Effect on surplus from operations 2013 $'000	Effect on deposit insurance fund 2013 $'000
Change in basis points:				
-100 (2013: -100)	(8,630)	30,058	(11,312)	8,886
+250 (2013:+250)	21,575	(72,033)	18,122	(34,433)

In accordance with the Corporation's policy, the Treasury Management Committee monitors the Corporation's overall interest sensitivity on a monthly basis, and the Investment Committee, a subcommittee of the Board of Directors, reviews it on a quarterly basis.

(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.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

15. Financial risk management (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

15. Financial risk management (continued)

Financial liabilities cash flows

The Fund 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) 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, 2014 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, 2014). 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.

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

15. Financial risk management (continued)

(i) Valuation technique and significant unobservation 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 accounts receivables	Assumed to approximate their carrying values, due to their short term nature.

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

	Level 2	
	2014 $'000	2013 $'000
Available-for-sale investments (note 4)		
Issued by Government of Jamaica	1,851,633	1,144,230

Fair values were estimated as follows:

	2014		2013	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Investment securities:				
Held to maturity	8,062,307	8,062,307	7,131,892	7,131,892
Available-for-sale	1,851,633	1,851,633	1,144,230	1,144,230
	9,913,940	9,913,940	8,276,122	8,276,122

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

15. Financial risk management (continued)

(e) 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, in each right and capacity, in each institution. The Deposit Insurance Act requires that the Corporation reviews the size of its Deposit Insurance Fund at least once 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, 2013, there were 12 member institutions with total insured deposits estimated at $245.6 billion (2012: $230.1 billion), of which the DIF covered 4.0% (2012: 4.5%). The adequacy of the DIF will be based primarily on the assessed risk posed by Policyholders. The target range of the DIF is considered as a reserve target, which is determined from time to time. Currently the target range for the DIF is between 8% and 10% of insured deposits. 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 intervene by providing financial assistance or pay out depositors in accordance with its resolution powers under the Deposit Insurance Act, 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.

ABBREVIATIONS

BCBS	Basel Committee on Banking Supervision
BOJ	Bank of Jamaica
CFATF	Caribbean Financial Action Task Force
DIA	Deposit Insurance Act
DIF	Deposit Insurance Fund
DIS	Deposit Insurance Scheme
EFF	Extended Fund Facility
FAAA	Financial Administration and Audit Act
FATCA	Foreign Account Tax Compliance Act
FATF	Financial Action Task Force
FHC	Financial Holding Companies
FIA	Financial Institutions Act
FRANs	Fixed Rate Accreting Notes
FRC	Financial Regulatory Council
FSC	Financial Services Commission
FSB	Financial Stability Board
FSSF	Financial System Stability Fund
GDP	Gross Domestic Product
GOJ	Government of Jamaica
G-SIBs	Global Systemically Important Banks
IADI	International Association of Deposit Insurers
IAIS	International Association for Insurance Supervisors
IMF	International Monetary Fund
MOFP	Ministry of Finance and Planning
NDX	National Debt Exchange
NIR	Net International Reserves
PBMA	Public Bodies Management and Accountability Act
PRAF	Policyholders' Risk Assessment Framework
SDR	Special Drawing Right
SIFIs	Systemically Important Financial Institutions
SIPPA	Security Interests in Personal Property Act

GLOSSARY

Banking System	The deposit-taking financial institutions, comprising Commercial Banks, Merchant Banks (FIA Licensees) 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.
Crisis Intervention Matrix	A guide set out in a Memorandum of Understanding between the Financial System Safety Net Partners in Jamaica outlining the parameters and procedures to strategically identify and address problem institutions.
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.
Depositor	A person entitled, or prospectively entitled, to repayment of a deposit, or a portion of a deposit, whether made by him or not.
Deposit Insurance Act (DIA)	The Act of Parliament establishing the JDIC and setting out its powers and functions.
Deposit Insurance Fund (DIF)	A Fund established under the Deposit Insurance Act to pay depositors should their insured financial institution fail or to offer financial assistance to Policyholders. It is ordinarily made up of premiums collected from Policyholders/member institutions and investment income.
Deposit Insurance Fund Ratio	The Deposit Insurance Fund 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.
FIA Licensees	Financial institutions licensed to take deposits under the Financial Institutions Act. These now include merchant banks and trust companies.
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 Act,

GLOSSARY CONT'D

	Bank of Jamaica Act, Building Societies Act, or Financial Institutions Act, as the case may require; (c) the institution has failed to satisfy prudential criteria and minimum solvency standards prescribed by or under the Banking Act, Bank of Jamaica Act, Building Societies Act or Financial Institutions Act, as the case may be; or (d) it is unable to pay its debts.
Global Systemically Important Banks	Banks whose distress or disorderly failure, because of their size, complexity and systemic interconnectedness, would cause significant disruption to the wider financial system and economic activity.
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.
Insured Deposit Portfolio Transfer	The process whereby the insured deposits in a failed Policyholder are transferred by the Corporation to a viable Policyholder for the purpose of paying out depositors.
Policyholders	Deposit-taking financial institutions (Commercial Banks, FIA Licensees and Building Societies) insured under the Deposit Insurance Scheme otherwise referred to as Member Institutions.
Premium Assessment Rate	Rate prescribed by the Minister of Finance and Planning 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).*
Safety Net Partner(s)	A country's lender of last resort, its financial system regulatory authorities and Deposit Insurer (in the case of Jamaica - the Bank of Jamaica, the Financial Services Commission, the JDIC and the Ministry of Finance and Planning).
Special Drawing Right (SDR)	An international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. Its value is based on a basket of four key international currencies.

GENERAL INFORMATION

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