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JAMAICA DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT 2014/2015

JDIC...Protecting Your Deposits

April 30, 2015

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 2014/2015 and a copy of the Corporation's Accounts as at March 31, 2015, duly certified by its Auditors.

Yours sincerely

Peter Thomas, OD, ACII, JP
Chairman

Vision

To promote and inspire
financial system confidence
and stability

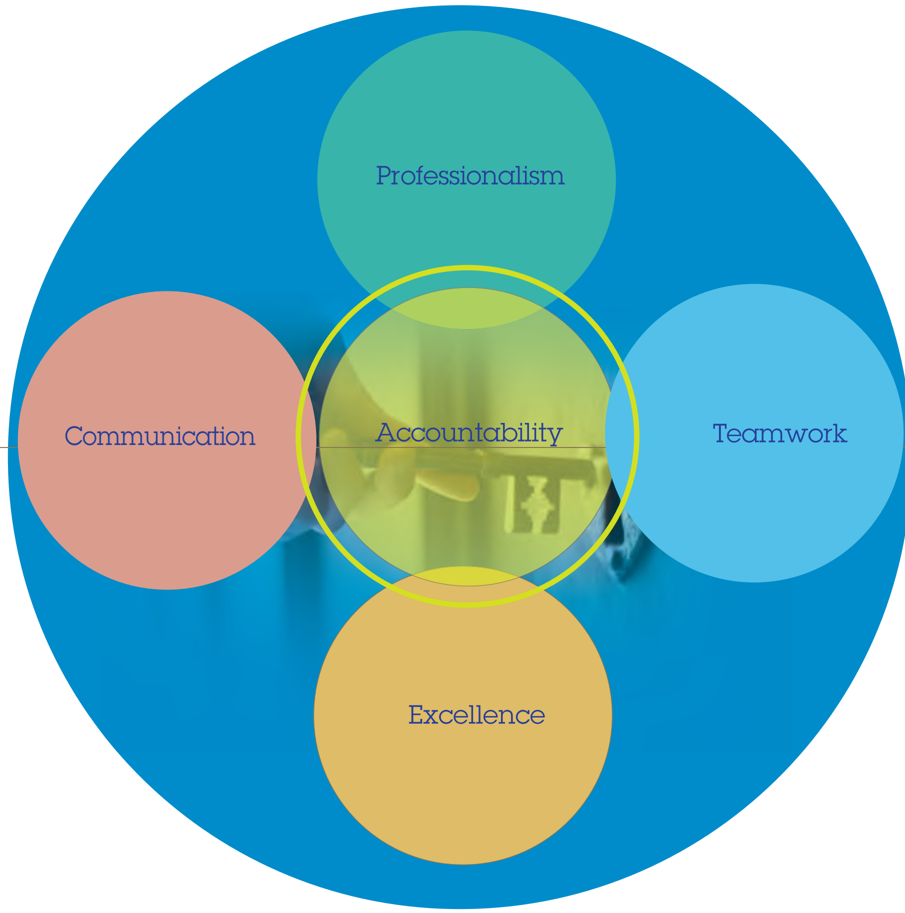
Mission

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 clearly and in a timely manner while encouraging feedback.

Excellence

We continuously measure and monitor productivity to improve our operations.

Professionalism

We pursue the highest level of competence 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.

Table of Contents

Our Business

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

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

- The DIS covers the deposits held by member institutions up to a maximum of $600,000 per depositor, per member institution. At this limit, 96.8 percent of the number of deposit accounts in member institutions are fully covered under the Scheme as at December 2014.

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

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

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

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

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

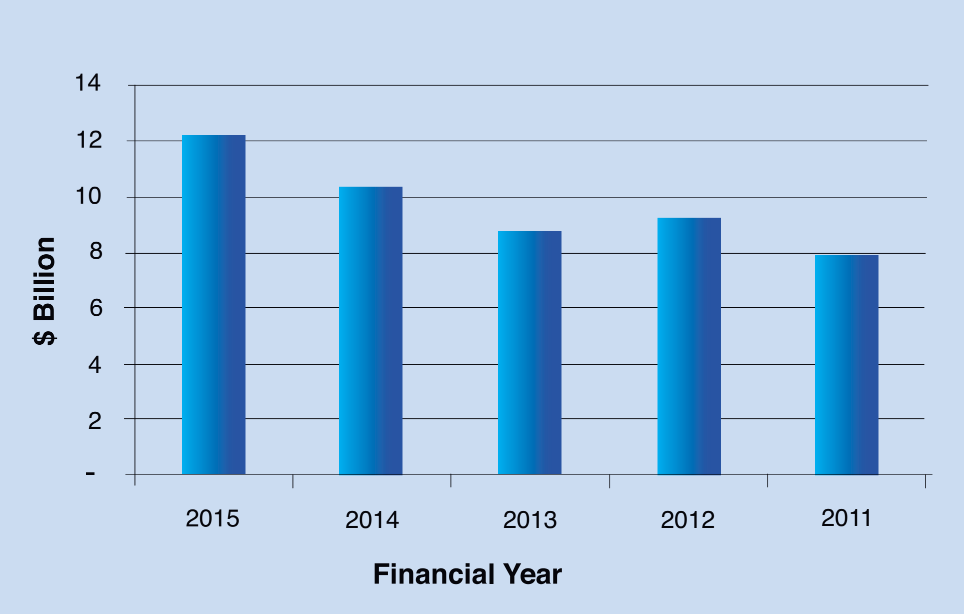
- In order to carry out its obligation, the JDIC manages a Deposit Insurance Fund (DIF/the Fund) which at the end of March 2015 was $12.17 billion. The Fund is primarily made up of annual premiums collected from member institutions and investment income.

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

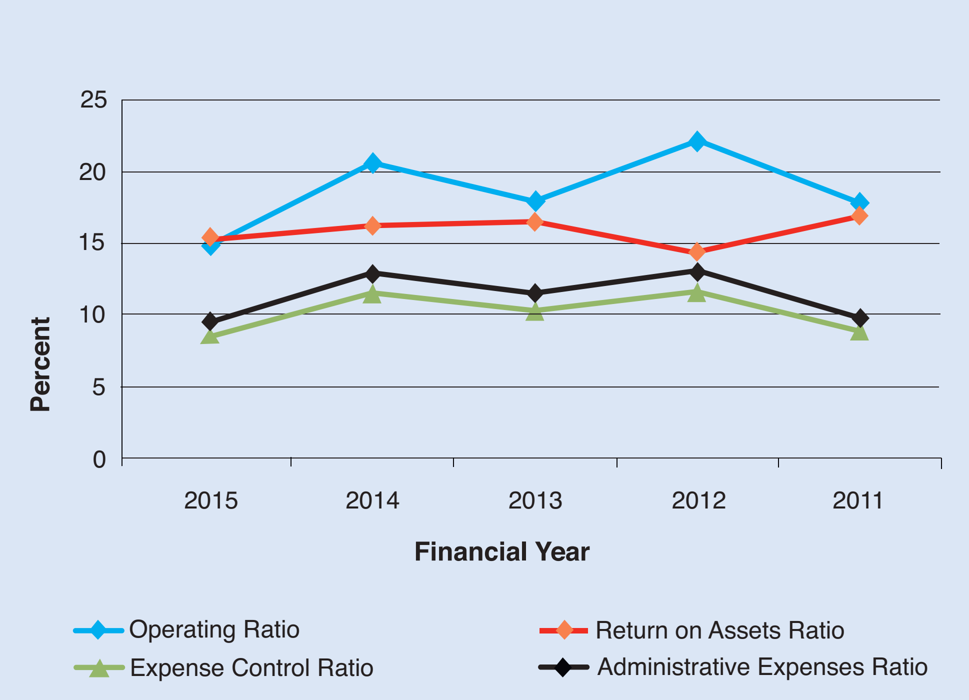
Financial Highlights

Financial Year	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Statement of Profit or Loss and Other Comprehensive Income					
Insurance Premiums	870,050	809,250	745,540	727,806	720,970
Interest Earned	1,100,029	922,900	862,530	780,742	755,791
Other Income	64,382	93,621	148,026	26,454	(31,562)
Total Income	2,034,461	1,825,771	1,756,096	1,535,002	1,445,199
Impairment Loss on Securities	32,091	-	-	-	-
Administrative Expenses	173,987	209,280	180,782	178,015	128,894
Surplus from Operations	1,828,383	1,616,491	1,575,314	1,356,987	1,316,305
Statement of Financial Position					
Deposit Insurance Fund	12,169,890	10,341,507	8,725,016	9,246,938	7,889,951
Investment Securities	11,787,149	9,913,940	8,276,122	9,075,955	7,842,372
Total Assets	12,834,908	11,028,471	8,892,521	10,177,943	8,659,837
Property, Plant and Equipment (NBV)	110,038	95,630	97,825	98,946	109,503
Other Selected Data					
Persons Employed at the End of the Year	25	26	24	23	20
Operating Ratio (%)	14.9	20.6	17.9	22.1	17.8
Expense Control Ratio (%)	8.6	11.5	10.3	11.6	8.9
Administrative Expenses Ratio (%)	9.5	12.9	11.5	13.1	9.8
Asset Management Ratio (%)	17.1	18.3	18.4	16.3	18.6
Return on Assets Ratio (%)	15.3	16.2	16.5	14.4	16.9

Deposit Insurance Fund



Key Performance Ratios



Chairman's Remarks

During the year the Corporation operated in an environment which saw the Government of Jamaica's Memorandum of Economic and Financial Policies (MEFP), supported by the IMF under a four-year Extended Fund Facility (EFF), positively impacting the country's economic performance. Although the economy recorded only marginal growth, projections are for the growth trajectory to improve in the new financial year. Projections are supported by the increased levels of business and consumer confidence and the IMF Board's confirmation that the country had passed the seventh consecutive test for quarter ending December 2014 under the EFF, as well as the consequent improvements in the country's sovereign ratings. These factors should ultimately redound to the benefit of the economy, with higher levels of investment and consumer spending. Additionally, the global economy grew by 3.3 percent in 2014 and this also augured well for the domestic economy.

Consistent with the general improvement in the macroeconomic environment the banking system also remained resilient, with the eleven JDIC Policyholders adequately capitalized and solvent; and reporting ratios in excess of the prudential requirements. Total deposits within the banking system grew by 6.9 percent and continued to be the main source of funding for Policyholders amounting to 75 percent of total liabilities.

The JDIC continued its judicious management of the Deposit Insurance Fund (DIF/The Fund) which at the end of March 2015 was $12.17 billion; an increase of 17.7 percent over the previous year's balance of $10.34 billion. At 96.8 percent fully insured deposit accounts, being those deposits which are at or below the $600,000 coverage limit, remained over the international benchmark standard of 90 percent. The dollar value of fully insured deposits as a percentage of the insurable deposits within the system however saw only a marginal decline moving from 28.7 percent to 28.2 percent. At these levels the Corporation continued to meet the public policy objective for providing deposit insurance coverage for the vast majority of small depositors during the year.

From a policy perspective the Corporation saw no need to change its overarching mandate and continued to pursue initiatives that support its commitment and vision to contribute to financial system confidence and stability in Jamaica. Within this context, and in support of the MEFP, the Corporation, in the latter half of the financial year was focused on the development of its Financial Crisis Management Plan (FCMP). This is a step to the establishment of a National Financial Crisis Management Plan by the Financial System Safety Net (FSSN) partners, which is currently under development. The FCMP outlines the key considerations and coordinated steps that the Corporation, and FSSN partners, must take to ensure readiness to address crisis situations in the financial sector. I believe the FCMP better provides the JDIC with the capacity for timely decision making to respond appropriately to Policyholders in financial distress in support of the overall stability of the financial system.

The Corporation with the support of the US Treasury Department, Office of Technical Assistance did much work on the policy framework for improving the Corporation's resolution capacity in line with international standards, including the International Association of Deposit Insurers *Core Principles for Effective Deposit Insurance Systems* and the Financial Stability Board's *Key Attributes of Effective Resolution Regimes*. The finalization of these policies and the supporting legislation will have the desired level of coordination among the FSSN partners and will address key lessons learned in the post global crisis period, allowing the country to be able to better protect its financial system and economy.

A significant piece of legislation passed during the year was the Banking Services Act (BSA) which will, when it becomes effective, repeal the Banking Act, the Financial Institutions Act, and the Bank of Jamaica (Building Societies) Regulations. The BSA will allow for improved regulation of Policyholders and their connected companies. This legislation goes some measure also in providing a framework for improved collaboration and coordination between the Bank of Jamaica and the Corporation where enforcement actions in relation to Policyholders are to be taken by the regulators.

With the due oversight of the Board and the diligence of the Management, the Corporation was able to follow through on key aspects of its corporate plans for the year. This was done in the context of significant cost and human resource constraints. It is expected that some of these human resource constraints will be addressed in the new financial year.

In terms of its financial management, the Corporation ended the year meeting all budgetary and quarterly overall balance targets agreed with the Ministry of Finance and Planning. The Corporation had an overall balance out-turn of $2,396.6 million exceeding the target of $2,003.3 million.

The Board carried out its responsibilities also through its standing Audit Committee; Investment Committee and Corporate Governance Committee and paid much attention to improvements to its governance policies. Importantly, the Corporation complied with all statutory requirements and met every reporting timeline to which it was subject.

I take this opportunity to commend and thank my colleague Board members for their commitment and the diligence and attention paid to the matters of the Board. This augured well to the execution of the responsibilities of the Board. On behalf of the Board of Directors, I assure our continued support to the Chief Executive Officer and the JDIC management in the pursuit of the objectives of the Corporation to ensure that it remains both responsive and efficient. With the close of the year, I thank all stakeholders who supported the work of the Corporation during the period and look forward to another year of commitment to our goals and our country.

Peter Thomas, OD, ACII, JP
Chairman

CEO's Report on Operations

The performance of JDIC's Policyholders remained resilient during the year with continued improvement in asset quality, as non performing loans (NPLs) declined for a third consecutive year. With modest growth in loans there was improvement in the NPL to total loans ratio. Policyholders were properly funded from deposits which represented 75 percent of total liabilities. Capital adequacy ratios were comfortably above the prudential benchmark and there was improved profitability in the sector. The banking system remained adequately liquid and the central bank operations were designed to allow sufficient liquidity for business. There was also strengthening within the system with a significant strategic merger of the operations of a mid-sized and small bank. There were no bank failures.

The economy remained stable with significant boost to the business and consumer confidence and that of the rating agencies when the IMF Board confirmed in March 2015 that the country had passed its seventh consecutive test under an Extended Fund Facility. The projections are for modest GDP growth going forward into the medium term.

Core Operations

The relatively stable environment allowed the Corporation to focus on capacity building consistent with achieving success in its corporate plan. During the year the Corporation continued to streamline and update its internal policies and procedures in its core functions and support areas to ensure that they remained robust and responsive to current and future requirements of the Corporation to carry out its mandate effectively.

The annual simulation exercise was conducted to test the readiness of the Corporation to pay out depositors, if the need were to arise. There was also much work on the business process development for the full automation of depositor payout compliant with international best standard timelines, with projections for completion of the development work in early 2018. The Corporation continued to work with Policyholders on the standardization of record-keeping guidelines, the implementation of which will underpin the Corporation's capacity for quick and efficient payouts and decision making in relation to other resolution strategies for Policyholders in financial distress.

There was continued monitoring of Policyholder risk to advise the Corporation's potential resolution capacity and resource needs and the adequacy of the Deposit Insurance Fund (DIF/the Fund). The Fund was deemed adequate during the year given the level of risk assessed.

The legislative calendar saw significant improvement in the framework for Policyholder prudential regulation with the passage of the Banking Services Act (BSA). There was also passage of the Insolvency Act and the Security Interests in Personal Property Act, two key pieces of legislation which significantly enhanced the framework for business and commerce and the deepening of the development of the economy in line with international standards. Importantly also for JDIC was the tabling of the *Deposit Insurance (Joint, Trust and Nominee Accounts) Regulations.* These Regulations will facilitate the preservation of the commercial expectations of depositors, as it provides a framework for deposit insurance coverage up to the maximum limit to the beneficial owners of these accounts. The passage of these regulations was well advanced, with Parliamentary approval expected early in the new financial year.

The Corporation worked on the development of its Financial Crisis Management Plan (FCMP) precursory to the establishment of a National Financial Crisis Management Plan with the Financial System Safety Net (FSSN) partners. These developments are consistent with the MEFP and international best standards arising from lessons learned out of the global financial crisis of 2007. Through the development of proposed policy prescriptions, which will be finalized after consultations with stakeholders in the new financial year, the Corporation will seek to further enhance its resolution capacity.

Consistent with the thrust for strengthening the capacity for responsiveness to financial institutions in distress, FSSN members also agreed to commence a comprehensive review of the Memorandum of Understanding (MOU) and the supporting *"Guide to Intervention for Financial Entities"* developed in 2001. The review will seek to ensure the efficacy and relevance of the roles and responsibilities for each FSSN member, as well as ensure that information sharing and coordination of actions are explicit and formalized so as to effectively address financial crises.

Public education and awareness continued to be important to the Corporation's role in financial system confidence and in this regard the Corporation, in collaboration with other FSSN members and Policyholders, sustained its thrust throughout the year. There was also continued public outreach through presentations on deposit insurance and financial system regulation to various institutions and sector groups.

During the year the Corporation was also actively engaged in the proposed development of a national financial inclusion strategy for Jamaica, a project being spearheaded by the Bank of Jamaica with the support of the World Bank. The project's ultimate aim is to empower consumers of financial services and promote broad economic participation and growth, and aligns closely with the overarching objectives of the Corporation's own ongoing public education and awareness programme.

Membership in the International Association of Deposit Insurers (IADI) continued, with the Corporation integrally involved in IADI's 13th AGM and conference, hosted by the Deposit Insurance Corporation, Trinidad and Tobago in October 2014. During this time the Corporation signed a MOU with members of the Caribbean Regional Committee of the IADI. The MOU seeks to reinforce the commitment for partnership and cooperation, specifically in the areas of deposit insurance protection, resolution management and the promotion and maintenance of financial stability.

Its compliance with the *BCBS/IADI Core Principles for Effective Deposit Insurance Systems* (Core Principles) was also assessed with the support of the US Department of Treasury, Office of Technical Assistance; and the Corporation deemed compliant with most of the 16 Core Principles.

Financial Performance

The DIF saw a 17.7 percent growth over the previous year to reach J$12.17 billion. As one of the means of securing the robust growth of the DIF the Corporation continued to focus on maintaining efficiency. The key operating efficiency ratios, including its robust Operating Ratio, measuring expenses as a percentage of interest and other income, showed a favourable outturn with a downward trajectory from the previous year. The Corporation met all its financial and overall balance targets during the year.

Management of Human Resources

The Corporation continued to recognize its staff as its most important asset, and targeted training was a key component of staff development to meet the Corporation's existing and future requirements. As with the previous year the Corporation experienced high levels of staff turnover, motivated to some significant degree by the pursuit of higher remunerating jobs locally and overseas. The human resource strategy continued to be the utilization of cross functional teams, and with this strategy, the Corporation was able to achieve good performance. During the year plans to address human resource issues were discussed and will be pursued in the next financial year.

Concluding Remarks

On behalf of the Management and staff I thank the Chairman and Board of Directors for their sound oversight during the year. The strengthening of key operating policies were prioritized and signed off by the Board, allowing the Management to address challenges in carrying out core functions with required levels of robust analysis and application. I take this opportunity to thank the staff of the JDIC for its full support in the attainment of the objectives set out for the year.

I also convey thanks to our stakeholders and FSSN partners for their support and collaboration through the various working Committees and other initiatives and look forward to working successfully through the opportunities that will present themselves in the new financial year.

Antoinette McKain
Chief Executive Officer

Corporate Governance

The Board of Directors (the Board) and Management acknowledge sound corporate governance as essential to their respective responsibilities for effecting the vision, mission and objectives of the Corporation. Local[1] and international best practice standards,[2] including the *BCBS/IADI Core Principles*[3] *for Effective Deposit Insurance Systems* continue to form the core guidance of the Corporation's corporate governance policies.

Through the Board, the Corporation is responsible to Parliament for the execution of its mandate and general administration of its affairs. The Corporation continued to operationalise its commitment to good governance and began work on the formalization of its Board Charter consistent with its Board governance policy.

CORPORATE GOVERNANCE ENHANCEMENTS

Initiatives were also undertaken to ensure that the Board and select members of staff received training in corporate governance to facilitate awareness of and familiarity with relevant advancements in international best practice standards. There was particular focus on the proper administration of corporate governance procedures, board evaluations and information technology governance.

An online Board portal was established to provide the Board members with secure, efficient and exclusive remote access to meeting papers and other documents, training information and updates.

Enterprise Risk Management

Enterprise Risk Management (ERM) continued to be of importance, particularly during the preparation of the FY2015/16 - FY2017/18 Corporate Plan. During the exercise, there was continued emphasis on internal controls, as well as risk assessment and review. All members of staff were involved in risk identification, assessment, mitigation and prioritization sessions in relation to their respective spheres of operations.

The corporate planning phase was followed by the development of a comprehensive Financial Crisis Management Plan (FCMP). The annual Contingency Planning session was also conducted and included a payout simulation exercise. These initiatives resulted in measurable enhancements to the Corporation's internal crisis management and risk mitigation strategies.

During the period, the formal conduct of the Corporation's internal control review was undertaken by the internal auditors.

BOARD OF DIRECTORS

The Board is comprised of seven members, four of whom are appointed by the Minister of Finance and Planning (the Minister), in accordance with the Deposit Insurance Act (DIA). The remaining three members of the Board are ex-officio directors, being persons holding the offices of Governor of the Bank of Jamaica, Financial Secretary and Chief Executive Officer of the Corporation; or their respective nominees.

The DIA provides that the Board of the JDIC is responsible for the policy and general administration of the Corporation and the management of the Deposit Insurance Fund (DIF).

In addition to the statutorily required Audit Committee of the Board, there are two standing committees, namely: the Investment and the Corporate Governance Committees.

Over the period, the Corporation complied with all statutory and other obligations in a timely manner. The Annual Report for FY2013/14 was submitted to the Minister as well as the Corporate Plan, including capital and operating budgets for the years FY2015/16 - FY2017/18. Additionally, corporate performance was reviewed and the Quarterly and Half-Yearly Reports were submitted to the Minister as required under the Public Bodies Management and Accountability Act (PBMA).

During the period, the terms of the four appointed Board members expired and these members were reappointed by the Minister. The Board met four times during the calendar year.

[1] Note: www.mof.gov.jm, DIA, PBMA and FAAA
[2] Commonwealth Association for Corporate Governance Guidelines
[3] Principle 5 - Core Principles for Effective Corporate Governance

Meetings of the Board of Directors

BOARD OF DIRECTORS		NUMBER OF MEETINGS ATTENDED (CY)
Peter Thomas, OD, ACII, JP	Chairman	4/4
Bridgett Wilks*	Nominee of the Financial Secretary	2/4
Brian Wynter*[4]	Governor, Bank of Jamaica	1/4
Antoinette McKain*	Chief Executive Officer, JDIC	4/4
Lloyd Duncan	Board Member	3/4
Howard Mitchell	Board Member	2/4
Marlene Myrie Porter	Board Member	4/4
Alicia Hussey	General Counsel & Corporate Secretary	4/4
Stacy Earl	Legal Officer & Deputy Corporate Secretary	3/4
Clover Edwards	Legal & Corporate Secretariat Assistant/Recording Officer	4/4
NB: Bridgett Wilks retired during the year and was replaced by Aisha Wright [5].		

Board Committees and Meetings

Audit: The Audit Committee provided general, objective and independent oversight of the management of internal controls, the financial reporting processes and the relationship with the internal and external auditors. The committee also advised the Board on: (a) practices and procedures which will promote productivity, as well as the quality of the services of the Corporation (b) the extent to which the objectives of the Corporation are being achieved and (c) the adequacy, efficiency and effectiveness of the Corporation's accounting and internal control structures and systems. The Committee met four times during the financial year.

AUDIT COMMITTEE		NUMBER OF MEETINGS ATTENDED (FY)
Marlene Myrie Porter	Board Member, Chairperson	4/4
Lloyd Duncan	Board Member	4/4
Howard Mitchell	Board Member	1/4
Owen McKnight	Ministry of Finance and Planning	4/4
Alicia Hussey	General Counsel & Corporate Secretary	4/4
Stacy Earl	Legal Officer & Deputy Corporate Secretary	4/4
Clover Edwards	Legal & Corporate Secretariat Assistant/Recording Officer	4/4

[4]* All Ex-officio Board Members
[5]MOFP letter dated December 19, 2014

Investment: The Investment Committee assisted the Board with the effective oversight of the management of the DIF. The Committee is comprised of at least two members of the Board, one of whom is the Chief Executive Officer (CEO), the Chief Financial Officer and two other senior members of staff, who are recommended to the Board by the CEO. External persons may be appointed to the Investment Committee, based on the recommendations to the Board and the terms of appointment set by the Committee. The Committee is guided by the DIA and the Corporation's Investment Policy. It received and reviewed reports from the Treasury Management Committee, a standing executive management committee which oversees the administration of the DIF. The Investment Committee met twice during the financial year.

INVESTMENT COMMITTEE		NUMBER OF MEETINGS ATTENDED (FY)
Lloyd Duncan	Board Member, Chairperson	2/2
Antoinette McKain	Chief Executive Officer	2/2
Ronald Edwards	Director, Finance, Funds and Asset Management	2/2
Alicia Hussey	General Counsel & Corporate Secretary	2/2
Stacy Earl	Legal Officer & Deputy Corporate Secretary	2/2
Donna-Marie McDonald	Operations & Project Assistant/Recording Officer	2/2

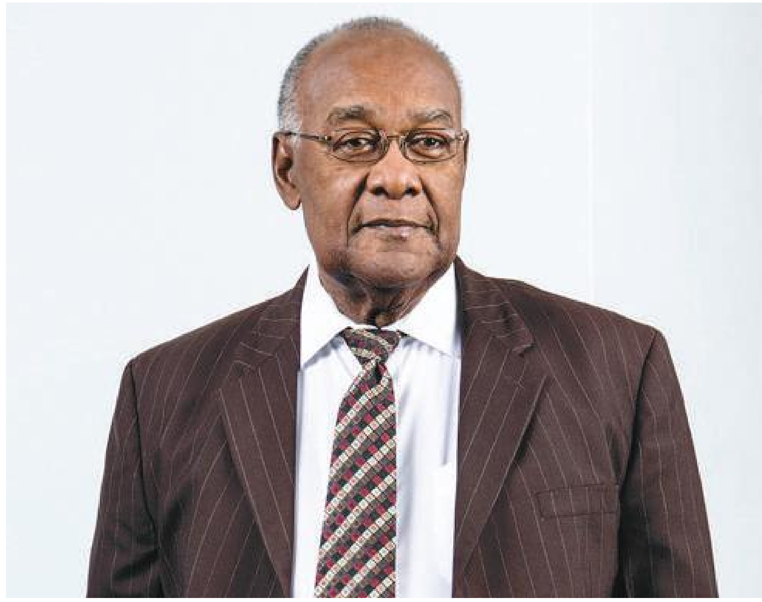
Corporate Governance: The Corporate Governance committee, which is comprised of four Board members, has responsibility for oversight, implementation and proper execution of and compliance with best practice standards in governance.

During the period, the committee reviewed and evaluated Management's proposal for the conduct of a job evaluation and reclassification exercise to ensure that the Corporation's business model is sufficient to effectively carry out its mandate and is consistent with international standards. The exercise would also seek to optimize efficiencies and ensure that salaries are commensurate with industry and government standards. The Committee also reviewed and approved the proposed framework and templates for the Evaluation of the Internal Auditors.

CORPORATE GOVERNANCE COMMITTEE		NUMBER OF MEETINGS ATTENDED (FY)
Peter Thomas, OD, ACII, JP	Board Chairman, Chairperson	1/1
Howard Mitchell	Board Member	0/1
Marlene Myrie Porter	Board Member	1/1
Antoinette McKain	Chief Executive Officer	1/1
Alicia Hussey	General Counsel & Corporate Secretary	1/1
Stacy Earl	Legal Officer & Deputy Corporate Secretary	1/1
Clover Edwards	Legal & Corporate Secretariat Assistant/Recording Officer	1/1

Board of Directors

"The Board is comprised of seven members, four of whom are appointed by the Minister of Finance and Planning (the Minister), in accordance with the Deposit Insurance Act (DIA). The remaining three members of the Board are ex-officio directors, being persons holding the offices of Governor of the Bank of Jamaica, Financial Secretary and Chief Executive Officer of the Corporation; or their respective nominees".



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 33 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.

Aisha Wright
Nominee of the Financial Secretary

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

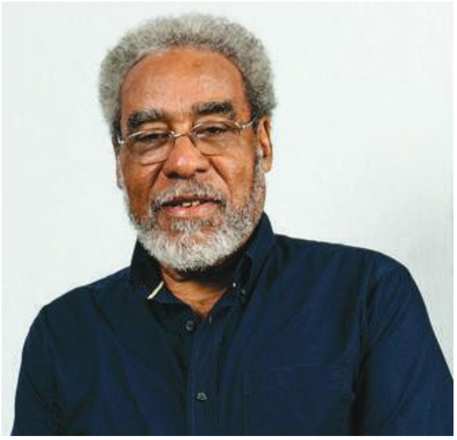
Antoinette McKain
Chief Executive Officer

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. More recently she was also on the Committee of the Private Sector Organization of Jamaica which made proposals for the reform and modernization of the insolvency laws in Jamaica.

In addition to her legal qualifications, Ms McKain holds a MBA in Finance from the University of Manchester and Wales. She has now successfully completed her studies for the Chartered Banker MBA, Bangor Business School, Bangor University and is awaiting the Certificate of membership for the Chartered Banker Institute.



Lloyd Duncan

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

Howard Mitchell is a graduate of the University of the West Indies (BSc in Government) and the University of Miami (LLM in International Trade Law). He was admitted to the Jamaica Bar in September 1976 and has spent more than 30 years in the legal field.

Mr Mitchell is the Vice-President of the Jamaica Manufacturers Association. He currently serves as Chairman of Corrpak Jamaica Limited, Island Grill/Chicken Mistress, TM Traders Limited, Ajas Limited and Caribbean Flavors and Fragrances Limited. In addition to the JDIC, he also holds directorships on the boards of the St Catherine Vicariate and G. Raymond Chang Foundation, St Georges College Endowment Fund, Union Gardens Foundation, Walkerswood Group, Carimed and Kirk Distributors Limited. He was the Chairman of the National Housing Trust, Coffee Industry Board, The Bauxite and Alumina Trading Company Limited/Jamaica Bauxite Mining Limited and The Private Sector Working Group on Caricom and Free Trade Associations.

Mr Mitchell has been successful in the start up of Jamaica's largest Corrugated Cardboard Factory in 2006 and the completion of the multi-million dollar acquisition/merger of the Jamaica Lottery Company Limited and Supreme Ventures Limited in 2005. He is co-author of the Book "Legal Aspects of Doing Business in Jamaica" and was nominated as "The Observer Business Leader" in 1997. He is a fellow of the Center of International Law of Austria; and 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 Market Development Manager, Agro-Processing and Services. 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

L – R: Dawn Marie Brown *– Director, Monitoring and Risk Assessment;* ***Carla Myrie*** *– Manager, Human Resource and Administration* ***Eloise Williams Dunkley*** *– Director, Intervention, Resolutions and International Relations;* ***Antoinette McKain*** *– Chief Executive Officer* ***Ronald Edwards*** *– Director, Finance, Funds and Asset Management;* ***Marjorie McGrath*** *– Manager, Corporate Communications*

Team Members

Seated L – R: *Carla Myrie, Dawn Marie Brown, Clover Edwards, Antoinette McKain, Ronald Edwards and Stephanie Williams*

Standing L – R: *Lucius Bullens, Eloise Williams-Dunkley, Pearzie Reid, Sherene Lewis-Bailey, Roxan Jackson, Stacy Earl, Odette Barron, Omar Cheevers, Melisa Williams, Pamella Lawrence, Donna-Marie McDonald, Delgado Williamson, Marjorie McGrath and Randia Scott*

Management's Discussion & Analysis

MACROECONOMIC PERFORMANCE

GLOBAL DEVELOPMENTS

The global economy grew by 3.3 percent in 2014, propelled mainly by growth in advanced economies. Strong growth out-turns were recorded by Jamaica's main trading partners: Canada, China, United Kingdom and United States of America (USA) *(Table 1)*. In addition, growth in emerging market economies remained robust (4.4 percent), while economic activity in Latin America and the Caribbean was positive (1.2 percent), though lower than the out-turn of 2.8 percent in 2013. Global growth received a boost from significantly lower oil prices[6]. This growth augurs well for the domestic economy, particularly through external demand and remittance inflows.

Table 1: Economic Performance and Projections (% change) of Jamaica's Main Trading Partners

	2013	2014	2015 (P)
	%	%	%
World	3.3	3.3	3.5
Canada	2.0	2.4	2.3
China	7.8	7.4	6.8
United Kingdom	1.7	2.6	2.7
United States of America	2.2	2.4	3.6

P- Projections
Source: World Economic Outlook Update, January 2015

DOMESTIC DEVELOPMENTS

Jamaica's macroeconomic performance continued to be shaped by its Memorandum of Economic and Financial Policies (MEFP[7]) supported by the IMF under a four-year Extended Fund Facility (EFF). In February 2015 the IMF completed the seventh review of Jamaica's performance under the EFF and on March 30, 2015 the IMF Board confirmed that the country passed the seventh consecutive test under the four-year programme. As a consequence, Jamaica will be able to draw down an additional amount of approximately US$39 million[8] from the IMF.

Given the country's performance under the MEFP, consumer and business confidence[9] increased at the end of December 2014. This increase in confidence augurs well for increased business investment and consumer spending.

Following on real economic growth recorded at 0.9 percent in FY2013/14, GDP for the calendar year (CY) 2014 is estimated to have grown by 0.4 percent, which compares favourably to a GDP growth of 0.2 percent in 2013. Further growth was hindered by the impact of drought conditions and plant downtime which restricted production. For the FY2014/15 the domestic economy was projected to record a marginal growth of GDP 0.3 percent *(Table 2)*.

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[6]Oil prices in US dollars have declined by approximately 55 percent since September 2014. This decline is due to: (i) unexpected demand weaknesses in some major economies; and (ii) oil supply factors including the decision of the Organization of the Petroleum Exporting Countries (OPEC) to maintain current production levels despite the rise from non-OPEC producers.

[7]The primary objective of the MEFP is the creation of an environment that is conducive to economic growth and development.

[8]Disbursements under the IMF EFF up to end-2014 totaled SDR360.13 million (approximately US$550.2 million).

[9]The JCC Conference Board Survey of Business and Consumer Confidence 2014 4th Quarter result.

Consistent with increased economic activity by Jamaica's trading partners, net remittances for the CY were US$1,926.5 million, an increase of US$92.3 million or 5.6 percent relative to the corresponding period of 2013. Additionally, the domestic economy was influenced by expansion in non-residential construction activities and improved domestic demand and external demand for some exports.

Table 2: Performance of Key Macroeconomic Indicators

INDICATORS	FY2014/15 (P)	FY2013/14	FY2012/13
GDP Growth (%)	0.3	0.9	-0.7
Inflation (Annual Pt to Pt, %)***	4.0	8.3	9.1
NIR (US $Million)**	2,293.7	1,303.6	884.3
Total Public Debt ($ Trillion)	2.1	1.9	1.8
Total Public Debt (% of GDP)	131.6	133.3	135.2
Fiscal Balance (% of GDP)	-0.5	0.1	-4.1
Primary Surplus (% of GDP)	7.7	7.7	5.4
180-day T-Bill Rate (%)	7.00	7.87	6.4
Exchange Rate (J$ = US$1**)	115.04	109.6	98.9

P- Provisional
Sources: The Government of Jamaica Fiscal Policy Paper FY2015/16
** www.boj.org.jm and *** www.mof.gov.jm

In keeping with the general improvement in economic activity during 2014, the unemployment rate improved as at October 2014 to 14.2 percent[10] from 14.9 percent in October 2013. The weighted average rate of the Jamaican dollar vis-à-vis the US dollar was J$114.66 = US$1 at the end of December 2014. This represents a depreciation of 7.8 percent compared to 14.4 percent at the end of December 2013, reflecting a slowing of the annual pace of depreciation. The slower pace of depreciation was due to: (i) the continued positive impact of Jamaica's performance under the IMF EFF; (ii) increase in investor confidence in the Government's MEFP and the country's economic prospects; and (iii) a trend decline in the demand for foreign currency to satisfy balance of payments current account transactions.

The Bank of Jamaica (BOJ) maintained its signal rate, the rate on the 30-day Certificate of Deposit (CD), at 5.75 percent[11]. Additionally, the BOJ continued its liquidity management operations which included the issue of special open market operation (OMO) securities and occasional interventions in the foreign exchange market. These operations were complemented by the BOJ's continued provision of liquidity made available to deposit-taking institutions (DTIs) through repurchase arrangements and the *Standing Liquidity Facility*.

The average yields in the Government of Jamaica (GOJ) Treasury Bills declined by 57 basis points to 6.96 percent and 111 basis points to 7.14 percent for 90-day and 180-day respectively for 2014, relative to 2013. This reflected the: (i) impact of a slower pace of depreciation in the exchange rate; (ii) trend reduction in inflation expectations; and (iii) overall improvement in domestic liquidity. Of note, the GOJ successfully approached the international capital markets in July 2014 and raised US$800 million[12] on a 10-year bond maturing in 2025, at a coupon rate of 7.63 percent. This represented the lowest coupon rate that Jamaica has ever obtained through an international bond issue.

[10] STATIN Labour Force Survey 2014, published February 2015.

[11] This rate has been unchanged since the March 2013 quarter following the implementation of the NDX in February 2013.

[12] The bond was initially announced for US$500 million, however due to overwhelming investor demand the amount was increased.

In relation to consumer prices, headline inflation decelerated to 6.4 percent at the end of December 2014 in comparison to 9.7 percent for 2013. This decline is as a result of lower prices among: (i) energy related services owing to reductions in global oil prices; (ii) agricultural food items and (iii) the projected narrowing of the inflation gap between Jamaica and its main trading partners, particularly the USA. Projections for key macroeconomic indicators within the context of Jamaica's MEFP are presented in *Table 3.*

Table 3: Medium Term Projections for Key Macroeconomic Indicators

Indicators	FY2015/16	FY2016/17	FY2017/18
GDP Growth (%)	1.6	2.0	2.9
Inflation (Annual Pt to Pt, %)	6.3	6.5	6.5
NIR (US$)	1,541.5	2,183.8	1,970.5
Fiscal Balance (% of GDP)	-0.3	0.9	1.1
Primary Surplus (% of GDP)	7.5	7.5	7.0
Total Public Debt (% of GDP)	121.3	115.7	107.4

Source: The Government of Jamaica Fiscal Policy Paper FY2015/16

LEGAL ENVIRONMENT

Legislative Developments

There was significant reform in the legislative and regulatory environment during the period under review. Extensive consultations took place with local stakeholders in the financial sector along with representatives from the IMF. These were focused on proposals for several legislative changes geared towards strengthening the financial system, some of which are towards bolstering the intended impact of the business of the Corporation.

Among other significant legislative reform was the passage of the long-awaited Banking Services Act (BSA), which is a major step aimed at enhancing certain crucial features of the country's financial regulatory framework. The period also saw the passage of the Insolvency Act and the Security Interests in Personal Property Act (SIPPA).

Additionally, the IMF Financial Sector Assessment Programmes (FSAP) conducted for the period 2011-2014 produced various recommendations which were instructive to the Corporation in seeking to review and enhance the resolution framework for DTIs. These included recommendations for legislative changes and proposals for a special resolution regime for DTIs.

Banking Services Act

The BSA was passed in June 2014 and is to take effect upon the passage of supporting regulations at a later date. The BSA will repeal the Banking Act, the Financial Institutions Act, and the Bank of Jamaica (Building Societies) Regulations. Consequential amendments to the Bank of Jamaica Act will also result when the BSA takes effect, as well as the repeal of a large number of banking regulations. The BSA will serve to strengthen the oversight of the deposit-taking financial sector and achieve greater conformity with the internationally established and accepted core principles of banking supervision. The BSA contains some significant provisions, such as:

- The supervisory autonomy of the Bank of Jamaica 'the Supervisor";

- Enhancements to provisions for consolidated supervision;
- The Supervisor's corrective and sanctioning framework;
- Rulemaking powers which will allow the Supervisor to issue legally binding rules to govern operational and prudential aspects of banking operations;
- Agent banking framework which will permit certain banking business to be undertaken through agents authorized by the Supervisory Authority;
- An enforceable Code of Conduct for DTIs, which will outline their responsibilities to customers (e.g. disclosure of relevant information regarding product and service offerings; fees and charges and resolution of disputes);
- The condition that each new licensee obtains deposit insurance coverage for the protection of deposits prior to accepting deposits.

Bank of Jamaica Act ("An Act to Amend the Bank of Jamaica Act")

The proposed amendments to the Bank of Jamaica Act will give the BOJ institutional responsibility for the stability of the financial system. The amendments to this Act will:

- Outline the mandate of the BOJ in relation to its role of maintaining financial system stability;
- Mandate the establishment of a Financial System Stability Committee to coordinate the activities pursuant to the objective of financial system stability;
- Expand the BOJ's regulatory oversight of financial institutions whose operations are deemed to be of systemic importance;
- Grant the necessary powers to the BOJ to obtain information from these financial institutions that will allow for the assessment of risks to the financial system (including the powers of inspection and powers to demand information);
- Give the BOJ the necessary powers to direct and impose measures to mitigate and control the risks of systemically important financial institutions (SIFIs) to the financial system. The BOJ will be given additional powers to, inter alia, extend liquidity, and issue prescriptive rules, standards and codes pertinent to the oversight of the stability of the financial system;
- Mandate the establishment of a central financial system database;
- Mandate the publication of a financial stability report within three (3) months after the end of the financial year.

Insolvency Act

The Insolvency Act was passed in October 2014. The Act seeks to consolidate the laws relating to bankruptcy, insolvency, receiverships, provisional supervision and winding up and facilitate an environment that will encourage investment and foster the growth of businesses and, ultimately, the Jamaican economy. The aim of the legislation is to:

(i) combine all provisions relating to the administration of insolvency for both individuals and corporate entities into a single piece of legislation; and

(ii) facilitate and encourage the reorganization and rehabilitation of debtors where possible.

In effect, the Act repeals the Bankruptcy Act and provision of the Companies Act relating to the winding up of insolvent companies.

Security Interests in Personal Property Act (SIPPA)

The Security Interests in Personal Property Act (SIPPA), came into force in January, 2014. SIPPA governs the creation, registration and enforcement of security interests over most personal (non-land) property. The changes that have been brought into effect by SIPPA include the establishment of an electronic registry, the National Security Interests in Personal Property Registry (the SIPP Registry), has been created and housed at the Companies Office of Jamaica for the registration of security interests in personal property.

The implementation of the law came with the requirement that in order to retain priority, all pre-existing charges that fall under SIPPA had to be (re)registered at the SIPP Registry by January 1, 2015.

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

The DIA seeks to recognize and preserve certain commercial expectations of depositors. The DIA therefore expressly allows for deposit insurance coverage for the beneficial owners of joint, trust and nominee accounts.

These Regulations are aimed at realizing these expectations by providing guidance and making certain disclosures by joint, trust and nominee account holders mandatory. The Regulations also require the implementation and maintenance of record-keeping standards by Policyholders. It is expected that the Regulations, which are now at a very advanced stage will receive Parliamentary approval in FY2015/16.

Cooperative Societies (Amendment) Bill

The proposed amendments to the Cooperative Societies Act will bring credit union cooperative societies under the regulatory ambit of the Minister and the BOJ. The amendments will include provisions to restrict the deposit-taking activities of cooperative societies to those cooperative societies which operate as credit unions. The principal Act is also being amended to require the prior approval of the Minister before a cooperative society can operate or continue to operate as a credit union.

Bank of Jamaica (Credit Union) Regulations

With the proposed passage of these Regulations, the operations of all licensed credit unions will fall under the supervisory regime of the BOJ. As a consequence, credit unions will be required to obtain policies of deposit insurance in respect of the deposits of their members. The Corporation will therefore be expanding its services to provide deposit insurance protection to credit union members. Under the Regulations, the Bank of Jamaica will regulate the licensing and maintenance of capital and reserves. The Regulations also contain governing provisions in relation to what are *"prohibited business" and a "specially authorized"* credit union.

DEVELOPMENTS IN BENCHMARK INTERNATIONAL STANDARDS

The Corporation is guided by key international standards which include: the International Association of Deposit Insurers (IADI)[13] and the Basel Committee on Banking Supervision *(BCBS) Core Principles for Effective Deposit Insurance Systems* and the *Key Attributes of Effective Resolution Regimes for Financial Institutions* developed by the Financial Stability Board (FSB). Significant revisions to these international standards during 2014 are summarized below.

Revised Core Principles for Effective Deposit Insurance Systems

The IADI and the *BCBS Core Principles for Effective Deposit Insurance Systems* and the supporting compliance assessment methodology were issued in 2009 and 2010 respectively. The Core Principles were revised in November 2014[14] to address/incorporate significant policy lessons for deposit insurance systems brought to the fore during the global financial crisis of 2007-2009; experiences using the Core Principles; and developments in the regulatory landscape for DTIs. The key enhancements/ recommendations of the revised Core Principles[15] and supporting criteria include:

- Additional guidance with regards to the Core Principles related to intervention and failure resolution, to better reflect the expanded role (other than depositor reimbursement) being adopted by many deposit insurers in the resolution regimes for member institutions;
- The legal framework for respective jurisdictions should include a special resolution regime;

[13]The International Association of Deposit Insurers (IADI), established in 2002 is the global standard-setting body for deposit insurance systems. It contributes to the stability of financial systems by enhancing the effectiveness of deposit insurance and promoting international co-operation on deposit insurance and bank resolution arrangements, in active partnership with other international organizations. IADI currently represents 79 deposit insurers from 76 jurisdictions.

[14]The November 2014 revised Core Principles may be accessed at: http://www.iadi.org/aboutiadi.aspx?id=105.

[15]The number of Core Principles has also decreased from 18 to 16

- A prescribed timeline of seven working days within which deposit insurers should reimburse most insured depositors.Deposit Insurers that cannot currently meet this target should develop a credible plan to do so;
- Deposit Insurers should have in place pre-arranged and assured sources of emergency liquidity funding that are explicitly set out in law or regulation;
- Implementation of effective contingency planning and crisis management policies and procedures by deposit insurers to effectively respond to the risk of, and actual bank failures and other financial crisis events. In this regard, a new Core Principle 6 – *"Deposit Insurer's Role in Contingency Planning and Crisis Management"* has been included. Core Principle 6, also recommends that deposit insurers should be members of institutional frameworks for ongoing communication and coordination related to system-wide crisis preparedness and management involving FSSN partners, as well as participation in contingency planning and simulation exercises;
- Additional guidance to ensure that the key design features of a DIS mitigate moral hazard. Such features include but are not restricted to: limited coverage levels and scope; establishment of differential premium systems; and timely intervention and resolution;
- Incorporating guidance related to cross-border deposit insurance issues in all relevant Core Principles.

Key Attributes of Effective Resolution Regimes for Financial Institutions

The Key Attributes of Effective Resolution Regimes for Financial Institutions (the Key Attributes) sets out twelve essential features that the FSB recommends for an effective resolution regime. The Key Attributes also include a compendium of guidance documents regarding implementation and interpretation. In October 2014, revisions were made to the supporting guidance documents.

The revisions include[16]:

- Additional guidance that elaborates on the Key Attributes relating to information sharing for resolution purposes[17].
- Sector-specific guidance on how the Key Attributes should be applied to insurers, financial market infrastructures (FMIs) and the protection of client assets in resolution.

Of particular importance to the Corporation is the guidance on *"Information Sharing for Resolution Purposes"*. Some of the key recommendations are as follows:

- *Legal gateways for disclosure of non public information*

  Legal frameworks for respective jurisdictions should establish gateways to authorize national authorities to disclose necessary information in a timely manner to other domestic and foreign authorities.

- *Purposes for which information may be disclosed*

  The legal gateways should be sufficient to permit appropriate disclosures to domestic and foreign authorities for the purposes of carrying out functions relating to resolution with regard to a firm.

- *Confidentiality*

  Respective jurisdictions should ensure that the legal framework establishes a regime for the protection of confidential information that imposes adequate requirements on authorities, current and former employees and agents. The framework should provide effective sanctions and penalties for breach of confidentiality requirements.

- *Cross border cooperation agreement*

  Cross border cooperation agreements should include provisions relating to the type of information to be shared, confidentiality and procedures for information sharing.

[16]Source: http://www.financialstabilityboard.org/2014/10/r_141015/

[17]Related key attributes (KA) are: KA 7.6 - relating to the resolution authority legal powers to share information on cross border cooperation; 7.7 - provisions for confidentiality requirements and statutory safeguards for the protection of information received from foreign authorities and KA 12 – Access to information and information sharing capacity.

POLICYHOLDER PROFILE AND PERFORMANCE

PROFILE OF POLICYHOLDERS

As at March 2015, there were eleven (11) Policyholders: six (6) commercial banks, three (3) building societies and two (2) FIA licensees. During the year, the Ministry of Finance and Planning (MOFP) approved[18] the acquisition by Sagicor Group Jamaica Limited (Sagicor) of the Jamaican operations of RBC Financial (Caribbean) Limited, consisting of RBC Royal Bank (Jamaica) Limited (RBCJ) and RBTT Securities. Following the acquisition, the assets and liabilities of Sagicor Bank Jamaica Limited (SBJL) were transferred to RBCJ as at 27 June 2014 and its banking licence surrendered. RBCJ was renamed Sagicor Bank Jamaica Limited.

Commercial Banks

- Bank of Nova Scotia Jamaica Limited*[19]
- Citibank, N.A.
- FirstCaribbean International Bank (Jamaica) Limited
- First Global Bank Limited
- National Commercial Bank Jamaica Limited
- Sagicor Bank Jamaica Limited

Building Societies

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

Merchant Banks (FIA Licensees)

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

POLICYHOLDERS' PERFORMANCE

As at December 2014 Jamaica's banking system remained resilient. Policyholders were adequately capitalized and solvent, with low and controlled exposure to credit and liquidity risks. All prudential benchmarks were satisfied, with favourable projections in the short term. These results are consistent with the general improvement in the macroeconomic environment which is evidenced by relative stability in the foreign exchange market; decline in interest rates and inflation; strong performance under the IMF EFF; and improved growth prospects.

The commercial banking sector continued to dominate the banking system, accounting for 75.9 percent of total assets. Building societies and FIA Licensees accounted for 21.3 percent and 2.8 percent, respectively.

The total asset base of Policyholders grew by 10.9 percent or $106.5 billion to total $1,084.4 billion at the end of the calendar year. This growth was largely driven by increases in investments, loans and advances.

[18]The acquisition was approved in keeping with c.33 (2) of the Banking Act.
[19]*Related deposit-taking institutions

Investments grew by 26.7 percent or $68.3 billion over the review period. Total loans and advances increased by 6.6 percent to $497.4 billion, which is below the average expansion rate of 9.6 percent over the previous four calendar years. The deceleration in the pace of growth of loans and advances was explained by lower volume of loans extended to businesses and households. This is not withstanding the liquidity provided by BOJ during the year. Cash and bank balances registered a marginal growth of 3.6 percent during the review period.

Asset quality continued to improve as non-performing loans (NPLs)[20] recorded a third consecutive year of decline, decreasing by 2.2 percent to $24.5 billion (12.9 percent decline in 2013). With the decline in NPLs and the growth in total loans (6.6 percent), the ratio of NPLs to total loans improved to 4.9 percent down from 5.4 percent at the end of CY2013. All three sub-sectors recorded out-turns for the NPLs to total loans ratio well within the prudential maximum of 10 percent *(Appendix 1 and Figure 2).*

This reduction in NPLs also contributed to the improvement in the ratio of NPLs to capital plus provisioning to end the CY2014 at 17.1 percent from 18.6 percent. This decline was reflected in all three sub-sectors which continued to record ratios below the maximum prudential limit of 20 percent.

Deposits continued to be the main source of funding for the sector, representing 75.0 percent of total liabilities. Deposits grew by only 6.9 percent during 2014, compared to 9.6 percent in 2013. As at December 2014 Policyholders' deposit base was $683.8 billion. There was continued liquidity assurance from the BOJ as a result of their enhanced liquidity management framework during the CY. Notably, towards the end of the year DTIs shifted some of their liquid asset holdings to more profitable placements (i.e. investments, and loans and advances). As a result, liquid assets to total assets and liquid assets to deposits, declined to 20.2 percent and 32.0 percent respectively, compared to 23.7 percent and 36.5 percent at the end of 2013.

Table 4: Summary of Financial Performance of Banking System

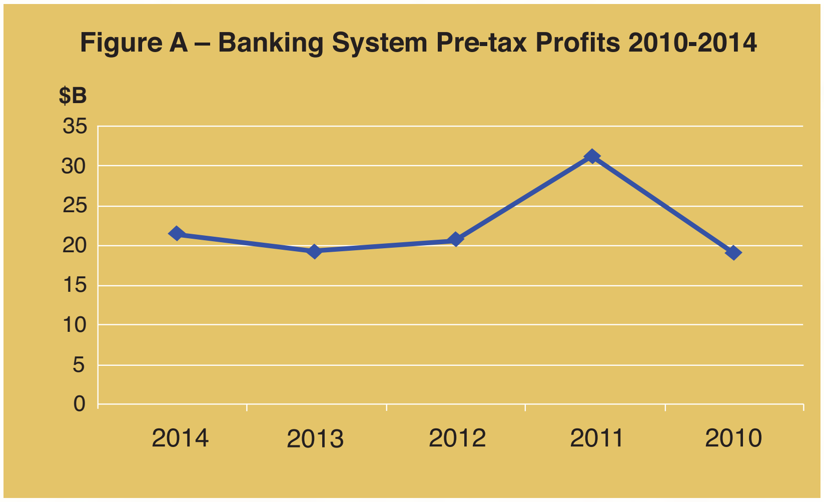
Key Financial Indicators	Dec-14 ($M)	2014/2013 (%)	Dec-13 ($M)	2013/2012 (%)	Dec-12 ($M)
Total Assets	1,069,928	10.9	963,752	10.8	869,724
Cash and Bank	192,560	3.1	186,732	21.4	153,794
Investments	323,648	26.7	255,385	-0.8	257,343
Total Deposits	683,820	6.9	639,943	9.6	584,085
Loans & Advances (gross)	497,398	6.6	466,586	14.1	408,983
Non-performing Loans	24,469	-2.2	25,015	-13.5	28,928
Interest Income	77,057	10.4	69,804	6.0	65,877
Non-interest Income	36,858	18.7	31,044	-0.3	31,133
Interest Expense	18,930	34.1	14,114	4.1	13,557
Non-Interest Expense	75,161	5.2	71,455	13.1	63,166
Pre-tax Profit	21,561	12.3	19,193	-7.4	20,735
Net Interest Income	58,127	4.4	55,690	6.4	52,321
Efficiency ratio (Non-int exp/ [Net Int Inc+Non-Int inc])	79.1%		82.4%		75.7%

Source: BOJ Annual Prudential Indicators at December 2014

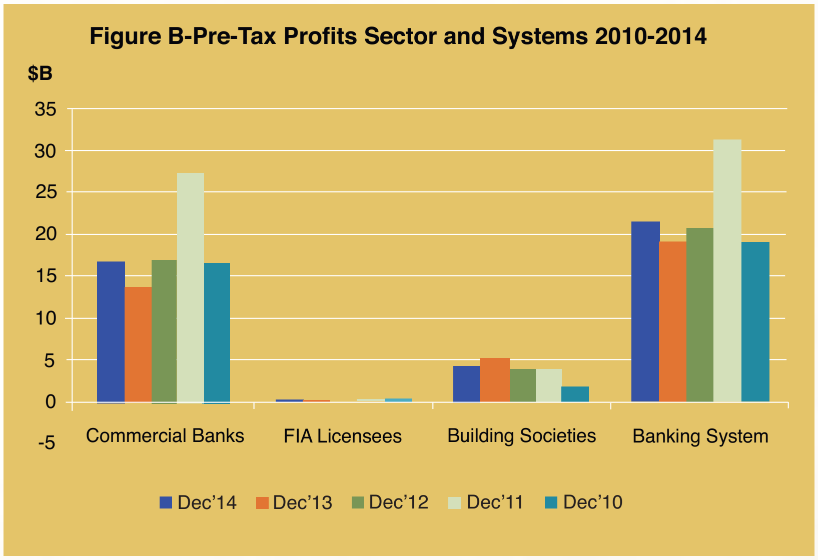
[20]Non-performing loans refer to past due loans (3 months and over)

Policyholders remained adequately capitalized, reporting ratios in excess of the minimum capital adequacy ratio (CAR) of 10.0 percent. The CAR for Policyholders ranged between 12.3 percent and 37.7 percent. Policyholders are expected to maintain capital ratios in excess of the prudential requirements.

Profits in the banking sector improved during 2014. The system registered pre-tax profits of $21.6 billion an increase of 12.3 percent during the review period, following two consecutive years of decline[21]. This increase in pre-tax profits was supported by a $7.3 billion or 10.4 percent increase in interest income arising predominantly from interest on loans and advances which offset a $4.8 billion or 34.1 percent increase in interest expense.



At the sub-sector level, pre-tax profits in commercial banks increased by 22.7 percent to $17.0 billion, accounting for 78.6 percent of total profits in the system during the CY. This was however reflective of a 21.9 percent increase in non-interest income primarily from dividends and trading profits on securities and a 9.8 percent increase in interest income on loans and advances. Building societies recorded a decline in pre-tax profits of 14.0 percent due mainly to higher non-interest expenses. FIA licensees recorded a 19.9 percent decline in pre-tax profits as a result of a decline in non-interest income driven by lower foreign exchange gains. The banking system's efficiency ratio[22] improved to 79.1 percent from 82.4 percent in the previous CY.



[21]Pre-tax profits for CY2011 totalled $31.3 billion.
[22]The international benchmark ratio is 60 percent.

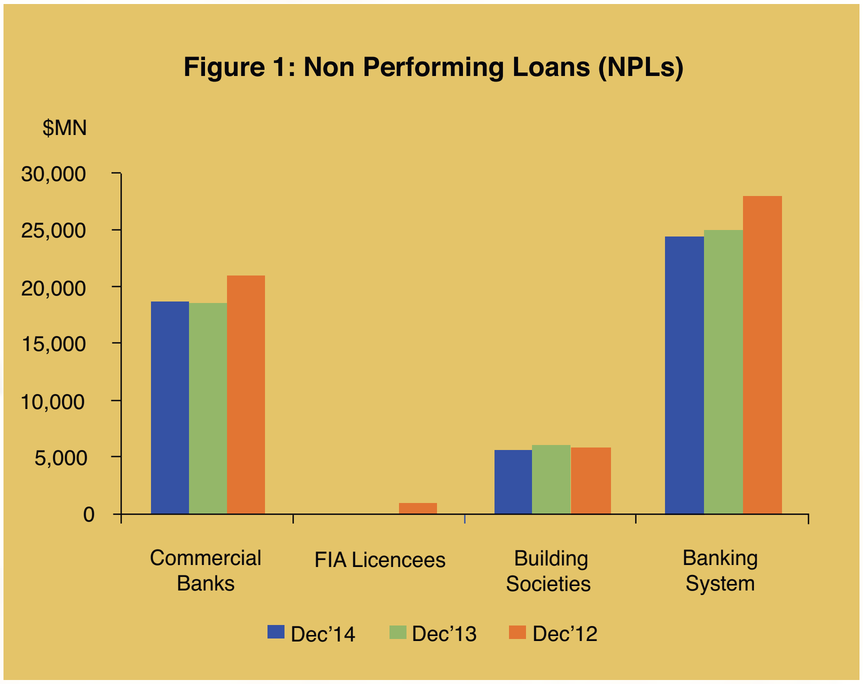


Figure 1: Non Performing Loans (NPLs)
$MN
30,000
25,000
20,000
15,000
10,000
5,000
0
Commercial Banks
FIA Licencees
Building Societies
Banking System
Dec'14
Dec'13
Dec'12

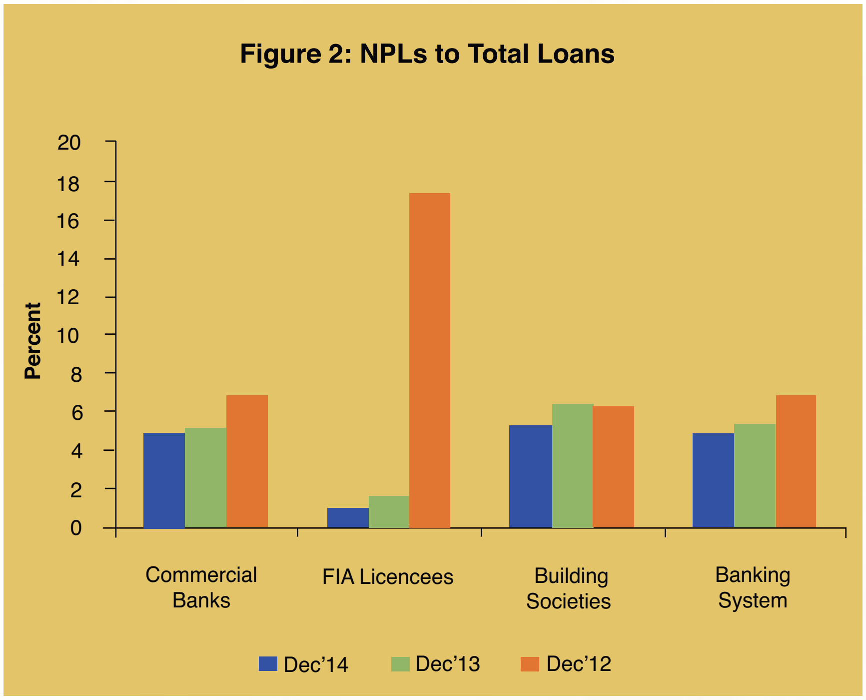


Figure 2: NPLs to Total Loans
Percent
20
18
16
14
12
10
8
6
4
2
0
Commercial Banks
FIA Licencees
Building Societies
Banking System
Dec'14
Dec'13
Dec'12

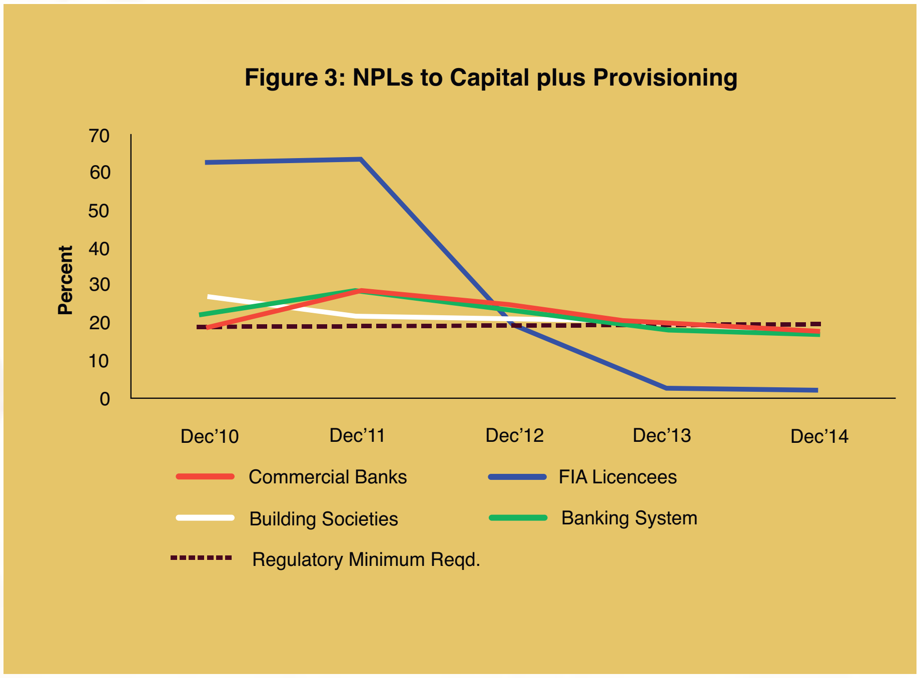


Figure 3: NPLs to Capital plus Provisioning
Percent
70
60
50
40
30
20
10
0
Dec'10
Dec'11
Dec'12
Dec'13
Dec'14
Commercial Banks
FIA Licencees
Building Societies
Banking System
Regulatory Minimum Reqd.

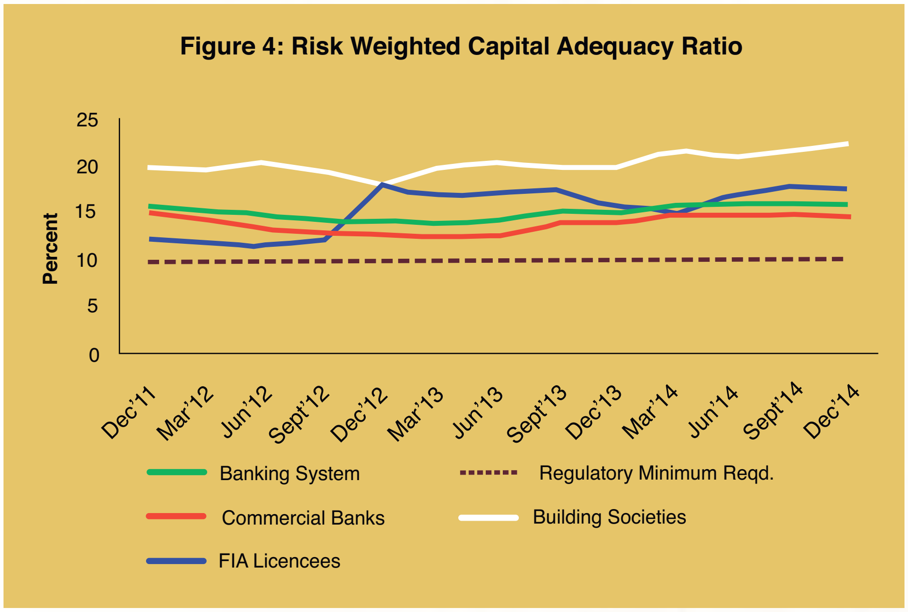


Figure 4: Risk Weighted Capital Adequacy Ratio
Percent
25
20
15
10
5
0
Dec'11
Mar'12
Jun'12
Sept'12
Dec'12
Mar'13
Jun'13
Sept'13
Dec'13
Mar'14
Jun'14
Sept'14
Dec'14
Banking System
Regulatory Minimum Reqd.
Commercial Banks
Building Societies
FIA Licencees

PROFILE OF DEPOSITS

Profile of Deposits Eligible for Deposit Insurance Coverage – Insurable Deposits

During CY2014, the dollar value of insurable deposits increased by 7.7 percent to $624.9 billion *(Table 5)*[23] and the number of insurable deposit accounts increased by 2.7 percent, to 4.3 million accounts. As a consequence of the larger increase in the dollar value of insurable deposits compared to the number of insurable accounts, the average balance in insurable accounts grew by 4.9 percent to $146,510.

Table 5: Total Insurable Deposits as at December 31, 2013 and December 31, 2014

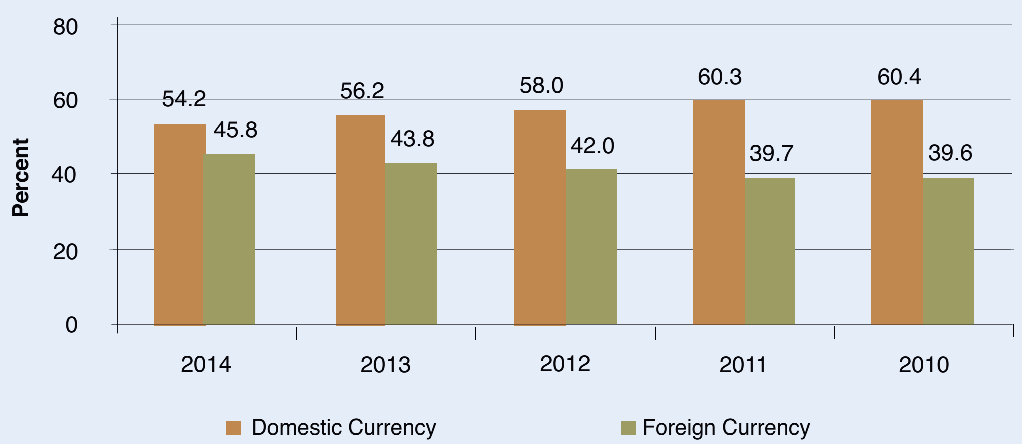
Institutions	December 31, 2014		December 31, 2013	
	($'000)	%	($'000)	%
Commercial Banks	459,445,746	73.5	428,023,554	73.8
Building Societies	152,530,686	24.4	141,871,173	24.5
FIA Licensees	12,878,643	2.1	10,138,736	1.7
Grand Total	**624,855,075**	**100**	**580,033,463**	**100**

Share of Insurable Deposits held in Domestic and Foreign Currencies

Domestic currency deposits recorded an increase of 3.8 percent to $338.5 billion, relative to $326.0 billion or a 3.7 percent increase in 2013. Foreign currency deposits increased by 12.8 percent to $286.5 billion at the end of December 2014; compared to a 12.9 percent growth in 2013.

Given the larger increase in insurable foreign currency deposits relative to domestic currency deposits, the share of domestic currency deposits as a percentage of total insurable deposits decreased to 54.2 percent (from 56.2 percent in 2013). Conversely, the share of insurable foreign currency deposits as a percentage of total insurable deposits increased to 45.8 percent of total insurable deposits, up from 43.8 percent in 2013 *(Figure 5)*.

Figure 5: Distribution of Insurable Deposits (Domestic and Foreign) 2010-2014



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

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

During CY2014, total estimated insured deposits increased by 5.7 percent to $259.7 billion compared to an increase of 6.7 percent in 2013 *(Table 6)*. This represents a slight decrease (to 41.6 percent down from 42.3 percent) in the ratio of insured deposits to total insurable deposits. Of the total estimated insured deposits, commercial banks continued to account for the largest share (70.5 percent); followed by building societies (29.0 percent) and FIA licensees (0.5 percent).

Table 6: Total Estimated Insured Deposits as at December 31, 2013 and December 31, 2014

Institutions	December 31, 2014		December 31, 2013	
	Estimated Insured Deposits ($'000)	% of Total Estimated Insured Deposits	Estimated Insured Deposits ($'000)	% of Total Estimated Insured Deposits
Commercial Banks	183,001,598	70.5	172,083,729	70.1
Building Societies	75,364,428	29.0	72,243,411	29.4
FIA Licensees	1,350,473	0.5	1,288,981	0.5
Total Estimated Insured Deposits	259,716,499	100	245,616,121	100
Deposit Insurance Fund Balance	11,681,985	-	9,881,386	-
DIF Ratio	-	4.5	-	4.0

The Deposit Insurance Fund Ratio (DIF Ratio) is the DIF expressed as a percentage of the total insured deposits (DIF/Total Insured Deposits). At the end of CY2014, the DIF Ratio was 4.5 percent (4.0 percent in 2013).

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

The number of fully insured accounts represented 96.8 percent of total insurable accounts, while the dollar value of fully insured deposits declined to 28.2 percent of total insurable deposits in 2014 *(Table 7)*.

Table 7: Percentage Number of Fully Insured Accounts and Value of Deposits

	2014 %	2013 %	2012 %	2011 %	2010 %
Percentage Number of Fully Insured Accounts	96.8	96.8	97	97.2	97.2
Percentage Dollar Value of Fully Insured Deposits	28.2	28.7	28.9	32.4	31.6

The number of fully insured accounts maintained by building societies was 97.5 percent of total insurable accounts within that sub-sector, while fully insured accounts in commercial banks and FIA licensees sub-sectors represented 96.1 percent and 86.5 percent respectively of their insurable accounts *(Table 8)*.

Table 8: Total Number of Insurable and Fully Insured Accounts December 31, 2014

Institutions	Total No. of Accounts Insurable	No. of Accounts Fully Insured	% of Fully Insured Accounts
Commercial Banks	2,262,068	2,173,582	96.1
Building Societies	1,993,008	1,944,047	97.5
FIA Licensees	9,843	8,519	86.5
Grand Total	**4,264,919**	**4,126,148**	**96.8**

Given that 96.8 percent of total insurable accounts in the banking system remained fully insured, the Corporation has continued to meet its public policy objective. This is above the IADI international best practice recommendation of fully insuring 90–95 percent of deposit accounts in the system.

REVIEW OF OPERATIONS

FINANCIAL OPERATIONS

The Corporation ended the financial year meeting the budgetary and the Overall Balance Targets[24]. The actual Overall Balance, which shows the cash from operations, was $2,396.6 million which exceeded the target of $2,003.3 million. The Corporation ended the year with total assets of $12.8 billion, which was an increase of 16.4 percent over the previous year's total assets of $11.0 billion. This was due to the 18.9 percent increase in investments.

Total Income, as detailed in the *Statement of Profit or Loss and Other Comprehensive Income (Table 9),* was $2.0 billion (Insurance Premiums of $870.1 million plus Total Interest Earned and Other Income of $1,164.4 million), which increased by 11.4 percent when compared with the previous year's total of $1.8 billion.

Total Income is comprised of the following:

- Premiums from Policyholders, which increased by 7.5 percent arising from the increases in insurable deposits.
- Interest earned which increased by 19.2 percent resulting from the investment strategies employed, the increase in the funds available for investment and the US Dollar interest earned at the higher exchange rate.
- Other income, which declined by 31.2 percent resulting mainly from the reduction in foreign exchange conversion gains with the revaluation of the US Dollar in the last quarter of the financial year.

Table 9: Statement of Profit or Loss and Other Comprehensive Income

DETAILS	FY2014/15 ACTUAL $M	FY2014/15 BUDGET $M	FY2013/14 ACTUAL $M	FY 2012/13 ACTUAL $M
Insurance Premiums	870.1	882.1	809.3	745.5
Surplus from Investment and Administrative Operations:				
Interest Earned	1,100.0	1,234.7	922.9	862.6
Other Income	64.4	-	93.6	148.0
Total Interest Earned and Other Income	1,164.4	1,234.7	1,016.5	1,010.6
Administrative Expenses	(174.0)	(215.1)	(209.3)	(180.8)
Surplus from Investment and Administrative Operations	**990.4**	**1,019.6**	**807.2**	**829.8**
Impairment Loss on Securities	(32.1)	-	-	-
Surplus from Operations	**1,828.4**	**1,901.7**	**1,616.5**	**1,575.3**

[24]The Overall Balance Targets are quarterly financial targets agreed with the MOFP to assess the performance of the Corporation.

For the financial year, the Corporation earned income on its investments plus gains on foreign currency conversions and other income totaling $1.2 million *(Table 9)* and incurred administrative expenses of $174 million and Impairment Loss on Securities of $32.1 million, resulting in a surplus from Investment and Administrative Operations of $0.99 million and a Total Surplus from Operations of 1.8 billion.

Administrative expenses of $174 million was a decrease of 16.9 percent when compared to the previous year's expenditure. Compared to budget for the year, administrative expenses was 19.1 percent lower, mainly due to a reduction in staff costs ($27.8 million), professional fees ($6.4 million) and public education expenses ($8.5 million). The distribution of administrative expenses categories are shown in *Table 10*.

Table 10: Summary of Administrative Expenses Distribution

ADMINISTRATIVE EXPENSES	FY2014/15 ACTUAL		FY2014/15 BUDGET		FY2013/14 ACTUAL		FY2012/13 ACTUAL	
	$M	%	$M	%	$M	%	$M	%
Staff Costs	115.4	66	143.2	67	122.3	58	104.5	58
Public Education	5.5	3	14.0	7	27.2	13	18.2	10
Professional Fees	7.2	4	13.6	6	10.2	5	9.3	5
Depreciation	4.3	3	5.3	2	5.7	3	5.4	3
Other	41.6	24	39.4	18	43.9	21	43.4	24
TOTAL	**174.0**	**100**	**215.5**	**100**	**209.3**	**100**	**180.8**	**100**

The Key Performance Ratios *(Table 11)* remained at an acceptable level, taking into account the financial constraints, the measures and strategies that had to be implemented to achieve the budgeted targets.

Table 11: Summary of Key Performance Ratios

KEY PERFORMANCE RATIOS	DEFINITION	FY2014/15		FY2013/14	FY2012/13
		ACTUAL %	BUDGET %	ACTUAL %	ACTUAL %
Operating	Administrative Expenses/Interest Earned & Other Income	14.9	17.4	20.6	17.9
Expense Control	Administrative Expenses/Total Income	8.6	10.2	11.5	10.3
Administrative Expenses Ratio	Administrative Expenses/Surplus from Operations	9.5	11.3	12.9	11.5
Net Surplus	Surplus from Operations/Total Income	89.9	89.8	88.5	89.7
Return on Assets	Surplus from Operations/Average Total Assets	15.3	15.5	16.2	16.5
Asset Management	Total Income/ Average Total Assets	17.1	17.3	18.3	18.4

FUND MANAGEMENT

Over the five-year period, since April 1, 2010, the Deposit Insurance Fund (DIF) increased by 85 percent, after taking into account the reduction in investment values arising from the GOJ's debt restructuring. During FY2014/15 the DIF grew by 17.7percent to $12.17 billion, when compared to the balance of $10.34 billion in the previous year. The growth of the DIF over the last five years is as follows:

Table 12: Five-Year Fund Growth

	FY2014/15 $M	FY2013/14 $M	FY2012/13 $M	FY2011/12 $M	FY2010/11 $M
Insurance Premiums	870.1	809.3	745.5	727.8	721.0
Surplus from Investment and Administrative Operations	990.4	807.2	829.8	629.2	595.3
Impairment Loss on Securities	(32.1)	-	-	-	-
Previous Year Deposit Insurance Fund	10,341.5	8,725.0	9,246.9	7,889.9	6,573.6
Loss on National Debt Exchange	-	-	(2,097.2)	-	-
Deposit Insurance Fund	12,169.9	10,341.5	8,725.0	9,246.9	7,889.9

The Corporation's investment activities are guided by the DIA, the Investment Policy and strategies employed, incorporating the annual Deposit Insurance Fund Adequacy Evaluation recommendations. During FY2014/15, the Corporation entered the GOJ's Global Bond Market and ended the year with 23 percent of the investment portfolio in Global Bonds. Although the investment market for GOJ securities had remained relatively inactive in the post debt restructuring period, the Corporation met its liquidity target. In addition, there were limitations in the availability of suitable investment instruments required to satisfy the Corporation's requirements.

Table 13 reflects the maturity profile at the end of the financial year compared with the previous year.

Table 13: Portfolio Maturity Profile

TENOR	FY2014/15 %	FY2013/14 %
Up to 12 months	16.7	6.8
1 – 3 Years	5.5	14.9
3- 5 Years	15.2	3.7
Over 5 Years	62.6	74.6
TOTAL	**100.0**	**100.0**

The reduction in the ratio of longer term instruments was achieved to maintain the liquidity position and ended the year with 63 percent of the securities with tenor of five years and over, compared with 75 percent in the previous year. At year-end investment instruments in the Held to Maturity category was 68 percent, compared to 77 percent in the previous year. *Table 14* shows the distribution of the investment securities portfolio and comparison with the two previous years.

Table 14: Investment Securities Portfolio Distribution

INVESTMENT SECURITIES	FY2014/15 DISTRIBUTION %	FY2013/14 DISTRIBUTION %	FY2012/13 DISTRIBUTION %
Fixed Rate Accreting Notes	61	72	85
Benchmark Investment Notes	10	19	6
GOJ Global Bonds	23	-	-
BOJ CDs	4	-	-
US$ Investment Notes	-	8	8
Interest Accrued	2	1	1
TOTAL	**100**	**100**	**100**

SUMMARY FINANCIAL PROJECTIONS TO MARCH 31, 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	YEAR ENDING MARCH 31, 2016 $'000
Total Income	2,026,385
Total Expenses	(262,058)
Surplus from Operations	1,764,327
Surplus from Operations – Balance at Beginning of the Year	**12,059,776**
Deposit Insurance Fund – Balance at End of the Year	**13,824,103**

CASH AND BANK	YEAR ENDING MARCH 31, 2016 $'000
Total Inflow	5,044,230
Total Outflow before Investments	(493,445)
Investments	(4,404,230)
Net Outflow	146,555
Balance at Beginning of the Year	**215,725**
Balance at End of the Year	**362,280**

STATEMENT OF FINANCIAL POSITION	MARCH 31, 2016 $'000
Fixed Assets	193,046
Investments	13,295,531
Current Assets	747,423
Total Assets	**14,236,000**
Current Liabilities	26,603
Unearned Premium Income	350,000
Capital	1,000
Capital Reserves	56,393
Fair Value Reserves	(22,099)
Deposit Insurance Fund	**13,824,103**
Total Liabilities	**14,236,000**

MONITORING AND RISK ASSESSMENT

The Corporation continued to strengthen its operational efficiencies to engender a more robust risk assessment and monitoring framework for its Policyholders. Being a core functional area, the monitoring and risk assessment activities have direct implications for other areas such as funds management and intervention and resolution. The main activities in this area include:

- The continued monitoring and assessment of Policyholders' performance with regard to potential risk which they may present to the DIF and the Corporation. This is achieved through collaboration and information sharing with the BOJ, other members of the FSSN and Policyholders;
- On-going research and analysis of development in the economy to determine the impact on Policyholders and the Corporation;
- Enhancement of policies to ensure creditability and consistency with developing local and global trends in relation to the Corporation's role in maintaining financial stability;
- Preparation of periodic reports and presentations to management and summary reports to the Board.

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

Deposit Insurance Fund (DIF) Adequacy Evaluation

In keeping with the DIA[25], the Corporation is required to conduct periodic reviews (at least once per year) of the DIF. Such reviews give consideration to the size of the Fund, its liabilities and potential liabilities (including administrative expenses and expected losses from intervening a Policyholder) which informs recommendations to the Minister, where necessary. Given due consideration to the risk profile of the Policyholders, the evaluation for the review period revealed that the DIF was adequate to cover the potential liabilities and expected liabilities of the Corporation[26].

Insurable Deposit Register

The Corporation maintains a register of all deposit products offered by Policyholders and to determine eligibility for deposit insurance coverage. During the review period Policyholders provided relevant information to facilitate the updating of the register.

INTERVENTION AND RESOLUTIONS

A key element to providing protection to depositors and contributing to financial system stability is a robust intervention and resolution regime for deposit-taking institutions. Against this background, the Corporation continually pursues initiatives to strengthen its legal and operational framework to ensure it can effectively execute its respective roles and responsibilities in the intervention and resolution of a Policyholder. In pursuance of this objective, the key initiatives accomplished during the year were as follows:

- Revisions to *"The Guidelines on the Record-keeping Requirements for all JDIC Policyholders"* which was re-issued for implementation;
- Payout simulation exercise;
- Research and documentation of the requirements and framework necessary for the design and development of an information technology based payout system;
- Drafting of proposals for a special resolution regime for deposit-taking institutions.

Standardization of Record-keeping Requirements for all Policyholders

The Corporation continued to work closely with Policyholders to ensure that they implement the necessary policies, procedures and systems to maintain customer and account information in the prescribed format outlined in *"The Guidelines on the Record-keeping Requirements for all JDIC Policyholders"* (the Guidelines)[27]. Once implemented, the record-keeping requirements will facilitate the prompt reimbursement of depositors of a failed Policyholder, as well as the efficient execution of other resolution strategies.

[25]Section 17(4) of the DIA dictates that the Corporation shall review the DIF at least once per year having regard for its liabilities and potential liabilities.

[26]The DIF Adequacy Evaluation is conducted annually during the first quarter of each financial year.

[27]The Guidelines were issued in March 2012 and subsequently revised in April 2014. Policyholders were required to complete implementation of the record-keeping requirements by January 2015.

At year-end, Policyholders advised that substantial progress has been made with regards to their respective implementation plans. However additional effort and time would be required to complete the necessary modifications to their banking information systems to address specific areas of non-compliance. Policyholders have provided the Corporation with details regarding these areas of non-compliance along with action plans and timelines to address the deficiencies. It is expected that the majority of Policyholders will complete implementation during FY2015/16.

As part of this initiative the Corporation also commenced the drafting of a comprehensive compliance assessment methodology. The methodology will provide the framework within which the Corporation will conduct independent ongoing assessments of each Policyholder's level of compliance. With this information the Corporation would be able to test its payout readiness. During FY2015/16 the compliance methodology will be dispatched for consultation and a pilot programme to test the methodology with selected Policyholders will commence.

Payout Simulation Exercise

The annual simulation exercise was conducted to test and enhance the Corporation's operational capacity to promptly reimburse depositors. Staff was assigned specific roles and responsibilities consistent with the payout organizational structure and executed activities that replicated selected payout processes and scenarios associated with a failed Policyholder. The simulation highlighted the importance of having access to Policyholders' records prior to the closure date; maintaining institutional memory; as well as developing resource plans to quickly identify and engage adequate external resources and trained personnel to supplement the Corporation's core staff in a crisis. Staff also identified a number of payout processes during the simulation activities that require improvements. Initiatives commenced during the review period and will continue in FY2015/16 to improve the respective processes.

Development of an Information Technology Based Payout System

The Corporation is pursuing initiatives to design and develop a fully automated information technology (IT) based system to support the payout business process and enhance its capacity to reimburse depositors promptly and efficiently. To date, the Corporation has conducted the following activities that will provide integral information to guide the approach and methodology for the design and development of the payout system:

- Assessment of the adequacy of the current legal and operating infrastructure to support the payout business process and the deposit insurance coverage rules;
- Research to identify the requisite features of the payout system[28];
- Market research to identify available payout systems and other suitable IT systems/ solutions;
- Establishment and implementation of standard record-keeping requirements for Policyholders to ensure that data maintained and extracted from Policyholders' banking information systems is compatible with the features of the payout system;
- Development of a *"Payout Business Requirements Document"* outlining the discrete user needs and expectations as well as specific system features including performance, maintainability, adaptability, reliability, security, and scalability;
- Development of a detailed *"Request for Proposal"* to solicit bids from suitable IT Firms to provide resources required to design and develop the system.

This next phase of the project, the procurement of the requisite resources will commence in FY2015/16.

[28]Information was also garnered from other deposit insurers to understand the challenges that may occur in developing and utilizing a payout system as the Corporation has no payout experience.

Proposals for a Special Resolution Regime for Deposit-taking Institutions

The Corporation commenced the drafting of proposals to develop a special resolution regime (SRR) for failing DTIs *(refer Appendix II - Essential Elements in Developing a Special Resolution Regime (SRR) for Deposit-taking Institutions/Banks)*. This initiative will continue in FY2015/16 as a collaborative effort with the BOJ and the other members of the FSSN. The key objective of the proposed SRR is to enhance the operational framework for the orderly resolution of DTIs pursuant to the provisions in the BSA and the DIA in a manner that promotes the maintenance of financial system stability and protects both depositors and taxpayers.

The proposed SRR will also provide greater clarity about the roles of the respective authorities in the intervention and resolution activities for a failing or failed Policyholder, as well as the criteria for the use of the respective stabilization tools and the selection of the least cost resolution option.

The proposals will include the prescription of rules in accordance with the provisions in section 5(2) of the DIA which states *"The Corporation may act as receiver, liquidator, or judicial manager of any Policyholder, or of its holding company or subsidiary which becomes insolvent, or appoint any person to act as such; and in acting in any such capacity may arrange for the restructuring of a Policyholder whether by merger with or acquisition by another financial institution or otherwise."* The SRR will also contemplate establishing a special insolvency framework for banks.

This initiative will also contribute to the successful execution of Jamaica's financial sector reform programme and is underpinned by standards of best practice recommended by the BCBS and *IADI Core Principles for Effective Deposit Insurance Systems and the FSB Key Attributes for Effective Resolution Regimes*.

PUBLIC EDUCATION AND AWARENESS

Globally, much emphasis is placed on financial education and financial literacy as part of a broader economic goal for financial inclusion. There is growing consensus among policymakers that financial inclusion strategies are needed by both developed and developing countries to support stable financial systems and sustainable economic growth. Of note, the Corporation is a member of the recently formed Financial Inclusion Steering Committee, a Bank of Jamaica project being supported by the World Bank. Specifically, the Corporation is integrally involved in the working group (of this Committee) focused on the development and implementation of a strategy for consumer protection and financial literacy.

As a follow on to its public education thrust in the previous financial year, which was delivered under the theme *'promoting financial inclusion through public education and awareness'*, the Corporation continued to educate depositors and other key stakeholders regarding the benefits of deposit insurance and the role of the Corporation. During the year focus continued to be placed on the schools' programme, as the Corporation worked on finalizing the development of an online financial education competition to be launched in FY2015/16. The Corporation also participated in the Financial Services Commission's financial education in schools programme. Other activities undertaken throughout the period included:

Collaboration with Safety Net Partners and Policyholders

The partnership with other members of the FSSN and Policyholders was sustained during the financial year. Two Policyholders' training sessions were held which targeted new staff, customer service representatives, operations managers and training officers. Additionally, training sessions were held at the request of one Policyholder at selected branch locations.

Policyholders and JDIC Representatives at a training session

Public Outreach

In an effort to directly interact with small depositors, particularly in rural communities, the Corporation visited seven (7) offices of the Tax Administration Jamaica. This facilitated providing detailed information about deposit insurance, including the rules of coverage and the benefits of the scheme. Additionally, several presentations were made to various public and private sector groups and organizations. These initiatives will continue in FY2015/16.

Advertising and Promotion

The Corporation's advertising campaign, with its phased media placements, continued as public surveys confirm electronic media remained a critical tool to effectively disseminate messages to a large audience. In this regard, the use of television and radio advertisements, billboards and video-boards placed at strategic locations continued. Advertising on public transportation, given its extensive reach, also continued within the Kingston Metropolitan Transport Region.

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

The Corporation recognizes the importance of keeping abreast of international standards and trends as well as complying with standards of best practice designed to protect depositors and promote financial stability.

Additionally, the resilience of our Policyholders and there being no call on the Fund since the Corporation's establishment have provided an opportunity to focus on ensuring the proper design of the deposit insurance system; as well as developing and strengthening the Corporation's legal and operational framework and supporting competencies. Against this background, the Corporation carried out the following activities during the review period:

- Development of a Financial Crisis Management Plan;
- Assessment of Compliance with the *BCBS/IADI Core Principles for Effective Deposit Insurance Systems;* and
- Review of the Memorandum of Understanding among FSSN partners.

Financial Crisis Management Plan

In support of Jamaica's financial sector reforms under the MEFP, the Corporation, as a member of the FSSN developed a comprehensive agency specific Financial Crisis Management Plan (FCMP). The FCMP systematically outlines the key considerations and procedures necessary to ensure that the Corporation can quickly and effectively respond to an institution in financial distress. The FCMP was shared with the other members of the FSSN and will form part of a national financial crisis management plan.

Assessment of Compliance with the BCBS / IADI Core Principles for Effective Deposit Insurance Systems

An assessment of the Corporation's level of compliance with the *"BCBS/IADI Core Principles for Effective Deposit Insurance Systems"* was conducted with support from the US Treasury Department, Office of Technical Assistance.

The exercise provided an independent assessment of the Corporation's adherence to international standards and best practices and recommended actions to address identified areas of deficiencies. The Corporation was found to be compliant with the majority of the Core Principles and has commenced work on the areas that have been identified for improvement.

Review of the Memorandum of Understanding among FSSN Partners

Consequential amendments to the Bank of Jamaica Act[29] will establish the Financial Regulatory Council[30] comprising members of the FSSN as a statutory Committee that is, the Financial Regulatory Committee. The statutory provisions will further strengthen the information sharing, cooperation and coordination among the Corporation and other FSSN partners.

The Financial Regulatory Committee will be statutorily required to establish appropriate policies and procedures, inter alia, by way of a Memorandum of Understanding. To satisfy these provisions and in light of the legislative amendments to the BOJ Act, the promulgation of the BSA, as well as recent changes and trends in international standards, FSSN members agreed to commence a comprehensive review of the Memorandum of Understanding and the supporting *"Guide to Intervention for Financial Entities"* (developed in 2001 by the Financial Regulatory Committee). The review will seek to ensure the efficacy and relevance of the roles and responsibilities for each FSSN partner and ensure that information sharing and coordination of actions are explicit and formalized. The Corporation commenced an internal review which inter alia has reinforced the importance of expediting current initiatives to enhance its operational capacity and readiness to deal with a crisis. The Corporation's findings and recommendations will be addressed during the collaborative review to be conducted by all the FSSN partners.

[29]Refer the BSA, Tenth Schedule, Amendment to the Bank of Jamaica Act, Section 34BB.

[30]In 2001, the Financial Regulatory Council was established and subsequently its members comprising of the Financial Secretary; The Governor of the Bank of Jamaica; the Executive Director of the Financial Services Commission and the Chief Executive Officer of the JDIC signed a MOU.

INTERNATIONAL RELATIONS

The JDIC signed a Memorandum of Understanding (MOU) in October 2014 with members of the Caribbean Regional Committee of the IADI. The other signatories are the Deposit Insurance Corporation, Trinidad and Tobago (DICTT) and the Barbados Deposit Insurance Corporation. The MOU seeks to reinforce the commitment for partnership and cooperation among the parties specifically in the areas of deposit insurance protection, resolution management and the promotion and maintenance of financial stability. In keeping with the mandate of the IADI, the parties to the MOU have also committed to taking all reasonable steps to actively promote and encourage member countries of the CARICOM region and its environs to establish explicit Deposit Insurance Schemes [31] in order to strengthen the regional financial sector and better harmonize the protection of depositors and lessen the propensity for runs on banks. The JDIC also continued to actively participate in the activities of the IADI and is represented on two sub-committees undertaking research on "Deposit Insurance Fund Target Fund Size" and "Integrated Protection Schemes". Officers of the JDIC also provided support to the Deposit Insurance Corporation, Trinidad and Tobago with the planning and hosting of the 13th IADI Annual General Meeting and Conference. The Conference was successfully held October 17 – 21, 2014, under the theme *"Updated Core Principles to Strengthen the Financial Stability Architecture"*. The JDIC's CEO presented on the topic ''Challenges for Regulatory/ Insolvency Regimes to address Bank Resolutions".

The presentation highlighted the lessons learnt from past bank crises, and the cross border issues relating to the interconnectivity and concentration of financial institutions in the region. The presentation also underscored the importance to CARICOM countries of enhancing/establishing special resolution regimes for DTIs.

Seated L- R: Kester Guy, Chief Executive Officer, Barbados Deposit Insurance Corporation; Antoinette McKain, Chief Executive Officer, JDIC and Arjoon Harripaul, General Manager, Deposit Insurance Corporation Trinidad and Tobago (DICTT) and other team members at the signing of a Memorandum of Understanding during the 13th IADI AGM and Annual Conference in Trinidad and Tobago, October 20-24, 2014

[31] There are four CARICOM countries that have established an explicit Deposit Insurance Scheme and are members of IADI: Bahamas, Barbados, Trinidad and Tobago and Jamaica.

MANAGEMENT OF STRATEGIC RESOURCES

HUMAN RESOURCE AND ADMINISTRATION

During the review period efforts continued to ensure that the human capital was effectively managed to achieve the corporate objectives in an efficient manner. The very good overall performance of the Corporation is a testament to this fact. Additionally the Management continued to review and update the systems and processes of the Corporation to enhance and build human capital with the objective of retaining highly technical staffing levels to effectively carry out the mandate.

Staff Complement

The Corporation ended FY2014/15 with twenty-five (25) full-time members of staff and one employee on short-term contract. This compares to twenty-six (26) full-time employees and two employees on short-term contracts for the previous period. The turnover rate for the year was 10 percent. The rate in the previous rate was 16 percent. These relatively high rates of turnover continue to present challenges notwithstanding the Corporation's good performance.

Training and Development

Training and development is a critical component of the systems and processes that build and enhance human capital. Although there were budgetary constraints during the period under review, employees were exposed to various capacity building training programmes. Key areas included:

- *Financial Institution Analysis* – Federal Deposit Insurance Corporation
- *Introduction to Examination School* – Federal Deposit Insurance Corporation
- *Thought Leadership* – Management Institute for National Development
- *Cloud Computing & IT Security: Risks and Challenges* – Leaders to Leaders
- *Essential Elements of Public Sector Procurement* – International Procurement Institute
- *Fundamentals of Financial Services* – Jamaica Institute of Financial Services
- *Training Programme Administration* – Human Resource Management Association of Jamaica
- *HRM Challenges in a Digital Age* – Leaders to Leaders

The staff also continued to benefit from various courses relating to general banking and financial system regulation by way of the Financial Stability Institute's web-based learning portal.

Pension Arrangements

The Board of Directors approved the Pension Scheme Development Committee's recommendation for the implementation of a defined benefit pension scheme for staff. The Trust Deed and Plan Rules were drafted and presented to the Board for approval. It is projected that the scheme will be implemented in FY2015/16.

Occupational Health and Safety

The Corporation's emergency and evacuation procedures were evaluated and the staff exposed to presentations and simulations regarding Fire Safety, First Aid and cardiopulmonary resuscitation/automated external defibrillator (CPR/AED). Seven (7) employees were trained and certified in First Aid and CPR/AED by the American Heart Association/Heart Foundation of Jamaica.

Records and Information Management

Work continued during the review period to streamline and strengthen the Records and Information Management programme of the Corporation. The classification of records was a major activity during the period and this process is well advanced for completion and implementation in FY2015/16.

Corporate Social Responsibility

The Corporation's success is not only measured by meeting performance targets and delivering on its mandate, but also its responsibility to stakeholders. The Corporation remains committed to activities that have an impact on the social welfare of the country and particularly youth development; hence its summer internship/employment programmes. During the review period the Corporation also donated several used computer desks and white boards to a primary school.

Staff members, also recognizing the importance of being good corporate citizens, contributed their resources to outreach programmes of the Jamaica Cancer Society and the Sir John Golding Rehabilitation Centre.

- ***University of the West Indies Department of Economics Summer Internship Programme***

In FY2014/15, the Corporation again partnered with the University of the West Indies' Department of Economics in the MSc Summer Internship Programme. One final year student was engaged to conduct research on Differential Premiums Systems.

- ***Summer Employment Programme***

  The Corporation's Summer Employment Programme continued in 2014 and facilitated the engagement of a number of university students in various disciplines, including Banking and Finance, Economics, Actuarial Science and Marketing. Students were afforded the opportunity to develop/hone skills in key areas. One high school student was also afforded the opportunity to experience the world of work.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

During FY2014/15, the Information and Communication Technology (ICT) operations focused on strategies to achieve efficiency and effectiveness, as well as strengthen and maintain the ICT infrastructure. The following activities were undertaken to improve the ICT operations and services to internal and external stakeholders:

- The ICT Security Policy was revised and implemented. This Policy sets out the base line control measures which are expected to be followed by all staff and stakeholders;

- The Corporation's cloud server was implemented. This is intended to assist with the secure sharing of data among the Corporation, Policyholders and select agents;

- An ICT firm was engaged to support the Unit in the provision of technical services. This will assist with achieving the Corporation's business objectives, enhancing the business continuity operations and providing additional human resources;

- The Interim Payout System (IPS) was implemented and tested. The IPS will be used where necessary to ensure the most efficient payout of depositors;

- A guest wireless network was established to provide a separate internet network for staff and guests of the Corporation. This will reduce the Corporation's network traffic and increase network security.

Statutory Compliance Report

NAME OF REPORT	NATURE OF REPORT	STATUTORY AGENCY	ACT	PERIOD REPORTING	SUBMITTED
Access to Information Act (2002): Monthly and Quarterly Reports	The report shows requests from the public for information on aspects of the operations of the Corporation.	The Access to Information Unit, Office of the Prime Minister	The Access to Information Act, 2002	Monthly, Quarterly	√
Annual Report and Audited Financial Statements FY2013/14	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 Account-ability Act (PBMA) Deposit Insurance Act	Annually	√
Corporate Plan Operating & Capital Budgets FY2015/16-2017/18	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 Report (PBMA)	Report gives the quarterly/half yearly out-turns of actual performance against targets and shows the financial statements and the projected budgets for the remaining quarters/half year.	MOFP	PBMA	Quarterly and Half-yearly	√
Public Sector Report 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		
Implement Policyholders' Recording-keeping Guidelines	Ongoing discussions and meetings continued with Policyholders regarding their respective implementation initiatives/timetables.	Continue to collaborate with Policyholders to complete implementation of the Guidelines during FY 2015/16. Complete the proposed compliance methodology and dispatch to Policyholders for consultation. Conduct pilot programme to test the compliance methodology with selected Policyholders.
Develop Policies and Procedures for the treatment of Clearing of Paper/Electronic Based Transactions during a Payout	Drafting of Policies and Procedures commenced.	Conduct additional research and finalize policies and procedures.
Conduct Intervention Resolution Contingency Planning Session and Simulation Exercise	Completed	Continue work to address the gaps identified during simulation exercise.
Conduct research regarding Access Depositors' Data Prior to Closure	Completed	Prepare position paper; and dispatch for consultation among stakeholders. Propose legislative amendments as required.
STRONG PARTNERSHIPS		
Review of the Crisis Intervention Matrix *(Contingent on the other FSSN Partners and Financial Regulatory Council (FRC) working group schedule)*	Completed	Collaborate with FRC members to conduct comprehensive review of the Crisis Intervention Matrix.
Provide technical support for the IADI AGM and Conference hosted by the Deposit Insurance Corporation of Trinidad and Tobago (DICTT) in T&T in October 2014	Completed	-
Develop Service Level Agreements for Information Sharing with the Central Bank	Draft of proposed Service Level Agreement developed.	Share document with BOJ for review and sign off.

BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
RESOLUTION MANAGEMENT		
Develop Legal Documents/Template forms to make Loans or advances with Security and Issue Guarantees	Drafting commenced.	Finalize legal documents/ Template Forms.
Develop Policies and Procedures to Maximize value of Recoveries on failed-bank assets.		Finalize policies and procedures.
STRENGTHENING OPERATIONAL EFFICIENCY		
Implement the Payout Management Information System (PMIS)	Procurement process to select ICT firm to develop system well advanced.	Complete the procurement process and engage service provider.
Conduct assessment of Compliance with the BCBS/IADI Core Principles for Effective Deposit Insurance Systems	Completed	Submit assessment report to the Board in Q1 of FY2015/2016. Submit report to the FRC as a follow up to the preliminary self assessment report presented at a previous meeting.
Conduct Review of the Deposit Insurance Fund (DIF)	Completed	-
Acquire and Implement Financial Risk Management Application	Follow-up activities continued with another FSSN partner with regards to a co-ordinated approach in acquiring a Financial Risk Management Application.	Finalize acquisition strategy.
Conduct research on the appropriateness of implementing a Differential Premium Assessment Framework	Completed	Submit the findings and recom-mendations to the Board in Q1 of FY2015/16.
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.	The Corporation continued to await confirmation from the BOJ.	Follow-up with the BOJ.
Finalize Contingency Funding Plan	Preliminary review of the Funding Plan (the Plan) was conducted and the Plan amended.	Submit revised Draft Plan to the Management, the Investment Committee and Board for approval. Continue follow up discussions with the MOFP regarding arrangements with regional and international lending agencies.

BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
STRENGTHENING OPERATIONAL EFFICIENCY		
Job Evaluation and Reclassification	Submission made to the MOFP to obtain approval for the Organizational Review/ Job Evaluation and Re-Classification exercise and the Corporation is awaiting a response.	Follow up with the MOFP.
Implement JDIC Staff Pension Arrangement	Draft Pension Plan Rules and Trust Deed developed for the review and approval of the Board.	Obtain Board and MOFP approval of Pension Plan Rules and Trust Deed. Register Plan as required and implement Scheme in FY2016/17.
Implement Disaster Preparedness and Business Continuity Plans *(including Disaster Recovery)*	Staff sensitized regarding Emergency and Evacuation procedures and drill conducted periodically with external providers.	Review the Disaster Preparedness and Business Continuity Plan and commence implementation in FY2015/16.
Implement Manual Records and Information Management programme	Phased implementation activities completed as scheduled.	Continue activities as per implementation schedule.
Review, Update and Simulate ICT Business Continuity Plan and Systems *(including Disaster Recovery)*	Assessment of the ICT infrastructure/ servers commenced.	Finalize assessment and incorporate the approved solutions to the weaknesses identified in the ICT Business Continuity Plan during FY2015/16.
Implement ICT Security Policy	ICT Security Policy finalized and approved. Implementation activities commenced.	Commence staff training in Q1 of FY2015/16; followed by full implementation of the Policy.
Develop Enterprise Risk Management (ERM) Framework	Given the increasing need for focus on a formal structure for corporate risk/ enterprise risk management (ERM) the organizational structure has been amended to include the position of a Risk Manager.	Fill Risk Manager position. Engage Consultant to develop ERM Framework and Policy. Obtain Management and Board approval and implement Policy.
PUBLIC EDUCATION AND AWARENESS		
Preparation for Admission of Credit Unions to DIS *(Contingent on the promulgation of the BOJ (Credit Unions) Regulation)*	Draft Public Education Programme developed specifically for Credit Unions in preparation for their admission to the DIS.	Submit Draft Programme to Management in Q1 of FY2015/16 for approval.
Launch Web-based Competition (Online Financial Knowledge Game) for Secondary Schools	Service provider engaged to undertake development of Competition.	Develop and launch Competition during Q1-Q3 of FY2015/16.
Host Stakeholders' Forum (Joint, Trust and Nominee Accounts)	Participated in consultations to effect tabling of the Deposit Insurance (Joint, Trust and Nominee Accounts) *(Regulations not yet passed)*	Host Stakeholders Forum in Q1-Q2 FY2015/16 *(subject to the passing of the Regulations).*
Produce Online Policyholders' Training Programme	Commenced review and update of Policyholders' Training Manual.	Complete revision of Training Manual and submit to Management for approval. Online Policy holders' Training Programme deferred to FY2016/17.

APPENDIX 1

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 December 2014

	COMMERCIAL BANKS			FIA LICENSEES			BUILDING SOCIETIES			System Total (aggregation of all 3 sectors)		
	Dec-14	Dec-13	Dec-12	Dec-14	Dec-13	Dec-12	Dec-14	Dec-13	Dec-12	Dec-14	Dec-13	Dec-12
Number of institutions in operation	6	7	7	2	2	2	3	3	4	11	12	13
J$MN												
[1]**Total Assets** (incl. contingent accounts)	822,767	740,968	659,950	30,991	25,376	21,320	230,592	211,550	201,504	1,084,350	977,894	882,774
[2]**Total Assets** (excl. contingent accounts)	808,388	726,889	646,914	30,951	25,314	21,306	230,589	211,550	201,504	1,069,928	963,753	869,724
Cash & Bank Balances	172,114	156,634	132,720	2,234	1,718	1,477	18,212	28,380	19,597	192,560	186,732	153,794
Investments [incl. Securities Purch.] (net of prov.)	210,390	168,783	171,846	18,785	15,825	13,470	94,473	70,777	72,027	323,648	255,385	257,343
Total Loans (gross)	380,970	362,116	307,479	9,254	7,093	5,625	107,174	97,377	95,879	497,398	466,586	408,983
Total Loans (net of IFRS prov.) [*]	370,782	353,663	298,017	9,207	7,051	5,334	105,552	95,856	94,469	485,541	456,570	397,820
Total Deposits	517,651	487,472	444,795	13,936	11,118	7,852	152,233	141,353	131,438	683,820	639,943	584,085
Borrowings (incl. repos)	134,452	98,274	80,336	10,321	8,372	8,364	35,631	25,133	26,648	180,404	131,779	115,348
Non-Performing Loans [NPLs] (3 mths. & >)	18,711	18,671	20,978	94	120	974	5,664	6,224	6,771	24,469	25,015	28,723
Provision for Loan Losses	20,854	19,597	20,913	172	172	1,040	4,589	4,182	3,975	25,615	23,951	25,928
[3] **Capital Base**	84,481	79,046	65,196	4,691	3,945	3,825	28,343	27,243	24,045	117,515	110,234	93,066
Contingent Accts [Accept., LC's & Guarantees]	14,379	14,079	13,036	40	62	14	3	0	0	14,422	14,141	13,050
Funds Under Management	364	337	320	0	0	0	0	0	0	364	337	320
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	11.0%	12.3%	7.5%	22.1%	19.0%	-0.6%	9.0%	5.0%	8.6%	10.9%	10.8%	7.6%
Rate of Deposit Growth	6.2%	9.6%	11.2%	25.3%	41.6%	19.8%	7.7%	7.5%	7.9%	6.9%	9.6%	10.5%
Rate of Loans Growth (gross)	5.2%	17.8%	15.6%	30.5%	26.1%	-18.3%	10.1%	1.6%	7.3%	6.6%	14.1%	12.9%
Rate of Capital Base Growth	6.9%	21.2%	2.1%	18.9%	3.1%	43.4%	4.0%	13.3%	5.5%	6.6%	18.4%	4.2%
Rate of NPLs (3 mths. &>) Growth	0.2%	-11.0%	-9.9%	-21.7%	-87.7%	-69.3%	-9.0%	-8.1%	17.9%	-2.2%	-12.9%	-10.8%
Investments :Total Assets [1]	25.6%	22.8%	26.0%	60.6%	62.4%	63.2%	41.0%	33.5%	35.7%	29.8%	26.1%	29.2%
Loans (net of prov.):Total Assets [1]	45.1%	47.7%	45.2%	29.7%	27.8%	25.0%	45.8%	45.3%	46.9%	44.8%	46.7%	45.1%
Fixed Assets: Total Assets [1]	2.1%	2.0%	2.2%	0.3%	0.3%	0.4%	2.0%	1.9%	1.7%	2.0%	1.9%	2.1%
Loans (gross) : Deposits	73.6%	74.3%	69.1%	66.4%	63.8%	71.6%	70.4%	68.9%	72.9%	72.7%	72.9%	70.0%
Liquidity												
Average Domestic Currency Cash Reserve: Average Prescribed Liabilities [4]	12.0%	12.0%	12.0%	12.0%	12.1%	12.0%	1.0%	1.0%	1.0%	9.4%	9.3%	9.2%
Average Domestic Currency Liquid Assets: Average Domestic Prescribed Liabilities [4]	35.7%	31.0%	31.3%	32.4%	27.7%	32.8%	18.1%	12.0%	13.1%	31.5%	26.3%	26.7%
Asset Quality												
Prov. For Loan Losses: Total Loans (gross)	5.5%	5.4%	6.8%	1.9%	2.4%	18.5%	4.3%	4.3%	4.1%	5.1%	5.1%	6.3%
Prov. For Loan Losses: NPLs (3 mths. &>)	111.5%	105.0%	99.7%	183.0%	143.3%	106.8%	81.0%	67.2%	58.7%	104.7%	95.7%	90.3%
NPLs (3 mths. &>):Total Loans (gross)	4.9%	5.2%	6.8%	1.0%	1.7%	17.3%	5.3%	6.4%	7.1%	4.9%	5.4%	7.0%
NPLs (3 mths. &>): (Total Assets [1] + IFRS Provision for losses)	2.2%	2.5%	3.1%	0.3%	0.5%	4.5%	2.4%	2.9%	3.3%	2.2%	2.5%	3.2%

Capital Adequacy												
Deposits + Borrowings: Capital (:1)	7.7	7.4	8.1	5.2	5.0	4.3	6.7	6.1	6.6	7.4	7.0	7.5
Capital Base: Total Assets [2]	10.3%	10.7%	9.9%	15.1%	15.5%	17.9%	12.3%	12.9%	11.9%	10.8%	11.3%	10.5%
[5] Capital Adequacy Ratio [CAR]	14.5%	14.0%	12.9%	17.4%	15.8%	17.8%	22.2%	20.8%	18.2%	15.9%	15.3%	14.1%
NPLs (3 mths. &>):Capital Base+Prov for loan losses	17.8%	18.9%	24.4%	1.9%	2.9%	20.0%	17.2%	19.8%	24.2%	17.1%	18.6%	24.1%
Profitability												
[6] Pre - tax Profit Margin (for the Calendar Quarter)	19.9%	20.4%	11.9%	11.7%	12.4%	-13.5%	23.3%	44.0%	28.7%	20.3%	24.7%	14.6%
[6] Pre - tax Profit Margin (for the Calendar Year)	18.4%	17.1%	21.6%	9.4%	12.8%	-2.9%	22.5%	28.5%	22.9%	18.9%	19.0%	21.4%
Return on Average Assets (for the Calendar Quarter)	0.6%	0.6%	0.4%	0.3%	0.3%	-0.3%	0.5%	1.1%	0.7%	0.6%	0.7%	0.4%
Return on Average Assets (for the Calendar Year)	2.1%	1.9%	2.6%	0.9%	1.3%	-0.2%	2.0%	2.4%	2.0%	2.1%	2.0%	2.4%
[7] Income Assets/Expense Liabilities (at 31 December)	105.3%	104.4%	102.1%	120.2%	120.9%	114.5%	110.2%	110.0%	110.1%	106.8%	106.0%	104.2%

Notes:

n/a not applicable

- Based on unaudited data submitted to BOJ by supervised institutions up to 19 February 2015. Prior years indicators may have revisions arising from amendments.

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

Source:

Financial Institutions Supervisory Division

Bank of Jamaica

APPENDIX 11

Essential Elements in Developing a Special Resolution Regime (SRR) for Deposit-Taking Institutions/Banks

Several jurisdictions have undertaken legislative reforms to their financial system infrastructure that exhibit a clear trend towards the introduction of special resolution regimes (SRRs) and tools aimed at meeting public policy objectives.

The purpose of SRRs is to address situations where banks/deposit taking institutions (DTIs) or other financial institutions are likely to encounter or have encountered financial difficulties and to enable a more orderly resolution. Consequently, a SRR should include the legal, institutional and operational arrangements that govern the application of intervention and resolution powers and rules for financial institutions. The SRR should ultimately seek to achieve the following objectives:

- Enhance public confidence and protect the stability of the financial system
- Protect depositors and other financial consumers
- Protect public funds

Jurisdictions such as Australia, Japan, Korea, Singapore, the United Kingdom and the United States have implemented a SRR to enhance their regulatory and supervisory framework for DTIs; while Bermuda has made proposals in this regard[32]. Based on international standards of best practices, namely *the IADI Core Principles for Effective Deposit Insurance Systems (The Core Principles) and the FSB Key Attributes for Effective Resolution Regimes*[33] (The Key Attributes) some key elements that jurisdictions should consider in enhancing or developing a SRR for banks are as follows:

1) *Identification of the Resolution Authority/Authorities*

The designated authority or authorities responsible for determining that a bank meets the conditions for entry into resolution as well as exercising resolution powers within the scope of the resolution regime should be explicitly stated *(Refer Key Attribute 2 - Resolution Authority)*. Additionally, the legal framework should provide for a clear allocation of objectives, mandates, and powers of all financial safety net participants involved in the resolution process, with no material gaps, overlaps or inconsistencies, as recommended by the IADI Core Principle 14 - Failure Resolution.

2) *Triggers for Initiating the SRR*

The qualitative and or quantitative criteria that are used to trigger intervention action and early entry into resolution should be clearly defined. Core Principle 13 (Early Detection and Timely Intervention) provides guidelines for the development of the criteria to be used for triggering timely intervention or corrective action. The criteria:

a) are clearly defined in law, regulation or agreements;

b) include safety and soundness indicators such as the institution's capital, asset quality, management, earnings, liquidity and sensitivity to market risk; and

c) are reviewed periodically, and the procedure for the

d) review is formalized.

3) *Stabilization Options and Resolution Tools*

The necessary stabilization options[34] and resolution tools for the orderly exit of non-viable banks must be made available to the authorities under a SRR.

[32]The JDIC has commenced the drafting of proposals to develop a SRR for DTIs in Jamaica. Refer Intervention and Resolutions section of the Management Discussion and Analysis- Review of Operations in this Report.

[33]The Key Attributes are retrievable at http://www.financialstabilityboard.org/2014/10/r_141015/.

[34]Stabilization options are used to meet resolution objectives by achieving the continuity of the critical economic functions provided by the institution and may include private sector purchase, temporary public ownership and bridge bank.

Resolution authorities should have the legal and operational capacity to apply one or a combination of resolution powers that allow the flexibility for resolution at a lesser cost than otherwise expected in liquidation.

The range of resolution powers should include the provisions to: remove and replace senior management and directors; appoint an administrator to take control and manage the bank; operate and resolve the bank; transfer or sell assets and liabilities; establish a temporary bridge institution and carry out bail-in activities.

4) Special Insolvency Regime/ Laws for Banks

Jurisdictions should have in place an insolvency regime specific to deal with the winding up of the business affairs and operations of a failed bank. The regime should provide for the orderly and timely disposition of a bank's assets after its licence has been revoked and it has been placed in receivership.

The adoption of a special bank insolvency regime[35] separate from the general corporate insolvency regime facilitates timely action and provide for consistency between the supervisory and insolvency related functions of the banking authorities. Experiences from different banking crises[36] indicate that general insolvency laws are not always appropriate to deal efficiently with the failure of banks since they do not aptly consider the need to avoid disruptions to financial stability, maintain essential services, or protect depositors.

5) Recovery and Resolution Plans

Authorities should implement procedures to facilitate ongoing recovery and resolution planning for banks[37]. Such plans are to provide for speed; transparency and as much predictability as possible through legal and procedural clarity; and advanced planning for orderly resolution without exposing taxpayers to loss.

Banks should be required to maintain a recovery plan. The plan should identify options to restore financial strength and viability when it comes under severe stress including measures to: reduce its risk profile; conserve capital; and strategic options such as the divestiture of business lines and restructuring of liabilities. Recovery plans must be shared with the resolution and supervisory authorities. The authorities have the responsibility to review these plans as part of the overall supervisory process, assessing its credibility and ability to be effectively implemented. The resolution authority/authorities are also responsible for developing, maintaining and executing resolution plans. The resolution plan should serve as a guide to authorities to achieve an orderly resolution if the recovery plans have proven ineffective.

6) Conditions for Cross border Cooperation

It is recommended that jurisdictions seek to develop and implement the legal and operational frameworks to facilitate cross-border cooperation. Such a framework will provide for a more effective resolution of a bank that is a member of a financial group in a cross-border context. The framework should address such matters as: the role and responsibility of relevant authorities; mechanisms for information sharing; confidentiality; and implementation of resolution measures.

It is also important to develop institution-specific agreements among relevant national authorities through the work of Crisis Management Groups. This is consistent with Key Attribute 9 (Institution-specific Cross-Border Cooperation Agreements).

[35]Notably, in some jurisdictions the general insolvency law is modified to include bank specific provisions.

[36]The Northern Rock crisis in the UK in 2007 (Bierley, 2009) and the Lehman Brothers crisis in the USA in 2008 (Čihák, 2009) serve as examples of the inadequacies of general insolvency laws to deal with bank/ financial institution failures.

[37]FSB recommends that at a minimum, resolution and resolvability plans should be effected for all domestically incorporated firms/ banks that could be systemically significant if they fail.

In implementing a SRR, jurisdictions may be required to make important changes to the legal, operational and insolvency arrangements for banks. Additionally, a wide range of stakeholders may be affected by the application of different SRR tools, including the failing bank itself; its creditors, shareholders and subordinated debt holders. Consequently, sufficient consultation with all stakeholders is necessary; as well as the efficient creation and implementation of the regime in an effort to ensure that any action taken, in regard to a SRR, is consistent with the objectives being pursued.

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Board of Directors and Senior Executives Compensation

BOARD OF DIRECTORS

Position of Director	Fees ($)	Motor Vehicle Upkeep/ Travelling or Value of Assignment of Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Chairman	37,500	-	-	-	37,500
Director 1	7,500	-	-	-	7,500
Director 2	7,500	-	-	-	7,500
Director 3	29,500	-	-	-	29,500
Director 4	25,500	-	-	-	25,500
Director 5	11,000	-	-	-	11,000
Director 6 (CEO)	-	-	-	-	-
TOTAL	**118,500**				**118,500**

SENIOR EXECUTIVES

Position of Senior Executive	Salary ($)	Gratuity (in lieu of pension) ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Other Allowances/ Benefits ($)	Non-Cash Benefits ($)	Total ($)
Chief Executive Officer	8,289,709	2,072,427	2,745,684	43,085	1,052,075	14,202,980
Director, Finance, Funds and Asset Management	4,511,140	1,127,785	975,720	581,755	-	7,196,400
General Counsel/Corporate Secretary	3,575,841	893,960	975,720	336,606	-	5,782,127
Director, Intervention, Resolutions and International Relations	4,199,374	1,049,844	975,720	849,762	-	7,074,700
Director, Monitoring and Risk Assessment	4,199,374	1,049,844	975,720	339,516	-	6 ,564,454
TOTAL	**24,775,438**	**6,193,860**	**6,648,564**	**2,150,724**	**1,052,075**	**40,820,661**

Note: Other Allowances/Benefits include medical and group life premiums, merit payments, interest rate subsidy and telephone charges.

Audited Financial Statements FY2014/2015

TABLE OF CONTENTS

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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 ("the corporation"), set out on pages 63-97, which comprise the statement of financial position as at March 31, 2015, 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, 2015, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Deposit Insurance Act.

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.

KPMG

Chartered Accountants
Kingston, Jamaica

April 15, 2015

JAMAICA DEPOSIT INSURANCE CORPORATION

Statement of Financial Position
March 31, 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Cash and cash equivalents		591,845	612,129
Investment securities	4	11,787,149	9,913,940
Accounts receivable	5	345,876	406,772
Property, plant and equipment	6	110,038	95,630
		12,834,908	11,028,471
LIABILITIES AND SHAREHOLDER'S EQUITY			
LIABILITIES			
Unearned premium income	7	567,637	594,839
Accounts payable		23,845	21,029
		591,482	615,868
SHAREHOLDER'S EQUITY			
Share capital	8	1,000	1,000
Capital reserves	9	72,536	56,393
Fair value reserves	10	-	13,703
Deposit insurance fund	11	12,169,890	10,341,507
		12,243,426	10,412,603
		12,834,908	11,028,471

The financial statements on pages 63-97 were approved for issue by the Board of Directors on April 15, 2015 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.

JAMAICA DEPOSIT INSURANCE CORPORATION

Statement of Profit or Loss and Other Comprehensive Income
Year ended March 31, 2015

	Notes	2015 $'000	2014 $'000
Income:			
Insurance premiums	2(i)	870,050	809,250
Interest earned	2(i)	1,100,029	922,900
Foreign exchange gain		59,612	83,644
Gain on disposal of investments		-	6,872
Other income		4,770	3,105
		2,034,461	1,825,771
Expenses:			
Impairment loss on securities		(32,091)	-
Administration expenses	12	(173,987)	(209,280)
Surplus from operations	11	1,828,383	1,616,491
Other comprehensive income:			
Items that maybe reclassified to profit or loss:			
Fair value loss on available-for-sale investments		(13,703)	(1,631)
Items that will not be reclassified to profit or loss:			
Revaluation of property, plant and equipment		16,143	-
Other comprehensive income		2,440	(1,631)
Total comprehensive income		1,830,823	1,614,860

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

JAMAICA DEPOSIT INSURANCE CORPORATION

Statement of Changes in Shareholders' Equity
Year ended March 31, 2015

	Share capital $'000 (Note 8)	Capital reserves $'000 (Note 9)	Fair value reserves $'000 (Note 10)	Deposit insurance fund $'000 (Note 11)	Total $'000
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
Surplus from operations	-		-	1,828,383	1,828,383
Other comprehensive income:					
Revaluation of property, plant and equipment	-	16,143	-	-	16,143
Fair value loss on available-for-sale investments	-	-	(13,703)	-	(13,703)
Total comprehensive income	-	16,143	(13,703)	1,828,383	1,830,823
Balances at March 31, 2015	1,000	72,536	-	12,169,890	12,243,426

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

JAMAICA DEPOSIT INSURANCE CORPORATION

Statement of Cash Flows
Year ended March 31, 2015

	2015 $'000	2014 $'000
Cash flows from operating activities:		
Surplus from operations	1,828,383	1,616,491
Adjustments for:		
Depreciation	4,303	5,709
Impairment loss on securities	32,091	-
Interest income	(1,100,029)	(922,900)
Unearned premium income	(27,202)	516,428
Unrealised foreign exchange gain	(59,612)	(83,644)
Loss on disposal of property, plant and equipment	-	9
Operating profit before changes in working capital	677,934	1,132,093
Changes in:		
Accounts receivable	60,896	75,389
Accounts payable	2,816	4,662
	63,712	80,051
Net cash provided by operations	741,646	1,212,144
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant & equipment	(2,568)	(3,523)
Investment securities, net	(1,803,342)	(1,555,805)
Interest received	1,043,980	867,446
Cash used in investing activities	(761,930)	(691,882)
(Decrease)/increase in cash balance at end of year	(20,284)	520,262
Cash balance at the beginning of the year	612,129	91,867
Cash balance at the end of the year	591,845	612,129

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

1. The Corporation

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

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

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

2. Basis of Preparation and Significant Accounting Policies

(a) Statement of compliance:

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

Certain new, revised and amended standards and interpretations which were in issue came into effect for the current year. The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

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,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible

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

(a) Statement of compliance (continued):

measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value thought profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2017. It replaces IAS 11 *Construction Contracts*, IAS 18 Revenue, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

- IAS *1 Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - specific single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard
  - the order of notes to the financial statements is not prescribed
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

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 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 16, *Property, Plant and Equipment* and IAS 38*, Intangible Assets.* The standards have been amended to clarify that, at the date of revaluation:

    (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or

    (ii) the accumulated depreciation/amortisation is eliminated against the gross carrying amount.

- *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 are as follows (continued):

  – *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.

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

(a) Statement of compliance (continued):

- *Improvements to IFRS, 2012-2014* cycle contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016 are as follows:

  – IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* are effective for accounting periods beginning on or after January 1, 2016.

  – The amendment to IAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.

  – The amendment to IAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

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

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

(b) Basis of preparation and functional currency

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

(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

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

(c) Accounting estimates and judgements (continued):

maturity. If the Corporation fails to keep these investments to maturity other than for specific circumstances, for example, selling other than an insignificant amount close to maturity, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value, not amortised cost. If the entire class of held-to-maturity investments is compromised, there would be no effect on the carrying value in the current year.

(iii) Provision for losses

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

(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.

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

(d) Cash and cash equivalents

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

(e) Investments

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

(i) Held-to-maturity

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

(ii) Available-for-sale

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest or exchange rates are classified as available-for-sale. These investments are initially recognised at cost, which includes transaction costs, and are subsequently re-measured at fair value based on amounts derived from cash flow models. Changes in fair value, other than impairment losses and foreign currency differences are recognized in other comprehensive income and accumulated in the fair value reserve in equity. When these securities are disposed of or impaired, the related accumulated fair value adjustments are included in the profit or loss 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 profit or loss as a gain/loss.

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

(e) Investments (continued)

Initial recognition

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

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

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

Fair value

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

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

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

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

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

(f) Accounts receivable

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

(g) Property, plant and equipment

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

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

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

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

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

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

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

(h) Payables

Payables are stated at amortised cost.

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

(j) Foreign currency transactions and balances

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

(k) Provision for losses

The Act requires that the Corporation shall review the size of its Deposit Insurance Fund at least annually having regard to its liabilities and potential liabilities and taking into account the advice of duly qualified professionals and, as necessary, make such recommendation to the Minister of Finance and 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 increases 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).

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

(l) Related party (continued)

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

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

(m) Impairment

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

(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.

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

(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.

(o) Determination of fair values

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

	2015 $'000	2014 $'000
(a) Held-to-maturity:		
Government of Jamaica	7,905,376	7,963,732
Interest accrued	108,609	98,575
	8,013,985	8,062,307
(b) Available-for sale:		
Government of Jamaica	3,686,807	1,811,293
Interest accrued	86,357	40,340
	3,773,164	1,851,633
	11,787,149	9,913,940

(c) Remaining term to contractual maturity

	2015			
	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	-	-	7,249,926	7,249,926
Benchmark investment note	-	198,005	-	198,005
BOJ VR CD	456,000	1,445	-	457,445
Interest accrued	17,934	3,168	87,507	108,609
	473,934	202,618	7,337,433	8,013,985

4. Investment securities (continued)

(c) Remaining term to contractual maturity (continued)

	2015			
	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	Carrying value $'000
Available-for-sale:				
Government of Jamaica-				
Benchmark investment note	639,134	366,184	-	1,005,318
GOJ Global Bond	1,481,036	1,200,454	-	2,681,490
Interest accrued	49,062	37,294	-	86,356
	2,169,232	1,603,932	-	3,773,164
	2,644,611	1,805,105	7,337,433	11,787,149

	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

4. Investment securities (continued)

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

	2015			
	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	7.40	-	7.32
BOJ VR CD	8.25	4.50	-	6.38
US$ Benchmark notes	9.00	9.46	-	9.30

	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	9.0	-	-	9.00
US$ Benchmark notes	9.0	-	-	9.00

5. Accounts receivable

	2015 $'000	2014 $'000
Withholding tax recoverable	338,532	391,553
Prepayments	293	3,689
Other receivables	7,051	11,530
	345,876	406,772

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 or valuation:						
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
Revaluation	1,300	8,700	-	-	-	10,000
Additions	-	-	9	663	1,896	2,568
Disposal	-	-	(517)	-	-	(517)
March 31, 2015	26,300	73,700	14,664	1,442	32,871	148,977
Depreciation:						
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
Charge for the year	-	1,625	332	-	2,346	4,303
Revaluation	-	(6,143)	-	-	-	(6,143)
Disposal	-	-	(517)	-	-	(517)
March 31, 2015	-	1	12,215	-	26,723	38,939

6. Property, plant & equipment (continued)

	Land	Building & freehold improvement	Furniture & fixtures	Work-in-progress	Computers machines & equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Net book values:						
March 31, 2015	26,300	73,699	2,449	1,442	6,148	110,038
March 31, 2014	25,000	60,481	2,772	779	6,598	95,630

The Corporation's land and buildings were revalued as at March 31, 2015 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 building were stated on the historical cost basis, the amounts would be as follows:

	2015	2014
	$'000	$'000
Cost	36,591	36,591
Accumulated depreciation	(12,807)	(8,883)
Net book value	23,784	27,708

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

6. Property, plant & equipment (continued)

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

7. Unearned premium income

This represents the portion of insurance premiums received from policyholders relating to the period subsequent to March 31, 2015.

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 building.

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)].

	2015 $'000	2014 $'000
Balance at beginning of year	10,341,507	8,725,016
Surplus from operations:		
Surplus from insurance operations	870,050	809,250
Surplus from investment and administration operations	958,333	807,241
	1,828,383	1,616,491
Deposit Insurance Fund at year end	12,169,890	10,341,507

12. Expenses by nature

	2015 $'000	2014 $'000
Auditors' remuneration	1,370	900
Depreciation	4,303	5,709
Directors' emoluments –		
Fees	118	516
Management remuneration	14,203	14,150
Other	10,863	11,994
Printing and stationery	2,993	4,069
Professional fees	7,228	10,185
Public education	5,508	27,180
Repairs and maintenance	3,535	3,873
Staff costs	115,423	122,305
Utilities	8,443	8,399
	173,987	209,280

13. Staff costs

	2015 $'000	2014 $'000
Wages and salaries	73,467	75,524
Statutory contributions	6,906	7,335
Others	35,050	39,446
	115,423	122,305
Management remuneration	14,203	14,150
	129,626	136,455

The number of persons employed by the Corporation at the end of the year was 25 (2014: 26)

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:

	2015 $'000	2014 $'000
Investment balance	11,787,149	9,913,940
Cash balance	590,337	610,532
	12,377,486	10,524,472

(b) Transactions and balances with key management:

	2015 $'000	2014 $'000
Wages and salaries	26,485	28,932
Statutory contributions	1,248	2,199
Other staff benefits	9,998	9,638
	37,731	40,769

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.

15. Financial risk management (Continued)

(a) Market risk (continued)

(i) Currency risk

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

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

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

The table below summarises the Corporation's exposure to foreign currency exchange rate risk at March 31.

	2015		
	JMD	USD	Total
	$'000	$'000	$'000
Financial assets			
Investment securities	9,036,352	2,750,797	11,787,149
Cash at bank	591,523	322	591,845
	9,627,875	2,751,119	12,378,994

	2014		
	JMD	USD	Total
	$'000	$'000	$'000
Financial assets			
Investment securities	9,104,441	809,499	9,913,940
Cash at bank	611,970	159	612,129
	9,716,411	809,658	10,526,069

The Corporation has no foreign currency liabilities.

15. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

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

	% change in currency rate 2015	Effect on surplus and deposit fund 2015	% change in currency rate 2014	Effect on surplus and deposit fund 2014
		$'000		$'000
Revaluation	1	27,511	1	8,095
Devaluation	10	275,111	15	121,432

(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.

	2015					
	Within 3 months	3 to 12 months	1 to 5 years	over 5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:						
Investment securities	1,937,036	639,134	1,766,089	7,249,926	194,964	11,787,149
Cash at bank	591,805	-	-	-	40	591,845
	2,528,841	639,134	1,766,089	7,249,926	195,004	12,378,994

15. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	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

Interest rate sensitivity

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.

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 2015 $'000	Effect on deposit insurance fund 2015 $'000	Effect on surplus from operations 2014 $'000	Effect on deposit insurance fund 2014 $'000
Jamaica dollar instruments				
Change in basis points:				
-100 (2014: -100)	(6,555)	(82,552)	(8,630)	(202,563)
+250 (2014:+250)	16,386	206,381	21,575	81,025
US dollar instruments				
Change in basis points:				
-50 (2014: -50)	-	(13,407)	-	(4,047)
+200 (2014:+200)	-	53,630	-	16,190

15. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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.

(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:

15. Financial risk management (continued)

(c) Liquidity risk (continued)

(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.

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, 2015 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;

15. Financial risk management (continued)

(d) Fair values of financial instruments (continued)

- 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, 2015). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2; and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(i) Valuation technique and significant 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 receivable	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.

15. Financial risk management (continued)

(d) Fair values of financial instruments (continued)

	Level 2	
	2015	2014
	$'000	$'000
Available-for-sale investments (note 4)		
Issued by Government of Jamaica	3,773,164	1,851,633

Fair values were estimated as follows:

	2015		2014	
	Carrying value	Fair value	Carrying value	Fair value
	$'000	$'000	$'000	$'000
Investment securities:				
Held to maturity	8,013,985	8,013,985	8,062,307	8,062,307
Available-for-sale	3,773,164	3,773,164	1,851,633	1,851,633
	11,787,149	11,787,149	9,913,940	9,913,940

(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 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.

15. Financial risk management (continued)

(e) Adequacy of the Deposit Insurance Fund (continued)

As at December 31, 2014, there were 11 (2013: 12) member institutions with total insured deposits estimated at $259.7 billion (2014: $245.6 billion), of which the DIF covered 4.5% (2014: 4.0%). 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
BSA	Banking Services Act
CACG	Commonwealth Association for Corporate Governance Guidelines
DIA	Deposit Insurance Act
DIF	Deposit Insurance Fund
DIS	Deposit Insurance Scheme
DTIs	Deposit-taking Institutions
EFF	Extended Fund Facility
FAAA	Financial Administration and Audit Act
FIA	Financial Institutions Act
FCMP	Financial Crisis Management Plan
FRC	Financial Regulatory Council
FSAP	Financial Sector Assessment Programme
FSC	Financial Services Commission
FSB	Financial Stability Board
FSSN	Financial System Safety Net
GDP	Gross Domestic Product
GOJ	Government of Jamaica
IADI	International Association of Deposit Insurers
IMF	International Monetary Fund
MEFP	Memorandum of Economic and Financial Policies
MOFP	Ministry of Finance and Planning
NDX	National Debt Exchange
NIR	Net International Reserves
PBMA	Public Bodies Management and Accountability Act
SDR	Special Drawing Right
SIFIs	Systemically Important Financial Institutions
SIPPA	Security Interests in Personal Property Act
SRR	Special Resolution Regime

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 excercise 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, 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.

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)*.

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