JAMAICA DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT 2018/19

Preparing For The Next Twenty… and Beyond

June 28, 2019

Dr The Honourable Nigel Clarke, MP
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4

Dear Minister Clarke:

On behalf of the Board of Directors, I have the honour of submitting to you the Annual Report of the Jamaica Deposit Insurance Corporation for the Financial Year 2018/2019 and a copy of the Corporation's Accounts as at March 31, 2019, duly certified by its Auditors. This is in accordance with the Deposit Insurance Act, subsection 11(1) and the Public Bodies Management and Accountability Act, subsection 3(2).

Yours sincerely,

John Jackson
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
COMMUNICATION
EXCELLENCE
PROFESSIONALISM
TEAMWORK

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

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

We continuously measure and monitor productivity to improve our operations.

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

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

ACRONYMS

BCBS
Basel Committee on Banking Supervision

BOJ
Bank of Jamaica

BSA
Banking Services Act

CEO
Chief Executive Officer

COM
Committee of Management

DIA
Deposit Insurance Act

DIF
Deposit Insurance Fund

DIO
Deposit Insurance Organisation

DIS
Deposit Insurance Scheme

DTI's
Deposit-taking Institutions

EFF
Extended Fund Facility

ERM
Enterprise Risk Management

FAAA
Financial Administration and Audit Act

FHC
Financial Holding Company

FRC
Financial Regulatory Committee

FSB
Financial Stability Board

FSC
Financial Services Commission

FSSC
Financial System Stability Committee

FSSN
Financial System Safety Net

GDP
Gross Domestic Product

GOJ
Government of Jamaica

IADI
International Association of Deposit Insurers

ICT
Information and Communication Technology

IMF
International Monetary Fund

MEFP
Memorandum of Economic and Financial Policies

MoFPS
Ministry of Finance and the Public Service

MRA
Monitoring and Risk Assessment

NFCMP
National Financial Crisis Management Plan

NFIS
National Financial Inclusion Strategy

NIR
Net International Reserves

PBMA
Public Bodies Management and Accountability Act

PMIS
Payout Management Information System

SBA
Stand-by Arrangement

SRR
Special Resolution Regime

TWG
Technical Working Group

GLOSSARY OF TERMS

Banking Services Act (BSA)
The Act of Parliament making provisions with regard to the supervision of banks, financial holding companies and other financial institutions and for connected matters.

Banking System
The deposit-taking financial institutions (DTIs), comprising Commercial Banks, Merchant Banks and Building Societies, being institutions licensed by the Bank of Jamaica.

Coverage Limit
The maximum payment the JDIC can make out of the Deposit Insurance Fund to a depositor should their insured financial institution (Policyholder/ member institution) fail. The coverage limit is prescribed under the Deposit Insurance Act.

Deposit
A sum of money paid on terms under which it will be repaid with or without interest or a premium, and either on demand or at a time or in circumstances agreed. However, it does not include money paid which is referable to the provision of property or services or the giving of security.

Deposit Insurance Act (DIA)
The Act of Parliament establishing the JDIC and setting out its objects, powers and functions.

Deposit Insurance Fund (DIF)
A Fund established under the Deposit Insurance Act to pay depositors should their insured financial institution (Policyholder/member institution) fail or to offer temporary financial assistance with security to Policyholders in a state of financial distress. It is ordinarily made up of premiums collected from Policyholders and investment income, but may also include contributions by way of advances from Government, amounts borrowed by the Corporation for the Fund and amounts realized from the liquidation of assets of Policyholders.

Deposit Insurance Fund Ratio
The Deposit Insurance Fund expressed as a percentage of the total insured deposits (DIF/Total Insured Deposits).

Deposit Insurance Premium
Amount paid by Policyholders into the DIF in accordance with the requirements of the DIA.

Deposit Insurance Scheme (DIS)
A Scheme established, usually by government, to protect depositors against risk of loss arising from failure of a bank or other deposit taking financial institution. In Jamaica the DIS was established under the DIA, 1998, and provides a formal system for the Government of Jamaica to address problems which may arise in the financial sector. A licensed DTIs membership in the DIS is mandatory in Jamaica.

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

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

Insurable Deposits
Deposits received or held by a Policyholder from or on behalf of a depositor, but are not deposits from another Policyholder; or 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.

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

Premium Assessment Rate
The rate prescribed by the Minister responsible for finance, on the recommendation of the Corporation, which is applied to the insurable deposits of Policyholders to determine deposit insurance premiums payable by Policyholders to the Corporation.

Resolution
The exercise of powers and the application of tools by the safety net authorities empowered to apply them in respect of a failed or failing bank, and which are designed to treat with a financial institution before it is balance sheet insolvent by way of bail-in; purchase and assumption; merger and acquisition; bridgebank or temporary public ownership, with a view to maintaining financial system stability while minimizing the resort to public funds. Resolution may also involve the reimbursement of insured deposits to depositors and the winding up of a failed bank with a view to maximizing recoveries.

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CHAIRMAN'S MESSAGE

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At year end, the balance in the DIF was $21 billion, an increase of 11.6 percent when compared to the previous year; an increase of 103.3 percent over the five year period.

Established in 1998, the financial year to March 2019 marked the Jamaica Deposit Insurance Corporation's (JDIC/the Corporation) 20th year since the commencement of its operations. Growing out of a period of major stress in the financial system, at the end of its first year of operations the Corporation's assets totaled $135.3 million; today it manages more than $21 billion in assets.

Over these 20 years the JDIC has played a major role in providing protection and confidence building for depositors and contributed to the stability of Jamaica's financial system. For the review period, the Corporation provided full protection for 95.4 percent of the number of deposit accounts in banks and building societies at the current $600,000 coverage limit. This level of coverage is consistent with the Corporation's mandate and public policy objectives and the International Association of Deposit Insurers (IADI) standard for deposit insurers to provide full protection for not less than 90 - 95 percent of deposit accounts. The coverage limit is reviewed periodically to ensure that its credibility is maintained.

THE ECONOMY

During the year, there were a number of positive outturns in terms of the country's macroeconomic indicators, including preliminary estimate of GDP growth of 1.9 percent; low and stable inflation of 2.4 percent and an unemployment rate of 8.0 percent. Additionally, Jamaica's debt to GDP ratio stood at approximately 96 percent for the fiscal year ended March 2019, in keeping with the projections for its downward trajectory; and business and consumer confidence remained at all-time high levels. Consistent with the low level of inflation, interest rates in the financial system declined. The investment climate also continued to be robust with the implementation of a number of capital-intensive projects and continued growth in the local Stock Market.

The performance of JDIC member institutions remained resilient, evidenced by robust capital and solvency levels which were consistently above the prudential standards for the financial institutions. Profitability levels increased against improving asset quality, liquidity and increased demand and supply of credit.

CORPORATE GOVERNANCE

The Board of Directors continued its oversight responsibility to ensure that the Corporation met its objectives for depositor protection and financial stability. The Corporation ended the year in a sound financial position, having operated within budget and meeting the overall balance targets agreed with the MoFPS. Of note, the Corporation met all the regulatory and accountability compliance obligations in keeping with the Public Bodies Management and Accountability Act and other statutory reporting requirements. The Corporation also copped the first place prize for the Corporate Governance Policies, Procedures and Practices at the 2nd staging of the MoFPS/PSOJ Public Sector Corporate Governance Awards.

DEPOSIT INSURANCE FUND MANAGEMENT

The Corporation continued to execute on its mandate of managing the Deposit Insurance Fund (DIF). The JDIC conducted the annual evaluation of the DIF, which was determined to be adequate to cover the potential liabilities for the ensuing 12-month period based on the assessed risks of its member institutions. At year end, the balance in the DIF was $21.0 billion, an increase of 11.6 percent when compared to the previous year; and an increase of 103.3 percent over the five-year period. The Corporation faced a lower interest rate environment to place funds at rates that equated with the average of the portfolio, and is mindful that as some of its investments mature going forward there are likely to be lower rates of returns on investments in the near term. The net effect of this is that, to reach the notional DIF Reserve Target Ratio of 8 percent will likely be adjusted beyond the previously projected FY2023.

RESOLUTION MANAGEMENT

For the review period, the members of the Financial System Safety Net (FSSN) continued to draft proposals for legislative changes consistent with the reforms for the financial system. The JDIC continued intensive collaboration towards the development of legislation for the resolution of all regulated financial institutions in Jamaica. The objective is to ensure that in the event of failure of a financial institution, appropriate mechanisms are in place to treat with the failure while minimizing any disruption to the financial system and the real economy.

ADMISSION OF CREDIT UNIONS TO THE DIS

The legislation to bring the credit union sector under the regulatory ambit of the BOJ is far advanced. Against this background the Corporation, in preparation for the admission of the sector to the DIS, continued to collaborate with the umbrella organization for credit unions, the Jamaica Cooperative Credit Union League (JCCUL/the League). The League, on behalf of the credit unions, met with the Corporation on several occasions regarding the design features for the credit unions' admission to the DIS and to ensure a smooth admission of the sector once the law is enacted. The Corporation has reviewed the legislative requirements to incorporate credit unions and appropriate proposals for legislation will be put forward.

PUBLIC EDUCATION AND AWARENESS

As part of the recognition of the Corporation's 20th anniversary its public education and awareness campaign was intensified. Emphasis was placed on financial literacy, consumer protection and getting the facts, consistent with Goal 3 of Jamaica's 2030 Vision.

OUTLOOK

Finally, in light of the reforms taking place in the financial sector, the Corporation's present organizational structure will undoubtedly be impacted. In this vein, the Corporation finalized a comprehensive job evaluation and reclassification exercise to enhance its recruitment and retention capacity and to treat with the complexities of the changing financial landscape and is awaiting approval of the MoFPS. In this context, JDIC looks forward to continuing to proactively identify and deal with issues that concern the protection of depositors and the stability of the system.

On behalf of the Board, I thank the management team and staff for their sterling contribution and performance in the execution of their duties. Their dedication and focus made the Board's oversight seamless. I must also thank my colleague Board Members for their support and also for serving on the sub-committees of the Board to ensure the effective execution of the Corporation's mandate.

John Jackson
Chairman

CEO'S REPORT ON OPERATIONS

OVERVIEW

For any organization, attaining significant "milestones" comes with the introspection and decisions regarding going forward and strategically preparing for the future...this underpinned the Corporation's performance during the year.

Having achieved 20-years of operations in FY2018/19, the JDIC during its annual corporate planning period, determined the high-level strategic metrics and targets and focused on the critical areas of operations required to ensure continued alignment of the Corporation with its statutory objects for depositor protection and financial system stability and its Vision and Mission in pursuit of this.

It was observed that the context going forward would recognize the achievement of these objectives in a dynamic environment where financial services and technology converge toward distributed, relegated and disintermediated models to maintain competitiveness and satisfy customer demand.

Of note, the key strategies of the Corporation continued to be the strengthening of its core areas of operations, with focus on resolution management, leveraging ICT for operational efficiency and importantly, building sustainable human resource capacity. Public education and awareness continued to be critical to depositor confidence, financial inclusion and the Corporation's contribution to financial system stability.

MEMBER INSTITUTIONS: PROFILE AND PERFORMANCE

With continued improvements in the performance of the macroeconomy, certified by the fifth review of Jamaica's economic reform programme, where the IMF concluded that the country had met all the quantitative performance criteria, business confidence remained high. This supported the good outturns for Policyholders in relation to asset quality, liquidity, profitability and capital. This augured well for the operations of the JDIC and the Deposit Insurance Scheme (DIS).

In FY2018/19, the number of member institutions remained at eleven (11). All were adequately capitalized, profitable, solvent, and operating above the prudential requirements. The eight commercial banks continued to represent more than 90 percent of the market share in terms of total assets, with the two building societies and one merchant bank having 8.8 and 0.2 percent respectively. Total assets for the sector increased by 10 percent, moving from $1,448.6 billion to $1,636.5 billion. The ratio of non-performing loans to total loans at 2.5 percent (2.6 percent in 2017) remained substantially below the international benchmark of 10.0 percent.

PROFILE OF DEPOSITS

Deposits in the system totaled $1,069.3 billion. Of this amount, $998.9 billion were insurable deposits, with estimated insured deposits (value of deposits fully covered up to the $600,000 coverage limit) being $345 billion. This represented 34.6 percent of insurable deposits. The average insurable deposit balance also increased to $240,283 from $226,664. In relation to the DIF balance ($21.0 billion) as a percentage of the total estimated insured deposits (DIF Ratio), this increased from 5.5 percent in 2017 to 6.0 percent in 2018.

> **"Under the proposed SRR legislation, the JDIC will be a resolution administrator, consistent with its role as liquidator, receiver or judicial manager under the DIA.**

REGULATORY REFORM IN THE BANKING SECTOR

During FY2018/19, no new principal financial legislation was enacted; however, at year end there were several pieces pending, including the Bank of Jamaica (Amendment) Bill, 2018. The Bill is intended to enshrine the Central Bank's independence. The Banking Services (Capital Adequacy) Regulations were also pending. These regulations will create a framework that will provide for consolidated capital adequacy requirements for all licensees under the Banking Services Act (BSA). The regulations will also outline the general requirements for group-wide capital adequacy that will be imposed on FHC's that head financial groups as defined in the BSA, and the methodology to be used for computing consolidated capital requirements.

Other regulatory reforms include the development and implementation of the Special Resolution Regime (SRR) for financial institutions in Jamaica; and bringing of credit unions under the supervisory ambit of the BOJ and subsequent membership in the DIS.

CORE OPERATIONS

- **Building Sustainable Human Resource Capacity Strategy**
  The recruitment, training and retention of expert staff remains critical to achieving the JDIC's objectives. As such, in pursuit of this, a comprehensive review of the organization model and structure, evaluation of commensurate jobs and supporting reclassification exercise was finalized and submitted to the MoFPS for approval. This review reemphasized that the retention of human resource capacity was a significant risk area for the operations of the Corporation and this was corroborated by the ERM activities carried out during the review period.

- **Strengthening the Operational Framework to Support Resolution Powers**

During the review period, the Corporation commenced the drafting of rules and other supporting procedural documents to guide its operations when acting as liquidator, receiver, or judicial manager in the liquidation of member institutions, their holding companies and subsidiaries consistent with JDIC's powers under the DIA. To further strengthen the legal and operating framework for the resolution of financial institutions, collaboration with the MoFPS, BOJ and FSC continued. This included advising on the drafting of legislation to advance the Cabinet approved proposals to establish a SRR for financial institutions regulated by the BOJ and FSC. Under the proposed SRR legislation, the JDIC will be a resolution administrator, consistent with its role as liquidator, receiver, or judicial manager under the DIA. The SRR legislation is scheduled to be tabled in FY2019/20.

- **Annual Deposit Insurance Fund Adequacy Evaluation**

A comprehensive evaluation of the adequacy of the Deposit Insurance Fund (DIF / the Fund) was conducted as required under the DIA. The Fund was determined to be adequate to cover the Corporation's existing and potential liabilities for the ensuing 12-month period. This conclusion was based on the assessed low risks of member institutions, the robustness of the banking system and the low likelihood of the need for any resolution activity in the short term. Further, consistent with international best practices the JDIC continued to explore sources for contingency funding as part of its crisis preparedness planning.

- **Strengthening the ICT Infrastructure**

As the Corporation strengthens its focus on ICT governance and management there were improvements in the ICT infrastructure; update of the ICT Security Policy; and discussions with the Government's proposed ICT Authority in the Ministry of Science, Energy and Technology as to the adoption of the GOJ ICT Governance Handbook. Discussions were also held with subject matter experts on optimal ICT management and infrastructure arrangements based on emerging best practice.

- **Public Education and Awareness**

As a key business strategy, the public education and awareness programme of the Corporation continues to be embedded in the principles and methodologies to support financial inclusion. The programme was delivered via various channels and outreach activities. During the review period and in recognition of its 20th Anniversary, the Corporation carried out several initiatives. These included two public fora held under the theme 'Empowering Todays Financial Consumers for the Future'. Focus on its schools' programme remained strong and work on the development of a financial education book for primary school children commenced during the review period and should be completed in FY2019/20. This was consistent with the national financial literacy programme (an initiative under the National Financial Inclusion Strategy) where educating youth has been identified as a critical starting point for the country.

FINANCIAL PERFORMANCE

The DIF balance at the end of FY2018/19 was $21.0 billion, an increase of 11.6 percent compared to the 14.0 percent increase in FY2017/18.

The Corporation's total assets at March 31, 2019 was $22.1 billion, an increase of 14 percent over 2017. Total income was $2.5 billion, similar to that earned in 2017. Also of note, the Overall Balance Target (OBT), which shows the cash generated from operations, was $2,523.5 million compared to the target of $1,975.6 million agreed with the MoFPS.

The Key Performance Ratios outperformed expectations when compared with budget. This resulted mainly from the increase in income due to increased insurance premiums and interest earned on investments; coupled with increased asset prices reflected in the revaluation of securities held and classified as Fair Value through Other Comprehensive Income.

INTER-AGENCY COLLABORATION

The MoFPS, BOJ, FSC and the JDIC continued to collaborate and facilitate information sharing, as per their respective mandates. The JDIC through its CEO's statutory membership, continued to actively participate and contribute to the objectives of the Financial Regulatory Committee (FRC), the Financial System Stability Committee and the National Financial Inclusion Council. Senior Officers of the Corporation also made contributions through membership on FRC-led working groups.

Major projects undertaken/finalized during the review period included work on the SRR; development of an Inter-Agency Financial Crisis Communication Plan to support, the overarching National Financial Crisis Preparedness and Management Plan; and participation in the Financial Sector Assessment Programme (FSAP).

The FSAP included an assessment of the level of compliance of the DIS with the IADI Core Principles. The coordination and implementation of initiatives to address the FSAP recommendations are being conducted under the guidance of the FRC.

REGIONAL AND INTERNATIONAL RELATIONS

The Corporation continued its collaboration with the Caribbean Community (CARICOM) Secretariat and member countries to establish a Model Deposit Insurance Policy for the Caribbean. The objective of developing the CARICOM Policy is to encourage and assist member states to establish and strengthen deposit insurance systems and to contribute to the development and stability of financial systems within the Caribbean Community. The draft Policy was presented at the Sixth Special Meeting of the CARICOM Council of Finance and Planning (COFAP). The next steps include the tabling of the Policy for adoption at the upcoming meeting of COFAP and the Conference of the Heads of Government `scheduled to be held in July 2019. The JDIC chairs the CARICOM technical working group.

Membership in the IADI was maintained and the Corporation continued to leverage technical expertise through this channel. In honing expert technical capacity, the Corporation's executives continued to work on technical research working groups of IADI in critical areas of focus for effective Deposit Insurance systems. During the year, the Corporation made presentations at the IADI Third Americas Deposit Insurance Forum and at the annual AGM and conference, as well as attended/ participated in other IADI workshops.

CONCLUDING REMARKS

For FY2019/20, relative stability is expected in the macroeconomic environment. As such, JDIC member institutions should continue to experience positive outturns, which would augur well for financial stability with commensurate levels of prudential supervision and macro prudential surveillance. This will allow for the optimized growth of the DIF where there is no call on the Fund for resolution activities.

Enhancements in the Corporation's human resource capacity and resolution planning and preparedness will continue to be among the significant areas of focus in FY2019/20. To do this, the JDIC will continue to strengthen its inter-agency and international collaborations.

As the JDIC marks these successful 20-years in operation, to build the next twenty, we must look back at past performance. In this vein, we recognize the vision and oversight of the former Chairpersons, Chief Executive Officer and Board Members, who facilitated the laying of a secure foundation. It is on this, in support of the financial stability, growth and development of Jamaica, that the staff of JDIC continues to build its dedication and commitment, and will continue to do so.

I take the opportunity to thank the current Board of Directors for their guidance, invaluable oversight and contribution to the overall success of the Corporation. I thank the JDIC team members for their unwavering support and performance during the year.

Special thanks to our member institutions, local, regional and international partners for their cooperation and contributions over the Corporation’s 20-year journey, and we look forward to their continued support as we prepare for the next twenty... and beyond.

Antoinette McKain
Chief Executive Officer

20-YEAR MILESTONES

1998

The Jamaica Deposit Insurance Corporation (JDIC/ the Corporation) was established under the Deposit Insurance Act, 1998. The prescribed deposit insurance coverage limit was J$200,000 per depositor, per institution. Membership to the Deposit Insurance Scheme was made compulsory for all commercial banks (9), merchant banks (17) and building societies (8).

2002

With the signature of Mr Winston Carr, C.D., the first CEO of the JDIC, the Corporation became a founding member of the newly established International Association of Deposit Insurers (IADI). The IADI facilitates sharing of knowledge and expertise among Deposit Insurers to enhance the effectiveness of the deposit insurance systems. Mr Carr became a member of IADI's Executive Council and subsequently the first Chair of its Caribbean Regional Committee.

2000

JDIC became a member of the Financial Regulatory Council (now Financial Regulatory Committee, FRC), comprising also the other financial system safety net partners (BOJ, FSC, MoFPS). The FRC facilitates information sharing and policy development for the financial sector towards ensuring that prompt and appropriate action is taken for financial system safety and soundness.

2007

The deposit insurance coverage limit was increased from **J$300,000 to J$600,000.**

2001

The deposit insurance coverage limit was increased from **J$200,000 to J$300,000.**

2009

To strengthen Jamaica's Deposit Insurance Scheme, the JDIC adopts the Core Principles for Effective Deposit Insurance Systems. The Core Principles were developed by the Basel Committee on Banking Supervision and the IADI and provides broad policy guidance for Deposit Insurers and have been endorsed by the international community as standards of best practice.

2010

JDIC hosts major international Conference "Bank Insolvency in the Caribbean – Law and Best Practice" to bring together practitioners and experts to open the discourse on treatment of bank insolvency in a world of the global financial crisis of 2007-2009. Twenty-five countries were represented from CARICOM, Africa, Asia and the USA bringing together financial system Regulators, Deposit Insurers, Attorneys General, multilateral agencies and ministries.

2011

The DIA was amended to allow for:

- Provision of financial assistant in the form of loans and guarantees with security to resolve Policyholder institutions in financial distress.
- Separate coverage for each beneficiary in trust accounts and nominee accounts.
- Separate coverage for depositors where their Policyholder institutions merge.
- Easier access to deposit insurance payments through transfer agents.

2013

JDIC marks 15 years of protecting depositors with a Financial Markets Symposium and Fair under the theme "Promoting Financial Inclusion through Public Education and Awareness". The event was held in partnership with the other financial system safety (FSSN) partners, the Jamaica Stock Exchange and CARTAC and contributed to the emerging discourse on financial inclusion aimed at broadening access to financial services for citizens.

2014

- JDIC signs MOU with other members of the IADI Caribbean Regional Committee geared towards promoting sharing of information and technical expertise among members with a view to enhancing the capacity of each deposit insurance agency and the region as a whole.

- JDIC collaborates with the CARICOM Secretariat to establish a regional Policy of Deposit Insurance for member states. This includes proposal to establish a model for regional deposit insurance protection.

2016

- As part of its public education and awareness thrust, and to promote financial literacy among youths, JDIC launches an online Android Financial Education Competition/Game for secondary schools. 230 students from 61 schools participated in the Competition.

- The Corporation host a "Bank Resolution Workshop and Simulation" for IADI members and financial system safety net partners. Participants tested and sharpened their expertise to resolve non-viable institutions in an orderly and timely manner. This is to ensure that capacity is available for the protection of depositors and for financial system stability in a crisis.

2017

- JDIC along with the other FRC member agencies issues proposals for a Special Resolution Regime (SRR) for Financial Institutions in Jamaica. The SRR will serve to enhance the current legal framework for the resolution of regulated non-viable financial institutions.

- The Corporation is awarded 1st place in the category of 'Best Corporate Governance Policies and Procedures', as well as 1st runner up for 'Compliance and Disclosure of Information' at the PSOJ/MoFPS inaugural Public Sector Corporate Governance Awards. In a special category 'Best Annual Report' sponsored by the Jamaica Stock Exchange the Corporation was also awarded 1st runner up.

20-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

Financial Statistics - March 31, 2010-2019

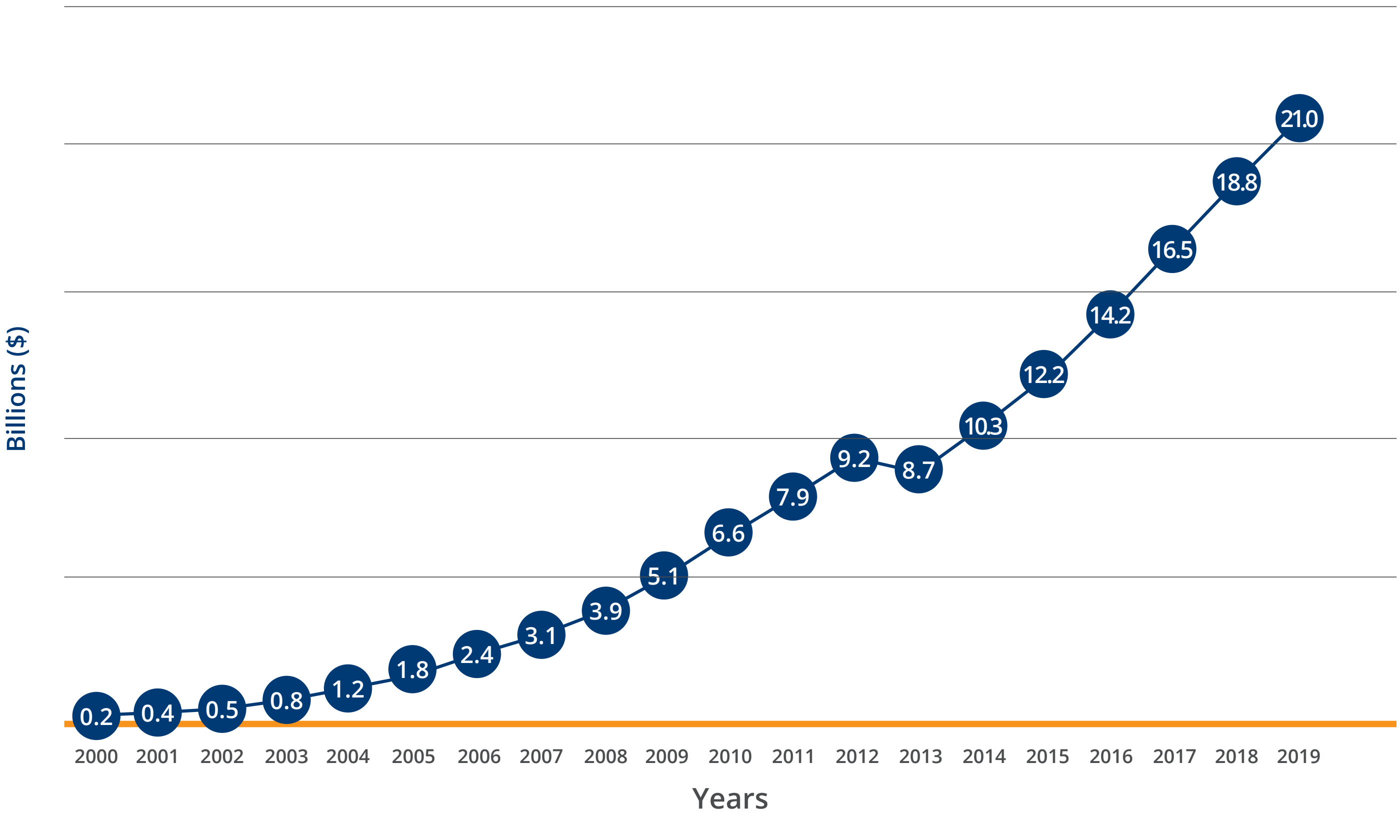
Financial Year	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME										
Insurance Premiums	1,353,413	1,239,560	1,076,597	937,283	870,050	809,250	745,540	727,806	720,970	643,038
Interest Earned	1,342,762	1,200,508	1,208,858	1,127,598	1,100,029	922,900	862,530	780,742	755,791	937,504
Other Income	(146,842)	106,177	268,754	153,542	64,382	93,621	148,026	26,454	-31,562	15,854
Total Income	2,549,333	2,546,245	2,554,209	2,218,423	2,034,461	1,825,771	1,756,096	1,535,002	1,445,199	1,596,396
Impairment Loss on Securities	7,086	-	-	-	32,091	-	-	-	-	-
Administrative Expenses	294,325	244,462	212,111	188,187	173,987	209,280	180,782	178,015	128,894	152,242
Surplus from Operations	2,247,922	2,301,783	2,342,098	2,030,236	1,828,383	1,616,491	1,575,314	1,356,987	1,316,305	1,444,154
DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION										
Deposit Insurance Fund	21,027,578	18,844,007	16,542,224	14,200,126	12,169,890	10,341,507	8,725,016	9,246,938	7,889,951	6,573,646
Investment Securities	21,650,876	18,825,977	17,089,446	14,102,310	11,787,149	9,913,940	8,276,122	9,075,955	7,842,372	6,194,498
Total Assets	22,063,976	19,363,247	18,490,226	15,340,667	12,834,908	11,028,471	8,892,521	10,177,943	8,659,837	6,910,309
Property, Plant and Equipment (NBV)	194,645	189,404	178,501	110,722	110,038	95,630	97,825	98,946	109,503	105,428
OTHER SELECTED DATA										
Persons employed at the end of the year	28	24	21	21	25	26	24	23	20	20
Operating Ratio (%)	25.2	18.7	14.4	14.7	14.9	20.6	17.9	22.8	17.1	16.2
Expense Control Ratio (%)	11.8	9.6	8.3	8.5	8.6	11.5	10.3	11.6	8.9	9.5
Administrative Expenses Ratio (%)	13.4	10.6	9.1	9.3	9.5	12.9	11.5	13.1	9.8	10.5
Administrative Expenses to DIF Ratio (%)	1.4	1.3	1.3	1.3	1.4	2.0	2.1	1.9	1.6	2.3
Net Surplus (%)	88.2	90.4	91.7	91.5	89.9	88.5	89.7	88.4	91.1	90.5
Asset Management Ratio (%)	12.3	13.5	15.1	15.7	17.1	18.3	18.4	16.3	16.7	23.1
Return on Assets Ratio (%)	10.8	12.2	13.8	14.4	15.3	16.2	16.5	14.4	15.2	20.9
Insurance Premium/Total Income (%)	53.1	48.7	42.1	42.2	42.8	44.3	42.5	47.4	49.9	40.3

20-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

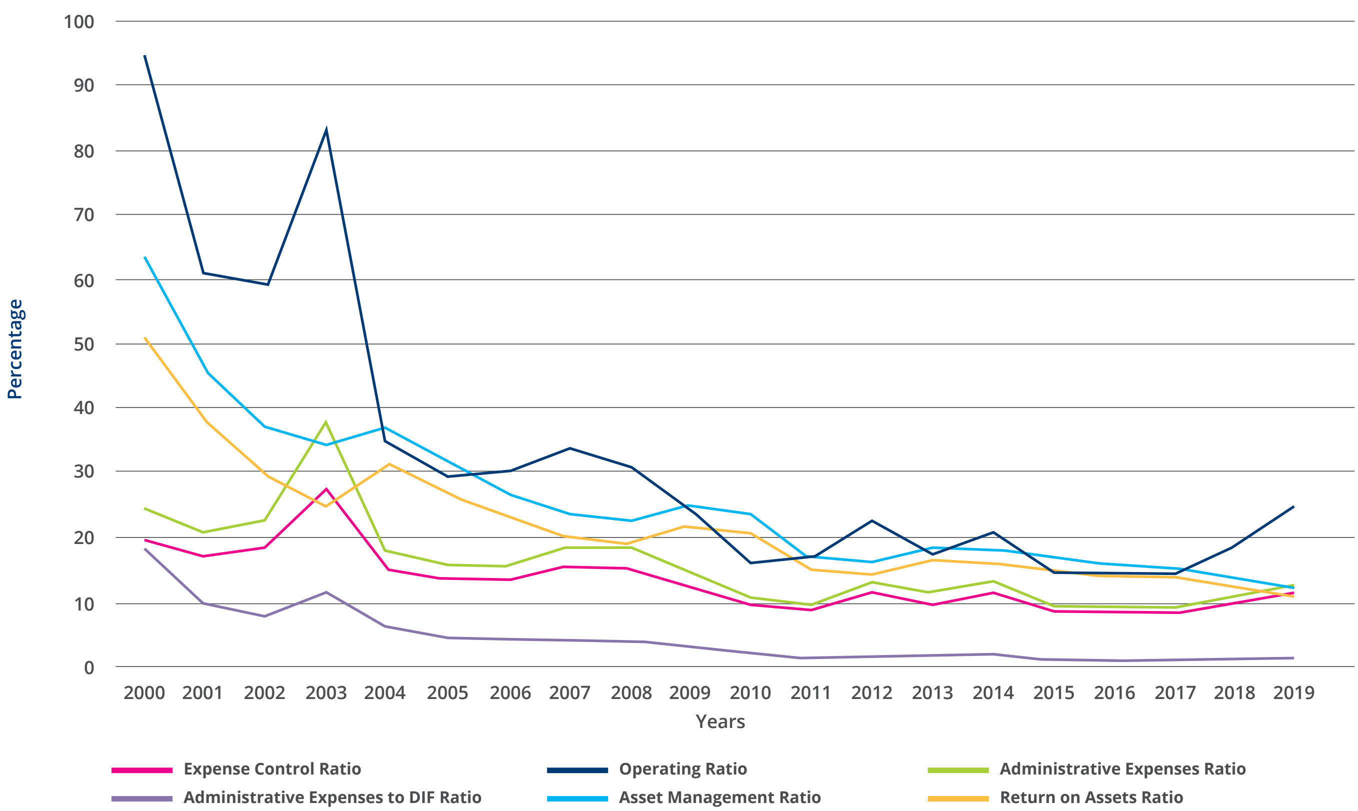
Financial Statistics - March 31, 2000 - 2009

Financial Year	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME										
Insurance Premiums	553,444	484,120	437,732	388,748	339,654	302,253	221,190	163,442	147,612	137,096
Interest Earned	693,962	477,478	374,415	331,685	292,558	229,461	110,939	77,402	58,544	35,869
Other Income	132,632	3,273	4,110	4,093	-708	2,293	4,002	-	-	6
Total Income	1,380,038	964,871	816,257	724,526	631,504	534,007	336,131	240,844	206,156	172,971
Impairment Loss on Securities	-	-	-	-	-	-	-	-	-	-
Administrative Expenses	171,341	148,975	126,477	101,015	86,770	79,853	92,538	45,302	35,539	33,812
Surplus from Operations	1,208,697	815,896	689,780	623,511	544,734	453,589	243,593	195,542	170,617	139,159
DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION										
Deposit Insurance Fund	5,129,492	3,920,794	3,104,898	2,415,118	1,791,607	1,246,873	793,284	549,691	354,149	183,532
Investment Securities	5,124,721	3,109,144	3,248,803	2,557,249	1,838,251	1,291,907	862,589	585,511	386,971	248,135
Total Assets	5,510,940	4,244,283	3,416,803	2,692,872	2,021,829	1,448,456	973,284	657,156	450,697	273,211
Property, Plant and Equipment (NBV)	101,593	62,167	64,074	70,242	53,819	55,794	57,096	44,449	4,421	3,278
OTHER SELECTED DATA										
Persons employed at the end of the year	24	26	20	23	22	18	18	11	8	8
Operating Ratio (%)	24.7	31.2	33.8	30.5	29.7	35.0	83.4	59.2	61.0	94.2
Expense Control Ratio (%)	12.4	15.4	15.5	13.9	13.7	15.1	27.5	18.8	17.2	19.5
Administrative Expenses Ratio (%)	14.2	18.3	18.3	16.2	15.9	17.7	38.0	23.2	20.8	24.3
Administrative Expenses to DIF Ratio (%)	3.3	3.8	4.1	4.2	4.8	6.4	11.7	8.2	10.0	18.4
Net Surplus (%)	87.6	84.6	84.5	86.1	86.3	84.9	75.5	81.2	82.8	80.5
Asset Management Ratio (%)	25.0	22.7	23.9	26.9	31.2	36.9	34.5	36.6	45.7	63.3
Return on Assets Ratio (%)	21.9	19.2	20.2	23.2	26.9	31.3	25.0	29.8	37.9	50.9
Insurance Premium/Total Income (%)	40.1	50.2	53.6	53.7	53.8	56.6	65.8	67.9	71.6	79.3

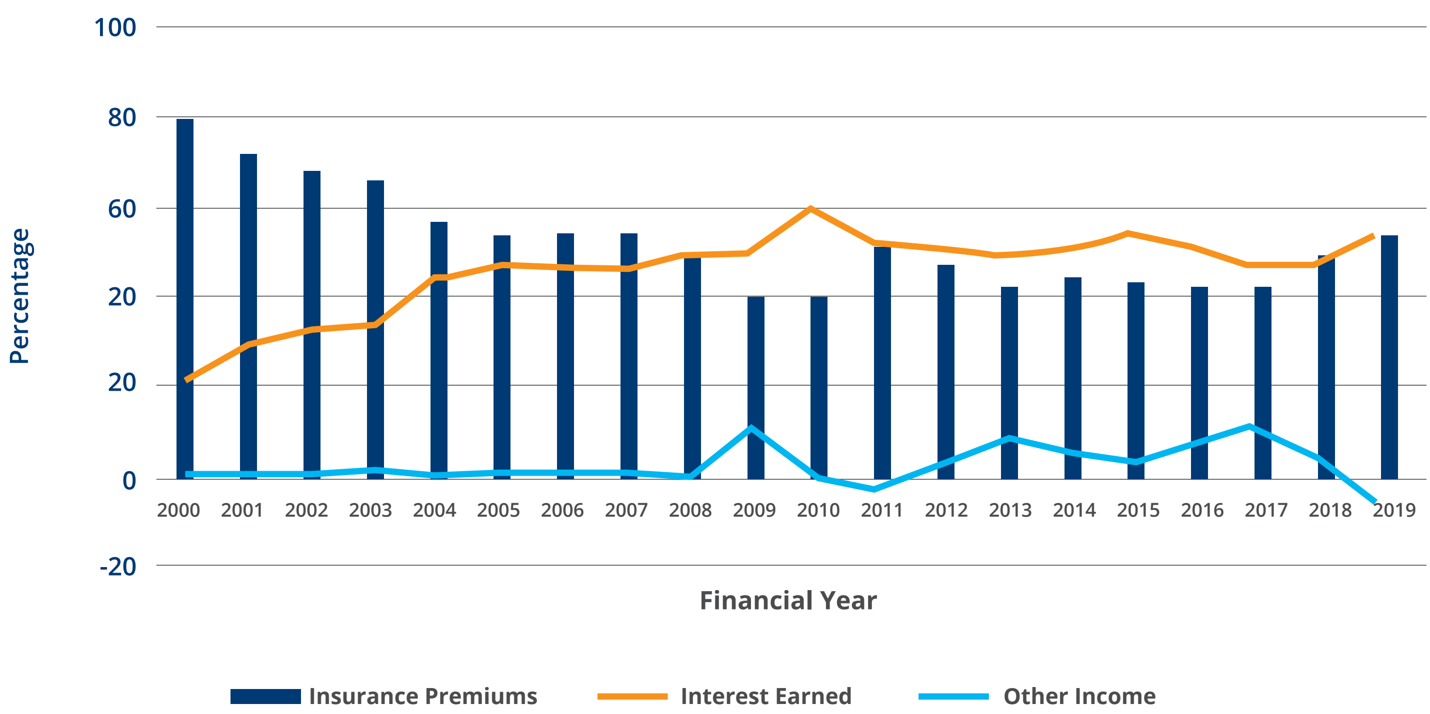
DEPOSIT INSURANCE FUND



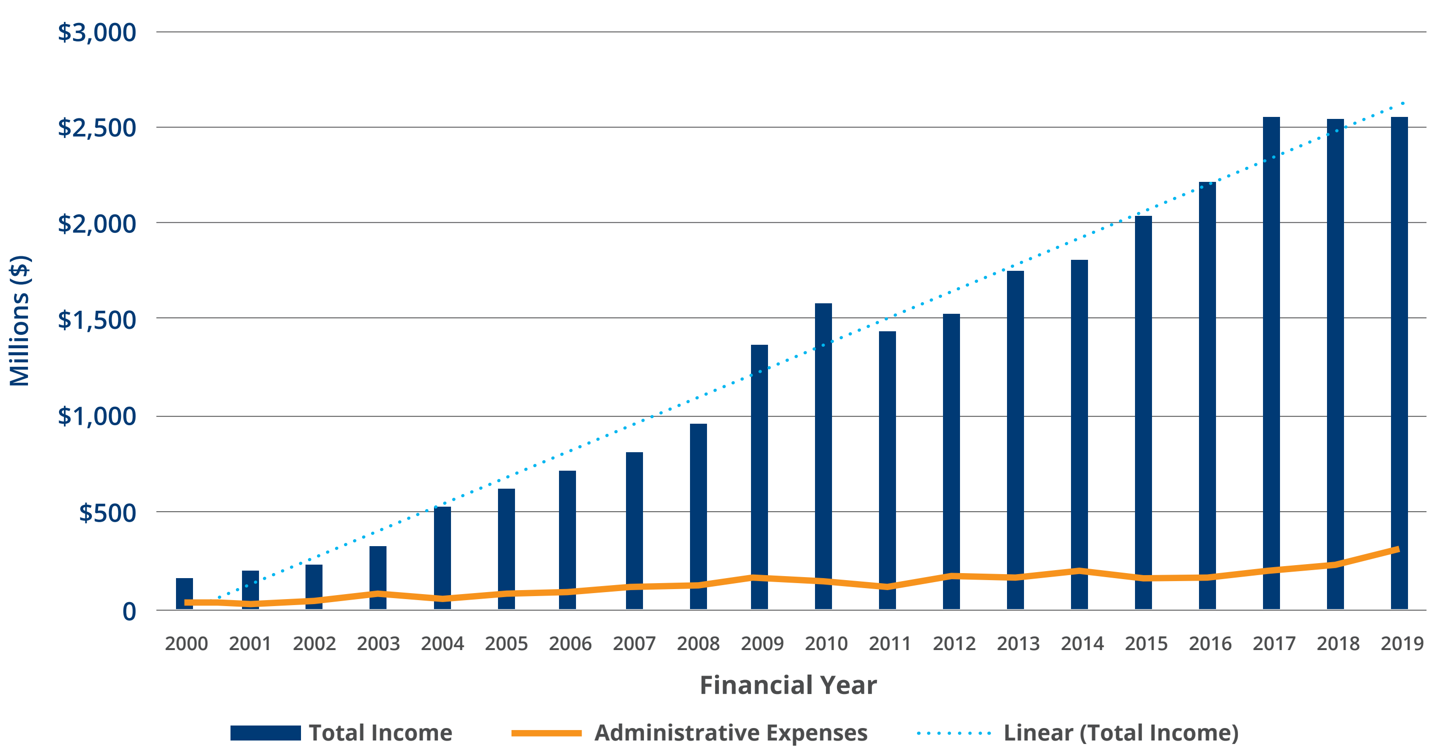
KEY PERFORMANCE RATIOS



TOTAL INCOME



INCOME VS EXPENSE



BOARD OF DIRECTORS

John Jackson
Chairman

John Jackson, a Chartered Accountant, was appointed Chairman of the JDIC Board on April 25, 2016. He brings to the Board a wealth of knowledge and experience in auditing and accounting.

Mr Jackson is the founder of the chartered accounting firm, Jackson Burnett Parkinson, now renamed Crooks Jackson Burnett. He is the Chief Executive of Bridgeton Management Services Limited, a private investment and management company since 1974; and the founder of the financial website ICinsider.com. He is also the Chairman of Jetcon Corporation Limited and KIW International; and the Acting Chairman of Jamaican Teas Group. In 2018 he became the Chairman of QWI Investments, a subsidiary of the Jamaican Teas.

Additionally, Mr Jackson is a member of the Board of the Development Bank of Jamaica and was a member of Jamaica's CARICOM Review Commission.

He has done extensive research on economic and financial matters, in particular the stock market, and has written and spoken extensively on these matters.

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

Antoinette McKain
CEO

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 relating to financial resolution and corporate governance practices.

From 2007 to 2009 Ms McKain was a member of the Executive Council of the International Association of Deposit Insurers and chaired its Caribbean Regional Committee and its Legal Committee and was a member of the Membership and Communications and Governance Committee. She was also on the Committee of the Private Sector Organisation 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 an MBA (Finance) from the University of Manchester and Wales. She also has a Chartered Banker MBA from Bangor University and is a member of the Institute of Chartered Bankers.

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 an MSc degree in Economics from the University College London (UCL). Working at the Ministry of Finance and the Public Service over the last fifteen (15) years, Ms Wright is currently the Divisional Director of the Financial Regulations Division which has responsibility for ensuring that policies are in place to effectively regulate the financial sector.

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

Maurene Simms is a graduate of the University of the West Indies and a career Central Banker who has been employed to the Bank of Jamaica since March 1982. She assumed the position of Deputy Supervisor on June 15, 2017. Prior to assuming this role, she served the institution in several senior capacities including Deputy Governor and before that as Division Chief of the Financial Institution Supervisory Division. During this period, she was a key contributor to the body of work which culminated in the passage of the Banking Services Act (BSA) in June 2014.

Ms Simms is a trained Mutual Evaluation Financial Examiner and was the Financial Examiner for the 3rd Round CFATF Mutual Evaluation of the Cayman Islands and Anguilla. She has also participated in several technical training programmes held locally, regionally and internationally which covered the gamut of Bank Supervisory issues.

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

Myrtle Halsall is an experienced economist with over thirty (30) years experience with the Central Bank of Jamaica, retiring at the level of Senior Deputy Governor with responsibility for the Economic Division, the Banking, Market Operations and Currency Division, as well as the Administrative Division.

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

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

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

Myrtle Halsall, OD

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

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

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

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

Lisa Lewis

Vernon McLeod

Vernon McLeod is a retired banker with approximately twenty (20) years experience in commercial banking, having served in various positions at National Commercial Bank Jamaica Limited. He was Manager of a number of the bank's branches, as well as Credit Manager at the Head Office for several years. He had the responsibility for supervising and managing the bank's loan portfolio, ensuring that critical targets, including profitability, were achieved and that recovery of the bank's exposure was assured.

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

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

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

EXECUTIVE MANAGEMENT

Seated L-R –Eloise Williams Dunkley, Director -Intervention, Resolutions and International Relations and Marjorie McGrath, Manager- Corporate Communications. Standing (L-R) Ronald Edwards, Director- Finance, Funds and Asset Management, Dorraine Wright, Manager- Human Resource and Administration, Dawn Marie Brown, Director- Monitoring and Risk Assessment, Stacie-Ann Christmas, General Counsel/Corporate Secretary and Antoinette McKain, Chief Executive Officer.

The Chief Executive Officer (CEO) is responsible for the day-to-day management of the Corporation. Entrusted to this portfolio are the development and implementation of requisite strategies, policies and initiatives necessary to support and enhance the business of the Corporation and the realization of its mandate. The CEO is supported by members of the executive management team, which is made up of the Department Heads, and together they form the Committee of Management (COM). Managers and other officers of the Corporation may be included on the COM, from time to time, as determined by the CEO.

Through a collaborative process the COM assesses, develops, monitors and evaluates strategies, policies and initiatives relating to the core functions and operations of the Corporation, including: monitoring and risk assessment of Policyholders; resolution and financial crisis management; and deposit insurance fund management and assessment. This collaboration process is a multi-disciplinary approach which allows management to exercise sound judgement and effective decision making.

Standing and sub-committees of the COM include: Corporate Risk; Treasury Management; Information and Communication Technology; Disaster Recovery and Business Continuity; Procurement and Disposal of Assets; Records and Information Management; Expenditure Control; Legislative Review; and other ad hoc committees as may be required from time to time.

INTER-AGENCY STATUTORY COMMITTEES AND STANDING COMMITTEES

The CEO is an ex officio member of the inter-agency statutory committees, namely: The Financial Regulatory Committee and the Financial System Stability Committee established under the Bank of Jamaica Act. The CEO is also a member of the Bank of Jamaica Bankers' Committee and the National Financial Inclusion Council. ***(Refer Financial System Safety Net Partners – Interagency Activities).***

CORPORATE GOVERNANCE

The Jamaica Deposit Insurance Corporation (JDIC/the Corporation) is a statutory corporation which operates within the ambit of its enacting legislation, the Deposit Insurance Act (DIA). As a public body, the Corporation is accountable to the Minister of Finance and the Public Service and operates within the legal framework of the Public Bodies Management and Accountability Act (PBMA), the Corporate Governance Framework for Public Bodies in Jamaica issued by the MoFPS and the Financial Administration and Audit Act (FAAA), which are the principal statutes concerning corporate governance of public bodies.

The principal objects of the Corporation are: to establish and manage the Deposit Insurance Scheme for the insurance of deposits or parts thereof against the risk of loss; and to take all measures necessary to ensure the least possible exposure of the Corporation to loss. As such, the Corporation plays an essential role in contributing to financial system stability in Jamaica.

The Board of Directors remain committed to the achievement of the objectives of the Corporation supported by a system of sound corporate governance policies, framework and practices.

CORPORATE GOVERNANCE STRENGTHENING

During the review period the Corporation's Board and Management engaged in corporate governance sensitization and training sessions. These sessions included training on the revised Board Performance Evaluation Instrument; Corporate Governance Public Sector Transformation; and Board of Directors/CEO's Anti-Money Laundering Seminar.

The Corporation was among the public sector agencies that entered the second staging of the annual Private Sector Organization of Jamaica (PSOJ) Public Bodies Corporate Governance Awards for 2018. There were four (4) award categories, namely: Board Composition and Structure; Corporate Governance Policies, Procedures and Practices; Compliance and Disclosure of Information; Risk Measurement and Internal Controls; and one Overall Winner category. Two (2) special award categories, were added being, Best Annual Report and Best Website. The Corporation was awarded first place for Corporate Governance Policies, Procedures and Practices, and second runner-up for Best Annual Report.

BOARD OF DIRECTORS – MANDATE AND COMPOSITION

The JDIC's Board of Directors has oversight responsibility for the policy, general administration of the Corporation and the management of the Deposit Insurance Fund (the Fund), subject to the provisions of the DIA.

The Board is comprised of seven (7) members, including three ex officio directors: the Governor of the Bank of Jamaica, the Financial Secretary, and the Chief Executive Officer of the Corporation (or their nominees); and four other directors appointed by the Minister of Finance and the Public Service, including the Chairman of the Board.

In keeping with the DIA, the Board met seven (7) times during the calendar year. Consistent with the PBMA, the Board ensured that the following reports were submitted within the prescribed period:

- The Corporate Plan, Operating and Capital Budgets for FY2019/20 – 2022/23;
- The Annual Report, and the audited financial statements for FY2017/18; and
- The Quarterly and Half-yearly reports required under the PBMA.

Board of Directors		Number of Meetings Attended C/Y
John Jackson	Chairman	5/7
Maurene Simms	Nominee of the Governor, Bank of Jamaica	5/7
Aisha Wright	Nominee of the Financial Secretary	6/7
Antoinette McKain	Chief Executive Officer	7/7
Myrtle Halsall	Board Member	6/7
Lisa Lewis	Board Member	4/7
Vernon McLeod	Board Member	5/7

BOARD COMMITTEES

The Corporate Governance Committee

The Governance Committee (Committee) is responsible to direct the implementation of, and compliance with, sound corporate governance principles in the Corporation. In this regard, the principal objectives of the Committee are to assist with Board oversight of: effective corporate governance principles and practices; evaluating and assessing the functions of the Board, Board Committees and Management; nominating individuals qualified to become Directors consistent with criteria approved by the Corporation; and succession planning.

In the continued thrust towards maintaining good corporate governance practices, a training session on Board Performance Evaluation was conducted for Board members by an external corporate governance specialist.

The Committee comprises of three (3) Board members,

MoFPS/PSOJ Public Sector Corporate Governance Awards 2018
An ecstatic team JDIC captured following the conclusion of the MoFPS/PSOJ Public Sector Corporate Governance Awards 2018 where the Corporation copped 1st place for best Corporate Governance Policies, Procedures and Practices and 2nd Runner- Up for Best Annual Report.

MoFPS/PSOJ Public Sector Corporate Governance Awards 2018
JDIC CEO, Antoinette McKain beams with pride as she accepts the award for Best Corporate Governance, Policies, Procedures and Practices from Catherine Kennedy Johnston, General Manager, Hilo at the MoFPS/PSOJ Public Sector Corporate Governance Awards 2018.

inclusive of the Chairman of the Board of Directors. In keeping with its obligations the Committee conducted the annual evaluation of the Chief Executive Officer's performance, guided by the Corporate Governance Framework, the GOJ Accountability Framework and the JDIC's Human Resource Policy.

Corporate Governance Committee		Number of Meetings Attended F/Y
John Jackson	Chairman	1/1
Lisa Lewis	Board Member	1/1
Vernon McLeod	Board Member	1/1

The Audit Committee

With a membership of three (3) Board members and a co-opted member from the MoFPS, the Audit Committee provided advice to the Board on: the adequacy and efficiency of the accounting and internal control structure and systems; the financial statements and annual auditor's report; the internal audit functions of the Corporation; and the extent to which the Corporation is achieving its objectives.
In accordance with the PBMA, during the period under review, the Audit Committee:

- Evaluated and advised the Board on the audited financial statements;
- Provided oversight for the internal audit processes and made the requisite reports to the Board.

Consistent with its Terms of Reference, the Audit Committee met four (4) times during the period.

Audit Committee		Number of Meetings Attended F/Y
Myrtle Halsall	Board Member/ Chairperson	4/4
Lisa Lewis	Board Member	3/4
Vernon McLeod	Board Member	4/4
Michael Martell	Co-opted Member, MOFPS	4/4

The Investment Committee

The Investment Committee manages the Corporation's Investment Portfolio and is guided by the Corporation's Investment Policy. The Committee assists the Board to effectively perform its oversight mandate in relation to the management of the Deposit Insurance Fund.

This Committee is comprised of two (2) Board members, one of whom is the Chief Executive Officer and is chaired by the appointed Board member.

In keeping with its mandate, the Investment Committee submitted the required reports to the Board. The Committee considered the improving economic and investment climate, the consequent impact on the performance of the investment portfolio and the implication for the DIF Reserve Target Ratio. The Investment Policy and legislative requirements, were reviewed in this context.

The Committee met three (3) times for the financial year.

Investment Committee		Number of Meetings Attended F/Y
Vernon McLeod	Board Member/ Chairperson	3/3
Antoinette McKain	Chief Executive Officer	3/3
Ronald Edwards	Director, Finance, Funds and Asset Management	3/3
Dawn Marie Brown	Director, Monitoring and Risk Assessment	3/3

ENTERPRISE RISK MANAGEMENT

In FY2018/19, the Corporation completed its development and implementation of a comprehensive Enterprise Risk Management (ERM) Framework and Policy. Through the development and implementation of the ERM Framework, Risk Registers were also developed for each Department/Unit and validation sessions were held to analyze the risks ratings and the controls in place to manage/mitigate such risks. A presentation was made to the Board of Directors and the Audit Committee on the developed Policy, formation of a Risk Committee, the identified risks and the relevant categories. The Corporation developed and formalized its ERM Framework and Policy, which outlines the responsibilities of the Board of Directors, Board Committees, the Committee of Management, the Risk Management Committee, the Risk Manager, the Risk Champion and Staff, towards the successful operation of the Framework. From the development of the ERM Framework and Policy, it was established that, the JDIC has a low risk appetite for strategic, reputational, financial (market, liquidity, credit) and compliance risks and a low to moderate appetite for operational risks. The Corporation continues to take steps towards the implementation of a robust ERM Framework and Policy, through the establishment of a Risk Management Committee, and the engagement of a Risk Manager.

STATUTORY COMPLIANCE REPORT

NAME OF REPORT	NATURE OF REPORT	STATUTORY AGENCY	ACT	REPORTING PERIOD	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 FY2017/18	The Annual Report details the operations of the Corporation for the year (April – March) and includes the Audited Financial Statements which show the accumulated financial position of the Corporation over the same 12-month period, duly certified by the Corporation's external auditors.	Ministry of Finance and the Public Service (MoFPS)	PBMA, 2001 Deposit Insurance Act, 1998	Annually	√
Corporate Plan, Operating & Capital Budgets FY2019/20 - 2022/23	Statement of intent which outlines the strategic direction of the Corporation for four years. Includes vision, mission, SWOT analysis, planning assumptions, business strategies, financial plans, manpower requirements and measures to evaluate performance.	MoFPS	PBMA	Annually	√
Corruption (Prevention) Act, 2000	Statutory declaration to be made by public servants of assets and liabilities and income.	Office of the Commissioner for the Prevention of Corruption	Corruption (Prevention) Act, 2000	Annually	√
Monthly Financial Statements -(Statements A and B)	The Monthly Financial Statements show the monthly and accumulated financial position of the Corporation.	MoFPS	-	Monthly	√
Net Credit Report (Statement)	This report shows the month-end balances on investment categories and bank balances.	MoFPS	-	Monthly	√
Public Bodies Management and Accountability Report (PBMA)	The report gives the quarterly/ half yearly out-turns of actual performance against targets and shows the financial statements and the projected budgets for the remaining quarters/half year.	MoFPS	PBMA	Quarterly and Half-yearly	√
Public Sector Report System (PRS-1)	Report of all goods/services procured in any given month	MoFPS	Contractor General Act, 1983	Monthly	√
Quarterly Contract Awards (QCA) Report	This report shows the award of contracts $500,000 and over during each Quarter.	MoFPS	Contractor General Act, 1983	Quarterly	√

MANAGEMENT'S DISCUSSION AND ANALYSIS

MACROECONOMIC PERFORMANCE

Global Developments

During 2018, global economic performance declined to 3.6 percent relative to 3.8 percent in 2017. This decline in growth was due to a combination of factors in major economies that resulted in a slowdown in growth for the latter quarters of 2018. Further, the economic climate consisted of weakening financial market sentiment, trade policy uncertainty and concerns about China's outlook. The IMF projects that the slowdown will continue into 2019 with growth projected at 3.3 percent. Advanced Economies expanded 2.2 percent in 2018 compared with 2.4 percent in 2017. Growth is projected to further decline to 1.8 percent in 2019. Similarly, in Emerging Market and Developing Economies (EMDEs), there was a 0.3 percentage point decline in growth to 4.5 percent in 2018, relative to 2017. EMDEs are projected to expand by 4.4 percent in 2019.

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

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

	2017	2018	2019P	2020P
World	3.8	3.6	3.3	3.6
Canada	3.0	1.8	1.5	1.9
China	6.8	6.6	6.3	6.1
United Kingdom	1.8	1.4	1.2	1.4
United States	2.2	2.9	2.3	1.9

P - Projections
Source: IMF World Economic Outlook – April 2019

Regional Economic Developments

Notwithstanding the slowdown in global economic expansion, most countries within the Caribbean recorded growth. According to the Caribbean Development Bank, growth in the region averaged 1.9 percent in 2018, 1.4 percentage points above the 2017 average[1].

The main economic outturns for Jamaica's major Caribbean partners are shown in Table 2 below.

TABLE 2: PERFORMANCE OF KEY MACROECONOMIC INDICATORS AS AT DECEMBER 31, 2018

Indicators	Jamaica	Barbados	Trinidad	Bahamas
GDP Growth (%)	1.9	-0.6	1.9P	2.3
Inflation	2.4	3.7	1.1P	2.3
Unemployment Rate (%) (at the end of the year)	8.7***	9.2	4.8*	10.7
90-day T-bill Rate (%)	2.05	3.2**	1.35	1.54
Exchange Rate (J$=US$1) As at December 29, 2018	127.72	2.03	6.80	1.00

Sources: Statistical Institute of Jamaica, Bank of Jamaica, Central Bank of Barbados, Central Bank of Trinidad and Tobago and The Central Bank of Bahamas
**2017*
***Tenor was not indicated*
****Unemployment rate declined to 8.0 per cent in January 2019*

[1] *Caribbean Development Bank – Regional Economic Summary 2018*

Domestic Economic Developments

Economic expansion continued in the Jamaican economy in 2018 extending the trend in growth to a sixth consecutive year. Growth in the year was primarily attributed to increased external demand from Jamaica's main trading partners, more favourable weather conditions, increased production in the Mining & Quarrying Industry and major infrastructure works. This growth was supported by overall improvement in other macroeconomic fundamentals: low unemployment, low inflation, low interest rates and relative stability in the exchange rate.

During the year, the Government of Jamaica remained committed to the fiscal, monetary and structural reforms under the country's economic reform programme supported by the International Monetary Fund's precautionary Stand-By Arrangement (SBA). Jamaica's economic reform programme aims to maintain macroeconomic stability, economic growth, job creation, raise the standard of living and poverty reduction. During its fifth review of Jamaica's financial and economic programme, the IMF staff team concluded that in 2018, there continued to be strong programme implementation with all-time low unemployment levels, high business confidence, as well as economic expansion. At the end of the year, Jamaica had met all quantitative performance criteria.

For the period under review, Jamaica continued to make improvements in several areas (Table 3). Real GDP is estimated to have grown by 1.9 percent compared to 0.5 percent in 2017. The acceleration in growth was due to a 5.0 percent growth in the Goods Producing Industries and a 0.8 percent increase in the Services Industries. Increased growth in the Goods Producing Industries occurred as a result of favourable weather conditions, the reopening of the Jiuquan Iron and Steel Company (JISCO) Alpart refinery as well as higher levels of activities in construction, civil engineering and building installation.

The macroeconomic environment was also characterized by a deceleration in the inflation rate to 2.4 percent, 2.8 percentage points below the 2017 inflation level. Net International Reserves (NIR) ended the year at US$3.0 billion marginally below the US$3.2 billion in 2017. At the end of the year, the unemployment rate was 8.7 percent, one of the lowest recorded in 50 years. Interest rates continued to trend downward with a weighted average of 2.07 percent on the 180-day treasury bills at the end of 2018 compared to 4.63 percent at the end of 2017. The Jamaica dollar was fairly stable relative to the US dollar during 2018, depreciating by 2.2 percent against the US dollar.

TABLE 3: PERFORMANCE OF KEY MACROECONOMIC INDICATORS AS AT DECEMBER 31 (2015 – 2018)

Indicators	2015	2016	2017	2018
GDP Growth (%)	0.9	1.4	0.5	1.9
Inflation	3.7	1.7	5.2	2.4
NIR (US$Million)	2,437.27	2,719.37	3,208.29	3,005.41
Unemployment Rate (%)	13.5	12.9	10.4	8.7
180 Day T-bill Rate (%)	6.04	6.56	4.63	2.07
Exchange Rate (J$=US$1)	121.42	128.44	125.00	127.72

Sources: Statistical Institute of Jamaica & Bank of Jamaica

The outturns in the real economy were supported by developments in the monetary policy stance by the Bank of Jamaica. The BOJ reduced its signal rate 5 times throughout the year, to close at 1.75 percent down from 3.25 percent at the end of 2017[2]. The aim of the monetary policy easing during the year was to stimulate growth in credit, boost GDP and prompt increased job creation that should encourage an increase in inflation to within the target rate of 4.0 percent and 6.0 percent. Market determined interest rates followed a similar declining trend.

Outlook For FY2019/20

Consistent with the decline in global growth for 2019, domestic economic expansion is forecasted to decline to 1.5 percent for FY2019/20 and improve in the subsequent financial year to 2.6 percent. The government is expected to remain committed to the country's economic reform programme thereby meeting the quantitative performance targets and structural benchmarks. Relative stability in the macroeconomic environment, coupled with an accommodative monetary policy stance by the Bank of Jamaica should foster an overall improvement in the performance of the DTIs during 2019.

The IMF will complete its final review of Jamaica's economic performance under its 36-month Stand By Arrangement in June 2019, with the report being released in and around November 2019.

Projections relating to the macroeconomic indicators in keeping with the GOJ Fiscal Policy Paper FY2018/19 are presented in Table 4 below:

[2] *The BOJ reduced its signal rate to 0.75 percent effective May 20, 2019.*

TABLE 4: MEDIUM TERM KEY MACROECONOMIC INDICATORS (ACTUALS AND PROJECTIONS)					
Indicators	**FY2016/17 (A)**	**FY2017/18 (A)**	**FY2018/19 (P)**	**FY2019/20 (P)**	**FY2020/21 (P)**
GDP Growth (%)	1.4	0.9	1.8	1.5	2.6
Inflation (Annual Pt to Pt, %)	4.1	3.9	3.7	4.3	5.0
NIR (US $Million)	2,769.2	3,074.5	2,914.1	3,044.9	3,133.6
Fiscal Balance (% of GDP)	-0.2	0.5	0.3	0.7	1.0
Primary Surplus (% of GDP)	7.6	7.4	7.0	7.0	7.0
Total Public Debt (% of GDP)	120.7	101.0	96.4	90.9	85.7

A – Actuals
P – Projections
Source: Ministry of Finance – Government of Jamaica Fiscal Policy Paper FY 2019/20

Developments In The Legal And Regulatory Environment

There are several pending financial legislation and amendments to existing financial legislation that are relevant to the business of the Corporation.

PENDING LEGISLATION:

The Bank of Jamaica (Amendment) Bill, 2018

The purpose of the amendments to the Act is to strengthen and clarify the mandate of the Bank of Jamaica (BOJ). Section 5 of the Act, is to be amended to detail the objects and purpose of the BOJ, being, "the maintenance of price stability and financial system stability with the primary objective being the maintenance of the price stability." Furthermore, the functions of the BOJ are to be outlined as follows:

- to formulate and implement monetary policy;
- the implementation of prudential and macro-prudential policies;
- to issue and redeem notes and coins;
- to hold and manage the external reserves of Jamaica;
- to foster the development of money and capital markets in Jamaica;
- to act as bank and financial agent of the Government;
- and to act as banker to deposit taking institutions.

Additionally, the mechanism by which Board members are appointed, the fit and proper requirements, the tenure and composition of the Board, will be amended. Express fit and proper requirements for executive management will also be provided for in the Act, once the Bill is passed.

In furtherance of its mandate the BOJ's independence as a central bank is to be strengthened, through the enactment of provisions which will allow for the:

- update of the statutory minimum capital requirement to a percentage of monetary liabilities;
- restricting of the BOJ's ability to make temporary advances to the Government;
- prohibition of the BOJ from purchasing or acquiring on a primary issue securities issued or guaranteed by the Government;
- removal of the Minister of Finance's approval in regards to staff emoluments;
- exemption of the BOJ from the requirements of the Public Bodies Management and Accountability Act (PBMA). However, governance regulations are to be developed for BOJ which will have some of the same provisions of the PBMA.

The Bill was tabled in Parliament in October 2018.

The Credit Unions (Special Provisions) Bill

Upon the promulgation of the Act, all Credit Unions will fall under the regulatory and supervisory ambit of the Bank of Jamaica. The Bill provides for, licensing, capital, reserves, prohibited business, remedial and intervention processes and the role of specially authorized Credit Unions. Once the Bill has been passed and Credit Unions have been licensed under this new law, they will be required to become members of the Deposit Insurance Scheme (DIS). The Bill is scheduled to be tabled in Parliament by the end of June 2019.

The Co-operative Societies (Amendment) Bill

Consequential to the enactment of the Credit Unions (Special Provisions) Bill, the Corporate Societies Act (Principal Act) is to be amended to provide for the approval of the Minister of Finance prior to a cooperative society conducting business as a credit union. It is anticipated that this Bill will be presented to Parliament along with the Credit Union (Special Provisions) Bill.

The Micro Credit Bill

The Bill is intended to address privately-owned money-lending business operations in Jamaica, by placing them under the regulatory ambit of the Bank of Jamaica. The Bill will establish a legal framework, under which:

- money-lending business operations will be licensed;
- fit and proper requirements will be established for licensing purposes;
- operating requirements for licensees will be established;
- customer complaints will be addressed;
- regulatory powers to conduct inspections, examine the records of licensees, impose regulatory sanctions for non-compliance and issue standards and guidance;
- a Code of Conduct will be provided for the money-lending services;
- penalties with custodial sentences will be applicable on conviction for committing an offence.

PENDING SUBSIDIARY LEGISLATION:

The Banking Services (Capital Adequacy) Regulations

These regulations will create a framework which will:

- provide for consolidated capital adequacy requirements for all licenses under the Banking Services Act (BSA);
- outline the general requirements for group-wide capital adequacy that will be imposed on FHC's that head financial groups as defined in the BSA;
- outline the methodology to be used for computing consolidated capital requirements;
- discuss the methodology that will be applied where these financial groups include insurance entities; and
- discuss the accounting treatment for the interest of third party minority shareholders of fully consolidated subsidiaries of licensees.

PENDING FINANCIAL RULES:

The Banking Services (Financial Holding Companies) (Licence Application) Rules

The rules provide the information that must be submitted by a FHC to the BOJ, for the granting of a license under the BSA. Such information to be submitted, includes: ownership and group structure; financial resources and strength; strategic plans and projections; governance structure and arrangement; risk management and internal controls; corporate governance; and recovery plans.

Anti-Money Laundering, Counter Financing of Terrorism (AML/CFT) and Proliferation of Weapons of Mass Destruction Rules

The rules will provide for measures by which the BOJ may prevent or mitigate money laundering or terrorist financing. As such, the rules will outline the risk based examinations and oversight processes relative to BOJ's AML/CFT oversight functions. The rules will require licenses to comply with the following areas of the BOJ's AML/CFT Guidance Notes:

- risk Based Framework;
- know your customer, know the transaction counterparty and customer due diligence;
- special Guidance- UNSEC Resolutions on the Proliferation of Weapons of Mass Destruction;
- special Guidance- Branches and Subsidiaries;
- nominated Officer Regime;
- board responsibility and employee integrity awareness; and
- compliance monitoring, which include, transaction monitoring and reporting and record keeping.

POLICYHOLDERS PROFILE AND PERFORMANCE

PROFILE OF POLICYHOLDERS

The composition and total number of Policyholders remained unchanged at eleven (11) institutions during the calendar year 2018, comprising eight (8) commercial banks, two (2) building societies and one (1) merchant bank.

Commercial Banks

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

Building Societies

- Scotia Jamaica Building Society
- Victoria Mutual Building Society

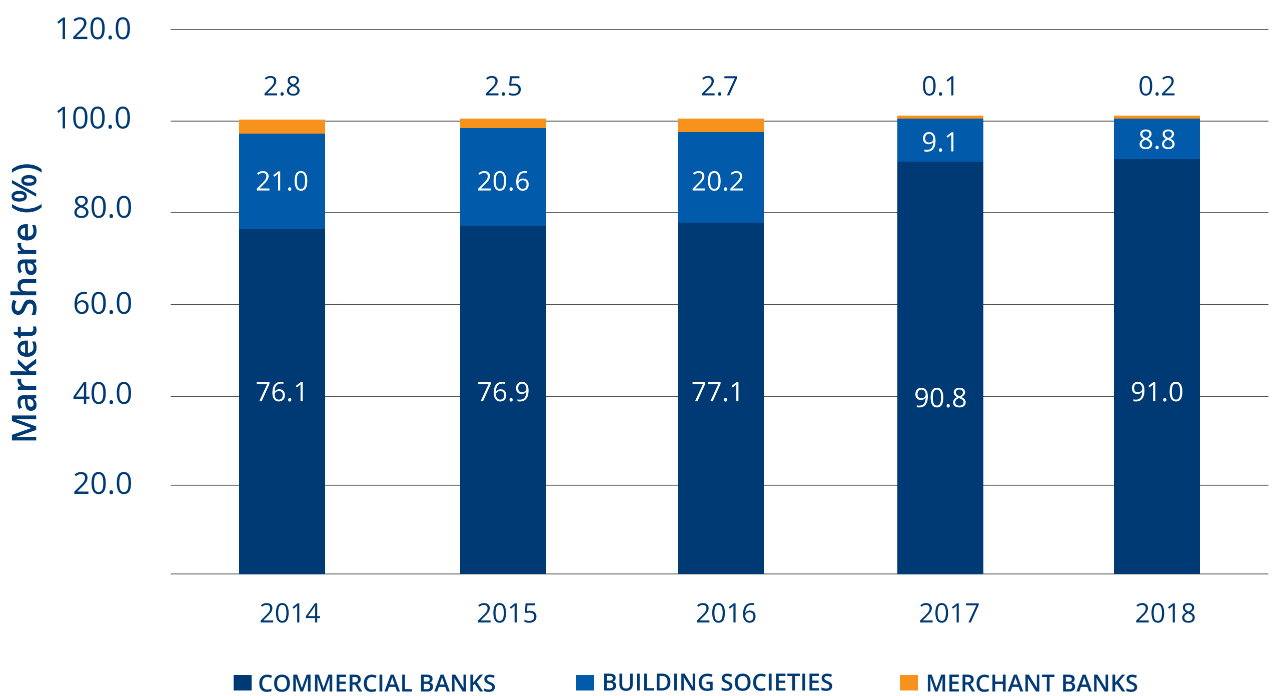
Merchant Bank

- MF&G Trust and Finance Limited

POLICYHOLDERS' MARKET SHARE

The commercial banking sector represented 91.0 percent of the market share in terms of total assets in 2018 similar to 90.8 percent in 2017. Building societies and merchant banks had a market share of 8.8 percent and 0.2 percent, respectively **(Figure 1).**

Figure1: Policyholders' Market Share (%) per Sector



POLICYHOLDERS' PERFORMANCE

For the calendar year 2018, Policyholders overall performance improved evidenced by robust capital and profit levels, improvements in asset quality and growth in liquidity. Performance was consistent with the improvements observed in the macroeconomic environment characterized by stable economic growth, increased demand for and supply of credit and low and stable inflation.

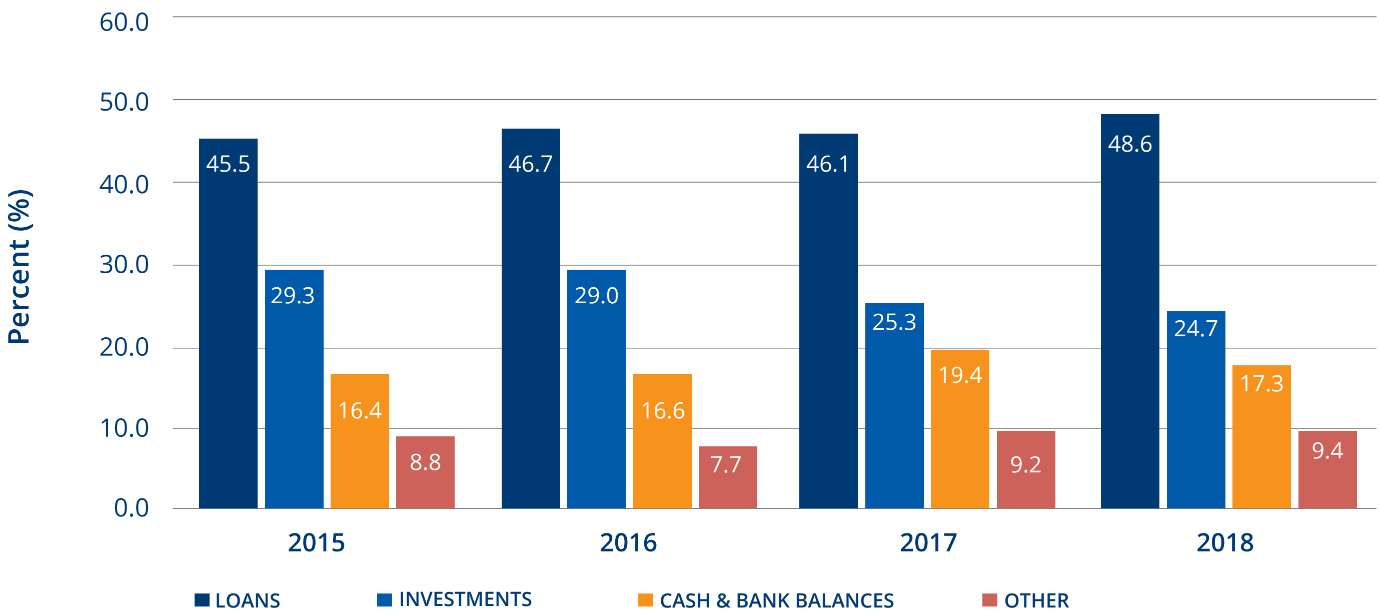
TABLE 5: SUMMARY OF FINANCIAL PERFORMANCE OF THE BANKING SYSTEM AS AT DECEMBER 31 ($ BILLIONS)

Key Financial Indicators	2014	2015	2016	2017	2018
Total Assets	1,076.8	1,174.8	1,355.1	1,488.6	1,636.5
Cash and Bank	192.6	196.6	228.7	289.5	282.4
Investments	323.6	349.9	399.4	376.9	404.5
Regulator Capital Base	117.7	129.3	145.2	144.3	155.2
Total Deposits	683.7	771.6	877.9	980.9	1,069.3
Loans & Advances (gross)	497.3	543.7	643.2	689.2	795.4
Non-performing Loans	25.1	22.1	18.4	17.6	19.9
Interest income	19.9	20.6	22.9	24.5	24.9
Non-interest income	9.9	10.7	14.0	14.8	25.6
Pre-tax Profit	21.2	23.5	37.7	38.5	50.6
Key Ratio (%)					
Capital Adequacy Ratio	15.8	14.9	14.7	15.3	14.9
Source: Bank of Jamaica					

Total Assets

Total assets in the DTI sector grew at a faster rate in 2018 relative to the previous period, increasing by 10.0 percent or $148.0 billion when compared to the 7.8 percent or $106.9 billion increase for 2017. This increase was attributed to the growth in loans and advances which increased by 15.4 percent or $106.2 billion. ***(Figure 2)***.

Figure 2: Share of Banking System Assets



Asset Quality

Policyholders continued to enjoy strong asset quality over the review year, as determined by the ratio of non-performing loans to total gross loans, which declined to 2.5 percent in 2018 from 2.6 percent in 2017 (See Figure 3). This ratio was well below the statutory maximum of 10.0 percent and underpinned by a larger increase in total loans relative to non-performing loans. The increase in non-performing loans from $17.9 billion at the end of 2017 to $19.9 billion at the end of 2018 resulted in an increase in provisions for loan losses from $0.1 billion in 2017 to $0.6 billion in 2018.

REGULATORY CAPITAL

All Policyholders were adequately capitalized, solvent, and operating above the prudential requirements. Regulatory capital increased by 7.5 percent to total $155.2 billion from $144.3 billion for 2017 (Figure 4). Nonetheless, the primary ratio (Capital to Total Assets) declined marginally from 9.9 percent for 2017 to 9.6 percent in 2018 given the larger increase in total assets. The ratio remained well above the regulatory minimum of 6 percent (Figure 5). The risk weighted capital adequacy ratio declined from 15.3 percent in 2017 to 14.6 percent in 2018 but remained above the statutory minimum requirement of 10.0 percent (Figure 6)

Figure 3: NPLs in the Banking System

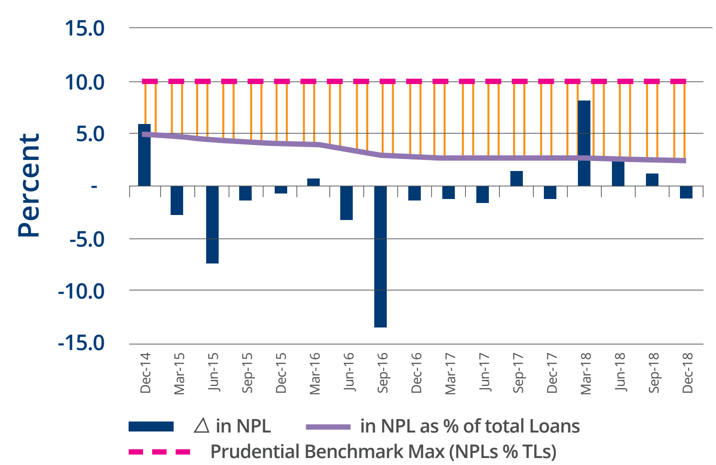


Figure 4: Regulatory Capital Base

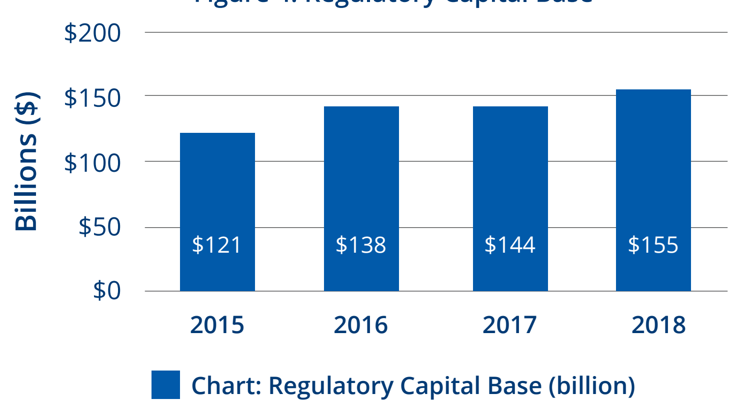


Figure 5: Primary Ratios (%)

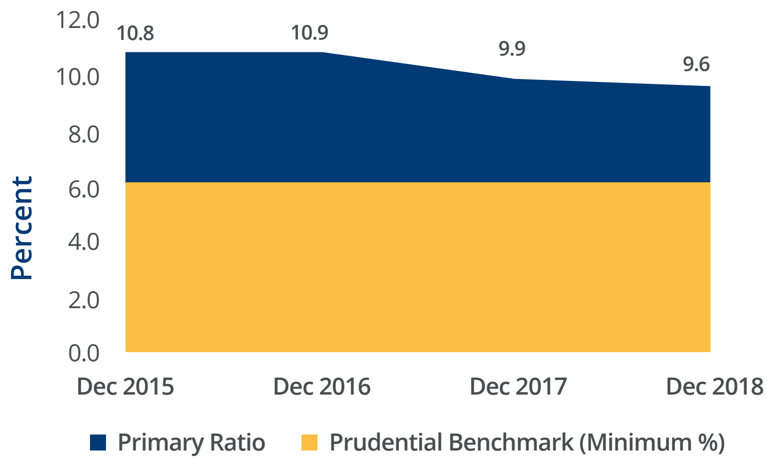


Figure 6: Risk Weighted Capital Adequacy Ratio (%)

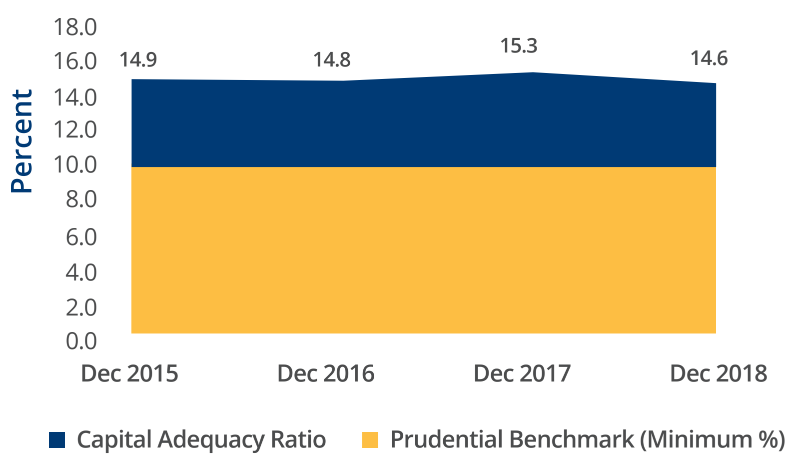


Figure 7: Pre-tax Profits $Bn

LIQUIDITY

Liquidity levels remained buoyant during the year as the government reduced its footprint in the domestic debt market, paving the way for increased credit availability in the private sector. The greater liquidity encouraged Policyholders to become more creative in driving profitability and performance. Total average liquid assets (all currencies) increased by 14.3 percent during the year, with foreign currency liquid assets growing by 27.1 percent or $58 billion and Jamaica dollar liquid assets was reduced by 1.4 percent of $2.4 billion.

PROFITABILITY

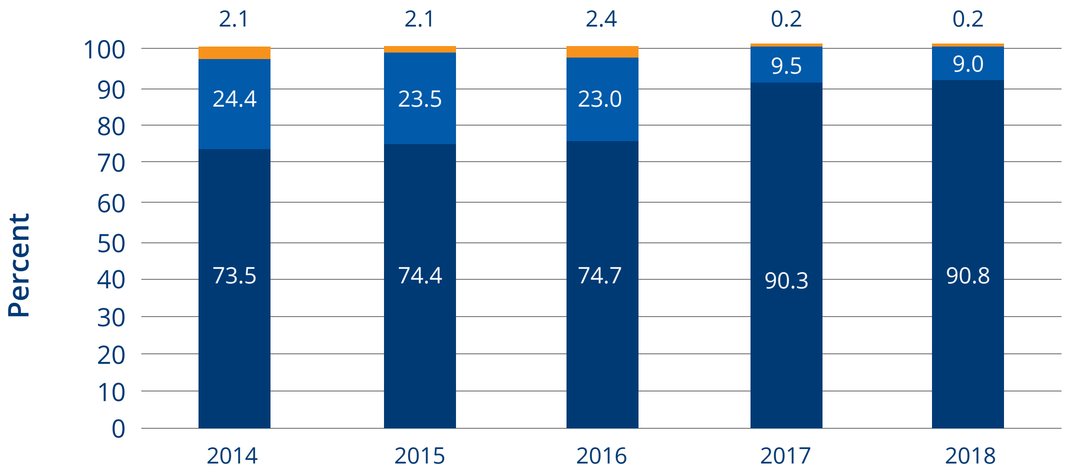
Policyholders recorded an overall improvement in profitability for 2018, with pre-tax profits increasing by 31.4 percent to $50.6 billion from $38.5 billion reported for 2017 (Figure 7). The return on average assets ratio increased to 3.2 percent for 2018 from 2.7 percent for 2017.

PROFILE OF DEPOSITS

PROFILE OF DEPOSITS ELIGIBLE FOR DEPOSIT INSURANCE COVERAGE – INSURABLE DEPOSITS

Insurable deposits totalled $998.9 billion at the end of 2018, increasing by 10.7 percent relative to 2017 (Figure 8). The number of insurable deposit accounts increased to 4.2 million at the end of 2018 from 4.0 million at the end of 2017. Consequently, the average insurable deposit balance increased to $240,283, a 6.0 percent increase from 2017's average balance of $226,664.

Figure 8: Total Estimated Insurable Deposits

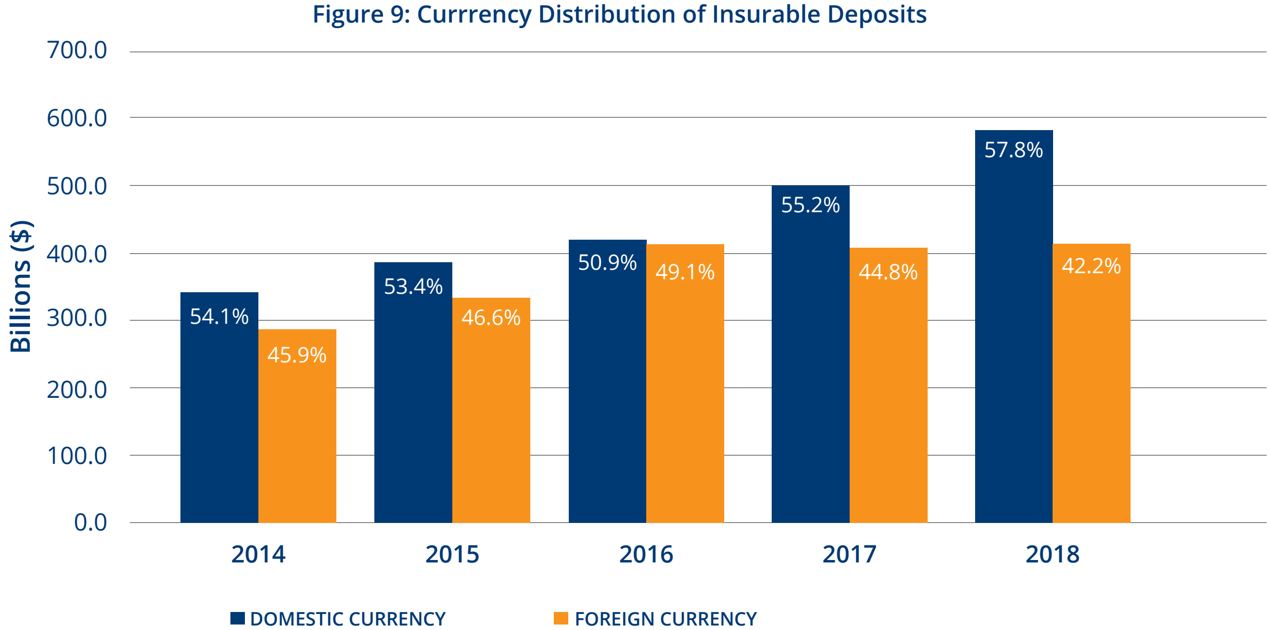


	2014	2015	2016	2017	2018
MERCHANT BANKS ($BN)	13	15	20	2	2
BUILDING SOCIETIES ($BN)	153	169	190	86	90
COMMERCIAL BANKS ($BN)	460	534	617	815	907
TOATL ($BN)	625	718	827	902	999

INSURABLE DEPOSITS HELD IN DOMESTIC AND FOREIGN CURRENCIES

At the end of 2018, domestic currency insurable deposits increased by 16.0 percent while foreign currency insurable deposits increased by 4.2 percent. In this vein, total insurable deposits comprised of 57.8 percent domestic currency deposits and 42.2 percent foreign currency deposits compared to 55.2 percent and 44.8 percent, respectively, in 2017 (Figure 9).

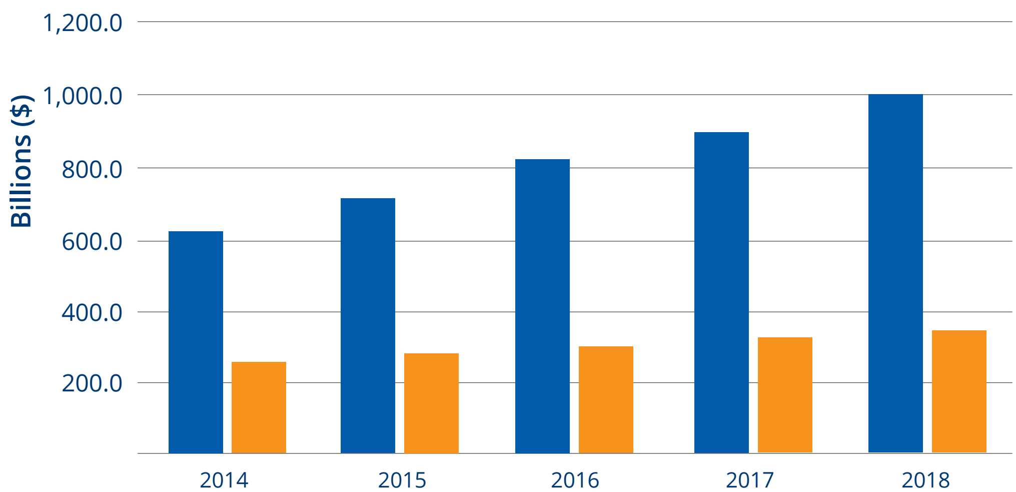
Figure 9: Currrency Distribution of Insurable Deposits



PROFILE OF DEPOSITS WITHIN THE DEPOSIT INSURANCE COVERAGE LIMIT – ESTIMATED INSURED DEPOSITS

The coverage limit at the end of 2018 was $600,000 per depositor, per account category, per institution. Insured deposits increased by 6.6 percent to $345.5 billion from $324.0 billion in 2017 or 34.6 percent of total insurable deposits (Figure 10).

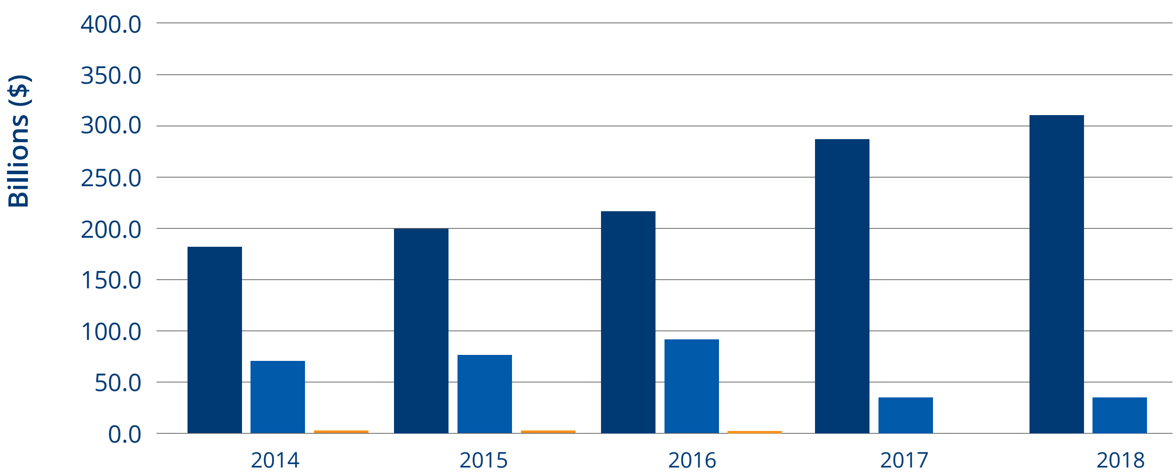
Figure 10: Insured to Insurable Deposits



	2014	2015	2016	2017	2018
INSURABLE DEPOSITS ($BN)	625.2	717.7	826.4	902.2	998.9
INSURED DEPOSITS ($BN)	261.4	284.0	306.0	324.0	345.5
INSURED : INSURABLE	41.8%	39.4%	37.0%	35.9%	34.6%

The Deposit Insurance Fund (DIF) balance increased by 15.9 percent to $20.7 billion at the end 2018 compared to $17.9 billion at the end of 2017. The Fund balance as a percentage of total estimated insured deposits (DIF Ratio) therefore increased to 6.0 percent at end of the year relative to 5.5 percent at the end of 2017 (Figure 11).

Figure 11: Estimated Insured Deposits by Sub-sector



	2014	2015	2016	2017	2018
COMMERICAL BANKS ($BN)	184.7	202.3	220.4	288.2	308.7
BULDING SOCIETICES ($BN)	75.4	80.2	84.2	35.6	36.6
MERCHANT BANKS ($BN)	1.4	1.5	1.7	0.1	0.2
TOTAL ESTIMATED INSURED DEPOSITS ($BN)	261.4	284.0	306.0	324.0	345.5
DEPOSIT INSURANCE FUND ($BN)	11.7	13.7	16.0	17.9	20.7
DIF RATIO	4.5%	4.8%	5.2%	5.5%	6.0%

PROFILE OF NUMBER OF FULLY INSURED DEPOSIT ACCOUNTS

At the end of 2018, fully insured deposits, that is, accounts with balances up to $600,000 represented 23.0 percent of the value of total insurable deposits compared with 24.0 percent at the end of 2017. The number of fully insured accounts represented 95.4 percent of total insurable accounts, reflecting a marginal decline relative to 2017 (Table 6). At this level, the JDIC continues to support its public policy objective of protecting the majority of small retail depositors. Additionally, the coverage ratio remains in line with the International Association of Deposit Insurers' (IADI) best practice recommendation of fully insuring upwards of 90 – 95 percent of deposit accounts in the system.

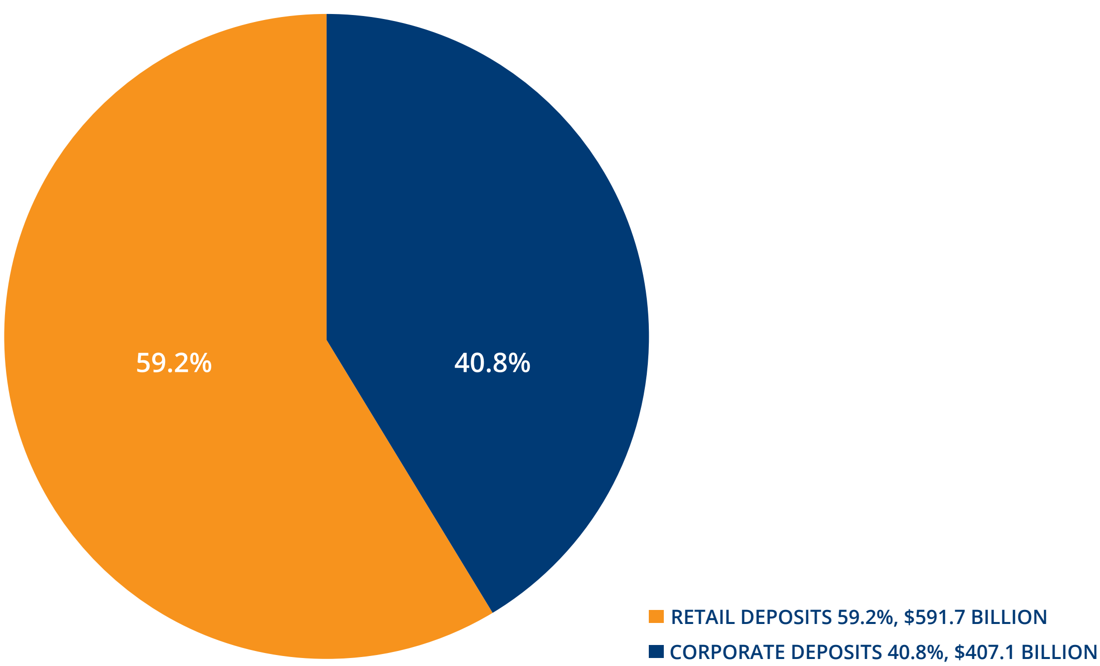
TABLE 6: PROFILE OF INSURED AND INSURABLE DEPOSIT ACCOUNTS

Year	Value of Fully Insured Deposits ($'000)	Total Value of Insurable Accounts ($'000)	%	Number of Fully Insured Accounts	Total Number of Insurable Accounts	%
2014	178,145,443	625,196,833	28.5	4,126,150	4,264,910	96.7
2015	194,130,210	717,731,115	27.0	3,912,550	4,062,324	96.3
2016	205,638,019	826,501,702	24.9	4,001,794	4,169,402	96.0
2017	216,629,133	902,216,107	24.0	3,801,530	3,980,416	95.5
2018	229,819,115	998,890,164	23.0	3,964,347	4,157,138	95.4

GLANCE OF TOTAL BANKING SYSTEM – RETAIL AND CORPORATE DEPOSITS

Both corporate and retail insurable deposits increased by 14.5 percent and 8.3 percent, respectively, at the end of 2018. Retail insurable deposits totalled $591.7 billion or 59.2 percent of total insurable deposits (Figure 12). The number of both corporate and retail deposit accounts increased to 123,805 accounts (119,643 in 2017) and 4,033,333 accounts (3,860,766 in 2017), respectively. The average balance in retail deposit accounts was $146,714 compared to $3.3 million in corporate deposit accounts. Accordingly, total estimated insured deposits in retail deposit accounts amounted to $285.7 billion compared to $59.8 billion in corporate deposit accounts.

Figure 12: Share of the Retail and Corporate Deposits in the System



REVIEW OF OPERATIONS

Seated (L-R) Rickie Williams, Nerissa McKenzie Harris, Dorraine Wright, Mickel Brown and Ronald Edwards. Standing (L-R) Delgado Williamson, Patrice McQueen, Randia Scott, Pamella Lawrence and Pearzie Reid.

Financial Operations

Total assets of the Corporation at March 31, 2019 was $22.1 billion, an increase of 14 percent or $2.7 billion over the previous year. The increase was due primarily to a 15 percent increase in investment securities to $21.6 billion ($18.8 billion at March 31, 2018), which comprises Government of Jamaica (GOJ) and Bank of Jamaica (BOJ) assets.

The Corporation earned total income of $2.5 billion, the same as the previous year. This was a creditable outcome for the Corporation in the context the GOJ's debt management strategy which included a reducing in its cost of funding and BOJ's stance in its inflation targeting. The initiatives of the Corporation achieved a surplus of $2.2 billion. This resulted in an increase of 11.6 percent increase in the Deposit Insurance Fund (DIF) which showed a balance of $21.0 billion as at March 31, 2019. The Overall Balance Target (OBT), which shows the cash generated from operations, was agreed with the MoFPS as an assessment of the financial performance of the Corporation. With the OBT for FY2018/19 being $1,975.6 million the Corporation was successful with an actual out-turn of $2,523.5 million.

Total Income, as detailed in **(Table 7)** comprised of the following:

- Insurance premiums, which increased by 9.2 percent arising from the increases in insurable deposits;
- Interest earned, which increased by 11.8 percent;
- Other income, which declined by $253.1 million, was due mainly to foreign exchange losses and gains realised from fair value of disposed GOJ bonds in FY2017/18 in the amount of $243 million previously recognised in Other Comprehensive Income held in JDIC's investment portfolio.

TABLE 7: TOTAL INCOME

	FY2018/19 ACTUAL $M	FY2018/19 BUDGET $M	FY2017/18 ACTUAL $M	FY2016/17 ACTUAL $M	FY2015/16 ACTUAL $M	FY2015/15 ACTUAL $M
Insurance Premiums	1,353.4	1,375.9	1,239.5	1,076.6	937.3	870.1
Interest Earned	1,342.8	1,289.9	1,200.5	1,227.4	1,127.6	1,100.0
Other Income	(146.9)	0.4	106.2	250.2	153.5	64.4
Total Income	2,549.3	2,666.2	2,546.2	2,554.2	2,218.4	2,034.5

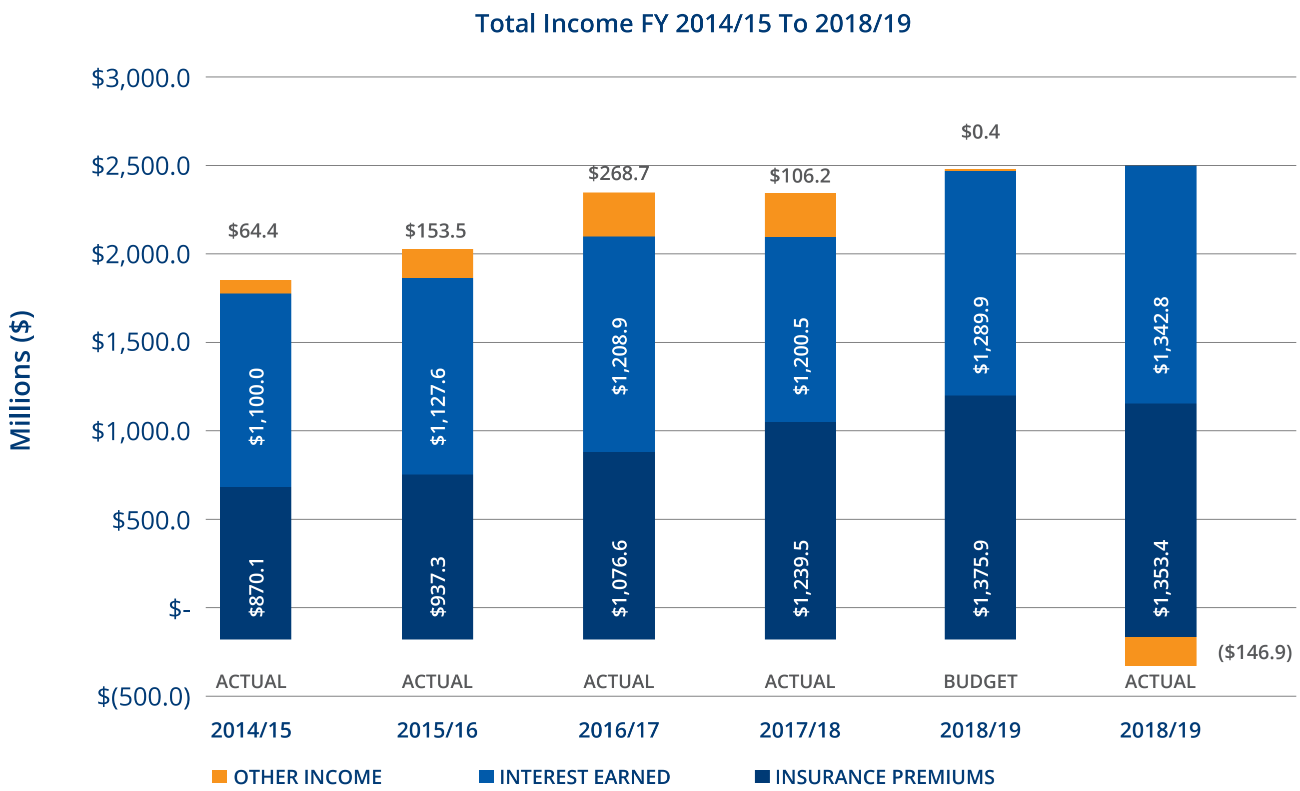


TABLE 8: DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

	FY2018/19 ACTUAL $M	FY2018/19 BUDGET $M	FY2017/18 ACTUAL $M	FY2016/17 ACTUAL $M
Insurance Premiums	1,353.4	1,375.9	1,239.5	1,076.6
Surplus from Investment and Administrative Operations:				
Interest Earned	1,342.8	1,289.9	1,200.5	1,227.4
Other Income	(146.9)	0.4	106.2	250.2
Total Interest Income Earned and Other Income	1,195.9	1,290.3	1,306.7	1,477.6
Administrative Expenses	(294.3)	(467.2)	(244.4)	(212.1)
Impairment loss on Financial Assets	(7.1)	-	-	-
Surplus from Investment and Administrative Operations	894.5	823.1	1,062.3	1,265.5
Surplus from Operations	2,247.9	2,199.0	2,301.8	2,342.1

Compared to budget for FY2018/19, expenditures were 37.0 percent lower, mainly due to staff costs not incurred consequent to the delayed approval from the MoFPS for implementation of recommendations from the organizational review, job evaluation and reclassification exercise submitted in August 2018. Additionally, budgeted professional fees in anticipation of the admission of the credit unions were not incurred during the reporting period.

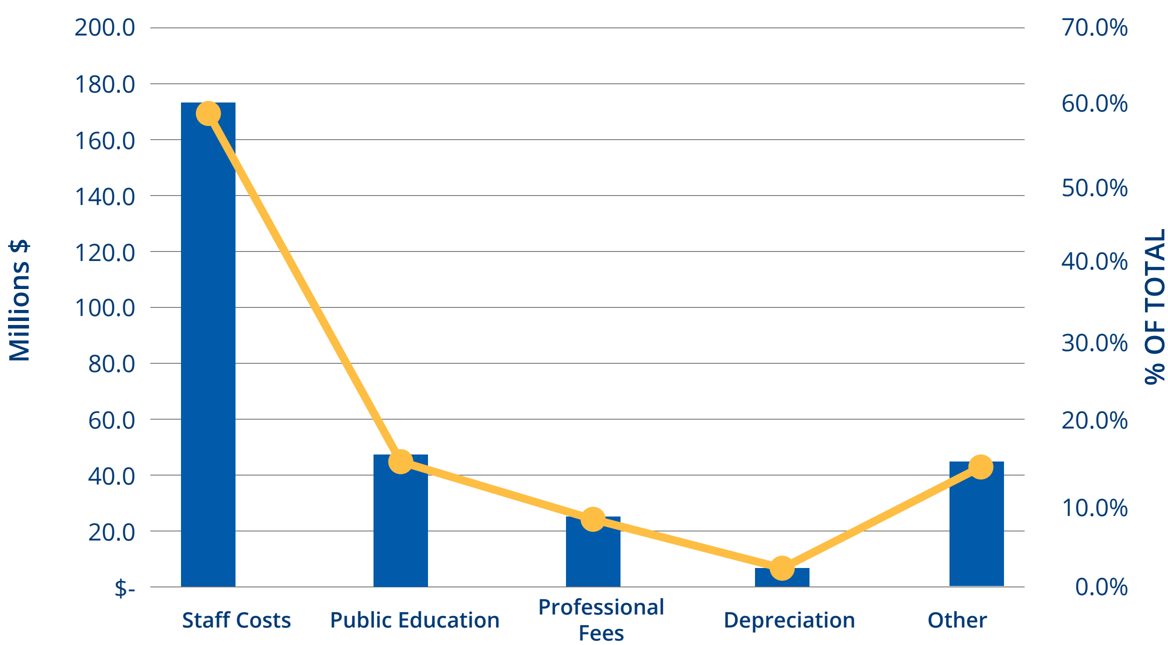
Actual administrative expenditures of $294.3 million increased by 20.4 percent compared to the out-turn for the previous year. This was due mainly to staff costs and 20th anniversary activities.

ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF THE DIF AND TOTAL ASSETS

Administrative Expenses for the year to March 31, 2019 was 1.40 percent (2018: 1.30 percent) of the DIF and 1.33 percent (2018: 1.27 percent) of total assets. The distribution of dministrative expenses is shown in **(Table 9)**.

TABLE 9: SUMMARY OF TOTAL EXPENSES DISTRIBUTION

	FY2018/19 ACTUAL		FY2018/19 BUDGET		FY2017/18 ACTUAL		FY2016/17 ACTUAL	
	$M	%	$M	%	$M	%	$M	%
Staff Costs	172.3	58.5	224.5	48.1	155.58	63.6	141.6	66.7
Public Education	47.1	16.0	49.1	10.5	15.09	6.2	18.1	8.5
Professional Fees	24.5	8.3	5.9	24.8	15.69	6.4	9.4	4.4
Depreciation	6.7	2.3	16.1	3.4	6.62	2.7	5.4	2.6
Other	43.7	14.9	61.6	13.2	51.48	21.1	37.6	17.7
TOTAL	**294.3**	**100.0**	**467.2**	**100.0**	**244.46**	**100.0**	**212.1**	**100.0**



	Staff Costs	Public Education	Professional Fees	Depreciation	Other
MILLIONS	$172.3	$47.1	$24.5	$6.7	$43.7
%	58.5%	16.0%	8.3%	2.3%	14.9%

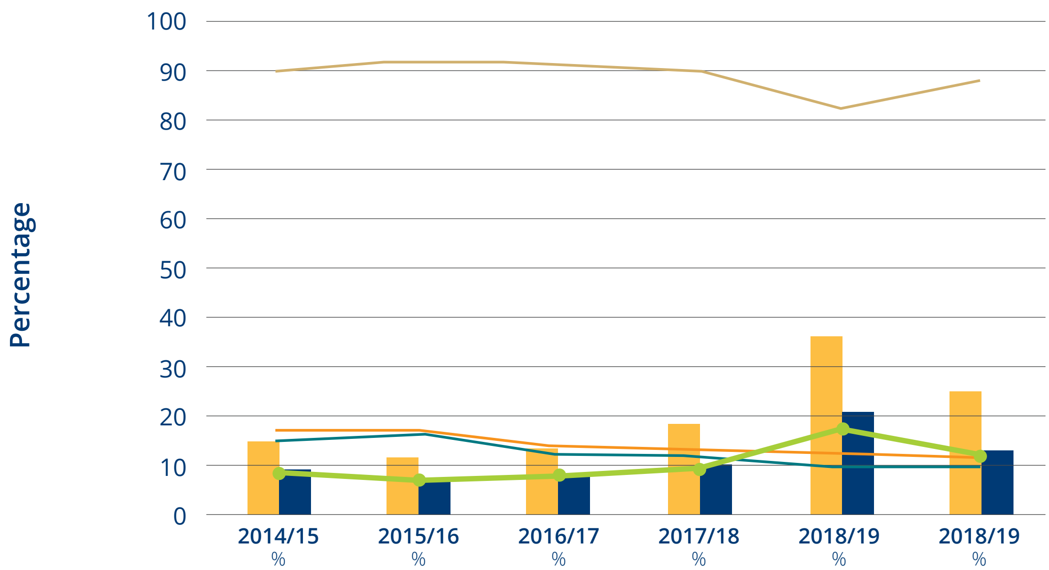
KEY PERFORMANCE RATIOS

The Key Performance Ratios **(Table 10)** outperformed expectations when compared with the budgeted ratios. This resulted mainly from the increase in income arising from increases in insurance premiums and interest earned on investments. This was coupled with increased asset prices reflected in the revaluation of securities held and classified as Fair Value through Other Comprehensive Income.

TABLE 10: KEY PERFORMANCE RATIOS

KEY PERFORMANCE RATIOS	DEFINITION	FY2018/19 ACTUAL %	FY2018/19 BUDGET %	FY2017/18 ACTUAL %	FY2016/17 ACTUAL %	FY2015/16 ACTUAL %	FY2014/15 ACTUAL %
Operating	Total Expenses/Interest Earned & Other Income	25.2	36.2	18.7	14.4	12.1	14.9
Expense Control	Total Expenses /Total Income	11.8	17.5	9.6	8.3	7.6	8.6
Total Expenses	Total Expenses/Surplus from Operations	13.4	21.2	10.6	9.1	8.2	9.5
Total Expenses to DIF	Total Expenses/Deposit Insurance Fund	1.4	2.2	1.3	1.28	1.3	1.7
Net Surplus	Surplus from Operations/Total Income	88.2	82.5	90.4	91.7	92.4	89.9
Return on Assets	Surplus from Operations/Total Assets	10.2	10.4	11.9	12.8	16.4	15.3
Asset Management	Total Revenue/Total Assets	11.5	12.6	13.1	13.9	17.7	17.1
Insurance Premiums to Total Income	Insurance Premiums/Total Income	53.1	51.6	48.7	42.2	42.1	42.8

Summary of Key Performance Ratios



	2014/15 %	2015/16 %	2016/17 %	2017/18 %	2018/19 %	2018/19 %
OPERATING	14.9	12.1	14.4	18.7	36.2	25.2
ADMINISTRATIVE EXPENSES	9.5	8.2	9.1	10.6	21.2	13.4
EXPENSE CONTROL	8.6	7.6	8.3	9.6	17.5	11.8
NET SURPLUS	89.9	92.4	91.7	90.4	82.5	88.2
RETURN ON ASSETS	15.3	16.4	12.8	11.9	10.4	10.2
ASSET MANAGEMENT	17.1	17.7	13.9	13.1	12.6	11.5

DEPOSIT INSURANCE FUND MANAGEMENT

The DIF balance at the end of FY 2018/19 was $21.0 billion, an increase of 11.6 percent compared to the previous year, despite the declining interest rate environment. Over the previous five years the DIF balance increased by 103.3 percent **(Table 11).**

TABLE 11: FIVE-YEAR FUND GROWTH

	FY2018/19 $M	FY2017/18 $M	FY2016/17 $M	FY2015/16 $M	FY2014/15 $M
Insurance Premiums	1,353.4	1,239.6	1,076.6	937.3	870.1
Surplus from Investment and Administrative Operations	894.5	1,062.2	1,265.5	1,092.9	990.4
Impairment Loss on Securities	-	-	-	-	(32.1)
Previous Year Deposit Insurance Fund	18,844.0	16,542.2	14,200.1	12,169.9	10,341.5
Initial Application of IFRS 9	(64.3)	-	-	-	-
Deposit Insurance Fund	21,027.6	18,844.0	16,542.2	14,200.1	12,169.9

Investment decisions were guided by the Corporation's Investment Policy and the Deposit Insurance Act (DIA), as well as recommendations arising from the annual DIF Adequacy Evaluation. A key strategy continued to be , the maintenance of liquidity requirements. Although the investment market for GOJ securities was relatively inactive due to Government policies and the declining interest rate environment, the Corporation met its liquidity requirements. **(Table 12)** reflects the investment portfolio maturity profile at the end of the financial year compared with previous years.

TABLE 12: PORTFOLIO MATURITY PROFILE

TENOR OF INVESTMENT SECURITIES	FY2018/19 %	FY2017/18 %	FY2016/17 %	FY2015/16 %	FY2014/15 %
Up to 12 months	7.3	13.0	21.8	11.0	16.7
1 – 3 Years	16.3	14.8	11.4	15.9	5.5
3 – 5 Years	12.8	11.3	2.8	20.1	15.2
Over 5 Years	63.6	60.9	64.0	53.0	62.6
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100**

The reduction in the ratio of short term securities was due to the receipt of the amortised portion of the GOJ 2019 global bond. The proceeds were reinvested in over 3-5 and over 5 years' tenor bonds to re-align the portfolio's distribution to maintain it's liquidity target. **(Table 13)** shows the distribution of the investment securities portfolio and comparison with previous years.

TABLE 13: INVESTMENT SECURITIES PORTFOLIO DISTRIBUTION

INSTRUMENT	FY2018/19 DISTRIBUTION %	FY2017/18 DISTRIBUTION %	FY2016/17 DISTRIBUTION %	FY2015/16 DISTRIBUTION %	FY2014/15 DISTRIBUTION %
Fixed Rate Accreting Notes	35.7	40.4	44.2	52.2	61.5
Benchmark Investment Notes	32.6	20.5	4.7	4.0	10.2
GOJ Global Bonds	26.3	30.3	33.8	31.6	22.7
GOJ Local US$ Bonds	-	-	5.7	-	-
BOJ CDs	4.3	7.6	10.2	10.8	3.9
Interest Accrued	1.1	1.2	1.5	1.4	1.7
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

SUMMARY FINANCIAL PROJECTIONS FOR YEAR ENDING MARCH 31, 2020

DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME	YEAR ENDING MARCH 31, 2020 $'000
Total income	2,801,575
Total expenses	(556,310)
Surplus from operations	2,245,265
Surplus from operations – Balance at Beginning of the Year	**21,172,770**
Deposit Insurance Fund – Balance at End of the Year	**23,418,035**

CASH AND CASH EQUIVALENTS	YEAR ENDING MARCH 31, 2020 $'000
Total inflow	6,271,798
Total outflow before investments	(1,460,776)
Investments	(4,800,000)
Net inflow	**11, 022**
Balance at Beginning of the Year	**37,506**
Balance at End of the Year	**48,528**

DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION	MARCH 31, 2020 $'000
Property, Plant and Equipment	877,464
Investment Securities	22,897,896
Current Assets	100,309
Total Assets	**23,875,669**
Current Liabilities	15,950
Unearned Premium Income	-
Share Capital	1,000
Capital Reserves	101,600
Fair Value Reserves	339,084
Deposit Insurance Fund	**23,418,035**
Total Liabilities	**23,875,669**

L-R: Desmarie Brooks, Jovaughn Vanriel and Dawn Marie Brown. Missing (Camielle Frazer and Donna Marie McDonald)

MONITORING AND RISK ASSESSMENT

The Corporation remained proactive in monitoring and assessing factors that may pose risks to the Deposit Insurance Fund and impact financial system stability in general. This involved the on-going monitoring of: the performance of its Policyholders/member institutions (MIs), the operating and economic environment they operate in, as well as other developments pertinent to deposit insurance. Where necessary, the Monitoring and Risk Assessment Department (MRAD) made recommendations for enhancements to existing policy and/ or legislation. During the review period, the MRAD also continued its on-going research efforts on topics relevant to deposit insurance (both locally and globally) and their implications on the JDIC, the member institutions and the financial industry.

The MRAD is also responsible for the Corporation's membership administration framework. In this regard, the JDIC maintained dialogue with all member institutions to ensure that there was compliance with the Policy of Deposit Insurance and reporting requirements consistent with the Deposit Insurance Act. The Corporation also continued the build out of a framework for the admission of the credit union sector to the DIS.

In this vein and in keeping with statutory requirements and established frameworks, the following represent some of the key objectives met:

Deposit Insurance Fund (DIF) Adequacy Evaluation

In accordance with the DIA, the Corporation conducts periodic reviews of the size and value of the DIF (at least once per year). The review involves a comprehensive evaluation of the adequacy of the Fund, taking into consideration the Corporation's liabilities and potential liabilities (including capital and operating expenses). The review also involves risk analysis and classification of member institutions, based on the risk they may present to the DIF, while managing the liquidity of the Corporation and ensuring access to adequate funding to provide depositors with prompt access to their insured deposits if a member institution should fail. Findings and recommendations are made to the Committee of Management, the Board and Minister of Finance, as is necessary.

Based on the completed Deposit Insurance Fund Adequacy Evaluation, the DIF was determined to be adequate to cover the Corporation's existing and potential liabilities for the ensuing 12-month period. This conclusion was based on the assessed low risks of the MIs, the robustness of the banking system and the low likelihood of the need for any resolution activity in the short term.

Further, consistent with international best practices, the JDIC continued to explore sources for contingency funding as part of its crisis preparedness planning. This planning process will allow the Corporation to respond to a financial crisis in a timely manner, and to ensure the maintenance of confidence and stability in the financial system. In this regard, the JDIC continued to work with the other members of the Financial System Safety Net (FSSN), to finalize the framework to establish a Special Resolution Regime (SRR), which is essential to finalizing contingency funding support through a multi-lateral agency.

Survey of the Distribution of Insurable Deposits (SID)

The Corporation conducted its annual Survey of the Distribution of Insurable Deposits as at December 31,

Seated (L-R) Shavalee Johnson and Jhanelle Smith. Standing (L-R) Sherene Lewis-Bailey, Stephanie Williams, Eloise Williams-Dunkley and Priesnell Warren.

2018. The results provided information on the amount of insurable deposits in the banking system; the distribution of the deposits; an estimation of the Corporation's exposure, which are the insured deposits; the credibility of the coverage limit and JDIC's level of compliance with international best standards concerning deposit insurance.

The JDIC continues to provide full protection for the large portion of depositors while leaving a significant percentage of the value of deposits subject to market discipline. This is compliant with the standards set by the International Association of Deposit Insurers (IADI), the international standard setting body, regarding deposit insurance.

For more details, see 'Profile of Deposits' under the 'Policyholders' Profile and Performance' section.

LOOKING AHEAD

Credit Union Admission to the Deposit Insurance Scheme (DIS)

With the impending passage of the legislation, Credit Unions (Special Provisions) Act (now the draft Bill), to bring credit unions under the regulatory ambit of the Bank of Jamaica, the Corporation remained in dialogue with the Jamaica Cooperative Credit Union League (JCCUL/the League) during 2018. The passage of the legislation will require credit unions to apply to the JDIC for membership in the Deposit Insurance Scheme and receive deposit insurance coverage for its members, as obtains with current regulated deposit taking institutions. In this regard, the JDIC and the JCCUL[3], on behalf of the credit unions, met during the year and continued to collaborate on matters concerning the specific deposit insurance design features[4] and to ensure the smooth admission of the sector to the DIS when the law is passed.

At the end of December 2018, there were 26 credit unions down from 28 at end 2017.

Proposals for Establishing Compensation Schemes for the Non-Deposit Taking Financial Sector in Jamaica

The JDIC provided input to the Technical Working Group (TWG) to revise the 2010 Proposals for Establishing Compensation Schemes for the Non-Deposit Taking Institutions (Non-DTIs). The initiative was led by the Financial Services Commission (FSC). This initiative forms part of the reforms being pursued to further strengthen the financial sector.

The JDIC will continue to work with the FSC to complete the proposal for submission to and subsequent approval of the recommendations by the Ministry of Finance and the Public Service.

INTERVENTION AND RESOLUTIONS

The Corporation continues to advance a number of initiatives to strengthen its capacity to carry out its role in the resolution of member institutions and provide depositors with prompt access to their insured deposits, in the event of a bank failure. During FY 2018/19, emphasis was placed on:

- Building out the operational framework to support the resolution powers of the Corporation as provided for in

[3] The JCCUL is a special credit union that lobbies on behalf of the credit unions.

[4] The specific design features discussed included coverage limit, initial and annual premium, scope of coverage.

the Deposit Insurance Act (DIA);
- Reviewing and developing internal policies, processes and technology to improve depositor reimbursement/ payout capabilities; and
- Developing the requisite specialized staff expertise that are critical to the Corporation's resolution and deposit insurance mandate.

Strengthening JDIC's Role in Resolution

The Corporation may act as liquidator, receiver, or judicial manager in the restructuring of a non-viable member institution, its holding company or subsidiary pursuant to the DIA. These are critical roles that are required to manage and carry out the decided resolution strategy(ies) to resolve non-viable financial institutions and will significantly impact the outcome of a resolution process and financial system stability. In carrying out these roles, the JDIC may also be required to make loans or advances and issue guarantees, with the ultimate objective to protect depositors. In this regard, the Corporation commenced the drafting of rules and other supporting procedural documents to guide its operations when acting as liquidator, receiver, or judicial manager and to ensure there are express conditions for the use of the Deposit Insurance Fund. The United States Treasury's Department Office of Technical Assistance, has been providing the Corporation with technical support in carrying out the respective initiatives to develop its resolution capacity including the training of staff.

To further advance resolution planning and preparedness, during the review period, the Corporation continued its collaboration with the MoFPS, BOJ and the FSC to strengthen the overarching legal and operating framework for the resolution of financial institutions. The inter-agency activities focused on conducting comprehensive research to inform the drafting of legislation to advance the Cabinet approved proposals to establish a special resolution regime (SRR) for financial institutions regulated by the BOJ and FSC, in line with the recommended standards of the FSB Key Attributes. Key provisions in the SRR legislation include: express conditions for the exercise of administrative resolution powers; resolution funding options; special insolvency rules; and the processes for ongoing resolvability assessments, recovery and resolution planning. Under the proposed SRR legislation the BOJ will be the resolution authority and the JDIC will be a resolution administrator consistent with its role as liquidator, receiver, or judicial manager under the DIA. The SRR legislation is scheduled to be tabled in FY 2019/20.

The Corporation recognizes that as it develops its resolution capacity pursuant to the provisions in the DIA and the SRR, it will be necessary to ensure there is sufficient understanding of its role in resolution among depositors, other key stakeholders and the general public. In this regard, the dissemination of general information to raise awareness about resolution, will be incorporated in the revamping of the Corporation's public education and communication strategy.

Guaranteeing Depositors Prompt Access to Insured Deposits

The Corporation's statutory obligation to protect depositors includes providing depositors with prompt and easy access to their insured deposits if a bank fails. This is critical for maintaining confidence and financial system stability.

Essential for determining each depositor's entitlement to deposit insurance and providing prompt access to their insured deposits, is the state of each member institution's recordkeeping practices.

Against this background, member institutions are required to comply with the "JDIC Recordkeeping Guidelines for all Policyholders" (the Guidelines)[5] . The Guidelines seeks to ensure that member institutions maintain the necessary processes and systems to provide complete, timely, and accurate customer and account information to the Corporation. For FY2018/19 each member institution was required to provide a detailed self-assessment report on their level of compliance with the Guidelines to the Corporation for evaluation. The evaluation exercise was completed during the year and the Corporation provided feedback to assist member institutions to address areas of non-compliance. In some instances, member institutions were requested to provide action plans to address reported gaps.

Efforts also continued to test and refine the proposed Compliance Framework (Framework) to facilitate the Corporation conducting independent assessments of each Policyholder's level of compliance with the Guidelines on an ongoing basis. The Framework includes the procedures to test the capacity of member institutions to extract customer and account data from their respective banking information systems in the required standard format, for determining and disbursing insured deposits. Pilot exercises with Policyholders to test and refine the Framework are ongoing and will continue in FY2019/20 along with other scheduled activities to achieve full compliance with the Guidelines.

A review of the internal policies, procedures and technology that support the reimbursement process also commenced to evaluate their effectiveness and to ensure alignment with the Corporation's: enhanced role in resolution; advancements in banking technology, products, services, electronic payments and settlement systems; and the pending admission of credit unions to the DIS. The review also seeks to improve the level of compliance with the IADI Core Principles and other supporting guidance. The development of the Corporation's payout management information system by external service providers, to automate the depositor reimbursement process, has been delayed due to protracted system testing activities. As at year end, focus was placed on implementing strategies to expedite the first phased deployment of the system.

The strengthening of the Corporation's institutional capacity and ensuring it operates in a constant state of operational readiness, require that staff continuously develop their knowledge, experience and skills and keep abreast of trends and developments in financial systems domestically and globally. Competent staff are also critical to engender trust and confidence among stakeholders and the general public. During the review period, the Corporation employed several strategies to develop staff expertize in the specialized areas of resolution and deposit insurance. As part of the Corporation's annual contingency planning exercise, an in-house training session was held for all staff with focus on the deposit insurance coverage rules. Staff were required to analyze and demonstrate how they would respond to complex practical

[5] *Refer JDIC website for a copy of the "JDIC Recordkeeping Requirements for all Policyholders".*

GENERAL COUNSEL, CORPORATE SECRETARIAT AND COMMUNICATIONS

L-R: LeeAnne Golding, Stacie-Ann Christmas, Marjorie McGrath, Kadisha Sharp, Peta-Gay Coombs and Latoya Nicholson

scenarios of depositors and the public seeking information about deposit insurance coverage rules. Staff also participated in other knowledge sharing events, including: seminars, conferences, workshops; cross departmental training; and other in house training sessions targeted to hone their skills in the specialized areas of resolution and deposit insurance.

PUBLIC EDUCATION AND AWARENESS

In FY2018/19, the Corporation marked 20 years of operations as Jamaica's deposit insurer. Through its public education and awareness programme, the Corporation purposefully continued to educate stakeholders about the benefits of the DIS.

In recognition of this 20th anniversary milestone, the Corporation carried out several public education and financial literacy initiatives under the rubric ***"Preparing for the Next Twenty… and Beyond".***

The initiatives started with the publication of a commemorative Supplement in the two local newspapers. The Supplement chronicled the life of the Corporation over the years, and looking forward, focused on financial technology, as the financial system evolves and become increasingly characterized by electronic retail payments.

Recognising this, the JDIC strategically positioned itself to protect and empower depositors through information sharing and financial education. In this regard, a media launch was also held to leverage media coverage to further highlight the role and function of the JDIC and the significance of the DIS for the financial system and depositors. The Honourable Fayval Williams, Minister without portfolio in the MoFPS in giving the keynote address at the launch, validated the public policy objectives of the JDIC and the importance of JDIC's contribution to depositor confidence and financial system stability. A 7-minute anniversary video, depicting the JDIC's achievements over the years was also incorporated in the launch programme. Following the launch, a thanksgiving service was held at the Webster Memorial United Church.

Public Fora and Financial Fairs - Empowering Today's Financial Consumers for the Future

Consistent with the 20th anniversary theme, the Corporation staged two public fora and financial fairs entitled 'Empowering Today's Financial Consumers for the Future'. Both events were held in partnership with the Bank of Jamaica, the Financial Services Commission, the Consumer Affairs Commission and the Jamaica Stock Exchange, in Kingston and Montego Bay respectively.

The Montego Bay Chamber of Commerce and Industry also collaborated with the Corporation for the successful staging of the Montego Bay event.

In keeping with the continued evolution of financial products and services, the public fora and financial fairs focused on financial education for savers and investors, small entrepreneurs and the unbanked.

Presentations were centred around Deposit Insurance, Regulating and Protecting Your Deposits, The Stock Market, Combatting Unregulated Financial Organisations, Cyber Security and Consumer Protection. Several booth-holders from the public and private sectors, including JDIC Policyholders, also participated in the events and provided information on their products and services to attendees.

Recognizing that educating the youth is key to ensuring that future generations are financially literate and empowered, educational and entertaining activities employing the theme 'Money is also a Pickney Ting' were also provided in the Kiddies Village for children in attendance at the Fairs.

Advertising and Promotion

In promoting the JDIC and the objectives of the DIS, the Corporation continued its advertising campaign utilising targeted radio and television programmes that sought to educate while reinforcing in the minds of Jamaicans the value of deposit insurance and the protection guaranteed to depositors.

Further, to build consumer awareness of insured deposit-taking institutions, the Corporation maintained its quarterly publication of Policyholders Listing in the local and overseas newspapers. Advertisements were also placed in various publications, including business magazines, services club newletters along with church programmes and booklets, thereby targeting specific groupings at the community level.

Additionally, as part of efforts to ensure that the core messages of the public education and awareness programme is communicated islandwide, a mobile (JUTC buses) and stationary (billboard) advertising campaign was executed and will run for a period of one year. Branding of the JDIC building was also included as part of the advertising and promotional strategy during the review period.

Social Media

New media is a critical component of modern, strategic communication messaging, as well as product awareness and relationship building. The Corporation broadened its social media presence by incorporating Instagram, the platform with the highest engagement rate of all digital platforms, as part of its existing social media suite (Twitter, Facebook, YouTube).

This thrust was further supported by an active social media engagement programme, that not only focused on increasing stakeholder awareness of the JDIC and the DIS among its online audience, but importantly, tapped into the Millennial and Generation Z demographic who are avid users of these platforms.

The augmented social media presence also aided in deepening connectivity with regional and international stakeholders. The new media messaging and online reach of the public education and awareness programme, is to be further strengthened with the engagement a digital media firm.

Financial Literacy Book for Primary Schools

The Corporation's schools' programme is an integral part of its public education strategy. In an effort to place greater emphasis on the financial literacy in schools the Corporation commenced development of a school book targeting children at the primary level. The content will address key areas of the financial system such as deposit insurance, the role and function of the FSSN partners, savings and investments, and generally, money management from an early age. An electronic and animated version of the book will also be prepared to accompany and enhance the text. The Ministry of Education, Youth and Information (MOEYI) which is a member of the National Financial Literacy Programme has approved the project. The book is expected to be launched in FY2019/20.

Collaboration with Financial System Safety Net (FSSN) Partners, Policyholders and other Stakeholders on Public Education Initiatives

As a member of the FSSN, the Corporation is mindful that collaboration is critical in achieving and sustaining confidence and stability in the financial sector. To this end, partnerships with the Bank of Jamaica and the Financial Services Commission were leveraged to extend the reach of the Corporation's message by participating in information driven activities targeting members of the public. These included five (5) Townhall Meetings hosted by the FSC in the town centres of Hanover, Montego Bay, St Elizabeth, St Mary and Trelawny respectively; as well as the JSE's Market Meets the Market by the Sea, expo.

Additionally, the Corporation continues to be actively involved in the work being carried out under the National Financial Inclusion Strategy (spearheaded by the BOJ), in particular the pillar focusing on Consumer Protection and Financial Capability/Literacy.

Dissemination of deposit insurance information by Policyholders continues to be critical to increasing public awareness of the JDIC and the DIS. In this regard, the Corporation continued to collaborate with member institutions, including hosting of training sessions for their staff members. During the period a workshop was hosted for Policyholders located in the parishes of Trewlawny, St Ann and St Mary.

The Corporation also conducted informative sessions geared at sensitising staff of public and private sector organizations about the benefits of deposit insurance and the DIS in Jamaica.

CORPORATE SOCIAL RESPONSIBILITY

The Corporation's CSR Policy is benchmarked against the seven core principles recognized in ISO 26000 for corporate social responsibility (CSR): organizational governance; human rights; labour practices; the environment; fair operating practices; consumer issues; community involvement and development.
The Corporation remains fully committed to contributing to these goals and conducts its operations in a manner that supports the achievement of these standards; both for its team members and external constituents.

During the review period the Corporation continued its internship and summer employment programmes for students attending tertiary and secondary institutions, giving them the opportunity to gain work experience and exposure in several areas of the organization. The Corporation employed eight (8) students: four (4) secondary level students and four (4) pursuing studies at the University of the West Indies.
Staff participation in community outreach activities remained strong, inclusive of involvement in the National Labour Day

EVENTS HIGHLIGHTS

20th Anniversary Launch








20th Anniversary Church Service



Public Forum and Financial Fair Kingston







Public Forum and Financial Fair Montego Bay







Project in which the Corporation sought to enhance the Salvation Army Nest Children's Home in St Andrew, through painting, repairing and general cleaning of the facilities. Staff members also donated various items to the children. During Breast Cancer Awareness Month (October) staff members participated in the Jamaica Cancer Society's (JCA) 'Pink Day Initiative' to raise awareness of Breast Cancer. Additionally, the Corporation supported the JCA's 'coin drive' by raising funds in keeping with the JCA's activities for the month.

FINANCIAL SYSTEM SAFETY NET PARTNERS INTER-AGENCY ACTIVITIES

The members of the financial system safety net (FSSN) are the Ministry of Finance and the Public Service, Bank of Jamaica, the Financial Services Commission, and the Jamaica Deposit Insurance Corporation. The FSSN partners engage in ongoing collaboration, coordination and information sharing in support of the mandates of their respective agencies, statutory and inter-agency committees and technical working groups.

The Financial Regulatory Committee

The Financial Regulatory Committee (FRC) was established in 2014, pursuant to section 34BB of the BOJ Act. The members of the FRC are the Governor of the Bank of Jamaica; the Financial Secretary; the Executive Director of the Financial Services Commission; and the Chief Executive Officer of the JDIC. The statutory objectives of the FRC are to facilitate information sharing, coordination and collaboration among its member-agencies. The FRC is also guided by a memorandum of understanding (FRC MOU) executed by its members to: promote the exchange of information on their respective areas of operation; facilitate the coordinated implementation of policy and regulatory reforms; and foster the strengthening of inter-agency relationships. The FRC also has responsibility for the coordination and execution of financial crisis preparedness and management strategies.

National Financial Crisis Preparedness and Management

The development of a "FRC Inter- Agency Financial Crisis Communication Plan", (the Plan) was finalized during the review period by a technical working group led by the JDIC. The Plan is a key component of the overarching National Financial Crisis Preparedness and Management Plan and complements the FRC MOU, and agency specific crisis communication plans. The Plan provides guidance to member-agencies with regard to inter-agency communication, public communication during a financial crisis, and public education about financial crises. A standing FRC Crisis Communication Team was established in January 2019 to operationalize the Plan. The team comprises of the FRC members and senior officers from each agency with responsibility for communication.

Special Resolution Regime

The Cabinet of the Government of Jamaica has approved the development of legislation for a special resolution regime (SRR) for financial institutions. The SRR seeks to strengthen the current legal and operating framework for resolving non-viable financial institutions in line with international standards, namely, the FSB Key Attributes. The implementation of the SRR will provide for the resolution of financial institutions in an orderly manner without taxpayer exposure to loss from solvency support, while maintaining continuity of their vital economic functions. The SRR will also allow for legal and procedural certainty in resolving non-viable financial institutions.

The FRC through its inter-agency technical working group has been conducting comprehensive research to inform the drafting of the SRR legislation, giving due consideration to the need to implement this framework in a manner that is proportionate to the structure and complexity of the country's financial system. The SRR contemplates that the Bank of Jamaica will be the Resolution Authority and the JDIC the Resolution Administrator consistent with its existing powers under the DIA. The SRR legislation is scheduled to be tabled in FY 2019/2020.

Financial System Stability Committee

The Financial System Stability Committee (FSSC) was established by the Bank of Jamaica Amendment Act, October 2015. The Committee consists of six ex-officio members as well as two members appointed by the Minister in charge of finance on the recommendation of the Governor of the BOJ. The ex-officio members are the Governor of the BOJ; the Senior Deputy Governor, the Deputy Governor, or other senior officer of the BOJ with assigned responsibility for the BOJ's financial system stability; the Deputy Supervisor of Banks and Financial Institutions; the Financial Secretary; the Executive Director of the Financial Services Commission; and the Chief Executive Officer of the JDIC.

The statutory responsibilities of the FSSC include undertaking macro prudential assessments; promoting the regular exchange of information and international cooperation in support of financial system stability objectives; providing periodic and exceptional reports to the Minister in charge of Finance on financial stability oversight; and making recommendations to the BOJ for the carrying out of the financial stability mandate. Senior officers of the Corporation contribute to technical working groups established to support the FSSC in carrying out its responsibilities.

Financial Sector Assessment Program

Jamaica underwent a Financial Sector Assessment Program (FSAP) in FY 2018/19[6]. All FSSN agencies participated in the FSAP, which covered an evaluation of several components of the financial system. Areas evaluated included: financial sector risks and vulnerabilities with a focus on macro-financial risks related to financial group structures; the quality of financial sector supervision; and financial safety net arrangements[7]. An assessment of the level of compliance of the DIS with the IADI Core Principles was also conducted as part of the program's evaluation of compliance with international standards. The findings from the Core Principles assessment are broadly in line with the results of self-assessment exercises conducted by the Corporation as a key activity during our annual strategic planning activities. The priority areas of the DIS requiring improvement include, establishing formal contingency funding arrangements for the DIF, clarifying the use of the DIF in resolution, enhancing information sharing and coordination with other FSSN partners and strengthening the Corporation's technical capacity.

The findings and recommendations relating to the DIS and

[6] The previous FSAP took place in 2006 and the World Bank conducted a Development Module Update in 2015.

[7] The previous FSAP took place in 2006 and the World Bank conducted a Development Module Update in 2015.

JDIC Team and children of the Salvation Army Nest Children's Home in St Andrew pose for the camera following the execution of the team's Labour Day Project.

other areas will be addressed at the agency and inter-agency levels as appropriate. In some instances, work has already commenced by the respective agencies and through the FRC as part of several financial sector reforms being pursued to strengthen the financial system and in support of the GOJ MEFP. The coordination and implementation of initiatives to address the recommendations are being conducted under the auspice of the FRC.

National Financial Inclusion Council

The National Financial Inclusion Strategy (NFIS) supports Jamaica's Vision 2030 national development plan. Formally established in March 2017 the National Financial Inclusion Council (The Council) has responsibility to set the overall policy directions for the development and implementation of the financial inclusion strategy. The Council is chaired by the Minister of Finance and the Public Service, with other members being the Governor of the Bank of Jamaica; the Financial Secretary and the Financial Inclusion Steering Committee of which JDIC's CEO is a member. During the review period the Corporation continued to participate in the work being done to support the deliverables under the strategy, in particular, that for the 'Responsible Finance - Consumer Protection and Financial Capability' working group. With this in mind, the Corporation included presentations on financial inclusion in all its public education initiatives held throughout the review period and is at an advanced stage with the development of a School Book targeting primary school children that will underpin the importance of honing financial literacy at an early age.

During the review period with the help of the OTA of the US Treasury Department, work continued on the policy proposals for the development of a consumer protection regime for DTIs. Assistance was also received from the IADB to develop a National Financial Literacy Action Plan with a specific focus on youth. Both deliverables were well advanced for implementation in FY2019/20.

INTERNATIONAL RELATIONS

Membership in the International Association of Deposit Insurers

The International Association of Deposit Insurers (IADI, Association) is a global standard setting body established in 2002 to enhance the effectiveness of deposit insurance systems. The IADI contributes to financial stability by developing principles, standards and guidance for deposit insurance systems based upon research and the sharing of expertize. International cooperation among deposit insurers and other interested parties in the field of deposit insurance is also facilitated by the IADI. The IADI is governed by an executive council, which is supported by four council committees established to provide an oversight and advisory role. There are also are eight regional IADI committees. These committees promote collaboration and sharing of technical expertise and information, with specific focus to address regional interests and common issues. The JDIC has been an active member of the IADI, since it was established and currently contributes to the work of the Association by its membership in these various committees and making presentations at international conferences and other forums among others.

The JDIC's CEO is a member of the IADI Member Relations Council Committee and represents the JDIC on the Caribbean Regional Committee[8] . Other senior officers of the Corporation are members in two of IADI's technical committees namely, the "Risk Management and Internal Control Systems of Deposit

[8] The CRC membership includes the deposit insurance organizations in Trinidad and Tobago, Bahamas and Barbados and associate member include British Virgin Islands. IADI Associates represent other safety-net organizations from jurisdictions that have developed or are considering developing a deposit insurance system.

Insurance Systems Technical Committee" and the "Resolution Issues for Financial Cooperatives Technical Committee". These technical committees are tasked with conducting research and publishing guidance specific to enhancing the operations of DIOs.

During the year, officers of the Corporation were invited to share their expertise by making presentations at IADI knowledge events. The Corporation participated in the IADI Third Americas Deposit Insurance Forum hosted by the Instituto para la Protección al Ahorro Bancario (IPAB) in Mexico City, April 2018. The JDIC's CEO made an address on behalf of the Caribbean Regional Committee. The address highlighted the technological advances in financial services such as fintech and the globalization of markets and the impact on macro prudential regulation, depositor protection schemes and financial stability. The changing mandate and role of Deposit Insurance Organizations (DIOs), and the need for DIOs to be proactive in light of the evolving financial landscape and the challenges faced by these new developments were also emphasized. The CEO also made a presentation on "Resolution Planning: Guidance on Developing Resolution Strategies and making them Operational". The importance of governance frameworks and structures for resolution regimes with particular focus on international best practice standards; challenges faced by jurisdictions in establishing effective governance frameworks for resolution; and reforms to strengthen resolution frameworks were shared with participants.

In October 2018, officers of the Corporation attended the IADI's 17th Annual General Meeting, Conference and Workshop in Basel, Switzerland. The theme of the Annual Conference was "Deposit Insurance and Financial Stability: Recent Financial Topics" and the Workshop focused on the IADI Core Principles. The Corporation's senior officer responsible for resolution made a presentation on the "Approach and Methodology to Test Deposit Insurers Operational Readiness". The presentation highlighted JDIC's experiences in planning and conducting contingency planning and simulation exercises, and how these exercises have contributed to testing and strengthening the Corporation's operational readiness and developing staff competencies to deal with a financial crisis.

REGIONAL CAPACITY BUILDING

The Caribbean Community Proposals for a Model Deposit Insurance Framework for Member States

The Corporation continued its collaboration with the Caribbean Community (CARICOM) Secretariat and member countries to establish a Model Deposit Insurance Policy for the Caribbean Community (the Policy). The work of the JDIC through its chairmanship of the CARICOM technical working group includes providing technical inputs to draft the Policy. The Corporation's interaction with the TWG members has also provided an opportunity for the sharing of knowledge and experiences on issues relating to the establishment and operations of deposit insurance schemes including matters of regional interest.

The objective of developing the CARICOM Policy on Deposit Insurance is to encourage and assist member states to establish and strengthen deposit insurance systems and to contribute to the development and stability of financial systems within the Caribbean Community.

The draft Policy was presented at the Sixth Special Meeting of the CARICOM Council of Finance and Planning (COFAP)[9] . The next steps include the tabling of the Policy for adoption at the upcoming meeting of COFAP and the Conference of the Heads of Government `scheduled to be held in July 2019.

[9] The Council for Finance and Planning (COFAP) is responsible for economic policy coordination, financial and monetary integration of Member States.

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

MANAGEMENT OF STRATEGIC RESOURCES

Human Resource

Talent management remains critical to achieving the JDIC's objectives. In this regard, the corporate strategy "Building Sustainable Human Resource Capacity" and the supporting strategic initiatives were central to the Corporation's operations during the review period.

The staff establishment for FY2018/19 was 43 persons but the Corporation started and ended the year with a complement of 24 and 28 persons, respectively. Recruitment and retention continued to be challenging as in previous years. A comprehensive organization review, job evaluation and reclassification exercise was continued from the previous year, completed and submitted to the MoFPS for approval. This was with the objective of ameliorating persistent recruitment and retention challenges. As at year end, the Corporation continues to await the approval from the MoFPS for implementation. These staffing challenges have caused the deferral and protracted execution of several key initiatives.

Training and Development

As a regulatory body and part of the FSSN, the Corporation continued to recognise that capacity building for the requisite skills and competencies requires ongoing investment in its human capital. Staff participation in relevant technical training programmes is key to building an effective team with the required technical skills. During the review period, staff skills and competencies were upgraded through participating in the following training courses and conferences:

- Effective Corporate Governance - The Management Institute for National Development
- Financial Stability Institute (FSI) Connect Online Courses with focus on: deposit insurance; banking supervision; financial products, markets and infrastructure as well as, risk management techniques used by financial institutions – Bank for International Settlement
- Introduction to Examination School - Federal Deposit Insurance Corporation
- Financial Institution Analysis School - Federal Deposit Insurance Corporation
- Tackling New Supervisory Challenges - Toronto Centre
- The Organization Strategic Response to Operational Risk- Jamaica Stock Exchange
- Executive Leadership Training - UWI Cave Hill
- Restructuring Problem Credits - Caricris
- IFRS 9 Implementation Seminar - Jamaica Institute of Financial Services
- Directors Strategic Guide to Corporate Governance - Jamaica Stock Exchange
- Loan Insecurities - Jamaica Institute of Financial Services
- Anti-Fraud Seminar - Jamaica Institute of Financial Services
- Introduction to Data Protection - Jamaica Stock Exchange
- Financial Services in a Digitized World - Jamaica Institute of Financial Services
- Social Media, Employees, Influencers and the Legal

Obligations - Jamaica Chamber of Commerce
- Effective Technical Writing- MIND
- New Labor Relations Code - Jamaica Chamber of Commerce
- Customer Relations Managements Skills - Human Resource Association of Jamaica

Occupational Health and Safety

The Corporation remains committed to promoting an environment of good occupational health and safety practices, which saw employees participating in ongoing health and wellness programmes.

The Corporation completed an ergonomic assessment, consistent with the proposed Occupational Safety and Health Act (OSHA), which is now before a Joint Select Committee of Parliament. Employee's workstations were analysed for hazards caused by workplace design, which may contribute to an employee's stress or physical discomfort in an effort to reduce the risk of injury and maximize productivity. This activity revealed ergonomic challenges and the need for upgrading JDIC's ergonomic infrastructure, which is scheduled for outfitting in FY2019/2020.

Information and Communication Technology

Information and Communication Technology (ICT) management is essential to the operations of the Corporation and strategically greater emphasis is being placed on this functional area for the enhancement and more efficient operations throughout the Corporation. ICT Security remains a priority and the ICT Security Policy was updated and staff trained in its application. Generally, cyber security is increasing and measures were put in place to mitigate any attack. Additionally, cyber general insurance coverage was explored for implementation in the next financial year.

ICT Governance is a formal framework that provides a structure to ensure that ICT investments support business objectives and provides a structure for aligning ICT strategies with business strategies. The Corporation's ICT Corporate Governance was discussed with personnel of the Government's proposed ICT Authority of the Ministry of Science, Energy and Technology as to the adoption of the GOJ ICT Governance Handbook. This is to be further reviewed for adoption by the Corporation.

The ICT Unit continued to maintain and improve the ICT infrastructure, assist and train users, focus on project implementation and enhancing of the website security for the protection of the network and all users of web services. The ICT business continuity programme remained under review and was enhanced with the upgrading and maintenance of the external data centre.

Workshop on Developing a Harmonized Framework for SIFI Monitoring and Macroprudential Regulation in the Caribbean held in December 2018.

SUMMARY PERFORMANCE SCORECARD

	BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
1.	**PROACTIVE READINESS AND RESOLUTION MANAGEMENT**		
1.1	Continue Implementation of Standard Record-Keeping Guidelines and Compliance Framework for Policyholders.		Conduct testing and simulation activities with selected Policyholders; finalize and implement the Compliance Framework.
1.2	Update Resolution and Payout Policies, Procedures and Systems to Include Credit Unions (Contingent on the promulgation of the Credit Union (Special Provisions) Act, and the Proposed Special Resolution Regime (SRR) for Financial Institutions legislation)		Continue to assess Credit Union operations that impact the resolution and payout processes, documenwt findings and issues and assess Credit Union operations and relevant laws and make recommendations for legislative amendments.
1.3	Coordinate and Simulate Selected Multi-Agency Activities in a Financial Crisis (Contingent on Financial Regulatory Committee (FRC) Timetable)		Participate in the FRC led activities to plan and execute the simulation. Prepare action plan to address gaps identified with regards to JDIC's mandate.
1.4	Provide Technical Input for the development of Legislation for a Special Resolution Regime (SRR) for Financial Institutions in Jamaica (Collaborative effort with FRC)		Provide continuing support as may be necessary to resolve any issues; recommend any further amendements and provide guidance and asssistance during all the enactments stages of the legislation until it has been passsed by Parliament.
1.5	Provide Technical Input to Revise the Proposals for the Establishment of Compensation/ Guarantee Schemes for the Non Deposit Taking Sector – Insurance, Securities and Pensions Sub-sectors Regulated by the FSC		Continue to colloborate with the FSC and provide technical input to address outstanding design features for the establishment of Compensation Schemes for the Non-DTI Sector.
1.6	Credit Union Admission to the Deposit Insurance Scheme (DIS). (Contingent on the Credit Unions (Special Provisions) Act)		Continue collaboration the JCCUL and other with stakeholders to finalise the proposed deposit insurance design features for credit unions ahead of entry to the DIS.
1.7	Update Departmental Policies and Procedures to Include the Monitoring and Risk Assessment of Credit Unions		Update the Policyholders Risk Assessment Framework to include risk assessment of the credit union sector. Develop reporting schedule (frequency and types of reports) for credit unions with the BOJ and credit union sector.
1.8	Conduct FY2018/19 Internal Deposit Insurance Fund (DIF) Adequacy Evaluation		–
2.	**STRONG PARTNERSHIPS**		
2.1	Participate in FRC Technical Working Group (TWG) Activities to Draft a National Financial Crisis Management Communication Plan		–
2.2	Participate in the Financial Sector Assessment Programme (FSAP)		Continue to collaborate with the FRC in developing a workplan to address the gaps/recommendations of the FSAP.
2.3	Work with the CARICOM Secretariat and Member Countries to Develop a CARICOM Deposit Insurance Policy and Model Law Framework (Initiative led by CARICOM Secretariat)		Contine to colloborate with the Secretariat and the TWG to finalize the CARICOM Deposit Insurance Policy and Model Law Framwork.
2.4	Implement Service Level Agreement (SLA) for Information Sharing with the Central Bank		Colloborate with the BOJ to finalize the SLA and implement (as per Financial System Stability Report).
3.	**BUILDING SUSTAINABLE HUMAN RESOURCE CAPACITY**		
3.1	Conduct Organisational Modelling and Review, Job Evaluation and Reclassification (OMRJER)		Obtain MoFPs approval and commence implementation of recommendations.
3.2	Strengthen the Human Resource Policies, Guidelines and Procedures Framework (Consistent with the OMRJER)		Complete the review/update of the Human Resource Policies, Guidelines and Procedures Framework.
3.3	Implement JDIC Staff Pension Plan		Continue work on the finalizing and subsequent implementation of the Pension Plan.

SUMMARY PERFORMANCE SCORECARD

	BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
4.	**PROACTIVE READINESS AND RESOLUTION MANAGEMENT**		
4.1	**Implement the Payout Management Information System (PMIS)** **(ICT Firm/software developer procured to develop and implement PMIS)**		Complete development and implementation of the PMIS.
4.2	**Review and Maintain the Funding Plan for Contingency Purposes**		Review and update the Contingency Funding Plan consistent with the SRR.
4.3	**Implement Records and Information Management (RIM) Programme**		Finalize manual for RIM implementaion activities and automate the RIM.
4.4	**ICT Security Policy Programme**		Commission ICT security audit.
4.5	**Develop and Implement Enterprise Risk Management Policy and Framework**		Submit ERM Policy and Framework to the MoFPS for approval and subseqent implementation.
5.	**PUBLIC EDUCATION AND AWARENESS**		
5.1	**Admission of Credit Unions to the Deposit Insurance Scheme**		Implement public education programme on the admission of Credit Unions to the DIS.
5.2	**Develop School Book on 'Financial Systems' for Primary Schools**		Finalize development and launch of the school book in FY2019/20.
5.3	**Develop/Place Advertisement on Billboards and Public Transportation**		–
5.4	**Hold 20TH Anniversary Events: 20th Anniversary Media Event/Launch; Production of Corporate Video; Publication of Newspaper Supplement; Church Service; Public Forums/Town Hall Meetings and Policyholder Partnerships.**		–

ON TRACK **DELAYED** **NO EXPECTATIONS**

APPENDIX 1

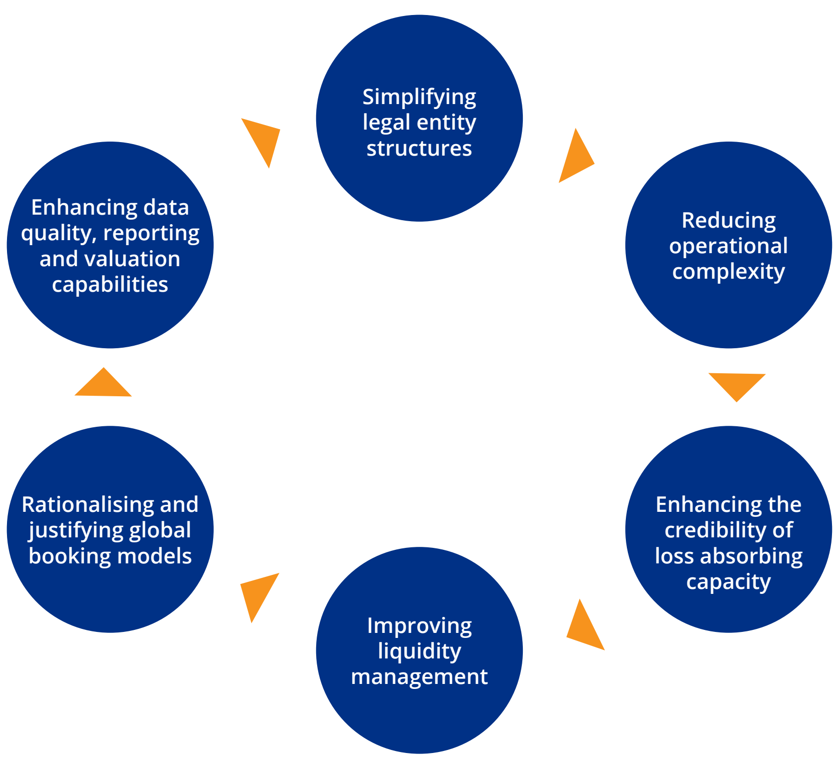
EFFECTIVE RESOLUTION REGIMES: APPROACH TO ASSESSING THE RESOLVABILITY OF FINANCIAL INSTITUTIONS

Introduction

A critical element of an effective resolution regime is a framework that requires the authorities involved in resolution to conduct regular "resolvability assessments" of the financial institutions (FIs) within the scope of the regime. Resolvability assessments evaluate the feasibility of resolution strategies and plans and their credibility in light of the likely impact of the financial institution's failure on the financial system and the overall economy. Resolvability assessments form one of four building blocks of an effective resolution regime.

FOUR BUILDING BLOCKS OF AN EFFECTIVE RESOLUTION REGIME			
Strengthened national resolution regimes	Institution specific cross border cooperation agreements	Recovery and resolution planning	Resolvability assessments

A "resolvable" FI is one that resolution authorities have determined could be dealt with in an orderly way in the event of its failure, rather than requiring public support to maintain financial stability and ensure the continuity of critical services. To strengthen resolvability, the Financial Stability Board (FSB) recommends that FIs focus on the following six "resolvability drivers":



OBJECTIVES OF RESOLVABILITY ASSESSMENTS

The primary objectives of resolvability assessments are to ensure financial institutions are accountable for their own resolution preparedness and to make resolution more transparent to ensure a successful outcome. These objectives are designed to:

- make authorities and FIs aware of the implications of resolution on financial system stability domestically, regionally and globally;
- identify factors and conditions that may impact the effective implementation of resolution actions and the level of contingency preparedness including the adequacy of recovery and resolution planning; and
- determine the specific actions necessary to achieve greater resolvability of a FI without severe systemic disruption and without taxpayer exposure to loss, while protecting systemically important functions.

PROCESS FOR ASSESSING RESOLVABILITY

The authorities involved in resolution should regularly undertake resolvability assessments. These assessments must be done in coordination with other relevant authorities and must ensure the robustness of cross-border cooperation and information sharing arrangements. The resolution regime should provide the authorities with the necessary legal powers and practical capacity to conduct the resolvability assessments and facilitate the coordination and collaboration. The FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions outlines three stages for assessing resolvability:

Stage 1 - Feasibility of resolution strategies	Identify the set of resolution strategies which would be feasible for the FI, given the current resolution tools available and the authorities' capacity to apply them at short notice, as well as recovery and resolution plans.
Stage 2 - Systemic impact assessment	Determine the credibility of all feasible resolution strategies by capturing the likely impact of the FI's failure on the economy.
Stage 3 - Actions to improve resolvability	Resolvability assessments form a key part of resolution prevention. Resolution planning will highlight the importance of resolvability assessments and ensure jurisdictions have in place the legal and operational framework to enforce resolvability.

Source: FSB Key Attributes

To evaluate the resolvability of FIs, the FSB's Key Attributes set out five questions that the authorities should use to guide the assessment process as follows:

- What are the impediments to separating critical functions and ensuring their continuity during resolution?
- Do intra-group transactions across legal entities create imbalances that affect incentives for co-operation?
- Can critical payment functions continue and can access to financial market infrastructures be maintained?
- Can the FI deliver sufficiently detailed, accurate and timely information to support effective resolution?
- Do the authorities have the necessary legal tools and operational capacity to execute cross-border resolution?

JURISDICTIONS THAT HAVE IMPLEMENTED RESOLVABILITY ASSESSMENT FRAMEWORKS

Research has indicated that jurisdictions that have advanced the implementation of resolvability assessments are mainly countries with FIs designated as global systemically important banks (G-SIBs). The Basel Committee on Banking Supervision ((BCBS) designates banks with high systemic risk as G-SIBs, based on size, interconnectedness, substitutability, complexity and cross-jurisdictional activities. The BCBS requires that G-SIBs meet a higher risk-based capital ratio to enhance its resilience, and is subject to additional regulatory oversight and requirements for group-wide resolution planning and resolvability assessments. The resolvability of each G-SIB is reviewed annually using a high-level FSB Resolvability Assessment Process conducted by senior policy makers within the FIs Crisis Management Groups. Consistent with this requirement, several jurisdictions as highlighted below, have implemented or is in the process of implementing resolvability assessment frameworks, albeit using different approaches.

- **United Kingdom:** The Bank of England (BoE) and the Prudential Regulation Authority (PRA) issued their Resolvability Assessment Framework (RAF) consultation paper in December 2018. The consultation paper sets out proposals to assess resolvability as part of the RAF and to increase transparency over the resolvability of FI. Jurisdictions that have implemented resolvability assessment frameworks. In scope, FIs must submit a report of their assessment to the PRA every two years starting from September 2020, and publicly disclose summaries of their report every two years starting from the end of May 2021.

[10] Financial market infrastructure (FMI) is a term that encompasses a broad range of different providers of infrastructure services to markets and market participants. These services include the recording, clearing and settlement of payments, securities, derivatives and other financial transactions.

- **United States of America:** The Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC) adopted Final Guidance on Resolutions Plans in 2019 to assist FIs in developing their resolution plans, which are required to be submitted pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Guidance focuses on FIs addressing potential risks to their resolvability. The FDIC regularly evaluates banks' resolution plans. In developing resolution plans, resolvability should form a part of FIs day-to-day decision making, particularly in connection with decisions related to structure, business activities, capital and liquidity allocation, and governance.

- **Canada:** The Canada Deposit Insurance Corporation (CDIC) Act was amended in 2017 to allow CDIC to create a by-law with respect to the development, submission and maintenance of resolution plans by Canada's domestic systemically important banks (D-SIBs) and G-SIB. The Resolution Planning By-law formalizes CDIC's existing resolution planning process and guidance, and supports CDIC's D-SIB resolvability target of 2020. CDIC has been conducting assessment of resolution plans and providing feedback to the banks to address the remaining resolvability impediments with a view to achieving resolvability by 2020. Jurisdictions that have implemented resolvability assessment frameworks. In 2017, CDIC also led Crisis Management Group meetings where discussions focused on D-SIB resolvability in a cross-border context.

- **Hong Kong:** The Financial Institutions (Resolution) Ordinance (FIRO) came into effect July 2017 and establishes the legal basis for a cross-sector resolution regime in Hong Kong. The Hong Kong Monetary Authority (HKMA) is responsible for: setting resolution standards for authorized institutions (AIs); undertaking ex ante resolution planning and resolvability assessments; identifying and requiring AIs to remove impediments to their orderly resolution; and execute orderly resolution of any failing AIs through the application of resolution powers under the FIRO. Resolvability assessments may be conducted through bilateral work streams established between the HKMA and the AI. If local impediments to the group resolution strategy are identified, these impediments are discussed with the relevant overseas authorities, the group's Crisis Management Group (for AIs that are part of groups that are designated as G-SIBs) and the AI will need to take the necessary action to address these impediments.

CONCLUSION

There is a clear alignment between recovery and resolution planning and resolvability assessments as they all form part of an iterative process by which resolvability assessments can inform recovery and resolution plans and test their feasibility. Resolvability assessments form a key part of resolution prevention, contributes to financial stability, protects depositors and other financial consumers, and minimizes the exposure of the applicable protection schemes to loss. Resolvability assessments also encourage greater market discipline; remove perceptions of implicit bail outs; and provide clarity on how FIs and their creditors will be treated in resolution.

Financial institutions and resolution authorities both have an important role to play in ensuring resolvability. Financial institutions should not treat the process of resolvability as a mere exercise to satisfy regulatory compliance but as an opportunity to improve efficiencies, competiveness, credibility and stakeholder confidence. On the other hand, resolution authorities should ensure there are clear standards, express clarity and transparency about the resolvability assessment process. It is also important to ensure that the legal, institutional and operational framework adequately provides for all the authorities involved in the resolution of a FI to be integrally involved and have the capacity to undertake resolvability assessments. Robust mechanisms must also be in place to allow for coordination and collaboration domestically and cross border among authorities.

The proposed legislation to implement a Special Resolution Regime for Financial Institutions in Jamaica, considers the provisions for conducting resolvability assessments and the adoption of appropriate measures to improve financial institutions resolvability in line with the FSB Key Attributes. The JDIC, given its integral role in resolution, as deposit insurer, and its powers to act as liquidator, judicial manager or liquidator for a member institution, its holding company or subsidiary will be integrally involved in conducting resolvability assessments and the recovery and resolution planning process in collaboration with the Bank of Jamaica, in its role as supervisor and resolution authority. The resolvability assessment process will contribute to minimizing the exposure of the Corporation to loss and enhance the Corporation's financial crisis preparedness and planning and state of operational readiness.

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APPENDIX 2

FINANCIAL TECHNOLOGY, FINANCIAL INCLUSION AND DEPOSIT INSURANCE

Financial Technology (FinTech) is broadly defined as rapid technological change or innovation applied to financial services. It has become a catch-all term representing technological developments in the financial sector which enables and supports banking and financial services and facilitates financial inclusion. As FinTech products evolve, the role of deposit insurance and appropriate regulations have become increasingly important.

Fintech And Financial Inclusion

There is an appreciation of the positive impact of the expanding role of FinTech in facilitating financial inclusion and providing access to the financially excluded and underserved consumers. In this regard, regulatory authorities have been preparing appropriate responses to ensure the protection of consumers of financial services.

FinTech products such as e-money and mobile wallets permit customers to make payments, transfer money and store value and also provide for the security of money as the need to carry cash is reduced. FinTech promotes e-commerce, facilitates economic growth and creates a shift from cash payments which reduces other social costs. In Jamaica these products are provided primarily by regulated financial institutions such as commercial banks and non-bank entities approved by the Bank of Jamaica (BOJ).

Fintech And Regulations

As the competition among the players offering FinTech products is heightened, an enabling and collaborative regulatory environment needs to be further strengthened. Policymakers have sought to coordinate regulatory responses to ensure that functionally similar products and services are treated equally once they pose similar risks to consumers.

As technology continues to evolve consumers are allowed greater access to financial services. This supports financial inclusion and gives providers of financial services a broader customer base, diversification of risk and lower operating costs. In this context, there is the need for the adoption of proper policy and regulation, which should be based on country specific opportunities, needs and conditions.

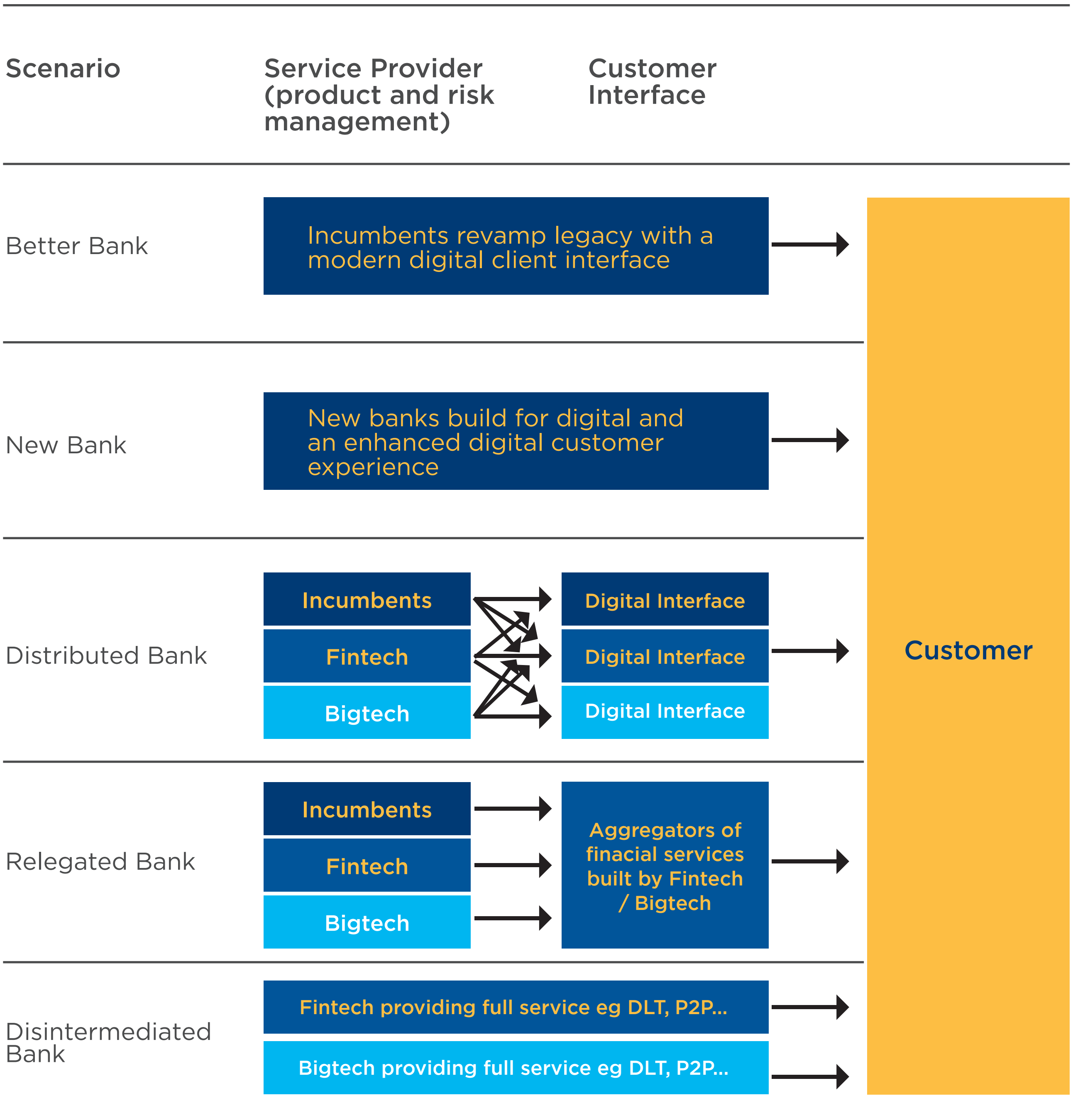
In the above regard, the Centre for Global Development (CGD) 2016 Task Force 'Report on Financial Regulations for Improving Financial Inclusion' moots the several key areas for regulatory policy consideration summarised in the table below.

REGULATORY POLICY CONSIDERATIONS	POLICY AREAS
Competition policy	The markets for financial services are most efficient when adequate competition exists among service providers. As markets open to fair competition, this leads to a greater variety of products and services, higher efficiencies and delivery of services at lower cost. The areas for consideration include: banks and other traditional providers; non-bank digital services providers; market exit; abuse of market power; interoperability and contestability of inputs.
Leveling the playing field	A level playing field in financial services is enabled by regulations ensuring that functionally similar services are treated equally as long as they pose similar risks to the consumers of the service. The areas for consideration include: defining and differentiating between services; regulating functionally equivalent services equally; payment services; risks to users and general financial stability concerns arising from payment services; providers of store-of-value services; providers of credit services; consumer protection; and establishing clear supervisory assignments.
Know-your-customer rules (KYC)	KYC preserves the integrity of the financial system, in particular by combating money laundering and the financing of terrorism. The areas for consideration include: improving cross-border coordination; scaling KYC requirements to client size; strengthening national identification systems; clarifying and graduating penalties; encouraging international account-to-account transactions; and recognizing the need for different approaches for difficult cases.
Competition policy	The expansion of digital financial inclusion and the realization of its benefits depend on progress in further extending payment services. The areas for consideration include: promoting effective competition; access; pricing; payment options; clearing and settlement infrastructures and ensuring consumer protection.

CGD also recommends three main principles that will impact pro-inclusive regulatory policy. These are: regulating by function; regulating by risk; and balancing ex-ante and ex-post regulation as the case may require.

Further the Basel Committee on Banking Supervision (BCBS) issued a consultative paper in 2017, "Sound Practices: Implications of FinTech Development for Banks and Bank Supervisors" which provides recommendations relating to: Fintech developments and forward-looking scenarios; implications for banks and banking systems; and implications for bank supervisors and regulatory frameworks.

The following diagram depicts the industry wide forward looking analysis of the evolution of banking services with Fintech.



Extracted from BCBS 2017 Consultative Document Sound Practices: Implications of Fintech

Deposit Insurance For Fintech Products

A key element in maintaining confidence in the banking system and promoting financial stability is deposit insurance. As technological options for financial products continue to increase, jurisdictions seek to extend deposit insurance coverage to such products with characteristics similar to deposits. There are generally three approaches for consideration in providing deposit insurance for digital stored-value products, namely:

Direct Approach – products are eligible for deposit insurance in keeping with the coverage rules and are insured by a deposit insurer;

Pass-through Approach – products are eligible for deposit insurance coverage where the funds are held in a custodian deposit account maintained by the service provider at a regulated deposit taking institution; and

Exclusion Approach – products are explicitly excluded from deposit insurance coverage and not eligible for deposit insurance.

Electronic Retail Payment Services In Jamaica And Deposit Insurance

The Bank of Jamaica (BOJ), in 2013, issued its 'Guidelines for Electronic Retail Payment Services (ERPS)', with the objectives of inter alia: outlining the standards to be applied by providers of electronic retail payment services; fostering and maintaining public trust and confidence in electronic means of payments; and promoting financial inclusion. The initiative to issue the Guidelines came about to protect the safety and security of the financial market infrastructure while facilitating innovation in the delivery of electronic retail payment services. Service providers of electronic payment services are required to deposit and hold funds collected from their customers separately from any other funds. All customer funds must be held in a custodian account maintained at a regulated deposit taking institution. Funds held in these custodian accounts are held in trust for the benefit of the service providers' customers.

Under the Deposit Insurance Act and Deposit Insurance Coverage Rules, these accounts are eligible for deposit insurance coverage consistent with the Deposit Insurance (Joint, Trust and Nominee Accounts) Regulations, 2011. Customers are protected separately from any other accounts they maintain and are entitled to coverage up to the prescribed coverage limit.

As FinTech continues to characterise the financial system, the JDIC conducts on-going reviews of traditional and Fintech products to ensure the application of appropriate regulatory policy for the protection of financial consumers commensurate with technological developments. This supports financial inclusion and financial system confidence and stability.

APPENDIX 3

PUBLIC POLICY OBJECTIVES AND THE BENEFITS OF DEPOSIT INSURANCE SYSTEMS

Deposit Insurance is a system established to protect depositors against the loss of their insured deposits if a bank fails.

The concept of an insurance system for the protection of depositors came into being as early as 1933. At which time the Federal Deposit Insurance Corporation was established in the United States in response to the wide scale bank failures, a period known as the Great Depression. Today, eighty-five years later, there are over one hundred and forty deposit insurance systems worldwide.

History shows that similar to the USA, deposit insurance systems in several other jurisdictions were introduced in response to a financial crisis. Bank failures in Canada in the 1960s resulted in the Government's focus on restoring public confidence and the establishment of the Canada Deposit Insurance Corporation in 1967. Trinidad and Tobago was the first member of CARICOM to introduce deposit insurance in 1986, having experienced problems in the banking sector in the 1980s. To date four CARICOM members namely, Trinidad and Tobago, Barbados, Bahamas and Jamaica maintain deposit insurance systems.

Following Jamaica's 1990s financial crisis, the Government established a Task Force to identify the main policy issues and legislative requirements and to make recommendations for the introduction of an explicit deposit insurance scheme in Jamaica. This was to replace the implicit guarantee of the government at the time of the crisis, where it was required to pay out depositors from public resources as there was no formal protection scheme in place. The regulatory authorities were of the view that a formal DIS should be established to provide stability and safeguard depositors' interest in cases where financial institutions experienced difficulties and had to be closed. The Deposit Insurance Act (DIA) was passed by Parliament in March 1998 establishing the Jamaica Deposit Insurance Corporation (JDIC) which formally commenced operation in August 1998.

Public Policy Objectives For Deposit Insurance Systems

Governments' decisions to establish explicit deposit insurance systems (DIS) and the mandate, design and structure of such systems are influenced by a number of considerations, some of which are unique to each country. It has been observed that, in recent times, there has been greater convergence in practices across jurisdictions and reduced heterogeneity in terms of key design features of DIS. This is particularly evident in the public policy objectives for deposit insurance. The International Association of Deposit Insurers (IADI) which is the standard setting body for DIS identifies the key policy objectives as: protecting depositors and contributing to the stability of the financial system. Given these overarching policy objectives, there are a number of important social and economic benefits to be derived from the establishment of a DIS which are also relevant to Jamaica.

Benefits of Deposit Insurance Systems

- **Deposit insurance strengthens a country's financial safety-net.** Deposit insurance, as part of a well-designed and coordinated financial safety net and legal framework that includes prudential regulation, supervision, lender of last resort, and resolution functions, provides a robust mechanism for resolving problem banks with a view of protecting depositors and the financial system.

- **The provision of deposit insurance contributes to financial system confidence and stability.** The financial system and the macroeconomy are likely to be less volatile because of the existence of deposit insurance, as it promotes confidence and contributes to the maintenance of a sound financial system and economy.

- **Deposit insurance provides a guarantee to depositors.** The existence of deposit insurance is a commitment by the Government that insured deposits are protected if a bank fails. This provides reassurance to depositors; reduces the incidence and severity of a bank run, contagion on other viable banks and the probability of a financial crisis.

- **Deposit insurance relieves vulnerable depositors of the burden of monitoring their banks.** Deposit insurance inter alia, is intended to protect depositors who are not in a position to assess the risk of the bank in which the depositor chooses to save. These depositors are not generally able to undertake such risk assessment or there is insufficient information available to them even if they were able to do so.

- **Deposit insurance minimizes the risk to the taxpayer.** Deposit insurance replaces the implicit or blanket government guarantees to protect depositors, allows for better creditor certainty, and limits the exposure and involvement of tax-payers and governments in resolving failed banks. Deposit insurance clarifies the government's obligations to depositors and limits the scope for discretionary decisions that may result in arbitrary actions.

- **Deposit insurance promotes financial literacy and positively impacts financial inclusion.** The deposit insurer's ongoing public awareness programme and activities to convey information about the DIS promotes financial literacy and financial inclusion.

- **Deposit insurance encourages appropriate incentives to mitigate moral hazard.** Key design features of an effective DIS aim to mitigate excessive risk taking by banks or those receiving the benefit of protection. These features include: limited coverage levels; types of deposits and depositors covered; and funding of DIS by the banks covered.

PUBLIC POLICY OBJECTIVES, DESIGN AND STRUCTURE OF JAMAICA'S DEPOSIT INSURANCE SYSTEM

The public policy objectives of the JDIC are to establish and manage an explicit scheme for the insurance of deposits or parts thereof against the risk of loss. These objects are stated in the JDIC's governing legislation, the Deposit Insurance Act and align with the internationally recognized objectives for deposit insurance systems. The design and management of the DIS reinforces JDIC's commitment to protect depositors and contribute to confidence and stability in Jamaica's financial system.

This is particularly evident in the scope of coverage and level of protection provided by the JDIC to depositors. Data received from member banks of the DIS, as at December 2017, confirms that 96 percent of the number of deposit accounts eligible for deposit insurance are fully insured at the existing coverage limit of $600,000. Of note, as at the same period, the average account balance in the banking system was $226,680. Knowing that there is deposit insurance coverage to protect their funds, depositors are confident about keeping their savings in banks.

The JDIC may also fund restructuring transactions to resolve a failed institution by providing loans and guarantees to ensure depositors continued access to their deposits and that critical financial services are maintained. This is consistent with the international reform agenda since the global financial crisis where greater emphasis is being placed on the role of the deposit insurer in crisis management and the resolution of troubled banks. It is therefore important that jurisdictions ensure that there is congruence between the institutional arrangements of the DIS and the other financial safety net partners and that the public policy objectives are being met.

BOARD OF DIRECTORS AND SENIOR EXECUTIVES COMPENSATION

BOARD OF DIRECTORS COMPENSATION – FY2018/19

Name and 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
	($)	($)	($)	($)	($)
John Jackson, Chairman	111,000	-	-	-	111,000
Aisha Wright, Director	77,000	-	-	-	77,000
Maurene Simms, Director	66,000	-	-	-	66,000
Myrtle Halsall, Director	112,250	-	-	-	112,250
Lisa Lewis, Director	77,250	-	-	-	77,250
Vernon McLeod, Director	125,400	-	-	-	125,400
Director 6 (CEO)	-	-	-	-	-
TOTAL	568,850				568,850

SENIOR EXECUTIVES COMPENSATION – FY2018/19

Name and Position of Senior Executive	Salary	Gratuity (in lieu of pension)	Travelling Allowance or Value of Assignment of Motor Vehicle	Pension or Other Retirement Benefits	Other Allowances/ Benefits	Non-Cash Benefits	Total
	($)	($)	($)	($)	($)	($)	($)
Antoinette McKain, Chief Executive Officer	9,510,412	2,342,638	2,745,684	-	718,021	-	15,316,755
Ronald Edwards, Director, Finance, Funds and Asset Management	5,533,105	1,383,276	1,542,864	-	610, 127	-	9,069,372
Stacy Earl, General Counsel/ Corporate Secretary (Acting) (Separated April 12, 2018)	146,514	357,900	55,660	-	442,121	-	1,002,195
Stacie-Ann Christmas, General Counsel / Corporate Secretary (Appointed January 2, 2019)	1,383,276	-	385,716	-	38,439	-	1,807,431
Eloise Williams Dunkley, Director, Intervention, Resolutions and International Relations	5,175,429	1,601,175	1,542,864	-	1,008,485	-	9,327,953
Dawn Marie Brown Director, Monitoring and Risk Assessment	4,817,754	1,658,059	1,542,864	-	1,915,129	-	9,933,806
TOTAL	26,566,490	7,343,048	7,815,652		4,732,322	-	46,457,512

Note: Other Allowances/Benefits include medical and group life premiums, vacation leave payments, motor vehicle retroactive payments, interest rate subsidy.

AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jamaica Deposit Insurance Corporation ("the Corporation"), set out on pages 76 to 122, which comprise the Deposit Insurance Fund statement of financial position as at March 31, 2019, the Deposit Insurance Fund statements of surplus or deficit and other comprehensive income, changes in equity, reserves and fund and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at March 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Deposit Insurance Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on the Audit of the Financial Statements (continued)

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Deposit Insurance Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on additional matters as required by the Deposit Insurance Act (continued)

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

June 26, 2019

JAMAICA DEPOSIT INSURANCE CORPORATION

Deposit Insurance Fund Statement Of Financial Position

March 31, 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Cash and cash equivalents		190,815	313,528
Investment securities	6	21,650,876	18,825,977
Trade and other receivables	7	27,640	34,338
Property, plant and equipment	8	194,645	189,405
TOTAL ASSETS		22,063,976	19,363,248
LIABILITIES AND EQUITY			
LIABILITIES			
Unearned premium income	9	-	100,921
Trade and other payables		57,756	57,505
		57,756	158,426
EQUITY, RESERVES AND FUND			
Share capital	10	1,000	1,000
Capital reserves	11	101,601	101,601
Fair value reserves	12	876,041	258,215
Deposit insurance fund	13	21,027,578	18,844,006
		22,006,220	19,204,822
TOTAL LIABILITIES AND EQUITY, RESERVES AND FUND		22,063,976	19,363,248

The financial statements on pages 76 to 122 were approved for issue by the Board of Directors on June 26, 2019 and signed on its behalf by:

John Jackson — Chairman

Antoinette McKain — Chief Executive Officer

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

JAMAICA DEPOSIT INSURANCE CORPORATION

Deposit Insurance Fund Statement of Surplus or Deficit and Other Comprehensive Income

Year ended March 31, 2019

	Notes	2019 $'000	2018 $'000
Income:			
Insurance premiums	4(e)	1,353,413	1,239,559
Interest earned	4(e)	1,342,762	1,200,508
Foreign exchange loss		(150,689)	(147,149)
Other income		3,847	9,381
Gain on disposal of investment		-	243,945
		2,549,333	2,546,244
Expenses:			
Administration expenses	14	(294,325)	(244,462)
Impairment loss on financial assets		(7,086)	-
Surplus from operations		2,247,922	2,301,782
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Charge in gain on fair value through other comprehensive income		583,394	125,315
Gain on fair value through other comprehensive income realised		-	(243,945)
Provision for expected credit loss on fair value through other comprehensive income (FVOCI)		10,407	-
Other comprehensive income		593,801	(118,630)
Total comprehensive income		2,841,723	2,183,152

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

JAMAICA DEPOSIT INSURANCE CORPORATION

Deposit Insurance Fund Statement of Changes in Equity, Reserves and Fund

Year ended March 31, 2019

	Share Capital $'000 (Note 10)	Capital reserve $'000 (Note 11)	Fair value reserves $'000 (Note 12)	Deposit insurance fund $'000 (Note 13)	Total $'000
Balances at March 31, 2017	1,000	101,601	376,845	16,542,224	17,021,670
Surplus from operations	-	-	-	2,301,782	2,301,782
Other comprehensive income:					
Fair value gain on available-for-sale investments	-	-	125,315	-	125,315
Fair value gain on available-for-sale Investments realised	-	-	(243,945)	-	(243,945)
Total comprehensive income	-	-	(118,630)	2,301,782	2,183,152
Balances at March 31, 2018	1,000	101,601	258,215	18,844,006	19,204,822
Changes on initial application of IFRS 9 (note 3)	-	-	24,025	(64,350)	(40,325)
Adjusted balance at March 31, 2018	1,000	101,601	282,240	18,779,656	19,164,497
Surplus from operations	-	-	-	2,247,922	2,247,922
Other comprehensive income:					
Change in fair value of investment securities measured at fair value through OCI	-	-	583,394	-	583,394
Provision for expected credit loss credit losses on FVOCI securities	-	-	10,407	-	10,407
Total comprehensive income	-	-	593,801	2,247,922	2,841,723
Balances at March 31, 2019	1,000	101,601	876,041	21,027,578	22,006,220

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

JAMAICA DEPOSIT INSURANCE CORPORATION

Deposit Insurance Fund Statement Cash Flows

Year ended March 31, 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities:			
Surplus for the year		2,247,922	2,301,782
Adjustments for:			
Depreciation	8	6,730	6,619
Interest income		(1,342,762)	(1,200,508)
Unearned premium income		(100,921)	(1,138,638)
Foreign exchange loss		150,689	147,149
Impairment loss on financial assets		7,086	-
Gain on disposal of investment		-	(243,945)
Operating profit before changes in working capital		968,744	(127,541)
Changes in:			
Trade and other receivables		6,698	112,046
Trade and other payables		251	(171,492)
		6,949	(59,446)
Net cash provided by/(used) operations		975,693	(186,987)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Addition to property, plant & equipment	8	(11,970)	(17,523)
Investment securities, net		(2,421,076)	(1,785,561)
Interest received		1,334,640	1,227,704
Cash used in investing activities		(1,098,406)	(575,380)
Decrease in cash balance at end of year		(122,713)	(762,367)
Cash balance at the beginning of the year		313,528	1,075,895
Cash balance at the end of the year		190,815	313,528

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

1. The Corporation

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

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

The Corporation has the power to do all things necessary or incidental to the furtherance of its objective including levying premiums and policyholders and managing a Deposit Insurance Fund [see note 13(b)]. 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

(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.

This is the first set of the Corporation's annual financial statements in which IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in note 3.

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

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

- IFRS 16 *Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessees will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  The Corporation is assessing the impact that the standard will have on its 2020 financial statements.

2. Basis of Preparation (continued)

(a) Statement of compliance (continued):

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

- Amendments to IFRS 9 *Financial Instruments,* effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  (a) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (b) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

- Amendment to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The Corporation does not expect these amendments to have a significant impact on its financial statements.

(b) Basis of preparation and functional currency

The Corporation's functional currency is the Jamaica dollar and the financial statements are presented in thousands of Jamaica dollars (J$'000) unless otherwise stated. The financial statements are prepared on the historical cost basis except for:

(i) Property, plant and equipment which are carried at revalued cost.

2. Basis of Preparation (continued)

(b) Basis of preparation and functional currency (continued)

(ii) Available-for-sale investments measured at fair value (applicable before April 1, 2018)

(iii) Debt instruments at fair value through other comprehensive income (FVOCI) measured at fair value (applicable from April 1, 2018)

(c) Use of judgements and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the selection of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income, expenses, gains and losses for the year then ended. Actual amounts could differ from those estimates. The estimates and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods. The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements, and or that have a significant risk of material adjustment in the next financial period, are as follows:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well- reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

The key relevant judgements are as follows:

– Applicable to 2019 only:

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

2. Basis of Preparation (continued)

(c) Use of judgements and estimates (continued)

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

– Applicable to 2019 only:

(1) Allowance for impairment losses:

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates.

3. Change in accounting policies

Except for the changes identified below the Corporation has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

The Corporation initially applied IFRS 9 and IFRS 15 from April 1, 2018. A number of other new standards are also effective from April 1, 2018, but they do not have a material effect on the Corporation's financial statements.

Due to the transition methods chosen by the Corporation in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The adoption of IFRS 15 did not impact the timing or amount of insurance premium and the related assets and liabilities recognised by the Corporation.

The effect of initially applying these standards is mainly attributed to the following:
- an increase in impairment losses recognised on financial assets;
- reclassification of fair value measurement of investment securities; and
- additional disclosures related to IFRS 9 [notes 6 and 17 (b)].

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

3. Change in accounting policies (continued)

As a result of the adoption of IFRS 9, the Corporation has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require separate presentation in the deposit insurance fund statement of surplus or deficit and other comprehensive income (OCI) of interest revenue calculated using the effective interest method.

Additionally, the Corporation has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

As permitted by the transitional provisions of IFRS 9, any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening deposit insurance fund and other reserves of the current period.

The impact, net of tax, of transition to IFRS 9 on the opening deposit insurance fund and fair value reserve is as follows:

	$'000
Deposit Insurance Fund Balance:	
Closing balance under IAS 39 (March 31, 2018)	18,844,006
Recognition of expected credit losses under IFRS 9 investments	(64,350)
Opening balance under IFRS 9 at April 1, 2018	18,779,656

	$'000
Fair value reserve:	
Balance as at March 31, 2018 under IAS 39	258,215
Recognition of expected credit losses on:	
Investment securities, net of taxes	24,025
Opening balance under IFRS 9 at April 1, 2018	282,240

(i) Classification and measurement of financial instruments

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Corporation's accounting policies related to financial liabilities.

3. Change in accounting policies (continued)

(i) Classification and measurement of financial instruments (continued)

For an explanation on how the Corporation classifies and measures financial instruments under IFRS 9, see note 4(k).

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories and amounts under IFRS 9 for each class of the Corporation's financial assets and financial liabilities as at April 1, 2018.

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at March 31, 2018	Impairment losses	IFRS 9 carrying amount at April 1, 2018
			$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	313,528	-	313,528
Trade and other receivable	Loans and receivables	Amortised cost	34,338	-	34,338
Investment securities	Loans and receivables	Amortised Cost	10,094,512	(36,942)	10,057,570
Investment securities	Available-for-sale	FVOCI	8,507,514	(3,383)	8,504,131
Total financial assets			18,949,892	(40,325)	18,909,567
Financial liabilities					
Accounts payable, being Total financial liabilities	Amortised cost	Amortised cost	158,426	-	158,426

Certain Government of Jamaica securities and certificates of deposits were classified as loans and receivables under IAS 39. Based on the Corporation's assessment of its business model, it has determined that these securities are held to collect the contractual cash flows as well as to sell. These securities amounting to $11,391,552 have therefore been reclassified to fair value through other comprehensive income (FVOCI) under IFRS 9.

(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

3. Change in accounting policies (continued)

IFRS 9 *Financial Instruments (continued)*

(i) Transition

The Corporation has determined that application of IFRS 9's impairment requirements at April 1, 2018 results in an additional allowance for impairment as follows:

	$'000
Loss allowance at March 31, 2018 under IAS 39	-
Impairment recognised at April 1, 2018 on:	
Investment securities	64,350
Loss allowance at April 1, 2018 under IFRS 9	64,350

4. Significant Accounting Policies

(a) Cash and cash equivalents

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

(b) Trade and other receivables

Trade and other accounts receivables are measured at amortised cost less impairment losses. An impairment loss is recognised using the expected credit loss model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not yet been incurred, considering for their measurement past events and current conditions, as well as reasonable and supportable forecasts affecting collectability

(c) 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 measured at historical cost less depreciation.

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

4. Significant Accounting Policies

(c) Property, plant and equipment (continued)

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.

(d) Trade and other payables

Trade and other payables are measured at cost.

(e) 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 before April 1, 2018

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

4. Significant Accounting Policies (continued)

(e) Revenue recognition (continued)

(iii) Interest income under IFRS 9 from April 1, 2018

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e., net of the expected credit loss provision).

(f) 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.

(g) Provision for losses

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

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

(h) Related party

A related party is a person or Corporation 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

4. Significant Accounting Policies (continued)

(h) Related party (continued)

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

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

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

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

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

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

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

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

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

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

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

(i) Impairment

Policy applicable from April 1, 2018

Since January 1, 2018, the Corporation recognises allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial assets that are loans and receivables;

4. Significant Accounting Policies (continued)

(i) Impairment (continued)

Policy applicable from April 1, 2018 (continued)

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Corporation considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Corporation does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is recognised in profit or loss as a reclassification from OCI.

4. Significant Accounting Policies (continued)

(i) Impairment (continued)

Policy applicable from April 1, 2018 (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Corporation assesses whether financial assets carried at amortised costs are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. These include:

- significant financial difficulty of the issuer;
- a breach of contract such as a default or past due event;
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Corporation considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of the debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

4. Significant Accounting Policies (continued)

(i) Impairment (continued)

Policy applicable from April 1, 2018 (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

Allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is recognised in profit or loss as a reclassification from OCI.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Corporation determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Corporation's procedures for recovery of amounts due.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Corporation's trading activity.

Derecognition

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

4. Significant Accounting Policies (continued)

(i) Impairment (continued)

Policy applicable from April 1, 2018 (continued)

Presentation of allowance for ECL in the statement of financial position (continued)

Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From April 1, 2019, any cumulative gains or losses recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognised as a separate asset or liability.

The Corporation enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Corporation neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Corporation continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

The exchange between the Corporation and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4. Significant Accounting Policies (continued)

(i) Impairment (continued)

Policy applicable before April 1, 2018

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.

(j) Financial assets and financial liabilities

(i) General:

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

(ii) Classification and subsequent re-measurement

Policy applicable from April 1, 2018

From April 1, 2018, the Corporation has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

4. Significant Accounting Policies (continued)

(j) Financial assets and financial liabilities (continued)

(ii) Classification and subsequent re-measurement (continued)

Policy applicable from April 1, 2018 (continued)

Financial assets

The classification requirements for debt instrumentals are described below:

(a) Debt Instruments

Classification and subsequent measurement of debt instruments depend on:

- the Corporation's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Corporation classifies its debt instruments into one of the following measurement categories:

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at [note 4(j)]. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

- *Fair value through other comprehensive income* (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at (FVTPL).

Business model: the business model reflects how the Corporation manages the assets in order to generate cash flows. That is, whether the Corporation's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

Factors considered by the Corporation in determining the business model for a group of assets include:

1. Past experience on how the cash flows for these assets were collected;
2. How the asset's performance is evaluated and reported to key management personnel;
3. How risks are assessed and managed; and
4. How managers are compensated

For example, securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL.

4. Significant Accounting Policies (continued)

(j) Financial assets and financial liabilities (continued)

(ii) Classification and subsequent re-measurement (continued)

Policy applicable from April 1, 2018 (continued)

Solely payments of principal and interest (SPPI): Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Corporation assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Corporation considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Policy applicable before April 1, 2018.

The Corporation reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

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

(i) Held-to-maturity

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

(ii) Available-for-sale

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

4. Significant Accounting Policies (continued)

(j) Financial assets and financial liabilities (continued)

(ii) Classification and subsequent re-measurement (continued)

Policy applicable before April 1, 2018

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

(iii) Recognition and initial measurement:

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

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

(iv) Accounting for Fixed Rate Accreting Notes (FRANS)

The NDX transaction is treated as a disposal of Old Notes and an acquisition of New Notes. Generally, any difference between the carrying value of Old Notes and the fair value of New Notes (including FRANs) is recognised in the statement of comprehensive income as a gain/loss.

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).

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.

4. Significant Accounting Policies (continued)

(j) Financial assets and financial liabilities (continued)

(v) Identification and measurement of impairment:

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

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

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

(vi) Derecognition:

Management derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognised as a separate asset or liability in the Deposit Insurance Fund statement of financial position.

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

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

5. 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.

6. Investment securities

	2019 $'000	2018 $'000
(a) Amortised Cost:		
Government of Jamaica	10,192,886	-
Impairment	(37,004)	-
Interest accrued	103,442	-
	10,259,324	-
(b) Fair Value through Other Comprehensive Income:		
Government of Jamaica	11,262,921	-
Interest accrued	128,631	-
	11,391,552	-
	21,650,876	-
(c) Held to maturity:		
Government of Jamaica	-	10,094,512
Interest accrued	-	108,927
	-	10,203,439
(d) Available for sale:		
Government of Jamaica	-	8,507,514
Interest accrued	-	115,024
	-	8,622,538
	21,650,876	18,825,977

(e) Remaining term to contractual maturity

	2019			
	Under 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Carrying value $'000
Amortised Cost:				
Government of Jamaica-				
Fixed rate accreting notes	-	-	7,743,104	7,743,104
Benchmark investment note	-	1,049,060	459,228	1,508,288
BOJ FR USD CD	168,851	772,643	-	941,494
Interest accrued	103,442	-	-	103,442
Impairment loss	(602)	(6,607)	(29,795)	(37,004)
	271,691	1,815,096	8,172,537	10,259,324

6. Investment securities (continued)

(e) Remaining term to contractual maturity (continued)

	2019			
	Under 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Carrying value $'000
Fair Value through Other Comprehensive Income:				
Government of Jamaica-				
Benchmark investment note	20,453	3,723,405	1,823,275	5,567,133
GOJ Global Bond	1,379,354	-	4,316,434	5,695,788
Interest accrued	128,631	-	-	128,631
	1,528,438	3,723,405	6,139,709	11,391,552
	1,800,129	5,538,501	14,312,246	21,650,876

	2018			
	Under 1 year $'000	1 to 5 years $'000	over 5 years $'000	carrying value $'000
Held-to-maturity:				
Government of Jamaica-				
Fixed rate accreting notes	-	-	7,611,396	7,611,396
Benchmark investment note	498,029	1,049,403	459,269	2,006,701
BOJ FR CD	476,415	-	-	476,415
Interest accrued	6,825	10,423	91,679	108,927
	981,269	1,059,826	8,162,344	10,203,439
Available-for-sale:				
Government of Jamaica-				
Benchmark investment note	-	1,411,605	438,995	1,850,600
GOJ Local Bond	-	950,655	-	950,655
GOJ Global Bond	-	2,890,333	2,815,926	5,706,259
Interest accrued	-	69,856	45,168	115,024
	-	5,322,449	3,300,089	8,622,538
	981,269	6,382,275	11,462,433	18,825,977

6. Investment securities (continued)

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

	2019			
	Under 1 year %	1 to 5 years %	over 5 years %	carrying value %
Fixed rate accreting notes	-	-	9.92	9.92
Benchmark investment notes	8.36	5.81	6.84	7.00
BOJ FR USD CD	4.44	3.74	-	4.09
GOJ Global bond	7.63	-	6.82	7.23

	2018			
	Under 1 year %	1 to 5 years %	over 5 years %	carrying value %
Fixed rate accreting notes	-	-	9.95	9.95
Benchmark investment notes	4.20	5.59	4.61	4.80
BOJ FR JMD CD	6.09	-	-	6.09
BOJ FR USD CD	-	4.09	-	4.09
GOJ Global bond	-	6.66	6.85	6.76

7. Trade and other receivables

	2019 $'000	2018 $'000
Withholding tax recoverable	9,546	14,173
Prepayments	791	1,181
Other recoverable	17,303	18,984
	27,640	34,338

8. Property, plant & equipment

	Land $'000	Building & freehold improvement $'000	Furniture & fixtures $'000	Work-in-progress $'000	Computers machines & equipment $'000	Total $'000
At cost:						
March 31, 2017	26,400	103,600	12,518	36,710	42,164	221,392
Additions	-	-	140	12,029	5,354	17,523
March 31, 2018	26,400	103,600	12,658	48,739	47,518	238,915
Additions		28	455	9,358	2,129	11,970
March 31, 2019	26,400	103,628	13,113	58,097	49,647	250,885
Depreciation:						
March 31, 2017	-	-	10,755	-	32,136	42,891
Charge for the year	-	2,590	244	-	3,785	6,619
March 31, 2018	-	2,590	10,999	-	35,921	49,510
Charge for the year	-	2,590	235	-	3,905	6,730
March 31, 2019	-	5,180	11,234	-	39,826	56,240
Net book values:						
March 31, 2019	26,400	98,448	1,879	58,097	9,821	194,645
March 31, 2018	26,400	101,010	1,659	48,739	11,597	189,405

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

Management has determined that the valuation carried in the financial statements on the basis of the last external valuation do not need further adjustments as at March 31, 2019.

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

	2019 $'000	2018 $'000
Cost	36,591	36,591
Accumulated depreciation	(14,097)	(13,905)
Net book value	22,494	22,686

8. Property, plant & equipment (continued)

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

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

9. Unearned premium income

This represents the portion of insurance premiums received from policyholders relating to the period subsequent to March 31, 2018. As at March 31, 2019 the balance is $Nil.

10. 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.

11. Capital reserves

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

12. Fair value reserves

This represents the cumulative net change in the fair value of debt securities at FVOCI (2018: available for sale financial assets) until the assets.

13. Deposit insurance fund

(a) In accordance with the Deposit Insurance Act, the Corporation maintains a Deposit Insurance Fund for the protection of deposits up to a prescribed limit (see note 17d), and for the payment of expenses incurred by the Corporation in the exercise of its functions under the Deposit Insurance Act (Section 17).

	2019 $'000	2018 $'000
Balance at March 31, 2018	18,844,006	16,542,224
Changes on initial application of IFRS 9	(64,350)	-
Balance as at April 1, 2018	18,779,656	16,542,224
Surplus from operations:		
Surplus from insurance operations	1,353,413	1,239,559
Surplus from investment and administration operation	894,509	1,062,223
	2,247,922	2,301,782
Deposit Insurance Fund at year end	21,027,578	18,844,006

(b) Transactions relating to the administration of the Fund shall be distinguished from transactions relating to other activities of the Corporation and shall be recorded and dealt with separately in the annual accounts and reports of the Corporation. The Corporation carried out no other activities other than those related to the administration of the Fund (Section 10 (2) of the Deposit Insurance Act).

14. Expenses by nature

	2019 $'000	2018 $'000
Auditors' remuneration	1,750	1,750
Depreciation	6,730	6,619
Directors' emoluments –		
Fees	569	327
Management remuneration	15,317	16,875
Printing and stationery	1,743	1,412
Professional fees	24,486	20,013
Public education	47,103	15,093
Repairs and maintenance	1,666	2,093
Staff costs (excluding directors' management remuneration)	156,992	138,701
Utilities	10,129	10,319
Other expenses	27,840	31,260
	294,325	244,462

15. Staff costs

	2019 $'000	2018 $'000
Wages and salaries	93,685	90,013
Statutory contributions	8,022	7,012
Others	55,285	41,676
	156,992	138,701
Management remuneration	15,317	16,875
	172,309	155,576

The number of persons employed by the Corporation at the end of the year was 28 (2018: 24).

16. Related party transactions

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

(i) Representation on the Board of Directors;

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

	2019 $'000	2018 $'000
Investment balance	20,707,177	17,391,218

16. Related party transactions (continued)

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

(i) Representation on the Board of Directors;

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

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

	2019 $'000	2018 $'000
Investment balance, net of impairment	943,699	1,434,759
Cash balance	188,208	301,268
	1,131,907	1,736,027

(c) Transactions and balances with key management:

	2019 $'000	2018 $'000
Wages and salaries	21,655	23,606
Statutory contributions	1,628	1,774
Other staff benefits	9,485	8,978
	32,768	34,358

17. Financial risk management

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

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

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

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

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

17. Financial risk management (continued)

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

(a) Market risk

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

(i) Currency risk

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

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

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

The table below summarises the Corporation's exposure to foreign currency exchange rate risk arising mainly in respect of US dollar denominated balances at March 31, 2019. The Corporation has no foreign currency liabilities.

	2019 $'000	2018 $'000
J$ equivalent		
Financial assets		
Investment securities	6,733,038	6,757,504
Cash at bank	15,757	13,651
	6,748,795	6,771,155

17. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Currency sensitivity

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

	% change in Currency rate 2019	Effect on surplus and deposit fund 2019 $'000	% change in currency 2018	Effect on surplus and deposit fund 2018 $'000
US$ against the J$-				
Revaluation	4	(269,952)	2	(135,423)
Devaluation	6	404,928	4	270,846

(ii) Interest rate risk

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

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

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

	2019		
	US$ denominated $'000	J$ denominated $'000	Total $'000
J$ Equivalent			
Fixed rate	6,633,951	5,567,133	12,201,084
Variable rate	-	1,502,712	1,502,712
	6,633,951	7,069,845	13,703,796

	2018		
	US$ denominated $'000	J$ denominated $'000	Total $'000
J$ Equivalent			
Fixed rate	6,656,914	1,850,600	8,507,514
Variable rate	-	2,006,700	2,006,700
	6,656,914	3,857,300	10,514,214

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

17. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Fair value sensitivity for fixed rate instruments:

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

The Corporation does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The sensitivity of equity is calculated by revaluing investment classified at FVOCI (2018 : available for sale) 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 equity 2019 $'000	Effect on equity 2018 $'000
Jamaica dollar instruments		
Change in basis points:		
(2019: - 100) (2018: - 100)	(55,671)	(18,506)
(2019: + 100) (2018: + 100)	55,671	18,506
US dollar instruments		
Change in basis points:		
(2019: - 100) (2018: - 50)	(66,339)	(33,285)
(2019: + 100) (2018: + 50)	66,339	33,285

Cash flow sensitivity analysis for variable rate instruments:

A change of +/-100 (2018: +/-100) basis points in interest rates at the reporting date would have increased/(decreased) surplus from operations by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	2019 Effect on surplus from operations		2018 Effect on surplus from operations	
	100bp Increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
Cash flow sensitivity	15,027	(15,027)	20,067	(20,067)

17. Financial risk management (continued)

(a) Market risk (continued)

(iii) Other price risk

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

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from credit given to customers from stock broking activities, investing activities, collateralised lending and deposits with other institutions. Balances arising from these activities include debt securities, resale agreements, cash and cash equivalents and accounts receivable.

(i) Management of credit risk

Credit risk is the single largest risk for the Corporation's business; management therefore carefully manages its exposure to credit risk. Credit risk management and control is delegated to the Corporation's Finance and Risk Management Committee. The Committee is responsible for oversight of credit risk, including formulating credit policies, establishing the authorisation structure for the approval of credit facilities, reviewing and assessing credit risk, and limiting concentration of exposure to counterparties.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Corporation measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

The Corporation manages the credit risk on items exposed to such risk as follows:

- Cash and cash equivalents

  These are held with reputable financial institutions and collateral is not required for such accounts as management regards the institutions as strong, with a minimal risk of default.

- Resale agreements

  Collateral is held for all resale agreements

17. Financial risk management (continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

- Investment securities

  In relation to its holding of investment securities, the Corporation manages the level of risk it undertakes by investing substantially in Government of Jamaica, Bank of Jamaica and foreign government debt securities; such securities are generally unsecured.

(ii) Concentration of credit risk

There is significant concentration of credit risk in that the Corporation holds substantial amounts of debt securities issued by the Government of Jamaica and Bank of Jamaica. There is no other significant concentration of credit risk.

(iii) Maximum exposure to credit risk and credit quality analysis

The following table sets out information about the maximum exposure to credit risk and the credit quality of financial assets measured at amortised cost, FVOCI debt instruments (2019) and available-for-sale debt instruments (2018). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	Debt securities - FVOCI	Available for sale
	2019	2018
	Stage 1 12-month ECL	Total
	$'000	$'000
Credit grade		
Non- investment grade	11,262,921	8,507,514
Loss allowance	34,431	-

17. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Maximum exposure to credit risk and credit quality analysis (continued)

	Debt securities - Amortised	Held-to-Maturity
	2019	2018
	Stage 1 12-month ECL	Total
	$'000	$'000
Credit grade		
Non- investment grade	10,192,886	10,094,512
Loss allowance	37,004	-

(iv) Impairment

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Corporation.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to below for a description of how the Corporation determines when a significant increase in credit risk has occurred.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Please see below which includes an explanation of how the Corporation has incorporated this in its ECL models.

17. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

- Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Corporation in addressing the requirements of the standard are discussed below:

(a) Significant increase in credit risk (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Corporation considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Corporation's historical experience and third party policies including forward-looking information.

The Corporation uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The Corporation uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Corporation uses internal rating models tailored to the various categories of counterparty.

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.
The Corporation assesses whether credit risk has increased significantly
The Corporation assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

17. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(a) Significant increase in credit risk (continued)

Credit risk grades (cont'd):

Determining whether credit risk has been increased significantly:

Credit risk is deemed to increase significantly where the probability of default on a security or loan has moved by 6 basis points.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Corporation determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a financial instrument have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Definition of default:

In assessing whether a debtors is in default, the Corporation considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Corporation; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

(b) Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Corporation has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Corporation's Finance team on an annual basis and provide the best and worst estimate view of the economy.

17. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(b) Incorporation of forward-looking information (continued)

The impact of these economic variables on the PD, EAD and LGD has been determined by performing a trend analysis and compared historical information with forecast macro-economic data to determine whether the indicator describes a positive, negative or stable trend and to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Corporation considers other possible scenarios and scenario weightings. At April 1, 2018 and March 31, 2019, the Corporation concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Corporation considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Corporation's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios. Each scenario considers the expected impact of interest rates, unemployment rates and gross domestic product (GDP).

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored by the finance team for appropriateness on a quarterly basis.

(c) Measurement of the expected credit loss (ECL)

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month).

17. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(c) Measurement of the expected credit loss (ECL)

This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

The assumptions underlying the ECL calculation - such as how the maturity profile of the PDs and how collateral values change etc. - are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(d) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. There were no credit losses recognised in 2018 under IAS 39 measurement basis.

17. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(d) Loss allowance (continued)

Debt securities - FVOCI	Stage 1 12-month ECL
	$'000
Balance as at April 1, 2018	24,025
Net remeasurement of loss allowance	10,407
Balance as at March 31, 2019	34,432

Debt Securities – Amortised Cost	Stage 1 12-month ECL
	$'000
Balance as at April 1, 2018	40,325
New financial assets sold, net of financial assets purchased	(3,321)
Balance as at 31 March 31, 2019	37,004

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 Deposit Insurance Fund statement of financial position.

17. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(c) Liquidity risk

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

Liquidity risk management process

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

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

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

(iii) Optimising cash returns on investment.

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

Financial liabilities cash flows

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

(d) Adequacy of the Deposit Insurance Fund

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

17. Financial risk management (continued)

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

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

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

As at December 31, 2018, there were eleven (11) (2017: 11) member institutions with total insured deposits estimated at $ 345 billion (2017: $324 billion), of which the DIF covered 6.0% (2017: 5.7%). The adequacy of the DIF will be based primarily on the assessed risk posed by Policyholders. The target level of the DIF is considered as a reserve target, which should be sufficient to cover the insured deposit liabilities of at least two medium-size institutions. In relation to its insurance obligations, the Corporation's main exposure is to unexpected loss from the non-viability or insolvency of a Policyholder that is not readily estimated due to the unavailability of data on specific loss experience.

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

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

18. Fair values of financial instruments

Definition and measurement of fair values

The corpotion's accounting policies on measurement and disclosure require the measurement of fair values for financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

18. Fair values of financial instruments (continued)

When measuring fair value of an asset or liability, where a quoted market price is available, fair value is computed by the Corporation using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments. Where a quoted market price is not available, fair value is computed using alternative techniques making use of available input data; the Corporation uses observable data as far as possible. Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable.

Fair value hierarchy: The different levels in the hierarchy have been defined as follows:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Corporation, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The techniques used to estimate fair values, together with the inputs used, are described below. The use of assumptions and estimates means that the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

(i) Valuation technique and significant un-observation inputs

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

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

18. Fair values of financial instruments (continued)

Fair value hierarchy (continued)

(h) Valuation technique and significant un-observation inputs (continued)
The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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

Fair values were estimated as follows:

	2019			
	Carrying value			Fair value
	Notes	FVOCI	Total	Level 2
		$'000	$'000	$'000
Financial assets measured at fair value:				
Government of Jamaica securities	6	11,391,552	11,391,552	

	2019			
	Carrying value			Fair value
	Notes Level 2	Amortized Cost		Total
		$'000	$'000	$'000
Financial assets not measured at fair value:				
Government of Jamaica securities	6	10,259,324	10,259,324	10,259,324

18. Fair values of financial instruments (continued)

(i) Valuation technique and significant un-observation inputs (continued)

		2018			
		Carrying value			Fair value
	Notes	Loans and receivables $'000	Available-for-sale $'000	Total $'000	Level 2 $'000
Financial assets measured at fair value:					
Government of Jamaica securities	6	-	8,622,538	8,622,538	8,622,538
Financial assets not measured at fair value:					
Government of Jamaica securities	6	10,203,439	-	10,203,439	10,203,439

19. Capital commitment

As at March 31, 2019 the Corporation had capital commitment in relation to the development of the Payout Management Information System (PMIS) at the budgeted cost of $37.78 million (2018: $59.98 million).

CORPORATE INFORMATION

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