PROTECTION
CONFIDENCE
STABILITY

JAMAICA DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT 2017/18

July 31, 2018

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 2017/2018 and a copy of the Corporation's Accounts as at March 31, 2018, 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

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

TEAMWORK

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

EXCELLENCE

We continuously measure and monitor productivity to improve our operations.

COMMUNICATION

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

PROFESSIONALISM

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

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
DTIs	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
SIFIs	Systemically Important Financial Institutions
SRR	Special Resolution Regime
TWG	Technical Working Group
WEO	World Economic Outlook

GLOSSARY OF TERMS

Banking Services Act	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 and insured under the Deposit Insurance Scheme.
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	The Act of Parliament establishing the JDIC and setting out its objects, powers and functions.
Deposit Insurance Fund	A Fund established under the Deposit Insurance Act to pay depositors should their insured financial institution (Policyholder/member institution) fail or to offer 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	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 DTI's 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 Deposits	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

Financial year 2017/18 marked another successful period for the Jamaica Deposit Insurance Corporation (JDIC/ the Corporation) and the Deposit Insurance Fund (DIF / the Fund). The Corporation remained focused on its vision to promote and inspire financial system confidence and stability through intensified collaboration and coordination with its Financial System Safety Net (FSSN) Partners, Policyholders, other key stakeholders and other local and international partners.

The Corporation's financial and operational performance and that of the DIF met and exceeded the relevant benchmark and targets. The surplus from operations was $2.3 billion for the fiscal year and contributed to the growth in the Fund to $18.8 billion or an increase of 14 percent. The Fund was determined to be adequate for the ensuing twelve month period.

The overall cash balance target of $694.7 million agreed with the Ministry of Finance and the Public Service to assess the financial performance of the Corporation and the Fund was achieved; the outurn being $1.02 billion.

The operational performance of the JDIC for the financial year was aided by positive economic developments in the local and international economies. The stability and growth in the Jamaican economy and measures taken to instill financial discipline in the economy was also largely influenced by Jamaica's performance under the 3-year precautionary Stand-by Arrangement (SBA) with the International Monetary Fund (IMF).

The Corporation continued its proactive readiness strategy to allow it to be adequately responsive to financial institution failure, resolution and crisis management. The year was also charcaterised by JDIC continuing to play a key role in the enhancement of Jamaica's legal and operating framework for resolution of financial institutions by the FSSN partners, to better align with prevailing international standards.

During the year, the Corporation also carried out its periodic evaluation of the deposit insurance coverage limit, which showed that at $600,000 the limit remains credible for depositors in Jamaica's financial institutions and is consistent with international best practice standards. The amount covers 95.5 percent of all deposit accounts within commercial banks, building societies and merchant banks, which are the deposit taking institutions currently covered by the Deposit Insurance Scheme (DIS).

The Corporation continued to collaborate with the BOJ, the JCCUL and the Registrar of Co-operatives Society for a seemless admission of the credit union sector to the DIS; on the enactment of the Bill, Credit Unions (Special Provisions), Act, which will bring the sector under the regulatory ambit of the BOJ.

The Board and the Corporation remained committed to effective corporate governance as a key tool to ensuring its accountability consistent with the highest standard of best practice. Of note, during the review period the Corporation was awarded first place for "Best Corporate Governance Policies and Procedures" in the 2017 Public Sector Corporate Governance Awards.

In closing, I commend the other members of the Board of Directors for being meticulous in executing effective oversight and in ensuring that all regulatory compliance obligations were met consistent with statutory requirements. Special thanks to the Chief Executive Officer, the Management and Staff of the JDIC for their continued commitment to the objectives of the JDIC and its performance during FY2017/18.

On behalf of the Board of Directors, I extend gratitude to all stakeholders, as we work together towards achieving another successful year for our respective institutions and Jamaica. The Corporation also looks forward to your continued collaboration as we prepare to recognise twenty years of operations in FY2018/2019.

John Jackson
Chairman

CEO'S REPORT ON OPERATIONS

ECONOMIC OVERVIEW

Economic conditions in the global and domestic economies were generally conducive to the overall performance of Jamaica, Policyholders and the Jamaica Deposit Insurance Corporation (JDIC/the Corporation) for financial year 2017/18.

The global economy was estimated to have grown by 3.8 percent for 2017 compared to 3.2 percent in 2016. For the domestic economy, growth in output was estimated at 0.5 percent for 2017. This outturn represented the fifth consecutive year of expansion for the Jamaican economy. Inflation of 5.2 percent for calendar year 2017 exceeded the outturn for 2016. There was general improvement in the macroeconomic environment as reflected in: the high level of the Net International Reserves; declining interest rates; relative stability in the exchange rate; a fall in the unemployment rate; and continued strong business and consumer confidence.

The overall improvement in the macroeconomic environment was boosted by the Government's continued commitment to, and implementation of, the fiscal, monetary and structural reforms under its economic reform programme.

POLICYHOLDERS' PROFILE AND PERFORMANCE

During FY2017/18, the members of the Deposit Insurance Scheme (Policyholders) remained at eleven (11). The overall improvement in the domestic macroeconomic environment had a positive impact on the performance of Policyholders during calendar year 2017. Specifically, there was an increase in total assets, as well as improvements in asset quality and liquidity, while the profitability of Policyholders remained stable. Total assets of Policyholders grew by 8.0 percent, albeit at a slower rate than the 15.2 percent recorded for 2016. The ratio of non-performing loans to total loans fell to 2.6 percent from 2.9 percent in the previous year, remaining substantially below the international standard of 10.0 percent. Total regulatory capital increased by 5.9 percent or \$8.1 billion to \$146.0 billion for 2017. Importantly, at the end of 2017, the primary and risk-weighted capital adequacy ratios for the DTI sector remained above the statutory minimum requirements of 6.0 percent and 10.0 percent, respectively. Pre-tax profits of DTIs, at the end of 2017, were largely unchanged at $37.6 billion in comparison to the outturn at end 2016.

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

At the end of 2017, insurable deposits in the system totalled $902.3 billion, increasing by 9.2 percent from $826.5 billion at the end of 2016. The number of insurable deposit accounts decreased by 4.8 percent to 4.0 million at the end of 2017, from 4.2 million at the end of 2016. Consequently, the average insurable deposit balance grew by 14.4 percent to $226,679 in the calendar year.

DEPOSIT INSURANCE COVERAGE LIMIT

The deposit insurance coverage continued to be up to a maximum of $600,000 per depositor per account type, per member institution. At this coverage limit the fully insured deposits were 24.0 percent of the value of total insurable deposits (a marginal decline from the previous year's 24.9 percent).

Importantly, the number of fully insured deposit accounts up to the coverage limit was 95.5 percent, comfortably within the international standard of achieving 90 – 95 percent coverage.

REGULATORY REFORM IN THE BANKING SECTOR

Several regulatory reforms informed by international supervisory practices and other emerging developments in the financial system landscape were implemented and/or continue to be pursued. These reforms include the development and implementation of: a risk-based methodology for DTIs; the framework for the supervision of financial holding companies; the special resolution regime for FIs; and bringing credit unions under the supervisory ambit of the BOJ and subsequent membership in the DIS.

During FY2017/18, no new principal financial legislation was passed; however at year end there were several pieces of financial legislation pending.

CORE OPERATIONS

During the review period, JDIC pursued several initiatives to enhance its operational capacity. These included continued inter-agency collaboration through the Financial Regulatory Committee (FRC), in particular to establish the proposed special resolution regime (SRR) for deposit and non-deposit taking financial institutions. The SRR will address certain gaps in the current framework and better align the framework with the Financial Stability Board's (FSB) Key Attributes. Through its membership in the FRC technical working group and sub-committees, the JDIC has been integral in the development of drafting instructions to prepare the SRR Bill for tabling in 2019.

The new framework is intended to see the Bank of Jamaica being the designated Resolution Authority to initiate administrative resolutions in the case of systemically important financial institutions, where their failure would have adverse consequences on financial stability and the economy. The JDIC, as an authority within this framework continues to enhance its policies, procedures and systems to carry out its expanded resolution functions in the capacity as administrator when the new regime is invoked. The work included a comprehensive review of the DIA to facilitate appropriate consequential amendments. The amendments will be important in ensuring that the Corporation's mandate and powers are consistent with its expanded role and functions in the SRR. Additionally, the amendments will recognize new developments in international best practice standards, particularly, the FSB KAs and the *IADI Core Principles for Effective Deposit Insurance Systems.*

To support achieving the objectives of the new framework, members of staff were participants in a range of training programmes to hone expertise in financial institution resolution and crisis management.

Consistent with its operating strategy for proactive readiness, JDIC continued its collaborations with Policyholders in relation to the phased implementation of standardized recordkeeping requirements for Policyholder records that will allow ease of depositor entitlement computation in the need for a payout from the JDIC. In keeping with the requirements of the Guidelines, all Policyholders submitted annual status reports regarding their level of compliance and action plans to address gaps and bring their policies, procedures and management information systems in compliance with the Guidelines. The Guidelines are being developed concurrently with the work to build an automated payout information management software (PMIS) towards refining the process of reimbursing depositors speedily, accurately and securely. The PMIS will also support the compliance framework and automate aspects of the business process to validate each Policyholder's adherence to the Guidelines.

Work towards strengthening the Corporation's monitoring and risk assessment framework, so as to ensure effectiveness and appropriateness of its methodology, continues. With regards to the review of the deposit insurance coverage limit and the evaluation of the Deposit Insurance Fund (DIF/the Fund), both were determined to be adequate and consistent with international best practice.

Public education and awareness remains a key business strategy of the Corporation and continues to be delivered via various channels and outreach activities, including through partnerships with the other FSSN participants, Policyholders and key stakeholders. Focus on the schools' programme remains and as such with the Corporation approaching its 20th anniversary in August 2018, a financial education book for primary school children is being developed, to be finalized for launch during the anniversary year. This is 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.

ADMINISTRATION

In addressing the continuing issue of staff retention, job competitiveness and satisfaction, the Corporation commenced an Organisation Review, Job Evaluation and Reclassification exercise during the review year. This exercise was substantially completed in March 2018 and is scheduled for submission to the Ministry of Finance and the Public Service (MOFPS) in FY2018/19. During the review year, work also continued on the implementation of the Staff Pension Scheme which is a critical aspect of the strategy for achieving sustainable human resource capacity. In keeping with this strategy the Corporation continues to facilitate the enhancement and development of employees' knowledge and expertise through various local and overseas training programmes. These continue to be targeted to the development of subject matter expertise and broader areas of human capacity development to allow for agility in the JDIC responsiveness to fast changing financial system structures and service channels.

FINANCIAL PERFORMANCE

For the review year, the DIF increased by 14.0 percent to $18.8 billion, compared to end March 2017, partly reflecting growth of 15.1 percent in insurance premiums. Over the 5-year period from FY2013/14 the DIF grew by 116 per cent.

At the end of the financial year total assets increased by 4.7 percent to $19.4 billion, largely due to an increase of 10.2 percent in investments. In spite of the decline in interest rates over the review year, the Corporation recorded a surplus of $2.3 billion. Also of note, the Overall Balance Target (OBT), which shows the cash generated from operations, was $1,023.2 million compared to the target of $694.7 million agreed with the MOFPS.

Key performance ratios relating to efficiency, that is, the operating ratio, expense control ratio and administrative expense ratios, performed substantially better than budgeted. This was due primarily to a lower staff complement and some projects not undertaken for reasons beyond the reasonable control of the Corporation. Notwithstanding the declining interest rate environment, profitability ratios, that is, net surplus ratio, return on assets and asset management ratio performed better than budgeted and for the most part on par with the outturn for the previous year.

The DIF ratio increased to 5.5 percent at December 2017, up from 5.2 percent at December 2016.

INTER-AGENCY COLLABORATION

During the review period collaboration and coordination among the FSSN member agencies were conducted consistent with and in support of their respective mandates and membership in statutory and other inter-agency committees and technical working groups. These collaborative efforts were in pursuit of the primary objective of promoting confidence and stability in the financial system.

Concurrently, the JDIC through the Chief Executive Officer continued to contribute to the objectives of the Financial Regulatory Committee (FRC); the Financial System Stability Committee; and the National Financial Inclusion Council. In March 2018, the members of the FRC signed a Memorandum of Understanding to further strengthen the Committee's capacity to carry out its statutory obligations for information sharing, coordination and collaboration.

During the last quarter of FY2017/18, the respective FSSN agencies participated in discussions to finalize the scope and schedule for Jamaica's upcoming financial sector assessment programme (FSAP) to be conducted jointly by the IMF and the World Bank. The FSAP will cover "three key areas: (i) risks evaluation to financial stability; (ii) micro-prudential and macro-prudential oversight; and (iii) crisis management and the financial safety net. As at end-year, JDIC substantially completed a comprehensive review and update of its self-assessment of compliance with the IADI Core Principles for Effective Deposit Insurance Systems in preparation for the FSAP.

INTERNATIONAL RELATIONS

The Corporation maintained its membership in the International Association of Deposit Insurers (IADI) and continued to leverage technical expertise through this channel. In honing 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. JDIC hosted an IADI Workshop and Simulation on Bank Resolutions through the auspices of the IADI Caribbean Regional Committee and with the assistance of the US Treasury Department - Office of Technical Assistance.

CONCLUDING REMARKS

For 2018, the Jamaica economy is projected to grow at a faster pace than was recorded in 2017. This projection is in the context of the forecasts for continued improvements in the global economy, relative stability in the domestic macroeconomy and on-going structural reforms as well as consumer and business confidence remaining strong. In the context of the forecast for continued favourable macroeconomic developments, JDIC Policyholders are expected to continue to experience positive outturns during 2018. This should contribute to growth in the DIF and the further strengthening of the Corporation's institutional capacity and operational readiness to deal with a crisis. The improvement of our human resource capacity and resolution planning and preparedness will continue to be significant areas of focus in FY2018/2019 in furtherance of our current and expanding mandate. Additionally, as we look forward to the activities recognizing our 20 years of operations in FY2018/2019, we will use the opportunity to expand our public education and awareness programme. With respect to other areas of performance during FY 2018/2019, the JDIC will continue to strengthen its inter-agency collaborations and contributions through its membership in the FRC, FSSC and the Financial Inclusion Council in furtherance of its mandate and the GOJ's fiscal, monetary and structural reforms.

I commend and thank the hard working Management and Staff of the JDIC for their sterling performance over the review year. In addition, I thank the Board of Directors for their invaluable oversight and contribution to the overall success of the Corporation. I also thank our local, regional and international partners and Policyholders for their cooperation and assistance in allowing the JDIC to leverage critical opportunities for capacity building and by extension the development of our country.

Antoinette McKain
Chief Executive Officer

CORPORATE PROFILE

JDIC'S BUSINESS

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

2. In keeping with its mandate, the Corporation is committed to protecting depositors and contributing to confidence and stability in Jamaica's financial system.

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

4. The DIS covers the deposits held by member institutions up to a maximum of $600,000 per depositor, per member institution. At this limit, 95.5 per cent of the number of deposit accounts in member institutions is fully covered under the Scheme as at December 2017.

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

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

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

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

9. In order to carry out its obligation, the JDIC manages a Deposit Insurance Fund (DIF/the Fund) which at the end of March 2018 was $18.8 billion. The Fund is primarily made up of annual premiums collected from member institutions and investment income.

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

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

12. The Corporation's powers provide for its role in the resolution of financial institutions working in collaboration and coordination with the other members of the FSSN. Under the DIA the Corporation has statutory powers to act as receiver, liquidator, or judicial manager of any Policyholder, or of its holding company or subsidiary which becomes insolvent, or appoint any person to act as such; and acting in any such capacity may arrange for the restructuring of a Policyholder whether by merger with or acquisition by another financial institution or otherwise.

13. The Corporation also has the power to grant loans and advances with security and or guarantee payments to resolve a failed Policyholder under specific conditions.

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

OVERVIEW OF DEPARTMENTS/ FUNCTIONAL OPERATIONS

Monitoring and Risk Assessment (MRA)

The MRA Department is responsible for:

- Management of the membership administration process.
- Monitoring and researching the developments in the economy, financial markets and deposit insurance community to assess the potential impact of such developments on Policyholder performance and the Corporation.
- Monitoring and assessment of the risks of insuring the deposits of member institutions.

Intervention, Resolutions and International Relations (IRIR)

The IRIR Department is responsible for:

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

Finance, Funds and Asset Management (FFAM)

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

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

General Counsel, Corporate Secretariat and Communications (GCCSC)

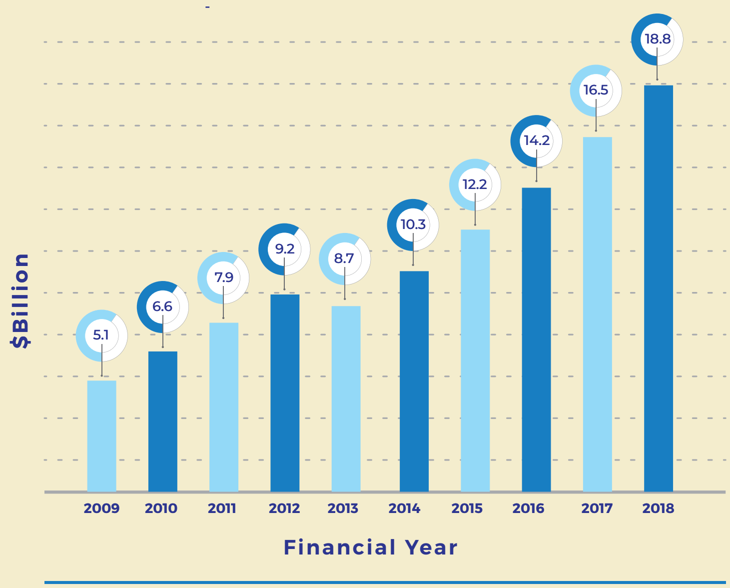
The GCCSC Department has three distinct units: Legal, Corporate Secretariat and Corporate Communications.

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

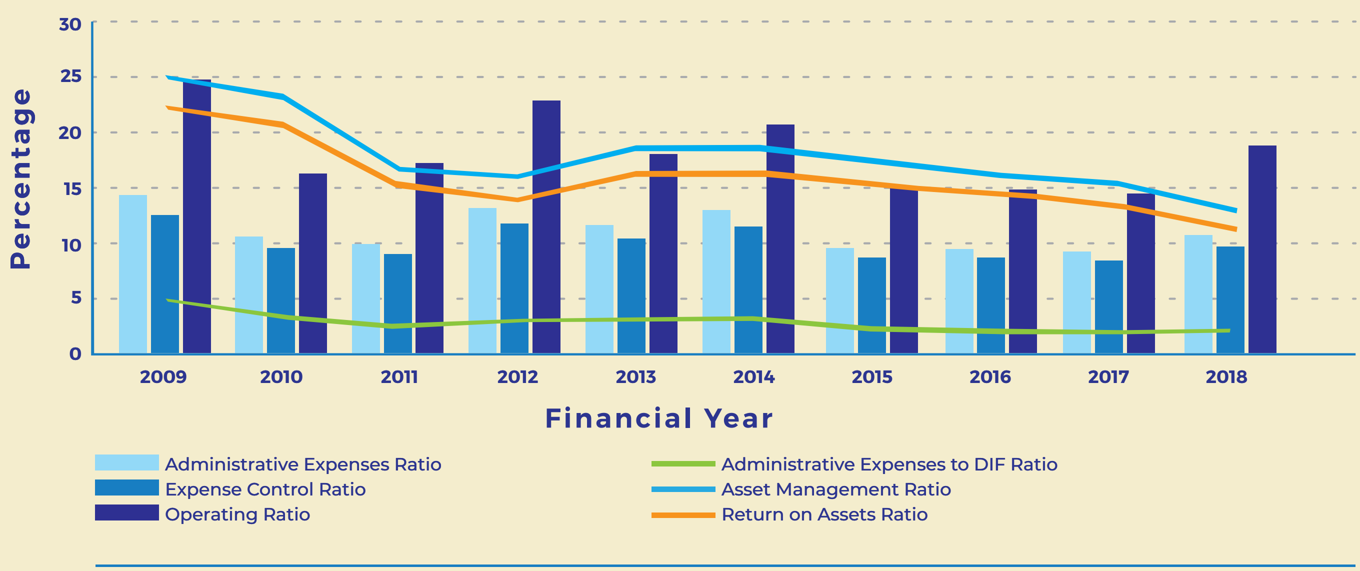
10-YEAR FINANCIAL PERFORMANCE - HIGHLIGHTS

FINANCIAL YEAR	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME										
Insurance Premiums	1,239,559	1,076,597	937,283	870,050	809,250	745,540	727,806	720,970	643,038	553.555
Interest Earned	1,200,508	1,208,858	1,127,598	1,100,029	922,900	862,530	780,742	755,791	937,504	693,963
Other Income	106,177	268,754	153,542	64,382	93,621	148,026	26,454	31,562	15,854	132,632
Total Income	2,546,244	2,554,209	2,218,423	2,034,461	1,825,771	1,756,096	1,535,002	1,445,199	1,596,396	1,380,039
Impairment Loss on Securities	-	-	-	32,091	-	-	-	-	-	-
Administrative Expenses	244,462	212,111	188.187	173,987	209,280	180,782	178,015	128,894	152,242	171,341
Surplus from Operations	2,301,782	2,342,098	2,030,236	1,828,383	1,616,491	1,575,314	1,356,987	1,316,305	1,444,154	1,208,698
STATEMENT OF FINANCIAL POSITION										
Deposit Insurance Fund (DIF)	18,844,006	16,542,224	14,200,126	12,169,890	10,341,507	8,725,016	9,246,938	7,889,951	6,573,646	5,129,492
Investment Securities	18,825,977	17,089,446	14,102,310	11,787,149	9,913,940	8,276,122	9,075,955	7,842372	6,194,498	5,124,721
Total Assets	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	5,510,940
Property, Plant and Equipment (NBV)	189,404	178,501	110,722	110,038	95,630	97,825	98,946	98,946	105,428	101,593
OTHER SELECTED DATA										
Persons employed at the end of the year	24	21	21	25	26	24	23	20	20	24
Operating Ratio (%)	18.7	14.4	14.7	14.9	20.6	17.9	22.8	17.1	16.2	24.7
Expense Control Ratio (%)	9.6	8.3	8.5	8.6	11.5	10.3	11.6	8.9	9.5	12.4
Administrative Expenses Ratio (%)	10.6	9.1	9.3	9.5	12.9	11.5	13.1	9.8	10.5	14.2
Administrative Expenses to DIF Ratio (%)	1.3	1.3	1.3	1.4	2.0	2.1	1.9	1.6	2.3	3.3
Net Surplus (%)	90.4	91.7	91.5	89.9	88.5	89.7	88.4	91.1	90.5	87.6
Asset Management Ratio (%)	13.5	15.1	15.7	17.1	18.3	18.4	16.3	16.7	23.1	25.0
Return on Assets Ratio (%)	12.2	13.8	14.4	15.3	16.2	16.5	14.4	15.2	20.9	21.9
Insurance Premium/ Total Income (%)	48.7	42.1	42.2	42.8	44.3	42.5	47.4	49.9	40.3	40.1

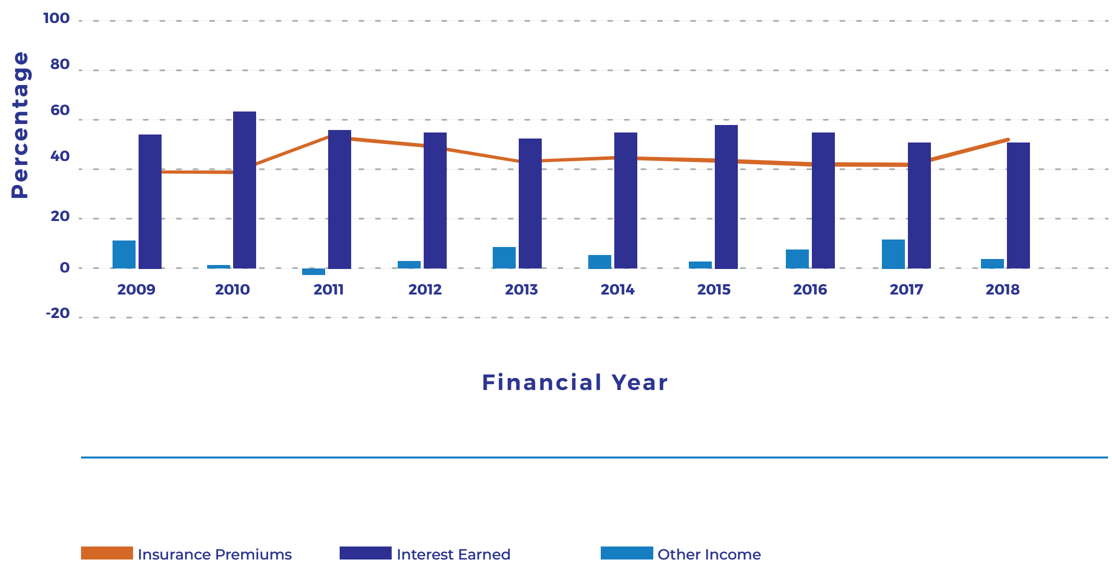
Deposit Insurance Fund



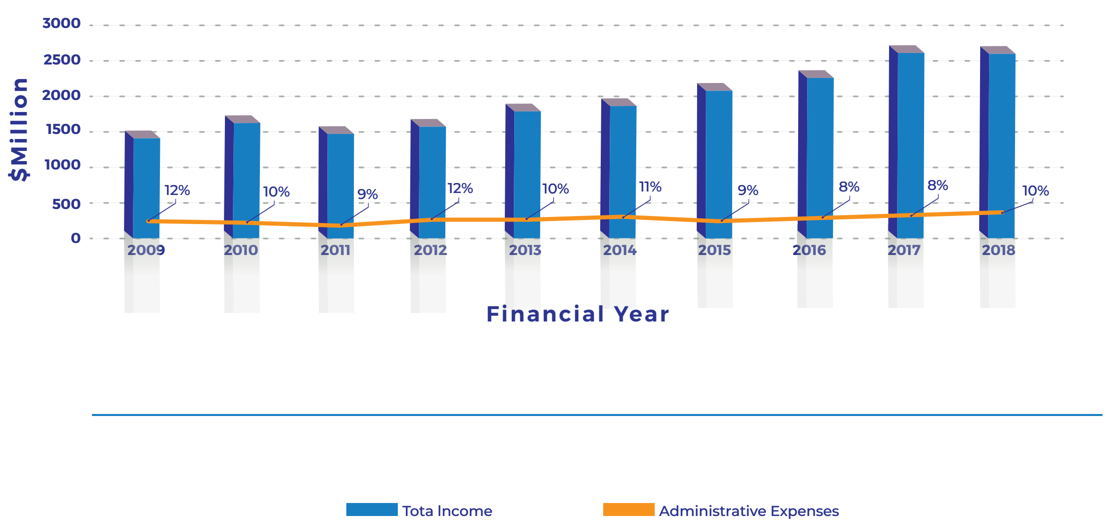
Key Performance Ratios



Total Income



Income VS. Expense



CORPORATE GOVERNANCE

JDIC team members pose for a photo opp at the ***PSOJ/MOFPS Public Sector Corporate Governance Award 2017:*** (L-R) Dawn Marie Brown – Director, Monitoring and Risk Assessment; LeeAnne Golding –Trainee Legal Officer/Deputy Corporate Secretary; Eloise Williams Dunkley- Director, Intervention, Resolution and International Relations; Antoinette McKain- Chief Executive Officer; Marjorie McGrath –Manager Corporate Communications; Clover Edwards –Project and Technical Assistant; Latoya Nicholson – Legal and Corporate Secretariat Assistant and Stacy Earl- General Counsel/Corporate Secretary.

JDIC Board Chairman, John Jackson (R) and CEO, Antoinette McKain (C) receive Certificate of Participation from Cabinet Secretary, Ambassador Douglas Saunders for the JDIC's participation in the ***PSOJ/MOFPS Public Sector Corporate Governance Award 2017.***

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 Board Performance Evaluation Instrument; annual reporting by public bodies; and the Competency Profile Instrument for the Boards of Public Bodies.

The Corporation was among five (5) public sector agencies shortlisted for the inaugural Private Sector Organisation of Jamaica (PSOJ)/MOFPS Public Sector Corporate Governance Awards 2017. There were five (5) categories of awards namely: Board Composition, Function and Structure; Corporate Governance Policies, Procedures and Practices; Annual Report Compliance and Disclosure of Information; Risk Measurement and Internal Controls; and one Overall Winner category. The Corporation was ranked in the following categories: first place for Corporate Governance Policies, Procedures and Practices; first runner-up for Best Annual Report; and first runner-up for Compliance and Disclosure of Information.

ENTERPRISE RISK MANAGEMENT

In FY2017/18, the Corporation moved forward with the implementation of a comprehensive Enterprise Risk Management (ERM) Framework and Policy. The Corporation engaged subject matter experts to assist with strengthening its corporate risk management through a new ERM Framework and Policy to be implemented in FY2018/19. Staff participated in training seminars which assisted with honing the skills required to develop and maintain a risk register for each functional area and strengthen internal controls (risks infrastructure), risks responses, monitoring and ownership.

BOARD OF DIRECTORS – MANDATE AND COMPOSITION

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

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 nominee); and four other directors appointed by the Minister of Finance, including the Chairman of the Board.

In keeping with the DIA, the Board met six (6) 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 FY2018/19 – 2021/22;
- The Annual Report and the audited financial statements for FY2016/17; and
- The Quarterly and Half-yearly reports required under the PBMA.

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. In keeping with sound corporate governance practices, the Audit Committee's Terms of Reference was updated to include a provision relating to whistle blowing.

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	1/4
Michael Martell	Co-opted Member MOFPS	4/4

Investment Committee		Number of Meetings Attended F/Y
Vernon McLeod	Board Member/ Chairperson	1/1
Antoinette McKain	Chief Executive Officer	1/1
Ronald Edwards	Director, Finance, Funds and Asset Management	1/1
Dawn Marie Brown	Director, Monitoring and Risk Assessment	1/1

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. The Committee 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 its performance of its investment portfolio and the implication for the DIF Reserve Target Ratio. In this regard, the Investment Committee also considered the need for review of the Investment Policy and legislative requirements.

Notwithstanding the Committee met only once for the financial year, oversight of the portfolio was facilitated through the Treasury Management Committee, the requisite monthly financial statements and quarterly investment reports submitted to the Board.

THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee has responsibility for directing the implementation of and ensuring compliance with, sound corporate governance principles in the Corporation. As such, the Corporate Governance Committee assisted the Board:

- its implementation of effective corporate governance principles and practices;
- the development of the framework for the evaluation of the effectiveness of the Board, its Committees, and Management.

The Committee comprises three (3) Board members, inclusive of the Chairman of the Board of Directors. During the period under review, the Committee met twice, as required under the Corporate Governance Policy, and reviewed the Board and Board Committee Evaluation Template.

Corporate Governance Committee		Number of Meetings Attended F/Y
John Jackson	Chairman	2/2
Antoinette McKain	Chief Executive Officer	2/2
Lisa Lewis	Board Member	1/2
Vernon McLeod	Board Member	2/2

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 and the media 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 FY2016/17	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 FY2018/19-2021/22	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.	Ministry of Finance and the Public Service (MOFPS)	MOFPS	PBMA	√
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.	Office of the Contractor General	Contractor General Act, 1983	Quarterly	√

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; a member of the Board of the Development Bank of Jamaica and was a member of Jamaica's CARICOM Review Commission.

Mr Jackson has done extensive research on economic and financial matters, in particular, the stock market, in which he has a wealth of knowledge 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.

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.

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 is responsible for ensuring that policies are in place to effectively regulate the financial sector.

ANTOINETTE MCKAIN

CHIEF EXECUTIVE OFFICER

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

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

MYRTLE HALSALL,OD

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.

LISA LEWIS

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.

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

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

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 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 – Inter-Agency Activities).

MANAGEMENT'S DISCUSSION AND ANALYSIS

MACROECONOMIC PERFORMANCE

GLOBAL DEVELOPMENTS

The performance of the global economy improved during 2017 with global growth of 3.8 percent, 0.6 percentage point above 2016. This acceleration in growth was supported by an upturn in investment, trade, industrial production, as well as strengthening business and consumer confidence. Growth in advanced economies (AEs) was estimated at 2.3 percent for 2017 compared to 1.7 percent in 2016. Output in Emerging Markets and Developing Economies expanded by 4.8 percent with 1.3 percent in Latin America and the Caribbean.[1] In the commodities market, oil prices increased to close the year at US$60 per barrel, the highest year-end price since 2013, in response to the Organisation of the Petroleum Exporting Countries' (OPEC) decision to curtail crude oil production.

Strong global growth is expected to continue in 2018 and 2019 with forecasted growth of 3.9 percent in both years[2]. This forecast is based mainly on expected expansion in advanced economies with favourable global financial conditions facilitating acceleration in demand. **Table 1** below highlights the economic performance and projections of Jamaica's major trading partners.

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

	2016	2017	2018P	2019P
World	3.2	3.8	3.9	3.9
Canada	1.4	3.0	2.3	2.0
China	6.7	6.8	6.6	6.4
United Kingdom	1.9	1.7	1.5	1.5
United States of America	1.5	2.3	2.7	2.5

P - Projections

Source: IMF World Economic Outlook – April 2018

[1] *IMF World Economic Outlook - April 2018*

[2] *IMF World Economic Outlook – April 2018*

REGIONAL ECONOMIC DEVELOPMENTS

During 2017, the economies of most Caribbean countries were impacted by adverse weather conditions. In spite of this, the region grew by 0.6 percent in 2017, albeit lagging behind other small developing states.[3] 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, 2017

INDICATORS	JAMAICA	BARBADOS	TRINIDAD	BAHAMAS
GDP Growth (%)	0.5	1.0	-2.3	1.3
Inflation (%)	5.2	4.0	1.9	1.5
NIR (US$ Million)	3,208.3	410.0	8,369.8	1,417.4
Unemployment Rate (%) (at the end of the year)	10.4	10.2	4.9	10.1
T-bill Rate (%)	4.63	3.2	1.21	1.79
Exchange Rate (J$=US$1) As at December 29, 2017	125.00	2.03	6.76	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

DOMESTIC ECONOMIC DEVELOPMENTS

The Jamaican economy experienced a fifth consecutive year of expansion in 2017, albeit lower than was projected. The growth in the year reflected increased external demand, as well as the impact of favourable domestic macroeconomic developments. Specifically, increased domestic demand was supported by a record low level of unemployment; declining interest rates and relative stability in the exchange rate. Inflation was, however, higher than in 2016, although remaining in the forecast band. (Refer **Table 3**)

Also, supporting stability in the macroeconomic environment was the Government of Jamaica's (GOJ) continued commitment to the fiscal, monetary and structural reforms under its economic reform programme, supported by the 3-year precautionary Stand-By Arrangement (SBA) with the IMF. The SBA is aimed at contributing to the maintenance of macroeconomic stability, economic growth, job creation, improvements in the standard of living and poverty reduction. In this regard, in its last review, the IMF team indicated that for the half year ended December 2017 the programme implementation remained strong with all quantitative performance criteria and structural benchmarks being met. Nevertheless, the IMF cautioned that entrenched structural obstacles, including crime, bureaucratic processes, inadequately skilled labour force, and poor access to finance, as well as, weather-related shocks remained as constraints to productivity and sustainable economic growth.

During calendar year 2017, real GDP is estimated to have grown by 0.5 percent compared to 1.4 percent in 2016 (Refer **Table 3**). The deceleration in growth was primarily attributed to heavy rainfall and flooding during the first half of the year which adversely affected agricultural output. In this regard, the Goods Producing Industry is estimated to have contracted by 0.7 percent while the

[3] *Caribbean Development Bank Fact sheet- Caribbean Economic Review and 2018 Outlook*

Services Industry is assessed to have grown by 0.8 percent. The Hotels & Restaurants, Manufacture, and Construction industries registered the strongest growth rates of 3.9 percent, 1.6 percent and 1.0 percent, respectively.

There were mixed performances in the other key macroeconomic variables for 2017. In particular, inflation accelerated to 5.2 percent from 1.7 percent the previous year. This was partly due to the negative impact of flood rains on agricultural output which contributed to higher prices for these commodities. On the positive side, there was sustained high levels of Net International Reserves (NIR) which ended the year at US$3.2 billion compared to US$2.7 billion in 2016. The unemployment rate also fell to 10.4 percent in October 2017[4], the lowest recorded since October 2008. Interest rates continued on a downward trend with the weighted average rate on the 180-day Treasury-bills falling to 4.63 percent at the end of 2017 compared to 6.56 percent at the end of 2016. Furthermore, the weighted average selling rate of the Jamaica dollar appreciated by 2.7 percent vis-à-vis the US dollar for the year compared to depreciation of 6.7 percent for 2016.

TABLE 3: PERFORMANCE OF KEY MACROECONOMIC INDICATORS AS AT DECEMBER 31 (2014 – 2017)

INDICATORS	CY2014	CY2015	CY2016	CY2017
GDP Growth (%)	0.7	0.9	1.4	0.5
Inflation (%, pt. to pt.)	6.4	3.7	1.7	5.2
NIR (US$Million)	2,002.0	2,437.3	2,719.4	3,208.3
Unemployment Rate (%) (as at October)	14.2	13.5	12.9	10.4
180 Day T-bill Rate (%)	7.14	6.04	6.56	4.63
Exchange Rate (J$=US$1)	114.66	121.42	128.44	125.00

Sources: Statistical Institute of Jamaica & Bank of Jamaica

The performance of the real economy was supported by developments in the monetary policy framework of the Bank of Jamaica (BOJ). Specifically, the BOJ changed its signal or policy rate from the 30-day Certificates of Deposit rate to the interest rate payable on overnight deposits held by deposit-taking institutions (DTIs) at the BOJ. Subsequently, the BOJ reduced the signal rate on two occasions to close the year at 3.25 percent.[5] The Bank stated that the lowering of the signal rate was in line with its assessment that inflation would remain within the forecast range over the near to medium term. Additionally, in July 2017, the BOJ implemented a new foreign exchange framework - the BOJ Foreign Exchange Intervention & Trading Tool (B-FXITT) - for the sale and purchase of foreign exchange transactions with Authorized Dealers and Cambios. This framework is a rule-based, competitive, multiple-price intervention system designed to enhance the effectiveness and transparency of BOJ's monetary policy and foreign exchange operations. The BOJ commenced trading on the sale side with the purchase side to be implemented at a later date.

OUTLOOK FOR FY2018/2019

In the context of expected improvements in the global economy and stability in the domestic macroeconomic environment, supported by on-going structural reforms, the economy is forecasted to grow at a faster pace in 2018 relative to 2017. The country is also expected to continue implementing and meeting the structural benchmarks and quantitative criteria, respectively, as

[4] *As at January 2018, the unemployment rate stood at 9.6 per cent. Source: Statistical Institute of Jamaica*

[5] *The policy rate as at May 17, 2018 was 2.50 percent*

agreed under the SBA. Additionally, the consolidation and downward trajectory of Jamaica's debt auger well for the country's credibility in the international financial market. These factors along with continued accommodative monetary policy and improving confidence in the Jamaican Dollar should positively impact the performance of DTIs and by extension the JDIC during 2018.

Projections of key macroeconomic indicators are presented in **Table 4** below.[6]

TABLE 4: MEDIUM TERM KEY MACROECONOMIC INDICATORS (ACTUALS AND PROJECTIONS)

INDICATORS	FY2015/16 (A)	FY2016/17 (A)	FY2017/18 (P)	FY2018/19 (P)	FY2019/20 (P)
GDP Growth (%)	1.0	1.3	1.1	2.4	2.1
Inflation (Annual Pt to Pt, %)	3.0	4.1	5.0	4.3	5.0
NIR (US $Million)	2,415.5	2,769.2	3,176.0	3,558.8	3,884.5
Fiscal Balance (% of GDP)	-0.3	-0.2	0.1	0.2	1.1
Primary Surplus (% of GDP)	7.2	7.6	7.2	7.0	7.0
Total Public Debt (% of GDP)	122.3	121.2	102.1	94.3	89.7

Source: GOJ Fiscal Policy Paper 2018/19

[6] *GOJ Fiscal Policy Paper 2018/19*

DEVELOPMENTS IN THE LEGAL AND REGULATORY ENVIRONMENT

During the review period FY2017/18, no new principal financial legislation was enacted. However, amendments were made to existing financial legislation and the Companies Act.

Legislation passed during the period:

Bank of Jamaica (Amendment) Act, 2017, No. 32

The amendments to the Act provide for the extension of the Bank of Jamaica (BOJ) Governor's tenure by two (2) years. At the expiration of the extension, a new Governor of the Bank of Jamaica will be appointed, to serve for a period not less than seven years.

Companies (Amendment) Act, 2017, No. 11

The several amendments made to the Companies Act allow for the legal recognition of beneficial ownership of shares, through the registration of such interest and any subsequent change at the Companies Office. The amendments provide for this through the enactment of the following:

- A "beneficial owner" is defined as an individual on whose behalf the shares of a company are held, or on whose behalf a share transaction is conducted. As it pertains to companies, it means an individual who exercises ultimate ownership or effective control;

- Section 109 of the Act, now provides for the registration of beneficial owners of shares. Section 116 provides for the registration, or notification of beneficial owners of a company, and prescribes a fine upon a company, member, or beneficial owner who caused the failure to comply with sections 109 and 116; and

- A person who is the bearer of a share warrant shall be registered as a member of the company and is to be issued a share certificate to that effect, as specified in the warrant.

Additionally, section 174A has been inserted, which places a duty upon the director of a company to avoid circumstances which, directly or indirectly, constitute a conflict of interest, or that may result in a conflict of interest with the interests of the company.

Pending legislation:

The Bill, The Credit Unions (Special Provisions) Act

The Bill, once enacted will bring the Credit Union Sector under the 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. With the passing of this Bill, Credit Unions will be required to apply to the JDIC for Deposit Insurance.

The Cooperative Societies Act (Amendment) Bill

Simultaneously with enactment of the Credit Unions (Special Provisions) Act, the Cooperative Societies Act (Principal Act) will also be amended to include a requirement for the prior approval of the Minister of Finance, before a cooperative society can operate or continue to operate as a credit union. The Bill will also include provisions which restrict the deposit-taking activities of cooperative societies that operate as credit unions. It is anticipated that this Bill will be presented to Parliament along with the Bill, Credit Unions (Special Provisions) Act.

The Bill, Micro Credit Act

This 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; and penalties with custodial sentences will be applicable on conviction for committing an offence.

Pending Financial Regulation:

The Banking Services (Capital Adequacy) Regulations

These regulations will create a framework which will: provide for consolidated capital adequacy requirements for all licensees under the Banking Services Act (BSA); outline the general requirements for group-wide capital adequacy that will be imposed on financial holding companies (FHC) 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 Financial Holding Company to the BOJ, for the granting of a license under the BSA. 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

These 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.

Additionally, the rules will require licensees 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 includes, transaction monitoring and reporting, and record keeping.

POLICYHOLDERS PROFILE AND PERFORMANCE

PROFILE OF POLICYHOLDERS

As at March 2018, the total number of Policyholders remained at eleven (11) institutions, although the composition changed consequent to JMMB Merchant Bank Limited being issued with a licence to operate as a commercial bank. Policyholders now comprise: eight (8) commercial banks, two (2) building societies and one (1) merchant bank.

Commercial Banks

- Bank of Nova Scotia Jamaica Limited
- Citibank, N.A.
- First Caribbean 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

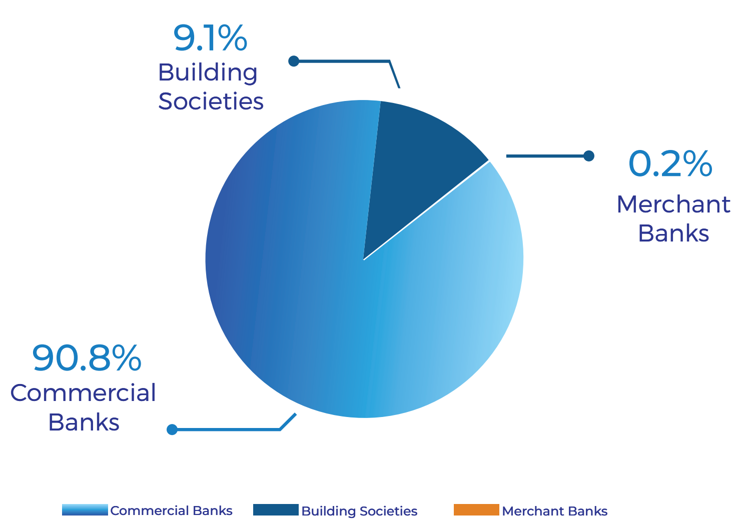
Building Societies

- Scotia Jamaica Building Society
- Victoria Mutual Building Society

Merchant Bank

- MF&G Trust and Finance Limited

Chart 1: Policyholders Market Share (%) as at 31 December 2017



The commercial bank subsector accounted for approximately 90.8 percent of total deposit-taking institutions' (DTI) assets at end FY2017/18 compared with 77.0 percent at FY2016/17[7]. Building societies and merchant banks accounted for 9.1 and 0.2 percent, respectively (Refer **Chart 1**).

[7] *The number of commercial banks increased to eight (8) from six (6) with the conversion of JN Building Society and JMMB Merchant Bank from building society and merchant bank to commercial banks in February 2017 and August 2017, respectively*

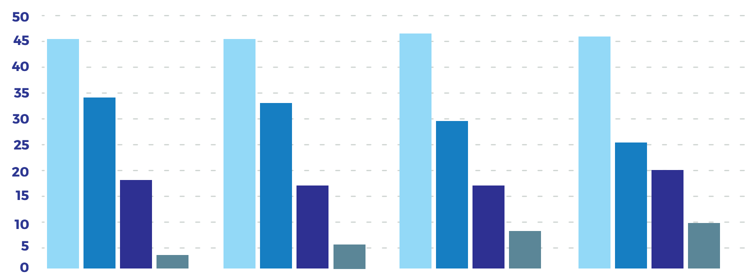
POLICYHOLDERS' PERFORMANCE

There was an improvement in the Policyholders' operating environment during 2017. This favourable operating environment contributed to an increase in total assets and improvements in asset quality and liquidity. In addition, there was credit growth among the DTIs, though at a slower pace than recorded in 2016. Furthermore, Policyholders generally continued to experience growth and profitability.

Total Assets

Growth in total assets for the deposit-taking institutions sector decelerated to 8.0 percent or $106.9 billion for 2017, relative to the expansion of 15.2 percent in 2016. The growth in 2017 primarily reflected an increase of 26.6 percent in cash & bank balances to $289.6 billion as at the end of December 2017 (Refer **Chart 2**).

Chart 2: Banking System Asset Portfolio



	2014 %	2015 %	2016 %	2017 %
Loans	45.6	45.5	46.7	46.1
Investments	34	33.2	29	25.2
Cash & Bank Balances	17.7	16.4	16.6	19.5
Other	2.7	4.8	7.7	9.2

Asset Quality

There was an overall improvement in the asset quality of DTIs in 2017. This was evidenced in the ratio of non-performing loans to total loans which declined to 2.6 percent at the end of 2017 from 2.9 percent at the end of 2016, below the international best standard of 10.0 percent. The improvement in the ratio was driven by a decline in non-performing loans to $17.9 billion at end-2017 from $18.4 billion at end-2016 (Refer **Chart 3**). Provisions for loan losses declined marginally by $0.1 billion as at end-2017 in the context of improved credit portfolio monitoring and administration standards by Policyholders which was supported by increased utilization of credit bureau data.

Liquidity

Policyholders also maintained higher levels of liquidity during 2017. The liquid assets ratio increased to 31.4 percent at the end of 2017 from 27.4 percent at the end of 2016. Mainly contributing to the increase in the liquid assets ratio was the improved confidence in the Jamaica dollar. This created incentives for Policyholders to hold higher average levels of domestic currency liquid assets in the form of cash reserves and Government of Jamaica securities.

Regulatory Capital

Total regulatory capital stood at $146.0 billion at end-2017, an increase of 5.9 percent or $8.1 billion relative to the end of the prior year (Refer **Chart 4**).

Chart 3: Non – Performing Loans

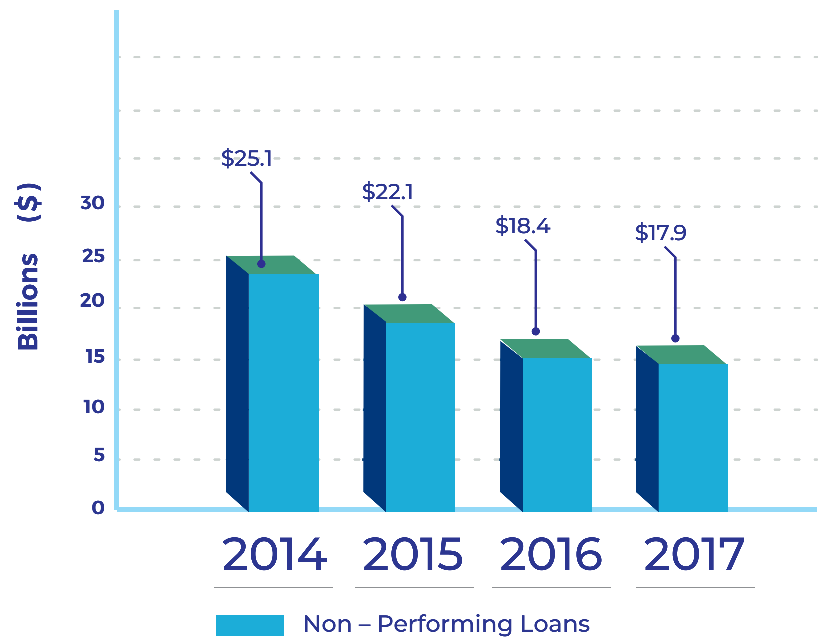
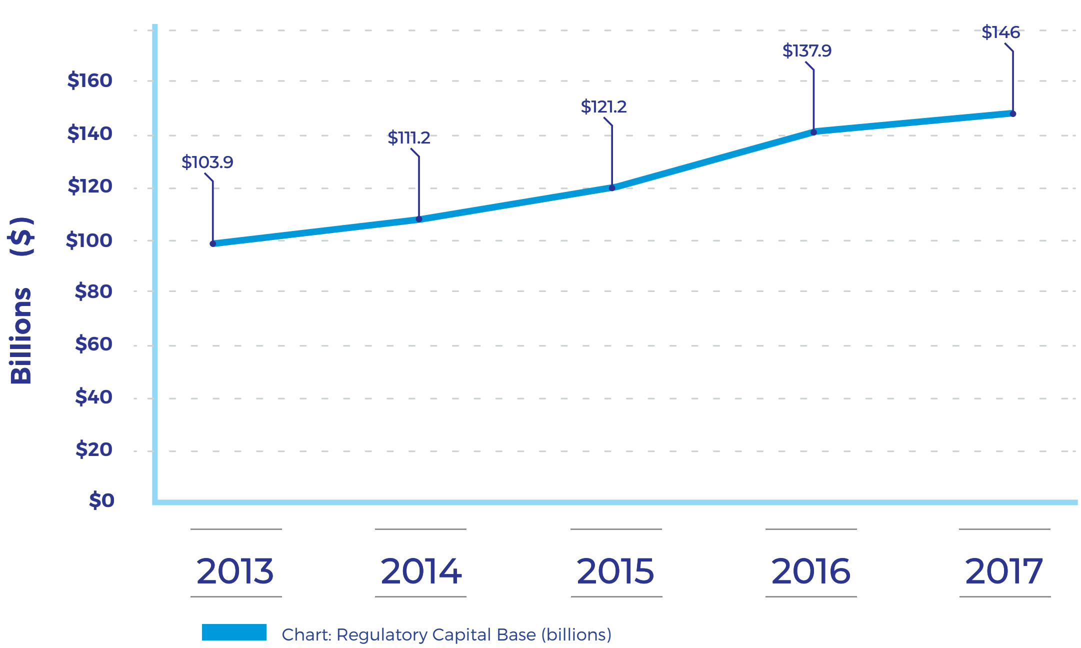


Chart 4: Regulatory Capital Base



This increase primarily resulted from the profits generated in the commercial bank sub-sector which allowed for an increase in the statutory reserve fund. The primary ratio was stable at 10.6 percent at the end of 2017 compared with 10.5 percent at the end of 2016. Whilst overall regulatory capital increased in the DTI sector, risk-weighted private sector loans grew at a relatively faster rate resulting in a slight decline in the risk-weighted capital ratio to 14.6 percent from 14.8 percent at the end of 2016. Nonetheless, primary and risk-weighted capital adequacy ratios for the DTI sector were above the statutory minimum requirements of 6.0 percent and 10.0 percent, respectively (Refer **Charts 5 and 6**).

Chart 5: Capital Adequacy Ratio

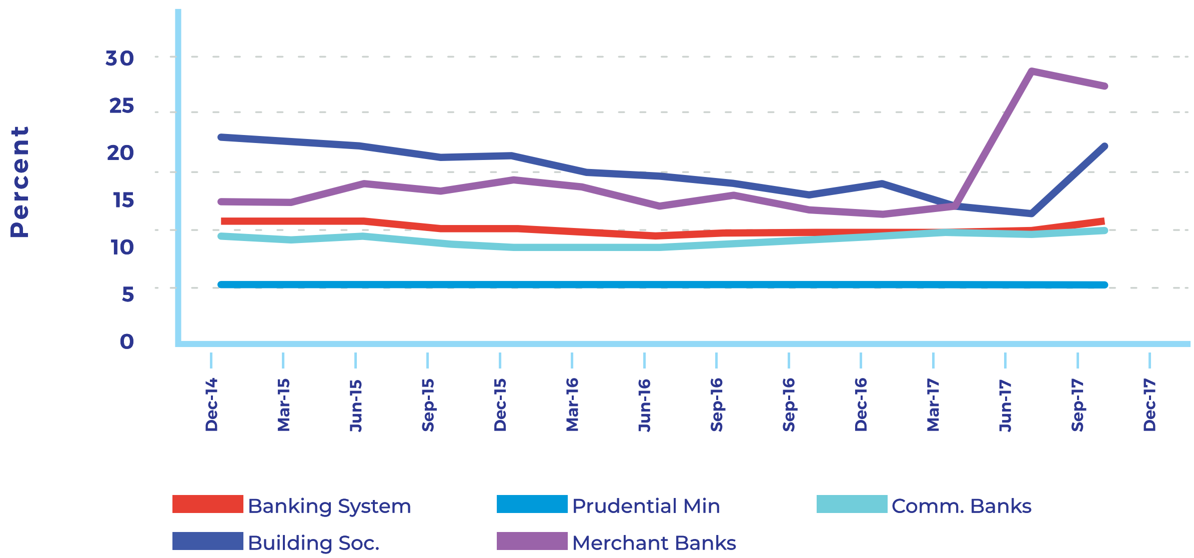
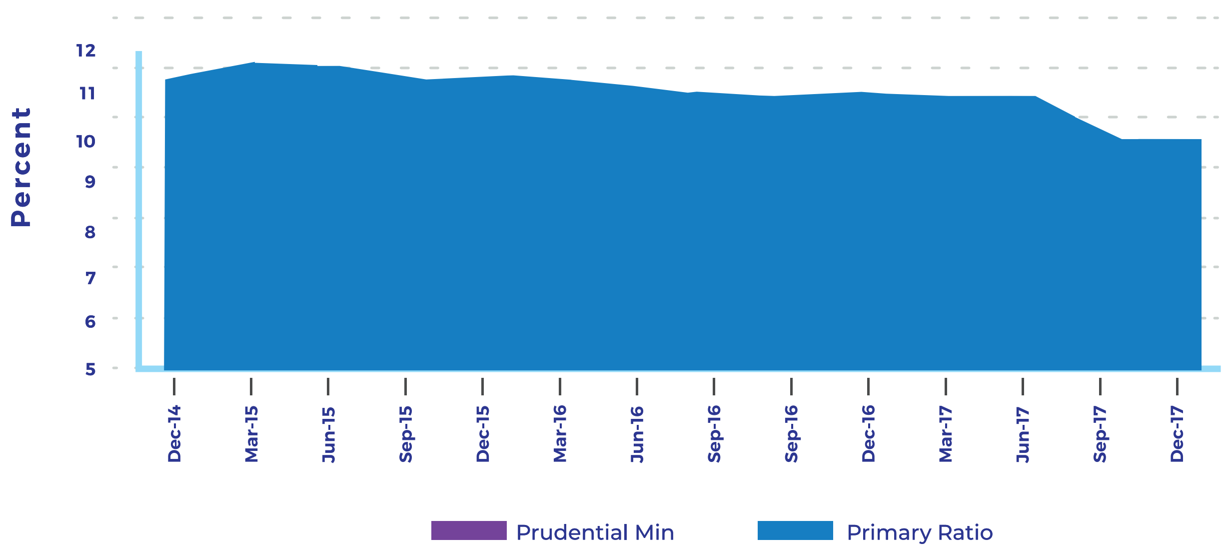


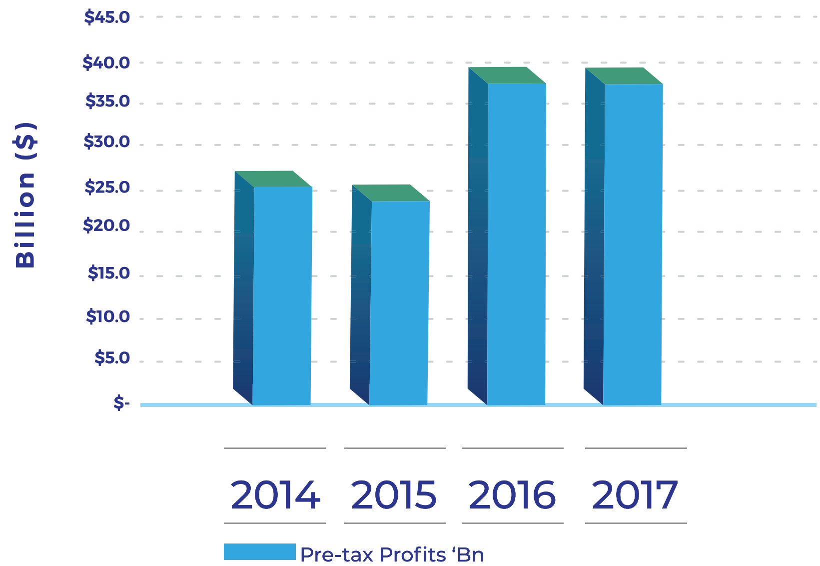
Chart 6: Primary Ratio



Profitability

Policyholders remained profitable in 2017 with pre-tax profits being relatively unchanged at $37.6 billion compared to 2016 (Refer **Chart 7**). The Return on Average Assets marginally declined to 2.6 percent from 2.9 percent at the end at 2016, while the Net Interest Margin was 6.4 percent, a slight improvement over the 6.2 percent for the prior year.

Chart 7: Pre-tax Profits 'Bn

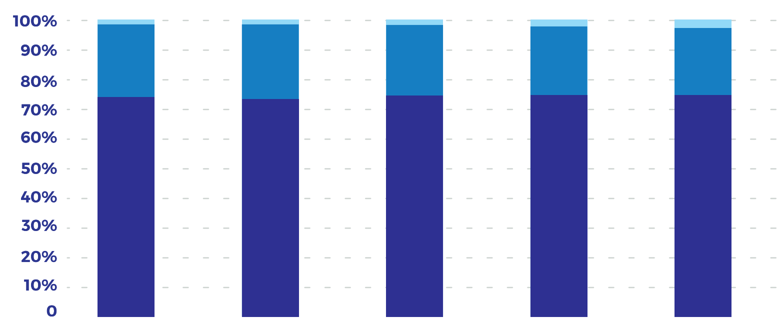


PROFILE OF DEPOSITS

Profile of Deposits Eligible for Deposit Insurance Coverage – Insurable Deposits

At the end of 2017, insurable deposits in the system totalled $902.3 billion, increasing by 9.2 percent from $826.5 billion at the end of 2016 (Refer **Chart 8**). Concurrently, the number of insurable deposit accounts decreased by 4.8 percent to 4.0 million at the end of 2017 from 4.2 million at the end of 2016. Consequently, the average insurable deposit balance grew by 14.4 percent to $226,679.00 in the calendar year.

Chart 8: Total Estimated Insurable Deposits



	2013	2014	2015	2016	2017
Merchant Banks (Bn)	10.1	12.9	15.2	19.7	28.0
Building Societies (Bn)	141.9	152.5	168.7	189.8	199.4
Commercial Banks (Bn)	428.0	459.8	533.8	617.0	674.9
Total ($Bn)	580.0	625.2	717.7	826.5	902.3

Share of Insurable Deposits held in Domestic and Foreign Currencies

For 2017, the value of insurable deposits in domestic currency accounts grew by 18.4 percent. In contrast, there was a decline of 0.4 percent in the deposits held in foreign currency accounts. In this regard, the ratio of domestic currency deposits to insurable deposits stood at 55.2 percent at the end of 2017, 4.3 percentage points above the ratio for 2016 (Refer **Chart 9**). The higher ratio can be attributed to increased confidence in the stability of the domestic currency.

Chart 9: Distribution of Insurable Deposits (Domestic and Foreign)

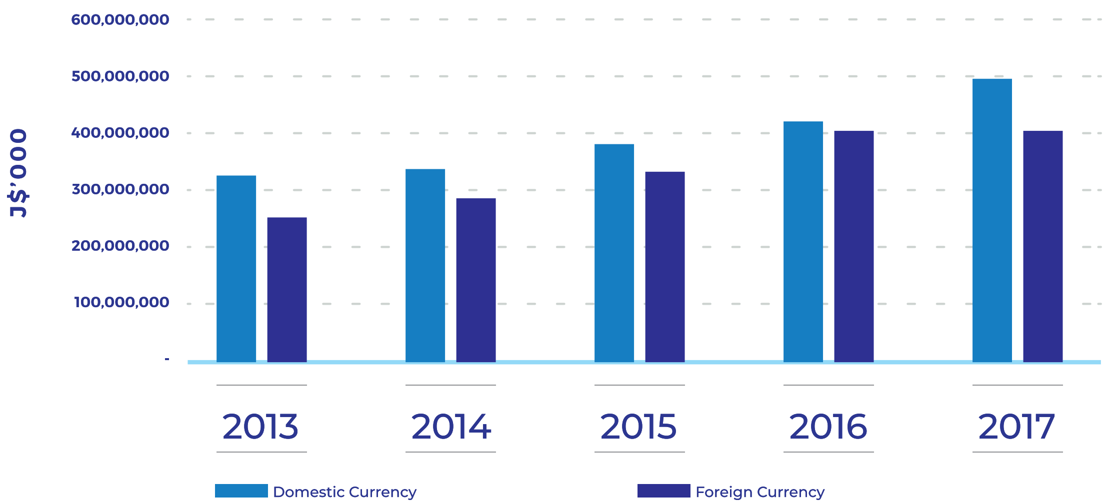


Table 5: INSURABLE DEPOSITS TO INSURED DEPOSITS	2013	2014	2015	2016	2017
Insured Deposits ($'Billion)	246	261	284	306	324
Insurable Deposits ($'Billion)	580	625	718	827	902
Insured as a % of Insurable	42	42	40	37	36

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

As at December 31, 2017, deposits were insured up to a maximum of $600,000 per depositor, per account type, per institution. Deposits insured by the JDIC increased by 5.8 percent to $324.0 billion representing 36.0 percent of total insurable deposits (Refer **Table 5**).

Fully insured deposits ($600,000 and less) represented 24.0 percent of the value of total insurable deposits at end-2017, a marginal decline from the 24.9 percent at the end of 2016. In contrast, the Deposit Insurance Fund (DIF) as a percentage of total estimated insured deposits (DIF Ratio) increased to 5.5 percent at end December 2017 from 5.2 percent at end-December (Refer **Table 6**).

TABLE 6: TOTAL ESTIMATED INSURED DEPOSITS

	2013	2014	2015	2016	2017
Commercial Banks	172,083,729	184,693,141	202,330,324	220,384,010	234,048,943
Building Societies	72,243,411	75,375,229	80,193,723	84,153,588	87,909,403
Merchant Banks	1,288,981	1,350,473	1,470,563	1,665,221	2,003,975
Total Estimated Insured Deposits ('000)	245,616,121	261,418,843	283,994,610	306,202,819	323,962,321
Deposit Insurance Fund ('000)	9,881,386	11,681,985	13,671,453	15,987,274	17,860,252
DIF Ratio (%)	4.0	4.5	4.8	5.2	5.5

Profile of Number of Fully Insured Deposit Accounts

The number of fully insured accounts represented 95.5 percent of total insurable accounts, reflecting a 0.5 percentage point decline relative to 2016. The level of coverage was consistent with the JDIC's public policy objective of protecting the majority of small retail depositors. Furthermore, the level of coverage remained above the International Association of Deposit Insurers (IADI) best practice recommendation of fully insuring 90 – 95 percent of deposit accounts in the system.

Estimate of Total Banking System – Retail and Corporate Deposits[8]

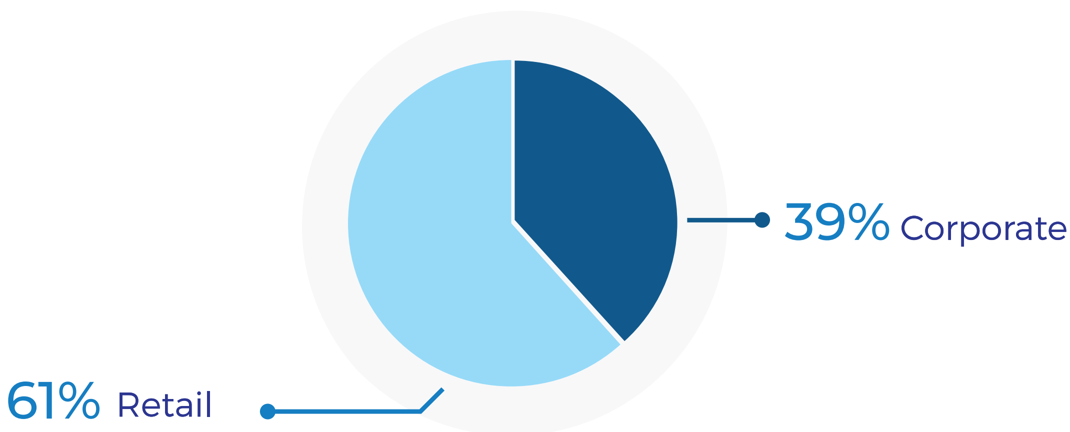
The number of Corporate and Retail deposit accounts decreased over the year to 119,482 accounts and 3,860,666 accounts, respectively (Refer **Table 7**). Retail deposits amounted to $546.5 billion or approximately 61.0 percent of the total insurable deposits while corporate deposits totalled $355.7 billion or 39.0 percent (Refer **Chart 10**). The average balance in retail deposit accounts was $141,563 compared while that in corporate deposit accounts was to $3.0 million.

Table 7: NUMBER OF CORPORATE AND RETAIL ACCOUNTS

Year	Corporate		Retail		Total
	# of Accounts	(%)	# of Accounts	(%)	# of Accounts
2016	161,948	3.9	4,007,454	96.1	4,169,402
2017	119,616	3.0	3,860,800	97.0	3,980,416

[8] *Estimated figure*

Chart 10: Share of Retail and Corporate Insurable Deposits in the System



REVIEW OF OPERATIONS

FINANCIAL OPERATIONS

The Corporation had a successful financial outturn in FY2017/18. Contributing to this outturn was: an increase in total assets of 4.7 percent or $873 million over the previous financial year to $19.4 billion; growth of 10.2 percent or $1.7 billion in the investments portfolio totalling $18.8 billion; a surplus of $2.3 billion similar to the outturn for the previous financial year; and growth in the Deposit Insurance Fund of 14.0 percent to $18.8 billion. Additionally, the Overall Balance Target (OBT) outturn was $1,023.2 million at end FY2017/18 in comparison to the budgeted $694.7 million. The OBT shows the cash generated from operations and is agreed with the Ministry of Finance and the Public Service (MOFPS) to assess the financial performance of the Corporation.

Total Income was $2.5 billion and comprised of the following **(Refer Table 8 and Chart 11):**

- Insurance premiums, which increased by 15.1 percent arising from the growth in insurable deposits;
- Interest earned, which decreased marginallyby 0.69 percent, consequent to the decline in interest rate market; and
- Other income, which declined by 60.50 percent arising from the revaluation of the JMD versus USD dollar and amortization for GOJ bonds held in the JDIC's investment portfolio, which included USD holdings.

Table 8: TOTAL INCOME

TOTAL INCOME	FY2017/18 ACTUAL $M	FY2017/18 BUDGET $M	FY2016/17 ACTUAL $M	FY2015/16 ACTUAL $M
Insurance Premiums	1,239.5	1,162.7	1,076.6	937.3
Interest Earned	1,200.5	1,418.3	1,208.9	1,127.6
Other Income	106.2	-	268.7	153.5
Total Income	2,546.2	2,581.0	2,554.2	2,218.4

Chart 11: Total Income FY2013/14 to FY2017/18

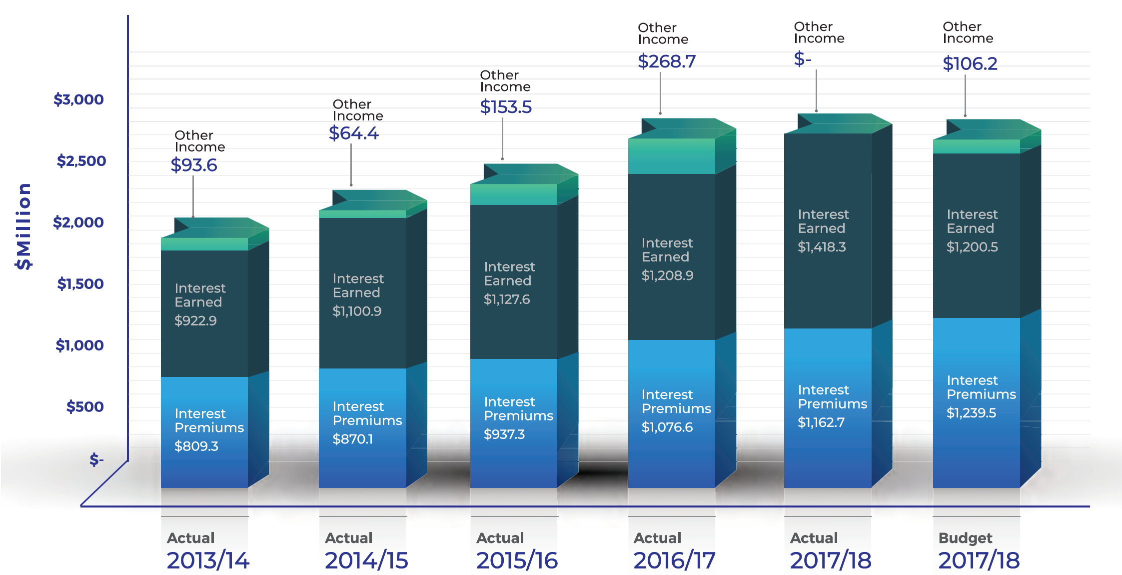


Table 9: DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME	FY2017/18 ACTUAL $M	FY2017/18 BUDGET $M	FY2016/17 ACTUAL $M	FY2015/16 ACTUAL $M
Insurance Premiums	1,239.5	1,162.7	1,076.6	937.3
Surplus from Investment and Administrative Operations:				
Interest Earned	1,200.5	1,418.3	1,208.9	1,127.6
Other Income	106.2	-	268.7	153.5
Total Income Earned and Other Income	1,306.7	1,418.3	1,477.6	1,281.1
Administrative Expenses	(244.4)	(390.7)	(212.1)	(188.2)
Surplus from Investment and Administrative Operations	1,062.3	1,027.6	1,265.5	1,092.9
Surplus from Operations	2,301.8	2,190.3	2,342.1	2,030.2

Administrative expenses of $244.4 million for FY2017/18 were 15.2 percent higher than the previous financial year. However, compared to the budget, administrative expenses were 37.5 percent lower, mainly due to less staff costs relating to the deferment of the organisational review, job evaluation and reclassification exercise. Additionally, budgeted professional fees and public education expenditure in anticipation of the admission of the credit unions were not incurred during the reporting period. Administrative Expenses for the year to March 31, 2018 was 1.30 percent (2017: 1.28 per cent) of the Deposit Insurance Fund (DIF) and 1.27 percent (2017: 1.15 per cent) of total assets. The distribution of administrative expenses is shown in **Table 10.**

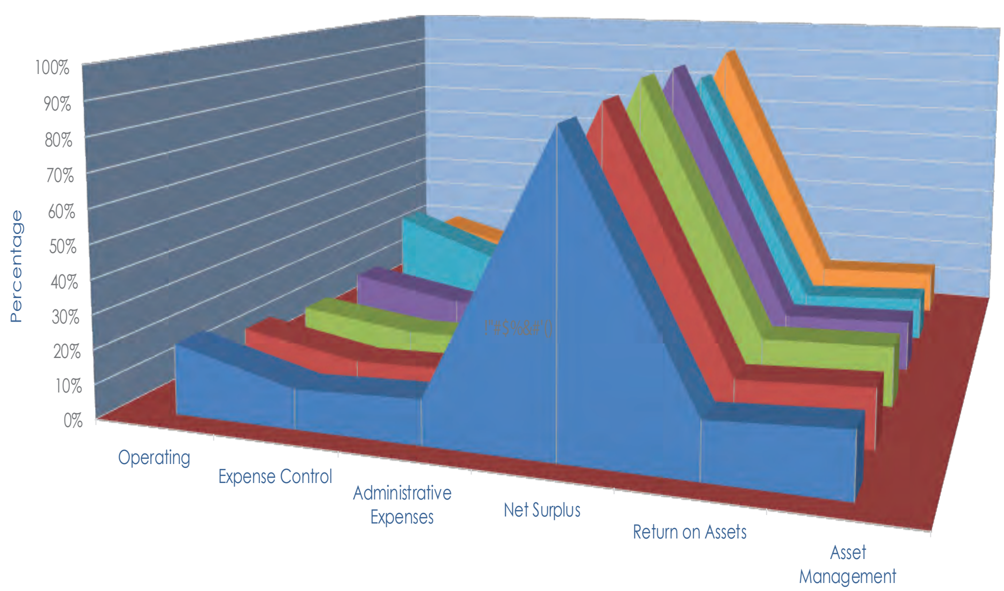
Table 10: SUMMARY OF ADMINISTRATIVE EXPENSES DISTRIBUTION

ADMINISTRATIVE EXPENSES	FY2017/18 ACTUAL		FY2017/18 BUDGET		FY2016/17 ACTUAL		FY2015/16 ACTUAL	
	$M	%	$M	%	$M	%	$M	%
Staff Costs	155.58	63.6	228.12	58.4	141.90	66.90	133.3	70.8
Public Education	15.09	6.2	34.68	8.9	18.1	8.5	9.3	4.9
Professional Fees	15.69	6.4	64.94	16.6	8.7	4.1	9.4	5.0
Depreciation	6.62	2.7	6.44	1.6	5.4	2.6	4.8	2.6
Other	51.48	21.1	56.57	14.5	38	17.9	31.4	16.7
TOTAL	**244.46**	**100.0**	**390.75**	**100.0**	**212.1**	**100.0**	**188.2**	**100**

The Key Performance Ratios remained at acceptable levels compared to the previous year **(Refer Table 11).** The outturn for the year also outperformed the budgeted ratios, mainly resulting from the increase in total income arising from growth in insurance premiums and other income.

Table 11: SUMMARY OF KEY PERFORMANCE RATIOS					
KEY PERFORMANCE RATIOS	DEFINITION	FY2017/18 ACTUAL %	FY2017/18 BUDGET %	FY2016/17 ACTUAL %	FY2015/16 ACTUAL %
Operating	Administrative Expenses/Interest Earned & Other Income	18.7	27.6	14.4	12.1
Expense Control	Administrative Expenses /Total Income	9.6	15.1	8.3	7.6
Administrative Expenses	Administrative Expenses/Surplus from Operations	10.6	17.8	9.1	8.2
Administrative Expenses to DIF	Administrative Expenses/ Deposit Insurance Fund	1.3	2.07	1.3	1.33
Net Surplus	Surplus from Operations/Total Income	90.4	84.9	91.7	92.4
Return on Assets	Surplus from Operations/Total Assets	12.2	11.3	13.8	16.4
Asset Management	Total Revenue/Total Assets	13.5	13.3	15.1	17.7
Insurance Premiums to Total Income	Insurance Premiums/Total Income	48.7	45.1	42.1	42.3

Chart 11: Summary of Key Performance Ratios



	Operating	Expense Control	Administrative Expenses	Net Surplus	Return on Assets	Asset Management
2013/14 ACTUAL	20.6%	11.5%	12.9%	88.5%	16.2%	18.3%
2014/15 ACTUAL	14.9%	8.6%	9.5%	89.9%	15.3%	17.1%
2015/16 ACTUAL	12.1%	7.6%	8.2%	92.4%	16.4%	17.7%
2016/17 ACTUAL	14.4%	8.3%	9.1%	91.7%	13.8%	15.1%
2017/18 BUDGET	27.6%	15.1%	17.8%	84.9%	11.3%	13.4%
2017/18 ACTUAL	18.7%	9.6%	10.6%	90.4%	12.2%	13.5%

FUND MANAGEMENT

The DIF balance at the end of FY2017/18 was $18.8 billion, an increase of 14.0 percent compared to the previous year. This outturn was achieved in spite of the decline in interest rates and the downward trend in bond market prices. Over the last five years, the DIF balance recorded growth of 115.9 percent **(Refer Table 12).**

Table 12: FIVE – YEAR FUND GROWTH

	FY2017/18 $M	FY2016/17 $M	FY2015/16 $M	FY2014/15 $M	FY2013/14 $M
Insurance Premiums	1,239.6	1,076.6	937.3	870.1	809.3
Surplus from Investment and Administrative Operations	1,062.2	1,265.5	1,092.9	990.4	807.2
Impairment Loss on Securities	-	-	-	(32.1)	-
Previous Year Deposit Insurance Fund	16,542.2	14,200.1	12,169.9	10,341.5	8,725.0
Deposit Insurance Fund	18,844.0	16,542.2	14,200.1	12,169.9	10,341.5

Investment activities continued to be subject to the Investment Policy and the Deposit Insurance Act (DIA) as well as recommendations arising from the annual DIF Adequacy Evaluation. A key strategy remained to, as far as possible, maintain the liquidity requirements of the DIF. Although the investment market for GOJ securities remained relatively inactive and there were limitations in the availability of suitable investment instruments required to satisfy the Corporation's requirements, the DIF met the liquidity requirements. **Table 13** reflects the maturity profile at the end of the financial year compared with previous financial years.

Table 13: PORTFOLIO MATURITY PROFILE

TENOR OF INVESTMENT SECURITIES	FY2017/18 %	FY2016/17 %	FY2015/16 %	FY2014/15 %
Up to 12 months	13. 0	21. 8	11. 0	16. 7
1 – 3 Years	14. 8	11. 4	15. 9	5. 5
3 – 5 Years	11. 3	2. 8	20. 1	15. 2
Over 5 Years	60. 9	64. 0	53. 0	62. 6
TOTAL	**100. 0**	**100. 0**	**100. 0**	**100. 0**

The reduction in the ratio of short-term securities was due to a significant maturity of one-year Bank of Jamaica (BOJ) Certificates of Deposit, the proceeds of which were reinvested in 3 - 5-year tenor bonds to re-align the portfolio's distribution to maintain its liquidity target. **Table 14** shows the distribution of the investment securities portfolio for FY2017/18 in comparison with the three previous financial years.

Table 14: INVESTMENT SECURITIES PORTFOLIO DISTRIBUTION

INVESTMENT SECURITIES	FY2017/18	FY2016/17	FY2015/16	FY2014/15
	%	%	%	%
Fixed Rate Accreting Notes	40.4	44.1	52.2	61.5
Benchmark Investment Notes	20.5	4.7	4.0	10.2
GOJ Global Bonds	30.3	33.8	31.6	22.7
GOJ Local US$ Bonds	-	5.7	-	-
BOJ CDs	7.6	10.2	10.8	3.9
Interest Accrued	1.2	1.5	1.4	1.7
TOTAL	100.0	100.0	100.0	100.0

SUMMARY FINANCIAL PROJECTIONS FOR YEAR ENDING MARCH 31, 2019

DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME	YEAR ENDING MARCH 31, 2019 $'000
Total Income	2,666,202
Total Expenses	(467,186)
Surplus from Operations	2,199,016
Surplus from operations – Balance at Beginning of the Year	**18,472,952**
Deposit Insurance Fund – Balance at End of the Year	**20,671,968**

CASH AND CASH EQUIVALENTS	YEAR ENDING MARCH 31, 2019 $'000
Total Inflow	3,760,927
Total Outflow before Investments	(910,883)
Investments	(2,880,000)
Net Inflow	(29,956)
Balance at Beginning of the Year	**76,754**
Balance at End of the Year	**46,798**

DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION	MARCH 31, 2019 $'000
Property, Plant and Equipment	376,057
Investment Securities	20,511,903
Current Assets	238,558
Total Assets	**21,126,518**
Current Liabilities	19,878
Unearned Premium Income	-
Share Capital	1,000
Capital Reserves	101,600
Fair Value Reserves	332,072
Deposit Insurance Fund	**20,671,968**
Total Liabilities	**21,126,518**

MONITORING AND RISK ASSESSMENT

Monitoring and Risk Assessment (MRA) remained critical to the effective functioning of the Corporation in the execution of its mandate in FY2017/18. This core function spans three broad areas: Membership Administration; Policyholders' Risk Assessment; and Economic Analysis and Policy Research. The main activities for the reporting period included:

- Creating of stronger linkages with Member Institutions through its Membership Administration process and information sharing exchange, thus ensuring compliance with the Policy of Deposit Insurance;

- The monitoring and risk assessment of Member Institutions to determine any deterioration in the financial performance and the reviewing of the Corporation's risk assessment processes to ensure continued effectiveness and appropriateness of its methodology; and identify weaknesses in the financial performance of Member Institutions that could require a call on the Deposit Insurance Fund (DIF).

- Undertaking Economic Analyses and Policy Research in relation to the Corporation's role as a deposit insurer, monitor and research the developments in the local and global economies;

- Developing, reviewing and enhancing policies to ensure relevance and alignment with local and global regulatory trends in relation to the Corporation's role in maintaining financial systems stability;

- Participating in the Technical Working Group (TWG) of the legislated Financial Sector Stability Committee (FSSC), which was established by the Bank of Jamaica Amendment Act 2015. The FSSC conducted assessments in relation to financial system stability and made recommendation to the BOJ on macro-prudential tools; and

- Completing the proposal in the design of the deposit insurance features for the admission of the credit union sector to the DIS.

Consistent with the foregoing the Corporation conducted the following:

Survey of the Distribution of Insurable Deposits (SID)

The Corporation conducted its annual survey on the distribution of insurable deposits for Member Institutions existing in the DTIs' sector. Insurable deposits were estimated at $902.3 billion.

Review of the Coverage Limit

During the financial year, the Corporation conducted its periodic review of the Coverage Limit to determine adequacy in keeping with changes in the macroeconomy, Member Institutions and international best practice. Based on the review, the coverage limit of $600,000 was determined to be adequate, as it covers approximately 95.5 percent of deposit accounts within the banking system.

Deposit Insurance Fund (DIF) Adequacy Evaluation

In keeping with the Deposit Insurance Act, the Corporation conducted its annual evaluation of the DIF, to determine its adequacy, with regard to its liabilities and potential liabilities for the ensuing 12-month period, including operating and capital expenditure and expected losses for resolving a member institution. Based on the evaluation of the DIF it was determined to be adequate, as Member Institutions were assessed as not likely to present any risk to the DIF. Importantly, the projections undertaken showed that there would be no material change in the assessed risk of Member Institutions.[9]

[9] *As at December 31, 2017, all Member Institutions were assessed to be adequately capitalized and solvent.*

INTERVENTION AND RESOLUTION

Attendees at IADI CRC Bank Resolution Workshop and Simulation held in Montego Bay, Jamaica July 2017, hosted by the JDIC.

The legal framework underpinning JDIC's roles and functions in the resolution of non-viable financial institutions is derived from Section 5 of the DIA. The DIA, inter alia, provides the JDIC with the power to act as receiver, liquidator or judicial manager of any Policyholder, or of its holding company or subsidiary which becomes insolvent or appoint any person to act as such; and arrange for the restructuring of a Policyholder whether by merger with or acquisition by another financial institution. Integral to the Corporation's resolution functions is providing insured depositors with prompt access to their funds in the event a member institution fails.

An effective resolution regime allows financial institutions to be resolved without severe systemic disruption, while protecting vital economic functions, guarding against the use of public funds, maintaining confidence in the financial system and minimizing moral hazard[10]. Towards this objective and consistent with its mandate and powers, during the review period, JDIC continued to pursue several initiatives to enhance its operational capacity and state of readiness to deal with the resolution of financial institutions.

Special Resolution Regime (SRR)

Priority was placed on the FRC inter-agency initiatives to establish the proposed special resolution regime for DTIs and Non-DTIs[11]. The SRR will address certain gaps in the current framework and better align the framework with the FSB Key Attributes. The JDIC continued to play an integral role in the establishment of the SRR through its membership in the FRC technical working group and subcommittees.

The technical working group commenced the development of drafting instructions to prepare the SRR Bill for tabling in 2019 **(Refer Financial System Safety Net Inter Agency Activities).** A key aspect of this regime is ensuring that a robust framework is in place to support the ongoing preparatory work and development of specialized expertise to guarantee the timely and effective execution of the decided resolution strategy. This is reinforced by the need for the authorities involved in resolution to be prepared to act quickly and decisively given the potential implications of a crisis on the stability of the financial system and the wider economy. In this regard, JDIC continued to develop policies, procedures and systems to operationalize its resolution functions in the capacity as resolution administrator[12].

Other activities during the period included the comprehensive review of the Deposit Insurance Act to put forward the appropriate consequential amendments, to ensure the Corporation's mandate and powers are consistent with its expanded role and functions under the SRR. Consideration was also given to emerging

[10] *FSB KA*

[11] *This initiative is one of several key reforms under the GOJ's MEFP and the IMF Stand-By Arrangement to enhance the resilience and stability of the financial system.*

[12] *The FSB Methodology for banking sector states: "Administrator" includes receivers, trustees, conservators, liquidators or other officers appointed by a resolution authority or court, pursuant to a resolution regime, to manage and carry out the resolution of a bank. Under the DIA, JDIC is the competent authority to act as liquidator, receiver and judicial manager.*

IADI CRC Bank Resolution Workshop and Simulation Exercise L-R: representatives from the US Department of the Treasury's OTA, Terry Blagg, Vilma Rose Leon-York, Robert Schoppe and James Hambric; JDIC Officers Eloise Williams Dunkley, Antoinette McKain, Sherene Lewis Bailey and JDIC Board Members John Jackson and Myrtle Halsall.

international best practice standards, particularly, the FSB KAs and the *IADI Core Principles for Effective Deposit Insurance Systems.*

Capacity Building and Operational Readiness

JDIC also conducted ongoing initiatives geared towards building its institutional capacity and maintaining a state of operational readiness to deal with a crisis. These initiatives included: on-going research and collaborations with stakeholders to keep abreast of standards of best practice and international and domestic developments in financial systems; employing training and development strategies to build expertise in resolution /crisis management; and conducting contingency planning sessions and simulation exercises to expose staff to practical issues. Tests were also conducted on a regular basis to determine the effectiveness of its resolution policies, procedures and systems.

During the financial year, JDIC continued to benefit from the United States Department of the Treasury Office of Technical Assistance (OTA) programme geared towards developing its resolution capacity. The OTA contributed to the ongoing work to develop the SRR allowing for knowledge transfer and the development of expertise as well as facilitated training sessions for the officers of JDIC and other FRC stakeholders.

The OTA training was delivered in collaboration with the International Association of Deposit Insurers Caribbean Regional Committee under the theme *"Bank Resolution Workshop and Simulation Exercise"* and was hosted by the JDIC **(Refer International Relations).** The workshop and simulation exposed participants to the principles, practical operations and key roles in the execution of: bank closing activities; purchase and assumption transactions; and deposit insurance payouts. The knowledge transfer and hands on experience garnered by the JDIC officers allowed for the identification of potential gaps in JDIC's operational framework for resolution including the coordination and information sharing arrangements with other FRC members. These issues will be addressed in current or planned initiatives to enhance the operational framework.

Ensuring Prompt Reimbursement of Insured Deposits

JDIC continued its collaborations with Policyholders in relation to the phased implementation of standardized record keeping requirements i.e. *JDIC Recordkeeping Guidelines for all Policyholders* (the Guidelines). The Guidelines outline among other things the standardized minimum information that Policyholders are required to maintain and the data transmission procedures to facilitate the computation and prompt payment of insured deposits in a crisis. The compliance framework for JDIC to independently test on an ongoing basis the level of each Policyholder's adherence to the Guidelines is being developed concurrently with the work to build an automated payout management information software (PMIS).

The PMIS will automate the payout business process and facilitate: the computation of insured deposits; disbursements by one of several mechanisms; transfer of insured deposits to a viable Policyholder consequent to purchase and assumption transactions; payout reconciliations and claims for payments made to depositors on the assets of the failed Policyholder. The PMIS will also support the compliance framework and automate aspects of the business process to validate each Policyholder's adherence with the Guidelines.

Compliance testing pilot exercises and simulations will be undertaken with Policyholders upon completion of the activities to build the PMIS. Based on the findings of the pilot exercises and further consultations with Policyholders, JDIC will enhance the payout and compliance frameworks where necessary.

PUBLIC EDUCATION AND AWARENESS

Participants at JDIC's Public Forum held in Morant Bay, St Thomas on April 6, 2017.

Participants engaged in a group activity at Policyholder's Training held at Terra Nova Hotel July 17, 2017

At end of March 2018, Policyholders submitted their annual status updates and action plans to address gaps and bring their policies, procedures and management information systems in compliance with the Guidelines.

Strategic partnerships are critical to the effective delivery of a comprehensive and robust public education and financial literacy programme. In this regard, in FY2017/18, the Corporation commenced its public education initiatives with the hosting of a joint public forum in the parish of St Thomas. Participants included the Bank of Jamaica, the Financial Services Commission, the Jamaica Stock Exchange and the Consumer Affairs Commission, supported by the St Thomas Chamber of Commerce. Presentations included the benefits of deposit insurance; the code of conduct for financial institutions; understanding credit bureaus; the role and function of the Financial Services Commission and the Jamaica Stock Exchange; and consumer protection for financial services.

During the review period, the Corporation also made presentations on deposit insurance to the staff of private and public sector organisations. These presentations provided platforms for intimate dialogue and information sharing and a more fulsome understanding of deposit insurance protection and financial system regulation.

Policyholders role in providing and accurately disseminating deposit insurance information to their customers remained critical to the public education initiative; hence two training workshops were held for Policyholders located in six parishes. Further, to build consumer awareness of insured member institutions the Corporation continued its quarterly publication of Policyholders in the local and overseas newspapers.

Given the wide reach of advertising via radio and television, and consistent with its public awareness survey results, the JDIC continued to utilize this channel to spread its messages. Additionally, the Corporation continued to use its social media platforms (Facebook, Twitter, and Youtube). Notwithstanding, it has been recognized that for this media to have the desired impact more resources will have to be dedicated and concentrated in this area; a matter to be addressed in the upcoming financial year.

To supplement its schools' programme the Corporation commenced the process to develop a school book for primary school students. The book is expected to be completed in FY2018/19, for launch during the Corporation's 20th anniversary activities. Prior approval was received from the Ministry of Education, Youth and Information (MOEYI) to develop the book. Of note, the MOEYI is a member of the National Financial Literacy Working Group (under the National Financial Inclusion Strategy), which is expected to contribute to the book's review and finalization.

The public awareness survey which was commissioned by the Corporation to test the effectiveness of its public education programme was completed close to the end of the financial year. The survey results indicated that while 81.0 percent of the persons interviewed had heard about the JDIC, only 47.0 percent had knowledge of deposit insurance. Based on the findings and consistent with the FY2018/19 Corporate Plan, aspects of the public education programme will be revamped.

As the Corporation prepares for its 20th anniversary, an educational calendar was developed for 2018 with a focus on "protection, confidence, stability and safety". The calendar highlighted 'deposit insurance facts', as well as milestones over the years. A number of educational and promotional initiatives are planned for the Corporation's 20th anniversary, to include increased visibility through branding of public spaces; publication of a commemorative newspaper supplement; development of a corporate video; hosting of town hall meetings; and partnerships with Policyholders.

CORPORATE SOCIAL RESPONSIBILITY

National Labour Day 2017; JDIC team members along with members of staff of the Saint Margaret's Outreach Women's Centre.

The Corporation's Corporate Social Responsibility Policy was finalized during FY2017/18. In this vein the Corporation continued its internship and summer employment programmes for students from secondary and tertiary institutions, affording them the opportunity for mentorship, work experience and general workplace etiquette. The Corporation also continued to support other community initiatives through staff involvement in health and wellness activities. Team members also participated in the National Labour Day project selected by the Corporation.

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 collaboration and coordination among these agencies are conducted consistent with their respective mandates and membership in statutory and other inter-agency committees and technical working groups and seek to achieve the over arching objective of promoting financial system stability.

[13] The Financial Regulatory Council that was established in 2001 is now replaced as a statutory committee, i.e. the Financial Regulatory Committee.

The Financial Regulatory Committee

The Financial Regulatory Committee (FRC) was established in 2014[13] pursuant to the amendment to the BOJ Act, section 34BB. 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. In March 2018, FRC members signed a memorandum of understanding that seeks to operationalize the Committee's statutory obligations to facilitate information sharing, coordination and collaboration among the member agencies. This will include the exchange of information on their respective areas of operation in relation to the financial sector, proposed policy and regulatory changes, reports on the overall financial condition of regulated institutions and, in particular, material supervisory actions taken in respect of a regulated entity.

The Committee also has responsibility for the coordination and execution of crisis preparedness and management strategies. In this regard, the FRC continued to pursue several inter-agency activities to bolster the current framework and legal underpinnings for resolution and to also align with international best practice standards through the proposed establishment of a special resolution regime (SRR) for financial institutions.

Special Resolution Regime

The FRC has embarked on a comprehensive exercise to address gaps in legislation and other impediments to ensure that the resolution of financial institutions can take place in an orderly manner without severe systemic disruption and without exposing taxpayers to loss and providing protection to depositors and other financial system consumers[14]. Initiatives completed to date include:

- A comprehensive assessment of the gaps in the legal and operating framework for the resolution of financial institutions to align with the FSB Key Attributes and Jamaica's financial system infrastructure.
- Making of policy recommendations to establish a SRR to address gaps/ enhance the current framework;
- Issuing for stakeholder consultations the proposals to establish the SRR; and
- Making submission to Cabinet for approval to develop drafting instructions for the SRR Legislation, which was approved in October 2017.

A Technical Working Group (TWG) comprising officers of the FRC members agencies has been integrally involved in the completion of these activities. The FRC TWG has also been tasked with the development of drafting instructions for the SRR Bill to be tabled in Parliament in 2019[15]. Key elements of the proposed SRR legislation include:

- Designating the Bank of Jamaica as the resolution authority;
- Providing the resolution authority with a broad range of stabilization options and powers and the ability to exercise them administratively and without prior shareholder or creditor approval subject to safeguards, including powers to require continuity of critical shared services by non-regulated group entities;
- Strengthening the JDIC's existing powers/ role to act as resolution administrator i.e. receiver; liquidator and judicial manager of a Policyholder, its holding company or subsidiary.[16]
- Adopting powers to require FIs to take measures to improve resolvability;
- Introducing recovery and resolution planning requirements; and
- Developing special insolvency rules for non-viable financial institutions.

Financial System Stability Committee

The Bank of Jamaica Amendment Act, October 2015, established the Financial System Stability Committee (FSSC). The FSSC has the following responsibilities:

- Undertaking macro prudential assessments;
- Promoting the regular exchange of information and international cooperation in support of

[14] Protection to financial consumers will be to no less extent than they are covered under a protection scheme.
[15] The tabling of the SRR Bill is a structural benchmark under the 3-year precautionary Stand-by Arrangement with the IMF.
[16] Refer Deposit Insurance Act, section 5 (2) (c)

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.

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 or 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 FSSC is required by statute to meet once every quarter.

National Financial Inclusion Council

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 a National Financial Inclusion Strategy (NFIS) for Jamaica. The NFIS supports the Vision 2030 national development plan. The Council, which meets bi-annually, is chaired by the Minister of Finance and the Public Service. Other members of the Council are the Governor of the Bank of Jamaica; the Financial Secretary and the Financial Inclusion Steering Committee of which JDIC's CEO is a member. The Council and the Financial Inclusion Steering Committee (and related working groups) are supported by a Technical Secretariat. A stakeholder advisory group drawn from the industry and civil society provides guidance on the implementation of the action items in the financial inclusion strategy.

Four pillars were identified for the national financial inclusion strategy: Financial Access and Usage (electronic transaction instruments); Financial Resilience (savings, insurance and retirement products); Financing for Growth (MSME, agriculture and housing finance); and Responsible Finance (consumer protection and financial capability). As a member of the working group with responsibility for consumer protection and financial capability, during the year the Corporation continued to actively participate in the development of a national financial literacy programme. The national financial literacy programme is a key deliverable under the NFIS, which towards year end was well advanced and is to be put forward for approval in FY2018/19.

Consideration for the establishment of a Consumer Protection Agency (s) is also an element of the responsible finance pillar. With the assistance of the United States Department of the Treasury, OTA, consultation on the matter commenced with the issuing of a concept paper to stakeholders - Development of the DTI Consumer Protection Agency. Deliberations continue as to the optimal protection agency for consumers of financial products and services.

Financial Sector Assessment Programme

During the last quarter of FY2017/2018, the respective FSSN agencies participated in discussions to finalize the scope and schedule for Jamaica's upcoming financial sector assessment programme (FSAP) to be conducted jointly by the IMF and the World Bank. The FSAP will include "three key areas: (i) risks evaluation to financial stability; (ii) micro prudential and macro prudential oversight; and (iii) crisis management and the financial safety net. As a member of the FSSN, JDIC will play a key role in the activities related to the conduct of the FSAP. As at the end of the financial year, JDIC had substantially completed a comprehensive review and update of its self-assessment of compliance with the IADI Core Principles for Effective Deposit Insurance Systems in preparation for the FSAP.

INTERNATIONAL RELATIONS

Membership in the International Association of Deposit Insurers

The International Association of Deposit Insurers (IADI) since its establishment in 2002 has created awareness among supervisors and regulators of financial institutions. Consistent with its mandate the IADI seeks to: promote the role of deposit insurance systems in contributing to financial stability and provides guidance for establishing new and enhancing existing deposit insurance systems. Since inception, IADI has continually strived to share deposit insurance expertise with the world, and has become a recognized international standard setter and evaluator for deposit insurance systems. IADI's membership has grown from the 25 founding members to currently over 100 participants[17].

The Jamaica Deposit Insurance Corporation is a founding member of the IADI and actively contributes to and benefits from the work of the organization. The Corporation is a member of the IADI Caribbean Regional Committee[18]. The Regional Committee provides a voice to the common interests and issues affecting its members and serve as a forum for collaboration and sharing of technical expertise and information.

The Corporation is also actively involved in the work of the IADI Core Principles and Research Council Committee through its membership in four of its technical committees namely: Risk Management and Internal Control Systems of Deposit Insurance Systems; Differential Premiums Systems Research; Deposit Insurance Fund Target Ratio; and Resolution Issues for Financial Cooperatives (FCs). The work of the respective Committees supports JDIC's business strategies and current key initiatives being undertaken to strengthen the design of the DIS.

In April 2017, Officers of the Corporation participated in the IADI Second Americas Deposit Insurance Forum hosted by the Fundo Garantidor de Créditos (FGC), Brazil. JDIC's Chief Executive Officer, Antoinette McKain, gave an address at the Forum on behalf of the CRC. The CEO's key message focused on the increasing trends and use of technology to provide financial services (FinTech)[19]; the implications for deposit insurers; and the opportunity FinTech creates in promoting and expanding financial inclusion and increasing the potential for global competitiveness.

The Corporation also made a presentation on "Effective Resolution Regimes" with focus on international financial sector reforms since the global financial crisis; objectives and key elements of an effective resolution regime; and the key considerations for establishing a special resolution regime.

In October 2017, the CEO was also invited to make a presentation at the 16th IADI Conference and Annual General Meeting in Quebec City, Canada, hosted by the Autorité Des Marchés Financiers. The event was held under the theme "Deposit Insurance for All - Adopting the Core Principles to Different Structures, Mandates and Types of Institutions". Ms McKain, presented on the topic "Structures and Mandates of an Effective Deposit Insurance Scheme for Financial Cooperatives: Caribbean Perspective". The topic was timely and relevant as it provided an opportunity to share the JDIC's experience/considerations to date in determining the key elements for the design of the DIS for the pending admission of credit unions.

As part of the IADI's thrust to promote the sharing of expertise and information on deposit insurance through training, development and educational programmes, the JDIC initiated and successfully hosted the International Association of Deposit Insures (IADI) Caribbean Regional Committee (CRC) "Bank Resolution Workshop and Simulation Exercise" in Montego Bay, Jamaica. The sessions were presented by subject matter experts from the US Treasury Department - Office of Technical Assistance. The Workshop and Simulation Exercise was attended by forty-one participants representing Deposit Insurers, Bank Supervisors, and Officers from Ministry of Finance and Treasury Departments from approximately 12 jurisdictions. Officers of the JDIC and other financial safety net agencies in Jamaica were among the participants.

[17] *As of May 2018, the IADI's membership is comprised of 108 affiliated organizations'. This includes 84 Members, 10 Associates and 14 Partners. (Source: IADI website)*

[18] *IADI has eight Regional Committees and four Council Committees. Regional Committees have been created for Africa, Asia-Pacific, Caribbean, Eurasia, Europe, Latin America, Middle East & North Africa, and North America to reflect regional interests and common issues through the exchange of information and ideas. These committees hold events in their own regions at least annually.[16] Refer Deposit Insurance Act, section 5 (2) (c)*

[19] *Fintech is the new technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. The use of smart phones for mobile banking, investing services and cryptocurrency are examples of technologies aiming to make financial services more accessible to the general public. Financial technology companies consist of both start-ups and established financial and technology companies trying to replace or enhance the usage of financial services provided by existing financial companies.*

The Workshop and Simulation was designed to sensitize participants to the key operational activities, roles and responsibilities and collaboration among the respective authorities to resolve a bank using a purchase and assumption transaction. Participants were also provided with data and scenarios for a hypothetical failed bank and were required to conduct a least cost test to determine the most appropriate resolution option taking into consideration the valuation of assets to be acquired by the assuming bank and assets to be retained by the receiver/liquidator, bid premium and discount, and compute the insured deposit liabilities as well as role play the key positions of a bank receivership and resolution team.

Regional Capacity Building JDIC Hosts Officers from the Barbados Deposit Insurance Corporation

The JDIC hosted officers from the Barbados Deposit Insurance Corporation (BDIC) who participated in a work-study visit in March 2018. The purpose of the work study was to provide the BDIC with the opportunity to build on its existing competencies and to gather data to enhance its deposit insurance legal and operating framework. JDIC shared its practices as well as policy and technical considerations relating to the key design features and operations of its DIS. These included: public education and awareness programme; methodology into the determination of the adequacy of the DIF; framework for a deposit insurance target fund; scope and rules of coverage; and depositor reimbursement/payout policies, procedures and information systems.

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

The Corporation continued its collaboration with the CARICOM Secretariat and member countries to establish a Model Deposit Insurance Framework for the Caribbean Community through its chairmanship of the CARICOM Technical Working Group (TWG)[20]. The TWG is responsible for developing a Regional Policy on Deposit Insurance and the Drafting Instructions for The CARICOM Model Deposit Insurance Law. The Policy on Deposit Insurance sets out a regional approach for the improvement and introduction of deposit insurance systems and promotes the adoption of a harmonized deposit insurance framework for Member States. As at year end, the finalization of the draft Policy was advanced and is scheduled to be submitted to The CARICOM Council for Finance and Planning (COFAP) which is responsible for economic policy co-ordination, financial and monetary integration of Member States. Subsequent stakeholder consultations will be conducted by the Secretariat.

[20] *The Caribbean Community (CARICOM) is an organization of fifteen Caribbean nations and dependencies whose main objective is to promote economic integration and cooperation among its members, to ensure that the benefits of integration are equitably shared, and to coordinate foreign policy.*

MANAGEMENT OF STRATEGIC RESOURCES

HUMAN RESOURCE

The staff establishment for FY2017/18 was 37 and the Corporation started and ended the year with a staff complement of 21 and 24 persons, respectively. Recruitment continues to be a challenge and as a result, temporary engagements are utilised to assist in maintaining the operations.

During the review period, the Corporation embarked on an Organisation Review, Job Evaluation and Reclassification exercise to address staff retention, job competitiveness and satisfaction. At March 2018, the exercise was substantially completed and recommendations will be submitted to the Board of Directors in the first quarter of FY2018/19.

TRAINING AND DEVELOPMENT

The Corporation continued to facilitate the enhancement and development of employees' knowledge and expertise through various in-house and other training programmes. The objectives of the training and development activities continue to be the maintenance of a complement of highly trained and competent staff, capable of achieving the Corporation's objectives and meeting the targets provided for in the Corporate Plans. On-going training has contributed to building institutional capacity to effectively carry out the functions of the Corporation. Training courses and conferences included:

- Financial Stability Institute (FSI) Connect Online Courses which covers areas including deposit insurance; banking supervision; financial products, markets and infrastructure; as well as, risk management techniques used by financial institutions - The Bank for International Settlements
- Bank Closing Workshop and Simulation Exercise- United States Department of the Treasury OTA
- Introduction to Examination School and Financial Institution Analysis School- FDIC
- 2nd Americas Deposit Insurance Forum - Fundo Garantidor de Creditos (FGC), Brazil
- Regulatory and Financial Innovations – What do they mean for supervisors – Toronto Leadership Centre;
- IOSCO 42nd Annual Conference - Financial Services Commission
- JSE 13th Regional Investments & Capital Markets Conference 2018 – Jamaica Stock Exchange
- Enterprise Risk Management Workshop - PricewaterhouseCoopers
- Essential Elements of Public Sector Procurement – The International Procurement Institute (INPRI)
- Effective Corporate Governance – MIND
- Executive Leadership Training 2017 – UWI, Cave Hill, Barbados.

OCCUPATIONAL HEALTH AND SAFETY

The Corporation remained committed to promoting an environment of good occupational health and safety practices. This was done through the refurbishing of the fire safety escapes to meet international best practice standards, participation in ongoing health and wellness programme. Additionally, the necessary annual certification was obtained from the Jamaica Fire Brigade.

INFORMATION AND COMMUNICATION TECHNOLOGY

Information and Communication Technology (ICT) is strategic and critical to the operations of the Corporation and in the achievement of a significant number of its targets. During FY2017/18, the Corporation focused on improving the ICT infrastructure, project implementation and enhancing staff knowledge and skills in ICT related matters. The Corporation commissioned a comprehensive independent ICT security audit and during the year focused on the implementation of the audit recommendations.

The ICT infrastructure was also upgraded to improve business processes and disaster recovery preparedness. This included the upgrade of a network monitoring system to constantly monitor the computer network for slow or failing components and notify the network administrator via email, in case of outages and other problems.

SUMMARY PERFORMANCE SCORECARD

	BUSINESS STRATEGIES KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
1.	**PROACTIVE READINESS AND RESOLUTION MANAGEMENT**		
1.1	**Develop Compliance Framework for Standard Record-Keeping Guidelines for Policyholders**	On track	Conduct pilot testing 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, 2017 and the Proposed Special Resolution Regime (SRR) for Financial Institutions legislation)	On track	Continue to research and analyse Credit Union operations relating to intervention and resolution processes, to align with the proposed establishment of the Special Resolution Regime (SRR) for Financial Institutions.
1.3	**Participate in Multiagency (FSSN partners) Financial Crisis Contingency Planning and Simulation Exercise**	On track	Deferred to FY2018/2019. FRC to schedule and conduct simulation. ((FRC technical working group held preliminary discussions in FY 2017/ 2018 with the World Bank Crisis Simulation Team to facilitate the simulation).
1.4	**Collaborate with the FRC to Enhance the Resolution Framework for Financial Institutions in Jamaica through the Proposed Implementation of a Special Resolution Regime (SRR)**	On track	Public consultations completed. Finalize drafting instructions for the SRR for submission to the MOFPS and the CPC and thereafter for tabling of SRR Bill.
1.5	**Admission of Credit Unions to the Deposit Insurance Scheme** (Contingent on the promulgation of the Credit Unions (Special Provisions) Act).	On track	Continue research activities and stakeholder consultations to finalize and implement the design features of the DIS for the Credit Union sector.
1.6	**Update the Departmental Policies and Procedures to include the Monitoring and Risk Assessment of Credit Unions**	On track	Continue to research and develop an appropriate monitoring and risk assessment framework for Credit Unions.
1.7	**Implement Policyholders' Risk Assessment Application (PRAA)**	On track	Continue research/obtain demo for appropriate risk assessment software; also continue discussions with the BOJ to explore the feasibility of shared ICT Services to support the business requirements of the Policyholders' Risk Assessment Application.
1.8	**Conduct Deposit Insurance Fund (DIF) Adequacy Evaluation**	On track	-

ON TRACK DELAYED NO EXPECTATIONS

2.	**STRONG PARTNERSHIPS**		
2.1	**Participate in Activities to Draft a National Financial Crisis Management Communication Plan**	●	Finalize Draft Plan and submit to FRC for sign off and implementation.
2.2	**Participate in the Financial Sector Assessment Programme (FSAP)**	●	Continue to facilitate the independent assessment of the JDIC's level of compliance with the IADI Core Principles for Effective Deposit Insurance System by IMF's deposit insurance subject matter expert and participate in the other assessment activities scheduled by the FSAP Team and the FRC. The completion/ submission of the Financial System Stability Assessment Report is scheduled for Q3 FY 2018/2019.
2.3	**International Collaboration – Host IADI CRC Regional Bank Closing Training and Simulation Workshop**	●	-
2.4	**Participate in Activities to Establish a CARICOM Deposit Insurance Framework** (Initiative led by CARICOM Secretariat)	●	In collaboration with the CARICOM Secretariat, continue to conduct research and finalize the proposed "Caribbean Community Policy on Deposit Insurance (Policy)" and the "Drafting Instructions for a Deposit Insurance Model Law". The documents are to be circulated for public consultations and submitted to the CARICOM Secretariat Council for Finance and Planning (COFAP) for approval.
3	**BUILDING SUSTAINABLE HUMAN RESOURCE CAPACITY**		
3.1	**Conduct Organisational Modelling and Review, Job Evaluation and Reclassification**	●	Finalize Organisational Review, Job Evaluation and Reclassification Report and submit to the JDIC Board for review/approval and thereafter the MOFPS for final approval.
3.2	**Strengthen the Human Resource Policies, Guidelines and Procedures Framework**	●	Complete the review/update of the Human Resource Policies, Guidelines and Procedures Framework.
3.3	**Implement JDIC Staff Pension Arrangement**	●	Finalize implementation of Staff Pension Plan.
4.	**STRENGTHENING OPERATIONAL EFFICIENCY**		
4.1	**Implement the Payout Management Information System (PMIS)**	●	Complete development and implementation of the PMIS.
4.2	**Review the Scope of Coverage and the Coverage Limit**	●	-

	STRENGTHENING OPERATIONAL EFFICIENCY		
4.3	**Review and Maintain the Funding Plan for Contingency Purposes**		Finalize manual RIM implementaion activities and automate the RIM.
4.4	**Implement Records and Information Management (RIM) Programme**		Finalize manual RIM implementaion activities and automate the RIM.
4.5	**Audit ICT Security Policy Programme**		-
4.6	**Develop Enterprise Risk Management (ERM) Framework**		Finalization ERM Framework/ Policy and obtain Board approval for implementation.
5.	**PUBLIC EDUCATION AND AWARENESS**		
5.1	**Activate Public Education Programme for Admission of Credit Unions to the DIS** *(Contingent on the promulgation of the Credit Union (Special Provisions) Act and BOJ admission timetable for Credit Unions)*		Implement programme on the admission of Credit Unions to the DIS.
5.2	**Develop School Book on 'Financial Systems' for Primary Schools**		Finalize development of the school book in FY2018/19.
5.3	**Produce Corporate Video**		Complete project in FY2018/19 as part of Corporation's 20th Anniversary activities.
5.4	**Host Stakeholders' Forum (Joint, Trust and Nominee Accounts)**		Conduct sensitization sessions for Policyholders and other stakeholder groups.
5.5	**Conduct National Survey to Evaluate the Public Education and Awareness Programme**		Revamp aspects public education programme consistent with the Survey findings and recommendations.

ON TRACK DELAYED NO EXPECTATIONS

APPENDIX1

Annual Prudential Indicators of Commercial Banks, Merchant Banks and Building Societies Published Pursuant to Section 64(F) of the Banking Services Act 31-Dec-17

	COMMERCIAL BANKS			MERCHANT BANKS			BUILDING SOCIETIES			SYSTEM TOTAL (AGGREGATION OF ALL 3 SECTORS)		
	Dec-17	Dec-16	Dec-15	Dec-17	Dec-16	Dec-15	Dec-17	Dec-16	Dec-15	Dec-17	Dec-16	Dec-15
Number of institutions in operation	8	6	6	1	2	2	2	3	3	11	11	11
J$MN												
[1]Total Assets (incl. contingent accounts)	1,351,150	1,061,288	918,409	2,029	37,852	30,375	135,376	278,737	246,803	1,488,555	1,377,877	1,195,587
[2]Total Assets (excl. contingent accounts)	1,327,163	1,040,497	898,401	1,992	37,654	30,306	135,376	278,734	246,800	1,464,531	1,356,885	1,175,507
Cash & Bank Balances	284,631	208,691	176,398	431	4,694	3,081	4,442	15,369	17,165	289,504	228,754	196,644
Investments [incl. Securities Purch.] (net of prov.)	327,259	268,902	239,226	435	14,114	13,623	49,264	116,364	97,011	376,958	399,380	349,860
Total Loans (gross)	614,903	495,384	413,770	1,015	18,113	12,690	73,284	129,660	117,199	689,202	643,157	543,659
Total Loans (net of IFRS prov.) [a]	605,104	487,400	404,848	1,015	18,040	12,639	72,863	128,428	116,008	678,982	633,868	533,495
Total Deposits	893,018	667,492	587,451	1,626	20,554	16,076	86,316	189,867	168,023	980,960	877,913	771,550
Borrowings (incl. repos)	174,006	174,461	127,651	0	8,506	7,189	19,223	37,625	31,377	193,229	220,592	166,217
Non-Performing Loans [NPLs] (3 mths & >)	15,524	13,508	16,835	0	142	114	2,412	4,757	5,192	17,936	18,407	22,141
Provision for Loan Losses	19,475	17,185	19,058	4	281	204	2,279	4,161	4,286	21,758	21,627	23,548
[3] Capital Base	138,289	109,435	93,983	312	5,817	5,246	18,383	29,974	29,788	156,984	145,226	129,017
Contingent Accts [Accept., LC's & Guarantees]	23,987	20,791	20,008	37	198	69	0	3	3	24,024	20,992	20,080
Funds Under Management	440	424	387	0	0	0	0	0	0	440	424	387
Repos on behalf of or for on-trading to clients	0	n/a	n/a	0	n/a	n/a	0	n/a	n/a	n/a	n/a	n/a

Rate of Asset [1] Growth	27.3%	15.6%	10.7%	-94.6%	24.6%	-2.0%	-51.4%	12.9%	7.2%	8.0%	15.2%	9.6%
Rate of Deposit Growth	33.8%	13.6%	12.2%	-92.1%	27.9%	15.4%	-54.5%	13.0%	10.4%	11.7%	13.8%	11.8%
Rate of Loans Growth (gross)	24.1%	19.7%	8.6%	-94.4%	42.7%	37.1%	-43.5%	10.6%	9.4%	7.2%	18.3%	9.3%
Rate of Capital Base Growth	26.4%	16.4%	11.0%	-94.6%	10.9%	11.8%	-38.7%	0.6%	2.7%	8.1%	12.6%	9.0%
Rate of NPLs (3 Mths &>) Growth	14.9%	-19.8%	-12.8%	-100.0%	24.6%	21.3%	-49.3%	-8.4%	-8.3%	-2.6%	-16.9%	-11.6%
Investments :Total Assets [1]	24.2%	25.3%	26.0%	21.4%	37.3%	44.8%	36.4%	41.7%	39.3%	25.3%	29.0%	29.3%
Loans (net of prov.):Total Assets [1]	44.8%	45.9%	44.1%	50.0%	47.7%	41.6%	53.8%	46.1%	47.0%	45.6%	46.0%	44.6%
Fixed Assets:Total Assets [1]	2.2%	1.9%	2.0%	0.1%	0.6%	0.8%	1.4%	2.0%	2.1%	2.2%	1.9%	2.0%
Loans (gross) : Deposits	68.9%	74.2%	70.4%	62.4%	88.1%	78.9%	84.9%	68.3%	69.8%	70.3%	73.3%	70.5%
Liquidity												
Average Domestic Currency Cash Reserve: Average Prescribed Liabilities [4]	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	1.0%	1.0%	1.0%	10.9%	9.5%	9.5%
Average Domestic Currency Liquid Assets: Average Domestic Prescribed Liabilities [4]	33.8%	30.0%	30.6%	32.7%	29.2%	26.8%	10.0%	18.3%	12.7%	31.5%	27.4%	26.5%
Asset Quality												
Prov. For Loan Losses:Total Loans (gross)	3.2%	3.5%	4.6%	0.4%	1.6%	1.6%	3.1%	3.2%	3.7%	3.2%	3.4%	4.3%
Prov. For Loan Losses: NPLs (3 Mths &>)	125.5%	127.2%	113.2%	0.0%	197.9%	178.9%	94.5%	87.5%	82.6%	121.3%	117.5%	106.4%
NPLs (3 Mths &>):Total Loans (gross)	2.5%	2.7%	4.1%	0.0%	0.8%	0.9%	3.3%	3.7%	4.4%	2.6%	2.9%	4.1%
NPLs (3 Mths &>): (Total Assets [1] + IFRS Provision for losses)	1.1%	1.3%	1.8%	0.0%	0.4%	0.4%	1.8%	1.7%	2.1%	1.2%	1.3%	1.8%
Capital Adequacy												
Deposits + Borrowings: Capital (:1)	7.7	7.7	7.6	5.3	5.0	4.5	5.8	7.6	6.7	7.5	7.6	7.3
Capital Base:Total Assets [1]	10.2%	10.3%	10.2%	15.4%	15.4%	17.3%	13.6%	10.8%	12.1%	10.5%	10.5%	10.8%
[5] Capital Adequacy Ratio [CAR]	14.7%	14.1%	13.5%	27.6%	16.5%	19.5%	22.1%	17.1%	21.3%	15.3%	14.7%	14.9%
NPLs (3 mths &>):Capital Base+Prov for loan losses	9.8%	10.7%	14.9%	0.0%	2.3%	2.1%	11.7%	13.9%	15.2%	10.0%	11.0%	14.5%

Profitability												
[6] Pre - tax Profit Margin (for the Calendar Quarter)	20.2%	26.9%	16.6%	-61.7%	30.7%	13.7%	67.9%	10.4%	13.8%	23.3%	24.6%	16.0%
Pre - tax Profit Margin (for the Calendar Year)	24.3%	29.0%	20.6%	17.8%	23.7%	13.5%	34.7%	15.4%	17.0%	24.9%	26.8%	19.8%
Return on Assets (for the Calendar Quarter)	0.5%	0.8%	0.5%	-1.3%	0.9%	0.3%	1.3%	0.2%	0.3%	0.6%	0.7%	0.4%
Return on Assets (for the Calendar Year)	2.9%	3.4%	2.2%	2.1%	2.6%	1.3%	1.7%	1.2%	1.4%	2.7%	2.9%	2.0%
[7] Income Assets/Expense Liabilities (at 31 December)	111.5%	105.7%	105.3%	115.6 %	119.6%	120.0%	117.3%	108.3%	109.8%	112.0%	106.6%	106.6%

Notes:

n/a not applicable

- Based on unaudited data submitted to BOJ by supervised institutions up to 23 March 2018. Prior years indicators may have revisions arising from amendments.

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

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

i) provision for losses computed in accordance with IFRS; and

ii) any incremental provisioning necessary under prudential loss provisioning requirements (treated as an appropriation from net profits).

Consequently, "Total Loans (net of prov.)" represents gross loans net of IFRS loan loss provisions per (i) above.

[b] The Supervisory Committee approved the granting of a commercial banking licence to JN Bank Limited (formerly Jamaica National Building Society) with effect from 1 February 2017. Simultaneously, the building society banking licence previously issued to Jamaica National Building Society under the Bank of Jamaica (Building Soceties) Regulations 1995 was surrendered.

- The Supervisory Committee approved the granting of a commercial banking licence to JMMB Bank Limited (formerly JMMB Merchant Bank Limited) with effect from 14 August 2017. Simultaneously, the merchant banking licence previously issued to JMMB Merchant Bank Limited under the Financial Institutions Act was surrendered.

- FIA Licensees are now referred to as merchant banks in accordance with Section 2 (1) of the Banking Services Act which came into effect 30 September 2015.
- Under transitional arrangements, the computation of regulatory capital base and related indicators continue to be computed in accordance with prior legislation.

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

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

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

- Building Societies: (Permanent Capital Fund + Deferred Shares + Capital Shares + Reserve Fund + Retained Earnings Reserve Fund) less impairment by net losses of individual society.

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

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

[6] Pre-tax Profits include extraordinary income/expenditure and adjustments for prior periods.

- Return on Average Assets is computed using pre-tax profits as well as assets before provision for losses (in accordance with IFRS) and including contingent accounts (Acceptances, Guarantees and Letters of Credit).

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

	COMMERCIAL BANK			MERCHANT BANK			BUILDING SOCIETIES		
	Dec-17	Dec-16	Dec-15	Dec-17	Dec-16	15	Dec-17	Dec-16	Dec-15
Required Cash Reserve Ratio	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%	1% / 12%	1% /12%	1% / 12%
Required Liquid Assets Ratio (incl Cash Reserve)	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	5% / 26%	5% /26%	5% / 26%

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

APPENDIX 2

GOVERNANCE FRAMEWORK: KEY ELEMENTS OF AN EFFECTIVE RESOLUTION REGIME FOR FINANCIAL INSTITUTIONS

Introduction

The objective of an effective resolution regime is to make feasible the resolution of financial institutions in an orderly manner without severe systemic disruption and exposing taxpayers to loss, while maintaining continuity of vital economic functions. In order to achieve this objective the relevant authorities should be provided with a broad range of powers and options to resolve a financial institution that is no longer viable and has no reasonable prospect of becoming so[21].

Since the global financial crisis, international standard setting bodies have been introducing several regulatory reforms to enhance the resilience and stability of financial systems with particular focus on crisis management and resolution. These reforms are to ensure that the public policy objectives are achieved such as protecting depositors / investors and maintaining financial system confidence and stability. Financial systems safety net partners, namely the supervisors/regulators, deposit insurers, resolution authorities and finance ministries in respective jurisdictions have implemented or are in the process of implementing these reforms. A key underlying factor towards ensuring the successful implementation and operationalizing of an effective resolution regime is having in place the appropriate governance framework.

This article highlights the principles of sound governance that can be used to guide the authorities/regulators implementation of a credible resolution regime for financial institutions. These principles are informed by the recommendations of three international standard setting bodies: the International Association of Deposit Insurers (IADI)[22], Financial Stability Board (FSB)[23], and the Organization of Economic Cooperation and Development (OECD)[24] as depicted in **Figure 1.**

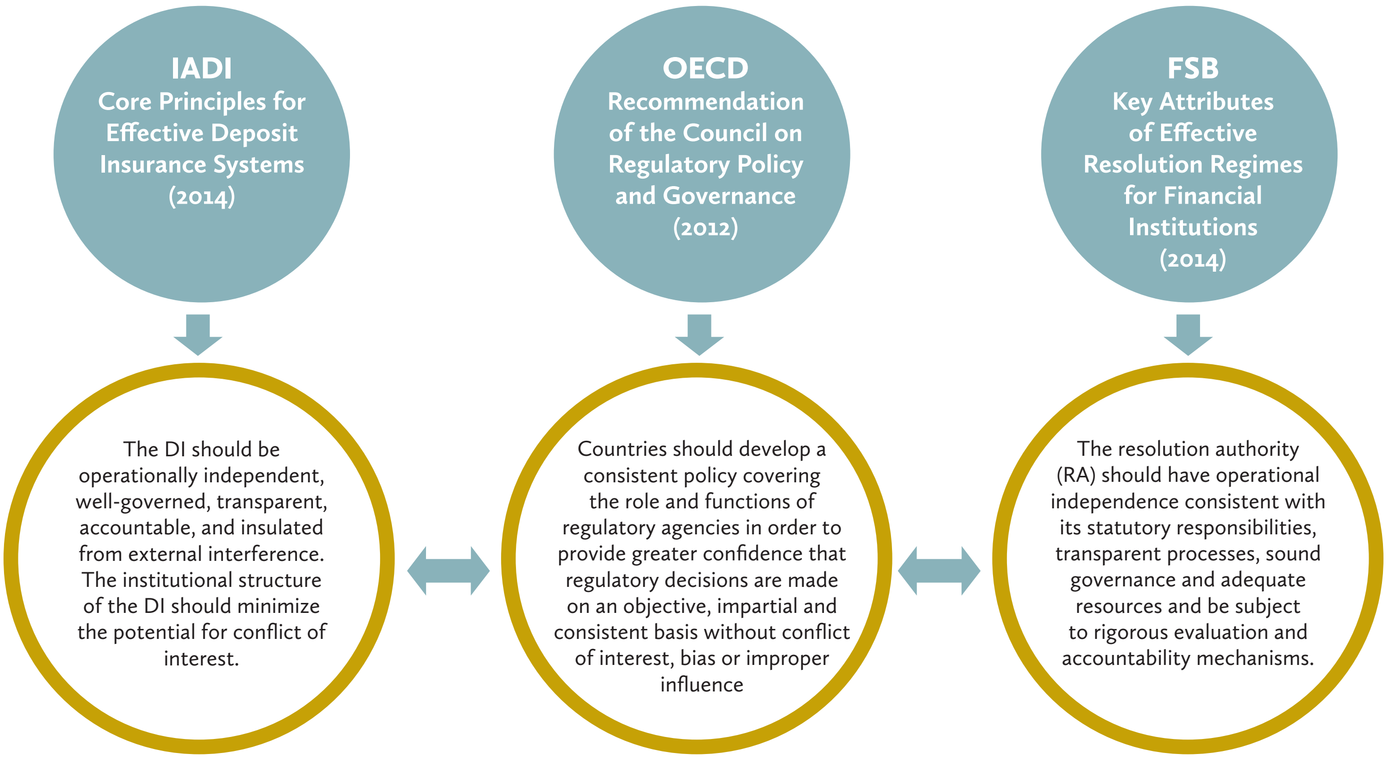
[21] *Financial Stability Board Key Attributes of Effective Resolution Regimes for Financial Institutions, 2014.*

[22] *The International Association of Deposit Insurers (IADI) and the Basel Committee on Banking Supervision (BCBS) issued the Core Principles for Effective Deposit Insurance Systems jointly, in 2009. They have since been updated and republished by IADI. These core principles are used by jurisdictions as a benchmark for assessing the quality of their deposit insurance systems.*

[23] *The Financial Stability Board (FSB) was mandated by the G20 leaders with developing robust alternatives to publicly-funded resolution of FIs. In light of this, the FSB recommends that each jurisdiction establish a special resolution regime(SRR).*

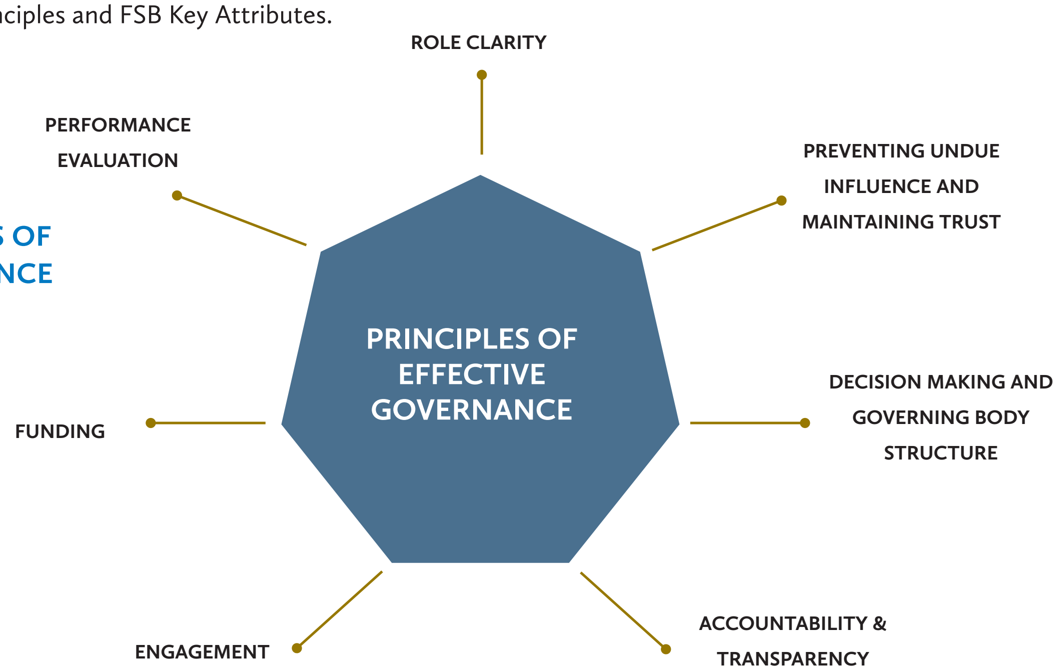
[24] *The OECD has established itself as a key source of international principles for good regulatory practices. The Principles are intended to help policy makers evaluate and improve the legal, regulatory, and institutional framework for corporate governance, with a view to support economic efficiency, sustainable growth and financial stability.*

FIGURE 1: INTERNATIONAL STANDARD SETTING BODIES



The principles relating to governance are consistent among the standard setting bodies. The OECD recommendations on regulatory policy and governance can be viewed as the philosophical principles and reinforces the recommendations made by the IADI Core Principles and FSB Key Attributes.

FIGURE 2: PRINCIPLES OF EFFECTIVE GOVERNANCE



Principles of an Effective Governance Framework

The OECD identifies seven key principles of effective governance structures for regulators, as shown in **Figure 2** below. Incorporating these key principles in the design of a jurisdiction's resolution regime will serve to improve the authorities/ regulators capacity to resolve financial institutions in an orderly manner and contribute to financial system confidence and stability.

ADOPTING THE PRINCIPLES TO ESTABLISH AN EFFECTIVE RESOLUTION REGIME FOR FINANCIAL INSTITUTIONS

Role Clarity:

Where there are multiple resolution authorities within a jurisdiction, their respective mandates, roles and responsibilities should be clearly defined and coordinated. The resolution regime must identify a lead authority that coordinates the resolution activities. The institutional arrangements/roles must be clear to allow for effective coordination and sharing of information among relevant authorities to achieve the desired outcomes of the resolution regime.

While structural separation of conflicting functions is generally ideal, if this is not possible, attention should be given to the separation of functional teams with these potentially conflicting roles. Their reporting lines and oversight or review of their activities should also be clearly defined.

Specifically, the supervisory and resolution functions should be separate to avoid actual or perceived conflict of interest. This will allow for clear operationally independent mandates and better alignment of decisions and actions of the authorities. However, there must be collaboration in the execution of functions.

Preventing Undue Influence and Maintaining Trust: It is important that the decisions and functions regarding the resolution of financial institutions are conducted with the utmost integrity to ensure that there is confidence in the resolution regime. This is even more important for ensuring the rule of law, encouraging investment and having an enabling environment to foster growth built on trust. There should be certainty with regard to the authorities/regulators actions. Activities should be objective, impartial, consistent and expert. Risks of conflict, bias or improper influence should also be avoided.

Decision Making and Governing Body Structure: There should be clear standards and appropriate indicators/thresholds of non-viability to guide decisions on whether a financial institution meets the conditions for entry into resolution, determining and executing the appropriate resolution options. The resolution authority ultimately responsible for these actions should have at their disposal a broad range of powers and options to resolve a firm that is determined to be no longer viable.
The authorities/regulators should have in place a governance structure that ensures: their effective functioning; preserve integrity; and deliver the objectives of their respective mandates and the resolution regime.

Accountability and Transparency: The objectives of an effective resolution regime are to: promote financial stability; ensure the continuity of systemically important financial services; protect depositors, insurance policyholders and investors[25]; and avoid the use of public funds. The authorities have a statutory responsibility to ensure these objectives are met particularly given that the exercise of their resolution powers and decisions will impact shareholders, creditors, depositors, insurance policyholders and investors of financial institutions and the general public[26]. Authorities/regulators should therefore operate in a transparent and responsible manner, and have in place appropriate accountability, internal controls and disclosure regimes. There should also be the proper use of resources to achieve their functions.

Engagement: One of the objectives of good regulatory governance is to enhance stakeholder confidence in regulators/authorities decisions and actions. This can be achieved by ensuring the regulators/authorities have in place mechanisms for ongoing engagement and consultations with the financial institutions within the scope of the resolution regime and other stakeholders, as well as among authorities.

Jurisdictions should ensure that there are no legal, regulatory or policy impediments in place that might hinder the appropriate exchange of information, including firm-specific information, between domestic and foreign supervisory authorities, central banks, resolution authorities, deposit insurers or other public authorities responsible for guarantee schemes and finance ministries.

Funding: The amount and source of funding for authorities/regulators will determine the effectiveness of their organisation and operations. Importantly, the amount and source of funding should not influence decisions. Clarity about sources and level of funding is necessary to protect the independence and objectivity of the authorities/regulators. Transparency about the basis

[25] Such protection is to be consistent with the relevant protection schemes and arrangements.

[26] Authorities actions may also impact financial stability in other jurisdictions.

of funding can also enhance confidence that the authorities/regulators are efficient as well as effective.

The resolution authorities should have access to adequate resources to fund day to day operations and implement decided resolution options. Jurisdictions should have statutory and other policies in place identifying the sources of funding for financial institutions in resolution and should not be constrained to rely on public funds. Where the temporary use of public funds is deemed necessary sufficient provisions should be in place to recover any losses incurred by the state.

Performance Evaluation: Authorities/Regulators should be kept aware of the impact of their actions and decisions. This awareness will help to drive improvements and enhance systems and processes internally. Good regulatory performance may include adopting innovative regulatory approaches, making proactive efforts to reduce the regulatory burden and effective use of risk-based regulation. The resolution authority should be subject to rigorous evaluation and accountability mechanisms to assess the effectiveness of any resolution measures.

Conclusion

An effective resolution regime requires more than the resolution authorities having at their disposal a broad range of resolution powers and tools and well-designed regulations and rules. The effectiveness of the regime also depends on the governance framework and practices that are in place. How a resolution regime is established, directed, controlled, resourced, held to account and the institutional arrangements and clarity of roles are important elements that authorities must also take into consideration.

Sound governance of agencies comprising the financial safety net and involved in the resolution of non-viable financial institutions should be in place to strengthen the financial system's architecture and contribute to confidence and stability. It is also important to note, that although strengthening governance can contribute to improved resolution outcomes, governance arrangements require careful consideration to ensure they promote, rather than hinder, the efficient achievement of public policy objectives, while maintaining financial system stability and confidence.

References

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OECD. (2012). OECD Best Practice Principles. Organization for Economic Co-operation and Development.

BOARD OF DIRECTORS AND SENIOR EXECUTIVES COMPENSATION

Position of Board of Director	Fees ($)	Motor Vehicle Upkeep/Travelling Or Value of Assignment of Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
Chairman	92,500	-	-	-	92,500
Director 1	44,000	-	-	-	44,000
Director 2	55,000	-	-	-	55,000
Director 3	49,550	-	-	-	49,550
Director 4	64,250	-	-	-	64,250
Director 5	22,000	-	-	-	22,000
Director 6 (CEO)	-	-	-	-	-
TOTAL	327,300				327,300

Position of Senior Executive	Salary ($)	Gratuity (In Lieu Of Pension) ($)	Travelling Allowance Or Value Of Assignment Of Motor Vehicle ($)	Other Allowances/ Benefits ($)	Non-Cash Benefits ($)	Total ($)
Chief Executive Officer	9,323,953	2,247,734	2,745,684	2,557,419	-	16,874,790
Director, Finance, Funds and Asset Management	5,073,950	1,553,253	1,341,624	1,960,516	-	9,929,343
General Counsel/Corporate Secretary (Acting)	4,021,962	993,520	1,341,624	848,877	-	7,205,983
Director, Intervention Resolutions and International Relations	5,073,950	1,268,488	1,341,624	423,721	-	8,107,783
Director, Monitoring and Risk Assessment	4,498,369	1,122,655	1,341,624	377,908	-	7,340,556
TOTAL	**27,992,184**	**7,185,650**	**8,112,180**	**6,168,441**	-	**49,458,455**

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

AUDITED FINANCIAL STATEMENTS

FY2017/2018

CONTENTS **PAGES**

KPMG

KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922-6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jamaica Deposit Insurance Corporation ("the Corporation"), set out on pages 77 to 106, which comprise the Deposit Insurance Fund statement of financial position as at March 31, 2018, 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, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Deposit Insurance Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

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

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

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

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

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

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

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

Report on additional matters as required by the Deposit Insurance Act

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

KPMG

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

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

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

KPMG

Chartered Accountants
Kingston, Jamaica
July 27, 2018

DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION

March 31, 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Cash and cash equivalents		313,528	1,075,895
Investment securities	4	18,825,977	17,089,446
Trade and other receivables	5	34,338	146,384
Property, plant and equipment	6	189,405	178,501
TOTAL ASSETS		19,363,248	18,490,226
LIABILITIES AND EQUITY			
LIABILITIES			
Unearned premium income	7	100,921	1,239,559
Trade and other payables		57,505	228,997
		158,426	1,468,556
EQUITY, RESERVES AND FUND			
Share capital	8	1,000	1,000
Capital reserves	9	101,601	101,601
Fair value reserves	10	258,215	376,845
Deposit insurance fund	11	18,844,006	16,542,224
		19,204,822	17,021,670
TOTAL LIABILITIES AND EQUITY, RESERVES AND FUND		19,363,248	18,490,226

The financial statements on pages 77 -106 were approved for issue by the Board of Directors on July 27, 2018 and signed on its behalf by:

_______________________ Chairman
John Jackson

_______________________ Chief Executive Officer
Antoinette McKain

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

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

Year ended March 31, 2018

	Notes	2018 $'000	2017 $'000
Income:			
Insurance premiums	2(i)	1,239,559	1,076,597
Interest earned	2(i)	1,200,508	1,208,858
Foreign exchange (loss)/gain		(147,149)	250,195
Other income		9,381	18,559
Gain on disposal of investment		243,945	-
		2,546,244	2,554,209
Expenses:			
Administration expenses	12	(244,462)	(212,111)
Surplus from operations		2,301,782	2,342,098
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Charge in fair value gain on available-for-sale investments		125,315	69,060
Fair value gain on available-for-sale investments realised		(243,945)	-
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land, building and freehold improvement		-	29,065
Other comprehensive income		(118,630)	98,125
Total comprehensive income		2,183,152	2,440,223

The accompanying notes from an intergral part of the financial statements

DEPOSIT INSURANCE FUND STATEMENT OF CHANGES IN EQUITY, RESERVES AND FUNDS

Year ended March 31, 2018

	Share Capital $'000 (Note 8)	Capital reserve $'000 (Note 9)	Fair value reserves $'000 (Note 10)	Deposit insurance fund $'000 (Note 11)	Total $'000
Balances at March 31, 2016	1,000	72,536	307,785	14,200,126	14,581,447
Surplus from operations	-	-	-	2,342,098	2,342,098
Fair value gain on available-for-sale investments	-	-	69,060	-	69,060
Surplus on revaluation of land, building and freehold improvement	-	29,065	-	-	29,065
Total comprehensive income	-	29,065	69,060	2,342,098	2,440,223
Balances at March 31, 2017	1,000	101,601	376,845	16,542,224	17,021,670
Surplus from operations	-	-	-	2,301,782	2,301,782
Fair value loss 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

The accompanying notes from an intergral part of the financial statements

DEPOSIT INSURANCE FUND STATEMENT OF CASH FLOW

Year ended March 31, 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities:			
Surplus for the year		2,301,782	2,342,098
Adjustments for:			
Depreciation	6	6,619	5,432
Interest income		(1,200,508)	(1,208,858)
Unearned premium income		(1,138,638)	499,298
Foreign exchange gain/(loss)		147,149	(250,195)
Gain on disposal of investment		(243,945)	-
Operating profit before changes in working capital		(127,541)	1,387,775
Changes in:			
Trade and other receivables		112,046	141,038
Trade and other payables		(171,492)	210,038
		(59,446)	351,076
Net cash (used)/provided by operations		(186,987)	1,738,851
CASH FLOWS FROM INVESTING ACTIVITIES:			
Addition to property, plant & equipment	6	(17,523)	(44,146)
Investment securities, net		(1,785,561)	(2,617,388)
Interest received		1,227,704	1,158,365
Cash used in investing activities		(575,380)	(1,503,169)
(Decrease)/Increase in cash balance at end of year		(762,367)	235,682
Cash balance at the beginning of the year		1,075,895	840,213
Cash balance at the end of the year		313,528	1,075,895

The accompanying notes from an intergral 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 11(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 and Significant Accounting Policies

(a) Statement of compliance:

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

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

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

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

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

- The Corporation is required to adopt IFRS 9*, Financial Instruments,* from April 1, 2019. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement.* It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets and a new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

(a) Statement of compliance (continued):

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

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost. Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

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

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

- IFRS 16, Leases, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for leases, 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. Entities 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.

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

(a) Statement of compliance (continued):

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

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

Early adoption is permitted if IFRS 15, Revenue from Contracts with Customers is also adopted.

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

  An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

  The interpretation clarifies that the transaction date is the date on which the Corporation initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

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

(b) Basis of preparation and functional currency

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

(c) Accounting estimates and judgements

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

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

(c) Accounting estimates and judgements (continued)

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

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

(i) Allowance for impairment losses on receivables

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

(ii) Held-to-maturity investments

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

(iii) Provision for losses

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

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

As described in Note 16, where the fair values of financial assets recorded on the Deposit Insurance Fund statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flows model and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

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

(c) Accounting estimates and judgements (continued):

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

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

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

(d) Cash and cash equivalents

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

(e) Investments

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

(i) Held-to-maturity

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

(ii) Available-for-sale

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

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.

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

(e) Investments (continued)

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

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

Initial recognition

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

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

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

Fair value

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

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

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

Basis of Preparation and Significant Accounting Policies (continued)

(f) Trade and other receivables

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

(g) Property, plant and equipment

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

All other property, plant and equipment are 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.

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

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

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

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

(h) Trade and other payables

Trade and other payables are measured at cost.

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

(i) Revenue recognition

(i) Insurance premiums

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

(ii) Interest income

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

(j) Foreign currency transactions and balances

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

(k) Provision for losses

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

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

(l) Related party

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

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

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

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

(l) Related party (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(m) Impairment

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

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

(m) Impairment (continued)

(i) Calculation of recoverable amount:

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

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

(ii) Reversals of impairment:

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

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

(n) Financial assets and financial liabilities

(i) General:

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

(ii) Recognition and initial measurement:

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

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

(iii) Fair value measurement:

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

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

(n) Financial assets and financial liabilities (continued)

(iii) Fair value measurement (continued):

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

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

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

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

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

(iv) Identification and measurement of impairment:

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

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

(n) Financial assets and financial liabilities (continued)

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

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

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

(v) Derecognition:

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

3. Income Taxes and Insurance Legislation

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

4. Investment securities

	2018 $'000	2017 $'000
(a) Held-to-maturity:		
Government of Jamaica	10,094,512	9,628,725
Interest accrued	108,927	104,147
	10,203,439	9,732,872

4. Investment securities (continued)

	2018 $'000	2017 $'000
(b) Available-for sale:		
Government of Jamaica	8,507,514	7,209,574
Interest accrued	115,024	147,000
	8,622,538	7,356,574
	18,825,977	17,089,446

(c) Remaining term to contractual maturity

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 JMD 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
BOJ FR USD CD	-	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

2017	Under 1 year $'000	1 to 5 years $'000	over 5 years $'000	carrying value $'000
Held-to-maturity:				
Government of Jamaica-				
Fixed rate accreting notes	-	-	7,485,329	7,485,329
Benchmark investment note	-	418,648	-	418,648
BOJ FR CD	1,724,748	-	-	1,724,748
Interest accrued	11,762	2,691	89,694	104,147
	1,736,510	421,339	7,575,023	9,732,872

4. Investment securities (continued)

(c) Remaining term to contractual maturity (continued)

	2017			
	Under 1 year $'000	1 to 5 years $'000	over 5 years $'000	carrying value $'000
Available-for-sale:				
Government of Jamaica-				
Benchmark investment note	369,221	-	-	369,221
GOJ Local Bond	-	994,059	-	994,059
GOJ Global Bond	1,542,679	4,303,615	-	5,846,294
Interest accrued	55,191	91,809	-	147,000
	1,967,091	5,389,483	-	7,356,574
	3,703,601	5,810,822	7,575,023	17,089,446

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

	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

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

5. Trade and other receivables

	2018 $'000	2017 $'000
Withholding tax recoverable	14,173	126,268
Prepayments	1,181	464
Other recoverable	18,984	19,652
	34,338	146,384

6. Property, plant & equipment

	Land $'000	Building & freehold improvement $'000	Furniture & fixtures $'000	Work-in-progress $'000	Computers machines & equipment $'000	Total $'000
At cost:						
March 31, 2016	26,300	73,700	12,412	1,738	37,960	152,110
Additions	-	4,864	106	34,972	4,204	44,146
Revaluation	100	25,036	-	-	-	25,136
March 31, 2017	26,400	103,600	12,518	36,710	42,164	221,392
Additions	-	-	140	12,029	5,354	17,523
March 31, 2018	26,400	103,600	12,658	48,739	47,518	238,915
Depreciation:						
March 31, 2016	-	1,847	10,521	-	29,020	41,388
Charge for the year	-	2,082	234	-	3,116	5,432
Eliminated on revaluation	-	(3,929)	-	-	-	(3,929)
March 31, 2017	-	-	10,755	-	32,136	42,891
Charge for the year	-	2,590	244	-	3,785	6,619
March 31, 2018	-	2,590	10,999	-	35,921	49,510
Net book values:						
March 31, 2018	26,400	101,010	1,659	48,739	11,597	189,405
March 31, 2017	26,400	103,600	1,763	36,710	10,028	178,501

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

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, 2018.

6. Property, plant & equipment (continued)

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

	2018 $'000	2017 $'000
Cost	36,591	36,591
Accumulated depreciation	(13,905)	(13,539)
Net book value	22,686	23,052

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

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

7. Unearned premium income

This represents the portion of insurance premiums received from policyholders relating to the period subsequent to March 31, 2018.

8. Share capital

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

9. Capital reserves

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

10. Fair value reserves

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

11. Deposit insurance fund

(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 15d), and for the payment of expenses incurred by the Corporation in the exercise of its functions under the Deposit Insurance Act (Section 17).

	2018 $'000	2017 $'000
Balance at beginning of year	16,542,224	14,200,126
Surplus from operations:		
Surplus from insurance operations	1,239,559	1,076,597
Surplus from investment and administration operations	1,062,223	1,265,501
	2,301,782	2,342,098
Deposit Insurance Fund at year end	18,844,006	16,542,224

(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).

12. Expenses by nature

	2018 $'000	2017 $'000
Auditors' remuneration	1,750	1,750
Depreciation	6,619	5,432
Directors' emoluments –		
Fees	327	591
Management remuneration	16,875	18,235
Printing and stationery	1,412	1,392
Professional fees	20,013	8,666
Public education	15,093	18,120
Repairs and maintenance	2,093	10,072
Staff costs (excluding directors' management remuneration)	138,701	123,677
Utilities	10,319	7,607
Other expenses	31,260	16,569
	244,462	212,111

13. Staff costs

	2018 $'000	2017 $'000
Wages and salaries	90,013	80,613
Statutory contributions	7,012	6,809
Others	41,676	36,255
	138,701	123,677
Management remuneration	16,875	18,235
	155,576	141,912

The number of persons employed by the Corporation at the end of the year was 24 (2017: 21).

14. Related party transactions

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

(i) Representation on the Board of Directors;

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

	2018 $'000	2017 $'000
Investment balance	17,391,218	15,352,936

14. Related party transactions (continued)

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

(i) Representation on the Board of Directors;

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

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

	2018 $'000	2017 $'000
Investment balance	1,434,759	1,736,510
Cash balance	301,268	974,027
	1,736,027	2,710,537

(a) Transactions and balances with key management:

	2018 $'000	2017 $'000
Wages and salaries	23,606	22,613
Statutory contributions	1,774	1,585
Other staff benefits	8,978	7,158
	34,358	31,356

15. Financial risk management

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

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

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

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

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

15. Financial risk management (continued)

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

(a) Market risk

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

(i) Currency risk

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

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

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

The table below summarises the Corporation's exposure to foreign currency exchange rate risk arising mainly in respect of US dollar denominated balances at March 31, 2018. The Corporation has no foreign currency liabilities.

	2018 $'000	2017 $'000
J$ equivalent		
Financial assets		
Investment securities	6,757,504	6,976,665
Cash at bank	13,651	21,846
	6,771,155	6,998,511

15. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Currency sensitivity

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

	% change in Currency rate 2018	Effect on surplus and deposit fund 2018 $'000	% change in currency 2017	Effect on surplus and deposit fund 2017 $'000
US$ against the J$-				
Revaluation	2	(135,423)	1	(69,985)
Devaluation	4	270,846	6	419,910

(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.

	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

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

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

15. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

	Effect on equity 2018 $'000	Effect on equity 2017 $'000
Jamaica dollar instruments		
Change in basis points:		
(2018: - 100) (2017: -100)	(18,506)	(3,692)
(2018: + 100) (2017:+ 100)	18,506	3,692
US dollar instruments		
Change in basis points:		
(2018: -50) (2017: -500)	(33,285)	(34,202)
(2018: +50) (2017:+ 100)	33,285	68,404

Cash flow sensitivity analysis for variable rate instruments:

A change of +/-100 (2017: +/-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 2017.

	2018 Effect on surplus from operations		2017 Effect on surplus from operations	
	100bp Increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
Cash flow sensitivity	20,067	(20,067)	4,186	(4,186)

15. Financial risk management (continued)

(a) Market risk (continued)

(iii) Other price risk

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

(b) Credit risk

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

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

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

(c) Liquidity risk

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

Liquidity risk management process

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

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

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

(iii) Optimising cash returns on investment.

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

15. Financial risk management (continued)

(c) Liquidity risk (continued)

Financial liabilities cash flows

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

(d) Adequacy of the Deposit Insurance Fund

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

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

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

As at December 31, 2017, there were eleven (11) (2016: 11) member institutions with total insured deposits estimated at $ 324 billion (2016: $306 billion), of which the DIF covered 5.7% (2016: 5.2%). 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.

16. Fair values of financial instruments

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

The following table provides an analysis of financial instruments held as at March 31, 2018 that, subsequent to initial recognition, are measured at fair value.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the Deposit Insurance Fund statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices as at March 31, 2018). The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instrument that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(i) Valuation technique and significant un-observation inputs

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

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

16. Fair values of financial instruments (continued)

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

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

Fair values were estimated as follows:

		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	4	-	8,622,538	8,622,538	8,622,538
Financial assets not measured at fair value:					
Government of Jamaica securities	4	10,203,439	-	10,203,439	10,203,439

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

17. Capital commitment

As at March 31, 2018 the Corporation had capital commitment in relation to the development of the Payout Management Information System (PMIS) at the budgeted cost of $59.98 million (2017: $28.12 million).

CORPORATE INFORMATION

OFFICE

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

BANKERS

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

AUDITORS

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

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