PROTECTING YOUR DEPOSITS...

SECURING YOUR FUTURE.

JAMAICA DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT 2019/2020

July 31, 2020

Dr. The Honourable Nigel Clarke,DPhil, 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 2019/2020 and a copy of the Corporation's Accounts as at March 31, 2020, 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

Myrtle Halsall, OD
Chairman

VISION

To promote and inspire financial system confidence and stability.

MISSION

The Jamaica Deposit Insurance Corporation is committed to:

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

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

CORE VALUES

ACCOUNTABILITY

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

COMMUNICATION

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

EXCELLENCE

We continuously measure and monitor productivity to improve our operations.

PROFESSIONALISM

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

TEAMWORK

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

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
FISC	Financial Inclusion Steering Committee
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

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.

TABLE OF CONTENTS

CHAIRMAN'S STATEMENT

Myrtle Halsall, OD | Chairman

During the financial year Jamaica successfully concluded its economic reform programme under the IMF 3-year Stand-By Arrangement. The result was a stronger economy, with an all-time low unemployment rate of 7.3 percent, relative to 8.0 percent at the end of March 2019; and significant reduction in public debt, which was on track to meet the GOJ target of 60 percent of GDP by March 2026.

Despite these improvements, growth remained low and the Government remained committed to the policies that were developed under the reform programme; the intention being to safeguard the hard-earned economic gains, and promote growth and job creation.

Within the prevailing economic environment, JDIC's eleven Policyholder institutions remained solvent and adequately capitalized.

Of note, during the last quarter of the financial year there was a shift, as Governments and institutions were forced to implement strategies to deal with the devastating impact of the novel coronavirus (COVID-19) pandemic on global economies and financial markets.

With global economies not having dealt with a pandemic of this nature within the last 100 years and with its magnitude and length not predictable, unprecedented and drastic measures had to be implemented by governments. These included total lockdown of countries' national borders and industries, in order to contain the rapid spread of the virus. This resulted in heightened uncertainties and significant shock to world economies now characterized by globalization.

Most sectors of Jamaica's and other regional economies were severely impacted by Government actions to stem the pandemic. The local economy faced shocks in key industries; with tourism, trade and remittances being adversely affected during the final quarter of the fiscal year.

By the end of the year therefore the Board oversight focus was ensuring that the institutional capacity of the Corporation built up over time would be sufficiently resilient to deal with any impact on its Policyholder institutions, and bolster depositor confidence.

STRENGTHENING INSTITUTIONAL CAPACITY

During the review period, the Corporation continued to enhance and implement initiatives under its strategic objectives of: Proactive Readiness and Resolution Management; Strong Partnerships; Building Sustainable Human Resource Capacity; Leveraging Information and Communication Technology for Operational Efficiency and Public Education and Awareness. Strong corporate governance, disaster preparedness and business continuity, and enterprise risk management were also key areas of focus during the period; as were regulatory reforms impacting the Corporation and member institutions.

As in prior periods there was no call on the Deposit Insurance Fund and the end of year balance increased by 17.6 percent to $24.7 billion.

LIQUIDITY FACILITY FOR FINANCIAL INSTITUTIONS

Consistent with actions by global central banks and governmental authorities to keep in check potential impact of the pandemic, the Bank of Jamaica (BOJ) provided a number of pre-emptive measures to assure financial institutions and the public of adequate access to both Jamaican dollar and foreign currency liquidity during the period. As at March 2020 the total value of liquidity assistance provided by the BOJ to the market via its short term lending facilities and its asset purchase programme amounted to approximately $57 billion[1] . Financial institutions also announced several moratoriums to help alleviate the pressures of the pandemic on customers.

CLOSING

As Chairman of the Board, I take this opportunity to express the commitment of myself and other Board members to ensuring that the Corporation is not only ready to effect its mandate as Deposit Insurer, but also to evolve and adapt in a dynamic global environment, where financial system stability remains the overarching objective.

On behalf of the Board of Directors, I thank the CEO, the management team and staff for their continued commitment and dedication in the execution of their duties and their invaluable contribution to the Corporation's achievement of its Vision and Mission. I must also thank the former Chairman, John Jackson, colleague Board Members and stakeholders for their support in ensuring the Corporation's success, as we look forward to another year.

Myrtle Halsall, OD

[1] Bank of Jamaica Special Monetary Policy Press Statement, 26 March 2020

CEO'S REPORT ON OPERATIONS

Antoinette McKain | CEO

OVERVIEW

During financial year 2019/20 in furtherance of the corporate objects for protecting depositors' funds and contributing to financial system stability, Jamaica Deposit Insurance Corporation (JDIC/the Corporation) continued to recognize in its operations the changes in member institution business models driven by the increasing digitization of services offered and distribution channels. The Corporation was also cognizant of the buoyant financial and asset market environment with lower interest's rates and low and stable inflation rates being achieved under the Bank of Jamaica's inflation targeting. The corollary of these developments was the increased risk that member institutions assumed characteristic of their business model for the supply of credit to support these market activities. In recognition of this, JDIC working in collaboration with its FSSN partners, not only focused on understanding and monitoring member institution assumption of business and operating risk and on reviewing potential upgrading and implementation of technology for its payout and resolutions functions, but also on pursuing the implementation in Jamaica more robust standards of international best practice for resolving non-viable financial institutions and for crisis management. No less important was understanding depositor commercial expectations in this changing environment. In this regard the scope of deposit insurance coverage remained under review, that is, who does JDIC cover, what does JDIC cover and whether the Deposit Insurance Coverage Limit remained credible. Supporting the maintenance of depositor confidence, the public education programme remained target robust, with continuing emphasis on its schools programme and subject robust, inclusive of all areas of the financial system safety net.

In the context of the above aspects that characterised the year, at the August to November corporate planning sessions the business strategies of *Proactive Readiness and Resolution Management, Strong Partnerships, Leveraging Information and Communication Technology for Operational Efficiency, Public Education and Awareness,* adopted in prior periods were deemed to remain valid. Management's approach was to ensure that its decision making processes incorporated the required agility to be responsive to its changing environment so that prioritisation of new initiatives and follow through existing initiatives could be optimised to meet the statutory objectives.

Economic Performance: Into The Winds Of The Covid 19 Pandemic

During the first three quarters of the financial year the local economy continued to experience economic expansion although at a slower pace up to the end of the December 2019 quarter. The expansion was primarily attributed to increased external demand from Jamaica's main trading partners, increased domestic demand, underpinned by increased levels of employment; and continued improving macroeconomic stability. Regional and global growth also slowed during the period, with economies experiencing the slowest rate of growth since the global financial crisis, moving from 3.6 percent in 2018 to 2.9 percent in 2019. This downturn was further compounded by the containment measures implemented by governments during the last quarter of the financial year to limit the spread of COVID-19. The expectation is that the impact of these measures will lead to further contractions in world economies, including Jamaica.

MEMBER INSTITUTIONS PROFILE AND PERFORMANCE

At year end the number of member institutions remained unchanged at eleven; with eight being commercial banks; two building societies and a merchant bank (MF&G Trust and Finance Limited which rebranded as Cornerstone Trust & Merchant Bank Limited in June 2019). Commercial banks continued to account for 91 percent of the market share.

In the context of the operating environment member institutions performance generally improved, exhibiting strong capital (well above the prudential requirements), liquidity, profit levels, and asset quality. Total asset base increased by 10.3 percent or $176.29 billion year over year, relative to the 9.3 percent or $145.3 billion increase for the corresponding period. Asset growth was largely driven by loans and advances, which increased by 16.1 percent or $130.56 billion. With the onset of COVID-19, member institutions announced several moratoriums to help with easing the pressures of the pandemic on customers.

The Corporation continued to prepare for the admission of the credit union sector to the DIS. At the end of the year there were twenty-five (25) credit unions. The JCCUL anticipates additional mergers later in 2020, which will result in a further reduction in the total number of credit unions expected to become members of the DIS. The Corporation continued its collaboration with the JCCUL in support of a seamless introduction of the credit union sector into the DIS with the impending legislation to bring them under the prudential regulatory ambit of the Bank of Jamaica.

Profile of Deposits within Banking System

Total insurable deposits in the banking system grew by 13.2 percent to $1,131 billion as at the end of December 2019, relative to $999.4 billion for the corresponding period in 2018. Similarly, the number of insurable deposit accounts increased from 4.2 million to 4.4 million.

CORE OPERATIONS

Among the slate of critical financial system regulatory reform work which has been a key initiative of JDIC, in collaboration with FSSN partners, was the continued development of legislation to strengthen the capacity of the authorities to effect orderly resolution of non-viable regulated financial institutions without severe systemic disruption and without exposing taxpayers to loss. The legislation, when passed, will serve to better align, the legal framework governing the resolution of financial institutions with international standards namely, the Financial Stability Board's Key *Attributes for Effective Resolution Regimes for Financial Institutions (FSB Key Attributes)* having regard to the required proportionality. Under the new framework it is intended that the BOJ have the specifically designated role of the Resolution Authority for non-viable financial institutions in Jamaica and the JDIC will be designated as Resolution Administrator consistent with its existing powers under the DIA to act as receiver and liquidator of financial institutions in distress and so restructure member institutions, their holding companies and subsidiaries. The timetable for the tabling of the legislation was rescheduled to the third quarter of FY2020/21.

JDIC, being established in 1998 as a key public administration infrastructure strengthening reform, of the financial system post the mid-1990's financial sector crisis in Jamaica, has as its mandate depositor protection in a manner that exposes the Corporation to the least risk of loss. This therefore constrains the Corporation to act in the financial system resolution and crisis management framework for the country to aid in the orderly resolution of non-viable financial institutions and minimizing or eliminating the cost to the public purse. Corollary to the legislative reform initiatives, JDIC also continued to strengthen its operational readiness by: work on its payout information systems and upgrading of the payout processes; implementation of Member Institution record keeping requirements; crisis management planning processes; and drafting of special rules for its role as liquidator of failed member institutions.

The recruitment, training and retention of expert staff remains critical to achieving the JDIC's objectives and key to the resilience of its operations. In 2018 the Corporation conducted a comprehensive review of the organization model and structure, evaluation of commensurate jobs and the supporting reclassification exercise was finalized and submitted to the MoFPS for approval. Training from international standards setters and other international partners with requisite expertise continued to be availed by staff.

During FY2019/20 the Corporation focused on improving the ICT infrastructure, project implementation and enhancing staff knowledge and skills in ICT related matters. The ICT infrastructure was upgraded to facilitate improved business processes and disaster recovery preparedness, which were to some extent tested with the onset of the COVID-19 pandemic and the need for team members to work remotely and facilitate web based Board meetings, other business meetings, training and conferences.

In keeping with regulatory obligation under the DIA, to conduct periodic reviews of the size and value of the DIF, the Corporation completed the annual evaluation. The evaluation indicated the assessed risks of member institutions as low. Against this background the Fund was deemed adequate to cover the Corporation's existing and potential liabilities for the reporting period ending March 2020. By the end of the period with the declaration by the WHO of the COVID 19 global pandemic and expected economic governmental action to minimize the effects on the country, the Corporation revised its liquidity requirements based on Fund Adequacy worst case scenario analysis.

Empirical evidence has long established that a well-designed DIS including a credible coverage limit is critical in preventing and mitigating bank runs in times of real or perceived bank failures. During the financial year the level of the deposit insurance coverage was reviewed to ensure the Corporation continued to meet its public policy objectives while limiting the DIF's exposure to loss. The findings and recommendations were submitted to the Minister of Finance and the Public Service.

Public education and awareness continues to be globally recognized by FSSN partners and standard setting bodies in the financial industry, as an important factor that facilitates financial inclusion, effective deposit insurance protection and financial system stability. The Corporation continued to strengthen its public education programme in this regard including through use of new technologies and aligning it messages and communication strategies accordingly. The supporting initiatives have been steadily reaping encouraging results by increasing stakeholder awareness of the JDIC and the DIS among its online audience, while importantly, tapping into the millennial and generation Z demographic, avid users of social media platforms. Cognizant that educating youths is key to ensuring that future generations are financially literate and empowered, the Corporation continued its focus on financial education in schools and is finalizing its financial education book for the benefit of children at the primary level. The Corporation's new website is also expected to be launched during FY2020/21.

The JDIC continues to actively contribute to and benefit from the work of the IADI. The IADI *Core Principles for Effective Deposit Insurance Systems* and other guidance and standards issued by the IADI as well as the inter agency collaborations, provide a benchmark for the Corporation in reviewing and enhancing its legal and operational framework. As a member of the IADI Caribbean Regional Committee the Corporation actively contributes to the collaboration and sharing of technical expertise on the establishment or enhancement of effective deposit insurance systems among its regional counterparts.

FINANCIAL PERFORMANCE

The DIF balance at the end of year was $24.7 billion, an increase of 17.6 percent compared to the previous year. Over the previous five years the DIF balance increased by 103.3 percent. Total assets of the Corporation at March 31, 2020 was $25.2 billion, an increase of 14.2 percent or $3.14 billion over the previous year. The Corporation's total income for the year ended March 31, 2020 was $4 billion, a 43 percent increase over the previous period; with premium income being $1,498.34 million for the year, an increase of 10.7 percent compared to the previous financial year. Administrative expenses were $288.3 million for the year, $6 million lower than the previous year.

The Overall Balance Target agreed with the MoFPS, an important element of assessment of the financial performance of select public bodies, was $1,477.7 million. The actual out-turn for JDIC was $2,635.91 million, 78 percent higher than projected. This was due mainly to the deferred acquisition of office accommodation, contingent on the organizational review, job evaluation and reclassification exercise. Of note, all Key Performance Ratios for the Corporation performed better than budgeted. Total expenses as a percentage of the DIF was 1.2 percent, lower than the two previous years, although only marginally so. Due to some critical expenditures not being undertaken, efficiency ratios showed their best performance since the establishment of the Corporation. Staff costs as a percentage of total expenditure still remained below that desirable for an organization with the mandate of the JDIC. Recommendations made to the MoFPS, once approved and implemented should see improvement for this area.

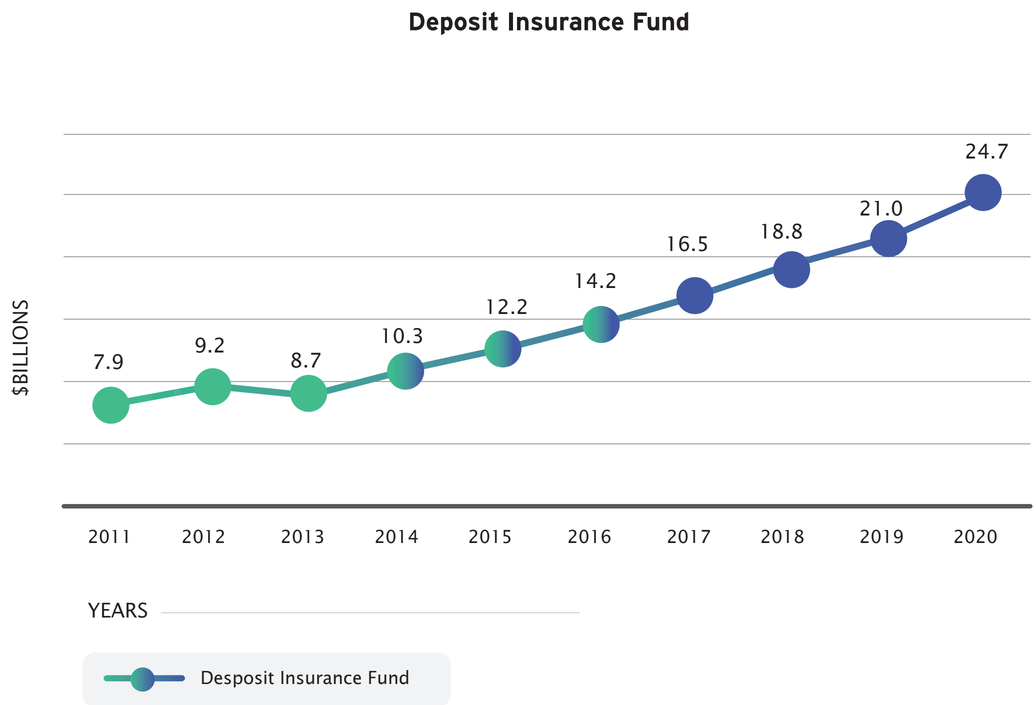
CLOSING REMARKS

I am pleased for this opportunity to thank the Chairman and other members of the Board of Directors for their due oversight which contributed to the success of the Corporation. The diverse disciplines and experiences of the Board members coupled with their keen analysis and thoughtful support of Management's efforts has been key to Management's performance. Not less, I thank my colleagues JDIC Executive Management team members and other team members for their steadfast interest in the pursuit of objectives and their amazing support and performance during the year. Special thanks to our Safety Net Partners, member institutions, local, regional and international partners for their cooperation and contributions. We look forward to meeting the next period with your close collaboration to address the challenges and leverage the opportunities to ensure depositor protections and financial system stability.

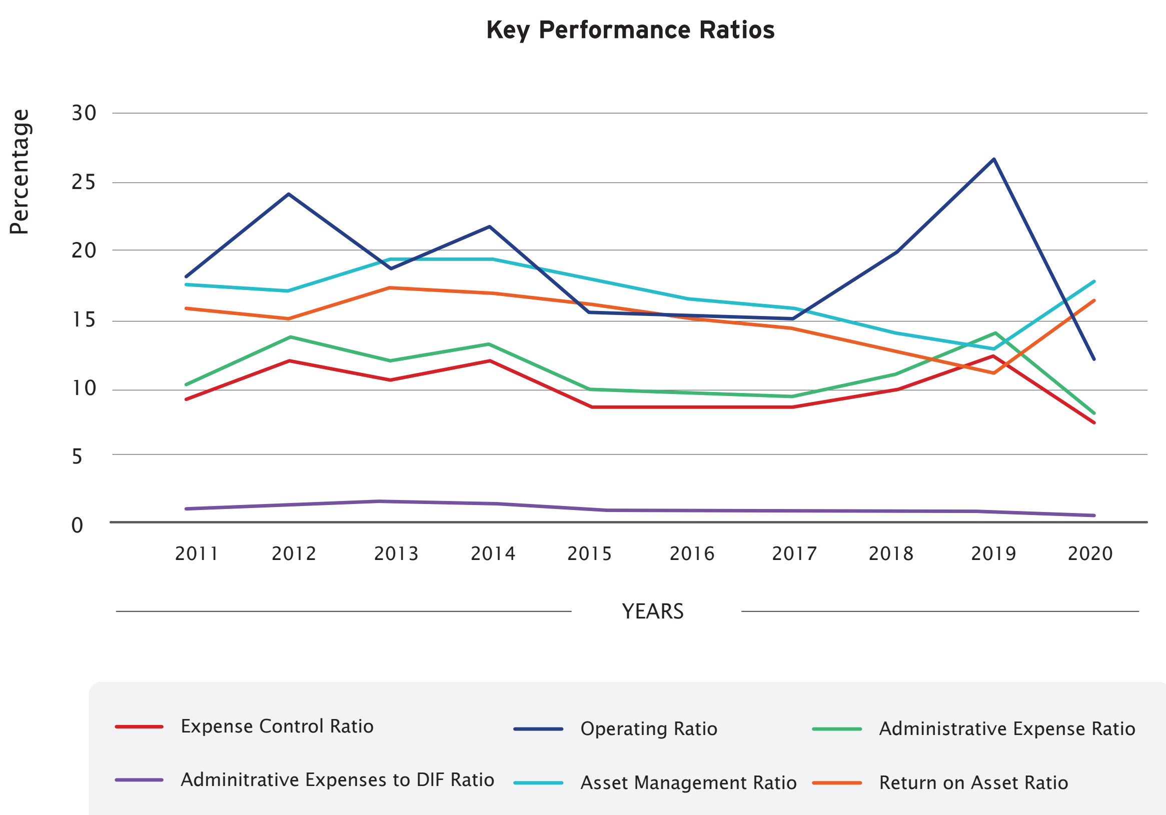
Antoinette McKain

10-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

FINANCIAL YEAR	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OF DEFICIT AND OTHER COMPREHENSIVE INCOME										
Insurance Premiums	1,498,335	1,353,413	1,239,560	1,076,597	937,283	870,050	809,250	754,540	727,806	720,970
Interest Earned	1,518,376	1,342,762	1,200,508	1,208,858	1,127,598	1,100,029	922,900	862,530	780,742	755,791
Other Income	528,540	(150,689)	106,177	268,754	153,542	64,382	93,621	148,026	26,454	(31,562)
Total Income	4,001,290	2,549,333	2,546,245	2,554,209	2,218,423	2,034,461	1,825,771	1,756,096	1,535,002	1,445,199
Impairment Loss on Securities	3,437	7,086	-	-	-	32,091	-	-	-	-
Administrative Expenses	288,312	294,325	244,462	212,111	188,187	173,987	209,280	180,782	178,015	128,894
Surplus from Operations	3,709,541	2,247,922	2,301,783	2,342,098	2,030,236	1,828,383	1,616,491	1,575,314	1,356,987	1,316,305
DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION										
Deposit Insurance Fund	24,737,119	21,027,578	18,844,007	16,542,224	14,200,126	12,169,890	10,341,507	8,725,016	9,246,938	7,889,951
Investment Securities	24,031,160	21,650,876	18,825,977	17,089,446	14,102,310	11,787,149	9,913,940	8,276,122	9,075,955	7,842,372
Total Assets	25,199,922	22,063,976	19,363,247	18,490,226	15,340,667	12,834,908	11,028,471	8,892,521	10,177,943	8,659,837
Property, Plant and Equipment (NBV)	276,920	194,645	189,404	178,501	110,722	110,038	95,630	97,825	98,946	109,503
OTHER SELECTED DATA										
Persons employed at the end of the year	29	28	24	21	21	25	26	24	23	20
Operating Ratio (%)	11.7	25.2	18.7	14.4	14.7	14.9	20.6	17.9	22.8	17.1
Expense Control Ratio (%)	7.3	11.8	9.6	8.3	8.5	8.6	11.5	10.3	11.6	8.9
Administrative Expenses Ratio (%)	7.9	13.4	10.6	9.1	9.3	9.5	12.9	11.5	13.1	9.8
Administrative Expenses to DIF Ratio (%)	1.2	1.4	1.3	1.3	1.3	1.4	2.0	2.1	1.9	1.6
Net Surplus (%)	92.7	88.2	90.4	91.7	91.5	89.9	88.5	89.7	88.4	91.1
Asset Management Ratio (%)	16.9	12.3	13.5	15.1	15.7	17.1	18.3	18.4	16.3	16.7
Return on Assets Ratio (%)	15.7	10.8	12.2	13.8	14.4	15.3	16.2	16.5	14.4	15.2
Insurance Premium/Total Income (%)	37.4	53.1	48.7	42.1	42.2	42.8	44.3	42.5	47.4	49.9

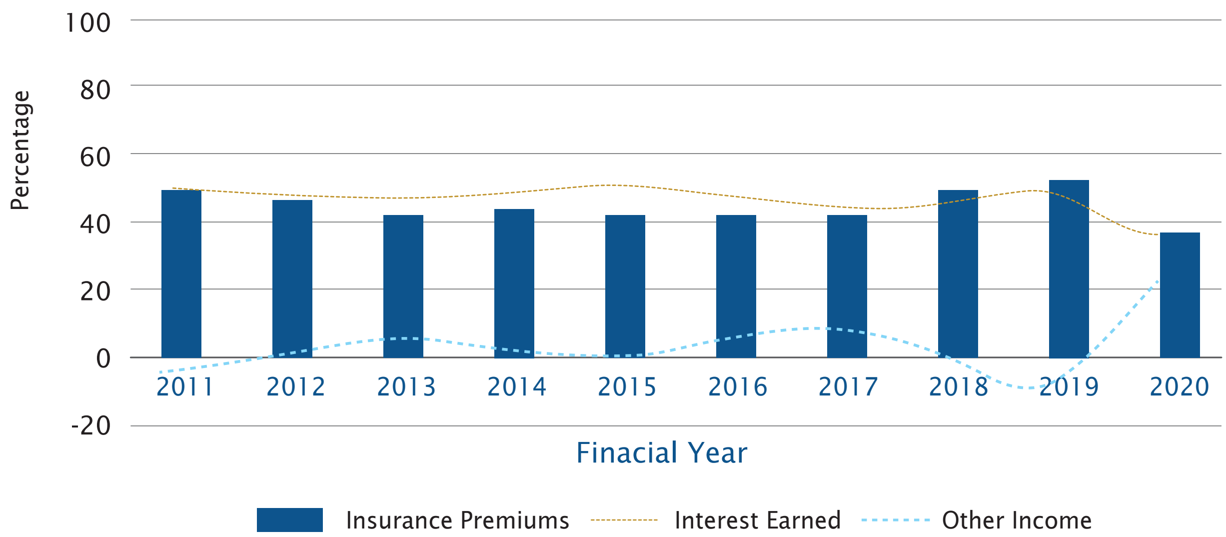


Deposit Insurance Fund
$BILLIONS
7.9
9.2
8.7
10.3
12.2
14.2
16.5
18.8
21.0
24.7
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
YEARS
Desposit Insurance Fund

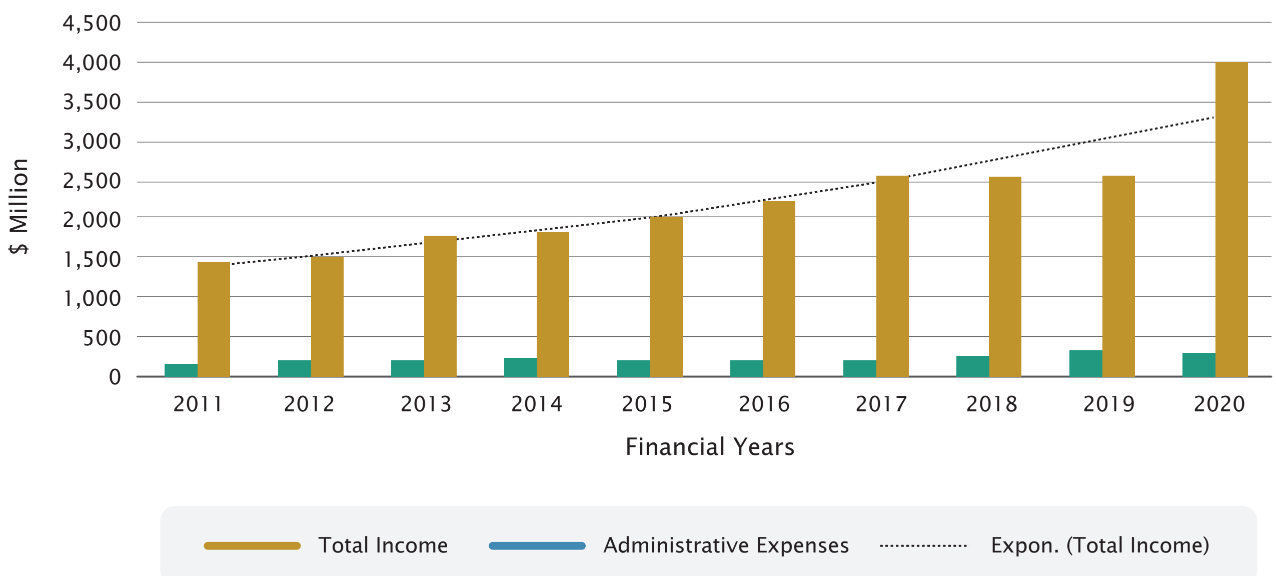


Key Performance Ratios
Percentage
30
25
20
15
10
5
0
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
YEARS
Expense Control Ratio
Operating Ratio
Administrative Expense Ratio
Adminitrative Expenses to DIF Ratio
Asset Management Ratio
Return on Asset Ratio

Total Income



Income vs. Administrative Expenses



PROTECTING YOUR DEPOSITS... SECURING YOUR FUTURE.

BOARD OF DIRECTORS

Myrtle Halsall, OD | Chairman

Myrtle Halsall was appointed Chairman of the Board of Directors of the Jamaica Deposit Insurance Corporation (JDIC) on February 10, 2020. Prior to her appointment as the Board Chairman, she served as a Board Director for the Corporation for three years.

Ms Halsall is an experienced economist with over 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, Ms Halsall provided policy advice on economic developments both locally and internationally to the Governor of the Bank and the Minister of Finance. She also developed the Bank's first published Quarterly Monetary Policy Report.

As a member of the Bank of Jamaica's Economic Team, Ms Halsall was responsible for forecasting and analyzing economic variables and the design, and monitoring of the country's financial programmes. Also, as a part of the team she participated in negotiating various economic programmes with the International Monetary Fund and other international organizations.

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

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

Antoinette McKain | CEO

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

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 and acted as its external legal advisor from its establishment in 1998 to 2001. Ms McKain's expertise spans corporate affairs, commercial, banking and financial regulation law and best practices. She also has extensive knowledge of public policy issues relating to financial institution 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 (IADI) and chaired its Caribbean Regional Committee and its Legal Committee and is now a member of the Member Relations Council Committee of IADI. She was also on the Committee of the Private Sector Organisation of Jamaica which made proposals for the reform and modernisation 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 former member of the Institute of Chartered Bankers. Ms McKain is also a former member of the Jamaica Bar and the British Virgin Islands Bar Association and former Notary Public of the British Virgins Islands.

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 nineteen (19) years, Ms Wright is currently the Divisional Director of the Financial Regulations Division which has responsibility for ensuring that policies are in place to effectively regulate the financial sector.

Dr Jide Lewis, CFA, FRM | Nominee of the Governor of the Bank of Jamaica

Dr Jide Lewis is currently the Division Chief for the Financial Institutions Supervisory Division at the Bank of Jamaica.

He is a graduate of the University of the West Indies from which he holds a PhD in the Economic Policy Development Programme. In 2008, he was accredited as a Certified Financial Analyst (CFA) and was certified as Financial Risk Manager (FRM) in 2005. He graduated from the University of York with an MSc in Economics and Finance in 2001.

He began his career at the Bank of Jamaica in 2004 where he has served as an Economist/Senior Economist in the Financial Stability Department and Chief Economist for the Economic Information Publications Department.

Herbert Asquith Hylton | Director

Herbert Hylton is a Chartered Accountant with the Association of Certified Chartered Accountants of England and Wales, and also holds a BSc in Management Studies from the University of the West Indies.

Upon graduating from the University of the West Indies, Mr Hylton's entire working life was spent with the Bank of Jamaica. While at the Bank, he benefited from the institution's comprehensive training opportunities, notably at the Bank of England, the International Monetary Fund and the Center for Latin American Monetary Studies (CEMLA). At retirement in August 2013, Mr Hylton was the Bank's Financial Controller, a position he occupied since 2005. As Financial Controller he was responsible for the discharge of the Bank's accounting and finance functions, in addition to that of the Information Systems Department.

Mr Hylton is currently the Chairman of the Bank of Jamaica Pensioners Association. He also served on the Board of Directors of the Students Loan Bureau between 2009 and 2012 and is a former President of the Bank of Jamaica Cooperative Society.

Lisa Lewis | Director

Lisa Lewis has over 30 years' experience working in the private sector, with the majority of her career focused on the telecoms industry, building companies such as Digicel Group Limited and Cable & Wireless.

Ms Lewis left telecoms in September 2019 to focus on her passion of making a difference in education. Today she is the Operations Director of LHO Education Limited, a company that creates and distributes digital education products across the Caribbean. Their main product, www.learninghub.online, is a regional e-Learning and exam preparation platform that has over 100,000 registered users and contracts with several Caribbean Governments.

Prior to this, Ms Lewis' focus was on managing Digicel's Government Relations Portfolio for the Caribbean starting with Bermuda and stretching through to Suriname. During her 20-year tenure at Digicel, she also served as the Chairman of the Digicel Jamaica Foundation at which time they worked closely with the Ministry of Education to successfully achieve the UNDG of 80 percent literacy for Jamaica at the grade 4 level. Ms Lewis has also sat on several Government Boards, including E-Learning Jamaica.

Ms Lewis holds a B.A in Computer Science and Business Administration from the University of the West Indies.

Vernon McLeod | Director

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.

CORPORATE GOVERNANCE

PSOJ/MOFPS Public Bodies Corporate Governance Awards 2019
Members of the JDIC Team along with (R-L): Myrtle Halsall, OD, Board Member and Antoinette McKain, CEO, JDIC.

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

The Corporation's primary objective is the provision of insurance against the loss of depositors' funds up to a prescribed maximum in the event a member institution (Policyholder) fails, in which event the Corporation undertakes resolution and financial crisis management activities in conjunction with the FSSN partners. This is part of the broader public policy objective for maintaining depositor confidence and financial system stability in Jamaica. To support its mandate, the Corporation manages a Deposit Insurance Fund (DIF/ the Fund) established under the DIA and has the power to act as a liquidator of its Policyholders, their holding companies and subsidiaries and acting in that capacity may arrange for the restructuring of a Policyholder whether by merger with or acquisition by another financial institution or otherwise.

Given its role, the JDIC is committed to maintaining the highest standards of corporate governance. It is this unwavering commitment to the corporate governance pillars of accountability and transparency which earned the Corporation first place in the category of Best Board Composition, Function and Structure, and second runner-up in the category Compliance and Disclosure of Information at Private Sector Organisation of Jamaica (PSOJ) / Ministry of Finance and Public Service (MoFPS) 2019 Public Bodies Corporate Governance Awards.

The JDIC Board of Directors, through its Corporate Governance Committee and with the support of the CEO and Management, will continue to ensure compliance with sound corporate governance principles and practices.

BOARD OF DIRECTORS COMPOSITION AND MANDATE

The DIA provides that the policy and general administration of the JDIC and the management of the Fund is the responsibility of the Board. The Board determines the strategic direction of the Corporation consistent with statutory objectives and ensures sound governance is maintained and effective risk management systems are in place. The Board is guided by its Board Governance Policy developed consistent with the Corporate Governance Framework for Public Bodies in Jamaica. During the period, members of the Board attended corporate governance training conducted by the Caribbean Governance Training Institute (CGTI). The Board operates with three Committees namely, the Audit Committee, Investment Committee and the Corporate Governance Committee.

During the calendar year 2019 the Board met four (4) of the six (6) times required to fulfill its statutory meeting requirement owing to a period during which the Corporation awaited the appointment of its new Board. By way of letter dated March 11, 2020 the Corporation was advised of the appointment of a new Board effective February 10, 2020 and the Board met forthwith. Notwithstanding the hiatus in board meetings scheduled to be held during the calendar year 2019, the Corporation effectively carried out the initiatives of its Corporate Plans in effect for the period, including the management of the DIF and the conduct of its adequacy assessment as required under the DIA. The Corporation remained fully compliant with all statutory and other obligations.

BOARD OF DIRECTORS		NUMBER OF MEETINGS ATTENDED (C/Y)
*John Jackson	Chairman	4/4
**Maurene Simms	Nominee of the Governor, Bank of Jamaica	0/4
Aisha Wright	Nominee of the Financial Secretary	3/4
Antoinette McKain	Chief Executive Officer	4/4
*Myrtle Halsall, OD	Board Member	4/4
Lisa Lewis	Board Member	3/4
Vernon McLeod	Board Member	2/4

*A new Board was appointed by the Minister on February 10, 2020. Myrtle Halsall, OD was appointed Board Chairman.
There is also new Board Member Herbert Hylton.
**Dr Jide Lewis replaced Maurene Simms as Nominee of the Governor.

BOARD COMMITTEES

AUDIT COMMITTEE

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

The Audit Committee is comprised of three (3) Directors and a co-opted member from the MoFPS. The Committee met three times out of its scheduled four required meetings for the financial year. By the end of the financial year, the Audit Committee effectively carried out its mandate by reviewing and making recommendations on all Quarterly and Half-Yearly Reports, FY2018/19 Annual Report and Audited Financial Statements and FY2020/21-FY2023/24 Corporate Plan, Operating and Capital Budgets in compliance with the PBMA requirements. The Committee also reviewed and made recommendations in relation to the Internal Auditor's Work Plans and Reports for the period.

AUDIT COMMITTEE		NUMBER OF MEETINGS ATTENDED F/Y
Myrtle Halsall	Chairman	3/3
Lisa Lewis	Board Member	1/3
Vernon McLeod	Board Member	3/3
Michael Martell	Co-opted Member, MoFPS	3/3

INVESTMENT COMMITTEE

The Investment Committee advises the Investment Policy to the Board and oversees the management of the Corporation's Investment portfolio.

The Committee is comprised of a minimum of two (2) Board members, one of which is the CEO and key executive management officers. The Terms of Reference for the Investment Committee requires that meetings are held quarterly or as determined by the Committee.

The Investment Committee receives and reviews reports from the Treasury Management Committee, a standing executive management committee which assesses market information and authorizes the day-to-day investment placements.

During the financial year, the Investment Committee did not meet due to hiatus in the appointment of new board members. Notwithstanding, the Treasury Management Committee remained guided by the Investment Guidelines agreed by the Investment Committee at the beginning of the financial year and caused the preparation and assessment of the customary quarterly Investment Reports which were guided by the respective recommendations for the succeeding quarter.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is charged with the responsibility to direct the implementation of and compliance with sound corporate governance principles within the Corporation. The principal objectives of the Committee are to assist with Board oversight of effective corporate governance principles and practises; evaluating and assessing the functioning of the Board, Board Committees and Management, as well as the critical human resource and succession planning requirements. During the financial year, the Committee met twice, thus meeting its requirement in accordance with its Terms of Reference. In keeping with the Committee's mandate, it monitored the Corporation's compliance with the PBMA and conducted the performance assessment and evaluation of the CEO, along the lines of the Government of Jamaica's Accountability Framework. The Committee is comprised of three (3) Board members.

CORPORATE GOVERNANCE COMMITTEE		NUMBER OF MEETINGS ATTENDED F/Y
John Jackson	Chairman	2/2
Vernon McLeod	Board Member	2/2
Lisa Lewis	Board Member	2/2

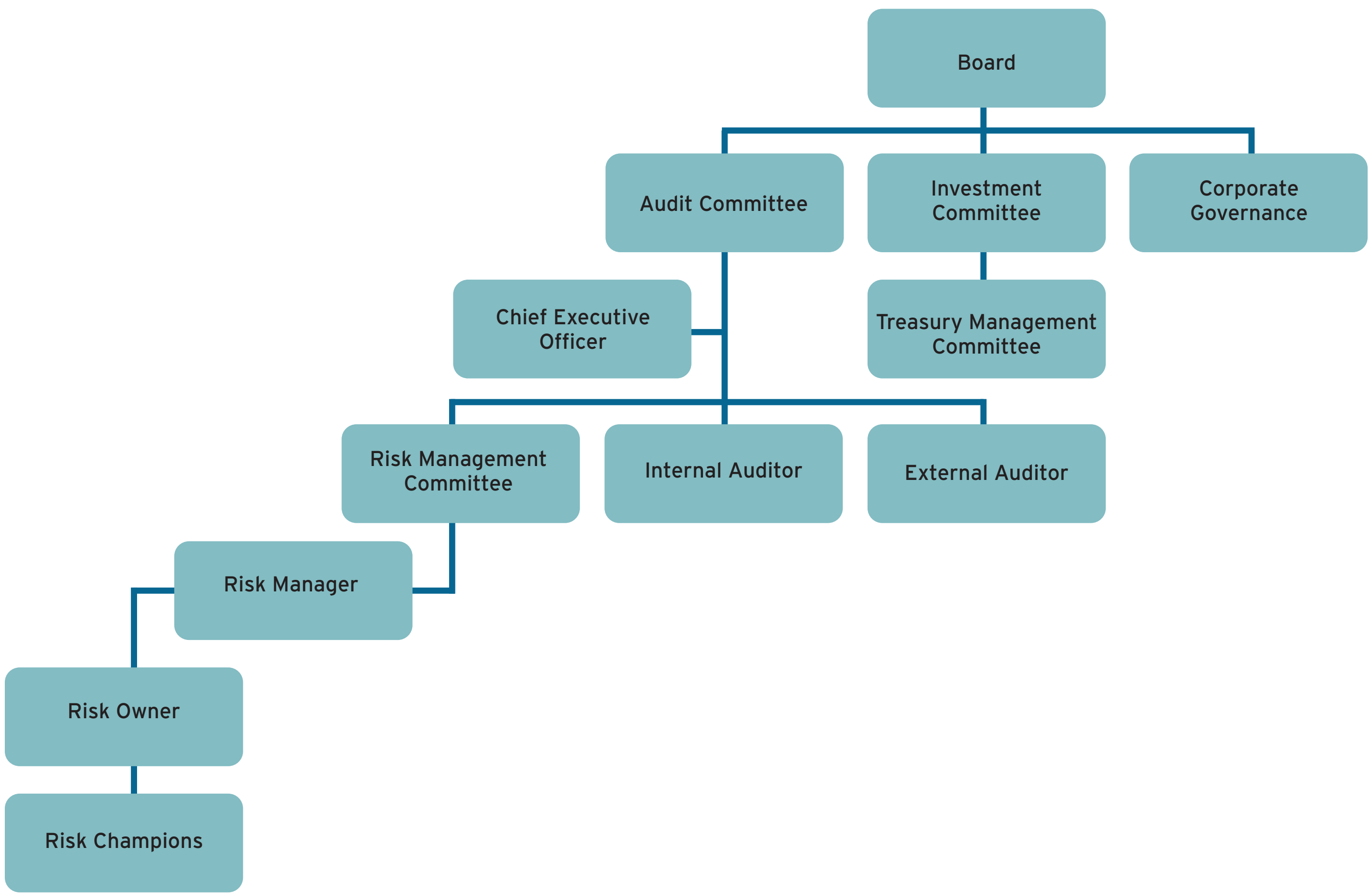
ENTERPRISE RISK MANAGEMENT

The JDIC's risk management system is guided by the key requirements of the COSO1 ERM Integrated Framework and ISO 31000 risk management standard.

In FY2019/20, the Corporation continued to take steps towards the implementation of its formal and comprehensive Enterprise Risk Management (ERM) Framework and Policy which was developed in FY2018/19. The ERM Framework and Policy establishes a Risk Governance Structure with specific responsibilities of the Board of Directors, the Committee of Management and Staff. During the year, the Corporation completed the full cycle of its ERM processes to identify, assess, evaluate, treat, monitor, report and communicate the risks facing the Corporation. There were no significant changes to the residual risk rating between FY2019/20 and the previous year.

A risk coordinator and risk champions were identified consistent with the Corporation's risk governance framework and the process of engaging an outsourced risk management service provider was also initiated. A Risk Management Committee comprising the Committee of Management officers met during this period to confirm the identification of the key risks areas and a risk assessment exercise was conducted preparatory to the annual Corporate Planning sessions, September to November 2019, where action plans were formulated to manage key risks.

Risk Governance Structure



STATUTORY COMPLIANCE REPORT

NAME OF REPORT	NATURE OF REPORT	STATUTORY AGENCY	GOVERNING LEGISLATION	REPORTING PERIOD	COMPLIANCE ACHIEVED
Access to Information Act (2002): Monthly and Quarterly Reports	The report shows requests from the public for information on aspects of the operations of the Corporation.	The Access to Information Unit, Office of the Prime Minister	The Access to Information Act, 2002	Monthly, Quarterly	✓
Annual Report and Audited Financial Statements FY2018/19	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 FY2020/ 21 -2023/24	Statement of intent which outlines the strategic direction of the Corporation for four years. Includes vision, mission, SWOT analysis, planning assumptions, business strategies, financial plans, manpower requirements and measures to evaluate performance.	MoFPS	PBMA	Annually	✓
Corruption Prevention – Statutory Declaration	Statutory declaration to be made by public servants of assets and liabilities and income.	Integrity Commissioner	Integrity Commission Act, 2017	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	✓

PROTECTING YOUR DEPOSITS... SECURING YOUR FUTURE.

EXECUTIVE MANAGEMENT

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

Under the Deposit Insurance Act, the Chief Executive Officer (CEO) is responsible for the day-to-day management of the Corporation. Entrusted to this portfolio also, is advising the Board of Directors for approval of such appropriate policies and strategies that will further the objects of the Corporation. The CEO is responsible to ensure that the Corporation remains in compliance with all its statutory obligations including relevant directives issued by the Ministry of Finance and the Public Service from time to time.

The JDIC CEO is prescribed as a member of the statutory inter-agency committees established under the Bank of Jamaica Act, namely: The Financial Regulatory Committee and the Financial System Stability Committee, respectively having mandates for information sharing and coordination; and for financial system stability assessment and contributing to the development and implementation of mechanisms and procedures for financial sector crisis planning, management and resolution. The CEO is also a member of the Bank of Jamaica Bankers' Committee and the National Financial Inclusion Council.

In the day-to-day management of the Corporation, the CEO is supported by members of the executive management team, comprised of the officers heading the core functional Departments of the Corporation namely: Monitoring and Risk Assessment, Intervention, Resolutions and International Relations, General Counsel, Corporate Secretariat and Communications and Finance, Funds and Asset Management. Executive management officers represent the Corporation on statutory inter-agency and other relevant committee technical working groups and also on the various committees and technical working groups of the IADI and other regional bodies concerned with the promotion of deposit insurance and financial stability.

The CEO and Executive Management team together form the Committee of Management (COM) which is chaired by the CEO.

To engage a multidisciplinary collaborative process for robust decision making and sound judgement, the COM meets periodically, but not less than once per month, to evaluate operating policies and corporate strategies in a timely manner in the context of a dynamic operating environment. The COM monitors the implementation of key initiatives designed to effect the strategies and further the objects of the Corporation. The COM also sits as the Risk Management Committee which is part of the governance structure for the enterprise risk management activities of the Corporation.

Standing and sub-committees of the COM include: Risk Management; 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 such ad hoc committees as may be required from time to time.

MACROECONOMIC PERFORMANCE

GLOBAL DEVELOPMENTS

Global growth fell sharply in 2019 to 2.9 percent compared to 3.6 percent in 2018. This represents the slowest rate of growth since the global financial crisis. According to the IMF, this subdued growth was a consequence of rising trade barriers; trade and geopolitical uncertainty; idiosyncratic factors causing macroeconomic strain in several emerging market economies; and structural factors, such as low productivity growth and aging demographics in advanced economies. The first quarter of the year 2020 saw a major shift in the local and international economic landscape with the rapid spread of the novel coronavirus (COVID-19). The containment measures implemented to limit the spread of the disease resulted in a significant shock to economies globally. As a result, the global economy is projected to contract by 4.9 percent in 2020[2]. The outlook remains uncertain and projections for recovery are heavily dependent on the policy response of countries. ***Table 1*** below highlights the economic performance and projections of Jamaica's major trading partners.

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

	2018	2019	2020P	2021P
World	3.6	2.9	-4.9	5.4
Canada	2.0	1.7	-8.4	4.9
China	6.7	6.1	1.0	8.2
United Kingdom	1.3	1.4	-10.2	6.3
United States	2.9	2.3	-8.0	4.8

P - Projections

Source: IMF World Economic Outlook – June 2020

[2]IMF World Economic Outlook – June 2020

PROTECTING YOUR DEPOSITS... SECURING YOUR FUTURE.

REGIONAL ECONOMIC DEVELOPMENTS

Regional growth was subdued in the context of a slowdown in global economic expansion. According to the IMF World Economic Outlook, June 2020, Latin America and the Caribbean expanded by 0.1 percent in 2019. The region is projected to see a 9.4 percent decline in real GDP during 2020.

The main economic out turns for Jamaica's major Caribbean partners are shown in ***Table 2*** below. The data is at the end of March 2020, based on available comparable data.

TABLE 2: PERFORMANCE OF KEY MACROECONOMIC INDICATORS AS AT MARCH 31, 2020

INDICATORS	JAMAICA	BARBADOS	TRINIDAD	BAHAMAS
GDP Growth (%)	-0.1	-3.0	1.7**	0.9
Inflation	4.8	5.2	0.5***	1.8
Unemployment Rate (%)	7.3	n.a	n.a	9.5****
90-Day T-Bill Rate (%)	1.85	0.5*	1.08	1.71*
Exchange Rate (J$=US$1)	135.39	2.03	6.76	1.00

Sources: Statistical Institute of Jamaica, Bank of Jamaica, Planning Institute of Jamaica, Central Bank of Barbados, Central Bank of Trinidad and Tobago and The Central Bank of Bahamas n.a. - Not available

*Tenor was not indicated

**For the first quarter of 2019

***As at February 2020

****May 2019

DOMESTIC ECONOMIC DEVELOPMENTS

During FY2019/20, Jamaica continued to experience economic expansion up to the end of December 2019 quarter, though at a slower pace. Positive growth was primarily attributed to increased external demand from Jamaica's main trading partners, increased domestic demand, underpinned by increased levels of employment; and continued improving macroeconomic stability. At the end of the March quarter, the economy was estimated to have contracted by 1.7 percent relative to the corresponding quarter of 2019. This contraction brought the fiscal year growth out-turn to 0.1 percent, primarily reflecting the impact of COVID-19 and the measures implemented globally and locally to contain the spread of COVID-19.

The Government of Jamaica remained committed to the policies that were developed under the country's economic reform program supported by the International Monetary Fund's (IMF) precautionary Stand-By arrangement (SBA) which ended in November 2019. The out turns in the real economy were supported by the BOJ's accommodative monetary policy stance. The BOJ continued to reduce its signal rate, down from 1.25 percent at the end of March 2019 to close the period at 0.5 percent at the end of March 2020. The aim of the monetary policy easing during the year was to stimulate growth in credit, boost GDP and prompt increased job creation that should encourage inflation to be within the target rate of 4.0 percent and 6.0 percent.

Table 3 summarizes the key macroeconomic out-turns at the end of FY2019/20. Inflation fell below the BOJ's target range (4.0 to 6.0 percent) twice during the period, but closed the fiscal year close to the mid-point of the target range at 4.8 percent. Net International Reserves (NIR) continued to increase, ending the fiscal year at US$3.2 billion, 5.0 percent above the corresponding period in 2019. Jamaica's labour market also improved over the review period with the unemployment rate declining to 7.3 percent relative to 8.0 percent at the end of March 2019. Interest rates continued to trend downward closing the fiscal year with a weighted average yield of 1.80 percent on the 180-day treasury bills compared to 2.17 percent for the similar period in the prior year. The Jamaican dollar was characterized by periods of appreciation and depreciation during the period. On an annual average basis, the Jamaican dollar depreciated by 7.1 percent against the US dollar for the fiscal year.

TABLE 3: PERFORMANCE OF KEY MACROECONOMIC INDICATORS AS AT END-MARCH

INDICATORS	2017	2018	2019	2020
Annual GDP Growth (%)	0.3	1.4	1.7	0.1*
Inflation (Y-O-Y)	4.1	3.9	3.4	4.8
NIR (US$ Million)	2,769.17	3,074.57	3,084.83	3,237.67
Unemployment Rate (%)	12.7	9.6	8.0	7.3
180 Day T-Bill Rate (%)	6.32	3.17	2.17	1.80
Exchange Rate (J$=US$1)	128.67	125.98	126.47	135.39

Sources: Statistical Institute of Jamaica, Bank of Jamaica & Planning Institute of Jamaica
** Estimated by PIOJ (May 28, 2020)*

Jamaica's credit rating improved with ratings upgrades from different ratings agencies over the period. In September 2019, Standard & Poor's Rating Agency (S&P) upgraded Jamaica's long-term foreign and local currency ratings to 'B+' from 'B', with a stable outlook. In December 2019, Moody's Rating Agency upgraded Jamaica's long-term issuer and senior unsecured ratings to 'B2' from 'B3' with a revised outlook of "stable" from "positive". In January 2020, Fitch Ratings Agency affirmed the Government of Jamaica's Long-Term Foreign-Currency Issuer and Local Currency Issuer Default Rating at 'B+' and revised the outlook to "Positive" from "Stable".

The economy faced unprecedented shocks from the novel coronavirus (COVID-19) which led to key industries in the economy such as tourism, trade and remittances being adversely affected during the final quarter of the fiscal year. As such, economic contraction is anticipated for the remainder of calendar year 2020. In the June 2020 Global Economic Prospects report, the World Bank projected a 6.7 percent contraction for Jamaica for 2020. However, the full extent of the impact is not immediately clear. In response to the outbreak, the Government of Jamaica is providing fiscal stimulus totaling $25 billion ($15 billion tax reduction and a $10 billion spending program) to support economic activity. In addition, several measures were implemented by the BOJ geared at ensuring there is adequate liquidity in the domestic and foreign exchange markets. These included, but were not limited to, the reduction of the Jamaica Dollar cash reserve requirement for deposit-taking institutions (DTIs) by two (2) percentage points to the statutory minimum of 5 percent of prescribed liabilities. Likewise, the foreign currency cash reserve requirement for DTIs was lowered by two (2) percentage points to 13 percent.

OUTLOOK FOR FY2020/21

The Jamaican economy is expected to contract as a result of the fallout from COVID-19 for the first quarter of the fiscal year. Domestic containment measures have negatively impacted the economy, with output in the mining and quarrying sector declining drastically. Wholesale and retail trade also suffered in the quarter due to imposed curfew measures, a likely uptick in the unemployment rate and falling income. Further, the tourism sector was significantly impacted as lockdowns across the globe and the closing of Jamaica's airspace, brought the sector to a halt. Remittance, another of the country's foreign exchange earner also saw reduced inflows. Businesses in general contracted and several companies have had to restructure their operations to remain viable.

The global economy is expected to be in recession throughout 2020, and the economic fallout as a result of the management and containment of the spread in other jurisdictions, particularly Jamaica's main trading partners could spill over into the domestic economy and undoubtedly impact on the rate of Jamaica's overall recovery. Projections relating to the macroeconomic indicators in keeping with the GOJ Fiscal Policy Paper FY2020/21 are presented in ***Table 4*** below:

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

INDICATORS	FY2017/18 (A)	FY2018/19 (A)	FY2019/20 (P)	FY2020/21 (P)	FY2021/22 (P)
GDP Growth (%)	1.0	2.0	0.6	1.2	2.0
Revised GDP Growth (%) Due to COVID-19	1.0	2.0	0.6	0.7	1.3
Inflation (Annual Pt to Pt, %)	3.9	3.4	5.0	4.4	5.0
NIR (US $Million)	3,074.5	3,084.8	3,029.4	3,344.4	3,301.6
Fiscal Balance (% of GDP)	0.5	1.2	0.0	0.7	1.2
Primary Surplus (% of GDP)	7.4	7.5	6.5	6.5	6.5
Total Public Debt (% of GDP)	101.3	94.4	91.5	87.2	81.5

A - Actuals
P - Projections

DEVELOPMENTS IN THE LEGISLATIVE AND REGULATORY ENVIRONMENT

During the reporting period, the authorities (MOFP and BOJ) proposed amendments to, the Bank of Jamaica Act, and the Cooperative Societies Act. While work continued on other new pieces of legislation, such as the Credit Unions Bill and the Micro Credit Bill, and the new Financial Institutions Resolution Bill. Additionally, the Data Protection Bill, was brought before the Joint Select Committee of Parliament for review.

PROMULGATED LEGISLATION

- **The Banking Services (Financial Holding Companies) (Licensing Application Form) Supervisory Rules, Resolution 2019**

  Under section 132(1) of the Banking Services Act (BSA), 2015 the Supervisory Committee may make rules for the operation of licensees to be known as the Supervisory Rules, which make provision for forms for applications and notices. Parliament by affirmative resolution on the 29th day of October 2019 affirmed the Rules to allow companies to apply to function as financial holding companies. The application requires information relevant to: (i) the group structure; (ii) Corporate Governance; (iii) Risk Management and Internal Controls; and (iv) Recovery and Resolution Planning and the strategies.

PENDING LEGISLATION

During the reporting period, the authorities (MoFPS and BOJ) proposed amendments such as, the Bank of Jamaica Act and the Cooperative Societies Act. While work continued on other new pieces of legislation, such as the Credit Unions Bill, and the Micro Credit Bill. Additionally, the Data Protection Bill, was brought before the Joint Select Committee of Parliament for review.

- **The Bank of Jamaica (Amendment) Bill, 2018**
  During the period under review, the Bank of Jamaica (the Bank) assisted the Joint Select Committee of Parliament in reviewing the proposed amendments to the Bank of Jamaica Act (the Act).

  These amendments will, "modernise the operations of the Bank, strengthen its accountability, autonomy and balance sheet." The proposed amendments will also revise the Bank's mandate to identify the maintenance of price stability as the Bank's principal objectives with price stability as the primary objective.

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

- **The Credit Unions (Special Provisions) Bill**
  Upon the promulgation of the Bill all Credit Unions will be under the regulatory and supervisory ambit of the BOJ. The Bill provides for, licensing, capital, reserves, prohibited business, remedial and intervention processes and the role of specially authorized Credit Unions. Once the Bill has been passed and Credit Unions have been licensed under this new law, they will be required to become members of the DIS.

- **The Financial Institutions Resolution Bill**
  The Bill proposes enhancements to the current legal framework for the resolution of non-viable licensees under the Banking Services Act (financial holding companies and deposit taking institutions i.e. commercial banks, building societies and merchant banks) and certain licensees under the Financial Services Commission Act (securities dealers and life and general insurance companies). The Bill seeks to ensure that the authorities, including the JDIC, have adequate powers and tools for the orderly and timely functioning of the resolution framework, to be better able to maintain stability of the financial system and protect public funds, as well as to better align Jamaica's financial system with international standards of best practice. Under the Bill, there is established for the purposes of the legislation a Resolution Authority, which is the Bank of Jamaica. The function of the Resolution Authority is to carry out such activities as may be necessary to give

effect to the objects of the Bill. Additionally, under the Bill the Resolution Authority may appoint the JDIC as Resolution Administrator, and as such the JDIC may assist the Resolution Authority in the carrying out of the objectives under the Bill. This initiative is also one of several key reforms under the Government of Jamaica's Memorandum of Economic and Financial Policies (MEFP) to enhance the resilience and stability of the financial system.

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

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

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

  The Rules are to provide for measures by which the BOJ may prevent or mitigate money laundering or terrorist financing. As such, the rules will, outline the risk based examinations and oversight processes relative to BOJ's AML/CFT oversight functions. The rules will require 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 include, transaction monitoring and reporting and record keeping;

It is proposed that the BSA and the Bank of Jamaica Act provide rules for AML/CFT supervision. These rules will, among other things:

1. Codify the risk-based examinations and oversight processes pertaining to the AML/CFT oversight functions of the BOJ.
2. Outline the areas in the Bank's AML/CFT Guidance Notes with which compliance will be expressly mandated and allow the Bank to directly sanction breaches of those requirements. The Bank is currently the competent authority with responsibility for monitoring compliance with the requirements of the Proceeds of Crime Act (POCA) and Terrorism Prevention Act (TPA) for institutions comprising of the following:

a. DTIs under the BSA;

b. Cambios (Exchange Bureaux);

c. Money transfer and remittance agents and agencies; and

d. A society registered under the Cooperative Societies Act, which carries on credit union business.

Drafting instructions for the drafting of AML/CFT Rules, to be under the BSA, were prepared by the MoFPS, for the BOJ's review.

- **The Data Protection Bill, 2018**
  The Data Protection Bill, which is before the Joint Select Committee of Parliament, provides guidelines on how personal data should be collected, processed, stored, used and disclosed in physical or electronic form. The Bill defines "personal data", as information in the possession of the data controller, from which a person may be identified. Data controllers are defined as an entity or entities, individually or jointly, which determines the purpose for which and the manner in which personal data is, or is to be

processed. This has implications for the Financial System, as many institutions, (the regulated and the regulators) manage and process personal data, and therefore will have to make proactive steps to act in accordance with the Bill, once promulgated.

The Bill, provides guidance as to the processing of data by providing eight (8) data protection standards that are to be observed by data controllers. These are as follows:

1. Personal data must be processed fairly and lawfully.
2. Personal data is only to be obtained for specified purposes and is not to be processed for any other purposes.
3. Personal data is to be adequate, relevant, and not excessive in relation to the purpose for which it is to be processed.
4. Personal data must be accurate, and, where necessary, kept up to date.
5. Personal data must not be kept for longer than is necessary to satisfy the intended processing purposes and must be disposed of in accordance with regulations to be promulgated under the legislation.
6. Personal data must be processed in accordance with the rights of data subjects under the Bill.
7. Personal data is to be protected by taking the appropriate technical and organizational measures and by prompt notification of security breaches to an Information Commissioner to be established under the Bill.
8. Personal data must not be transferred outside Jamaica to another state without adequate levels of data protection for Jamaican data subjects.

POLICYHOLDERS' PROFILE AND PERFORMANCE

PROFILE OF POLICYHOLDERS

As at March 31, 2020, JDIC's membership and its composition were unchanged at eleven (11) institutions, comprising eight (8) commercial banks, two (2) building societies and one (1) merchant bank. Of note, effective June 2019, MF&G Trust and Finance Limited, the sole merchant bank, was rebranded as Cornerstone Trust & Merchant Bank Limited.

COMMERCIAL BANKS

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

BUILDING SOCIETIES

- Scotia Jamaica Building Society
- Victoria Mutual Building Society

MERCHANT BANK

- Cornerstone Trust & Merchant Bank Limited

POLICYHOLDERS' PERFORMANCE

There was general improvement in Policyholders' performance during FY2019/20, in the context of strong capital, liquidity and profit levels, and improved asset quality. This performance was in line with the continued improvements recorded in the macroeconomic environment, such as stable economic growth, increased demand for and supply of credit, lower unemployment, and low and stable inflation.

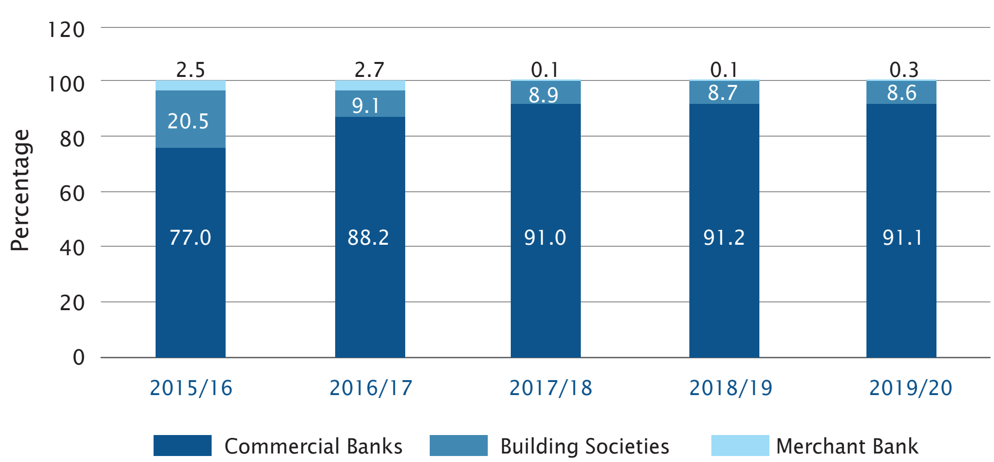
TABLE 5: SUMMARY OF FINANCIAL PERFORMANCE OF THE BANKING SYSTEM AS AT MARCH 31 ($ BILLIONS)

KEY FINANCIAL INDICATORS	2016	2017	2018	2019	2020
Total Assets	1,228.66	1,397.25	1,549.10	1,692.17	1,859.79
Cash and Bank	206.39	250.81	322.56	311.10	346.18
Investments	367.37	376.61	385.70	412.41	392.83
Regulator Capital Base	131.09	148.67	160.99	181.28	198.45
Total Deposits	804.30	880.11	1,023.9	1,094.86	1,236.21
Loans & Advances(gross)	556.51	657.99	710.40	825.00	956.03
Non-performing Loans	22.27	18.30	19.42	19.61	23.24
Pre-tax Profit	26.04	39.34	40.11	48.66	47.32
Key Ratio (%)					
Capital Adequacy Ratio	14.8	14.8	15.2	14.7	14.2

POLICYHOLDERS MARKET SHARE

Market share across all three sectors, in terms of total assets, remained unchanged at the end of FY2019/20. Commercial bank, building society and merchant bank sectors each accounted for 91.1 percent, 8.6 percent and 0.3 percent, respectively ***(Figure 1).***

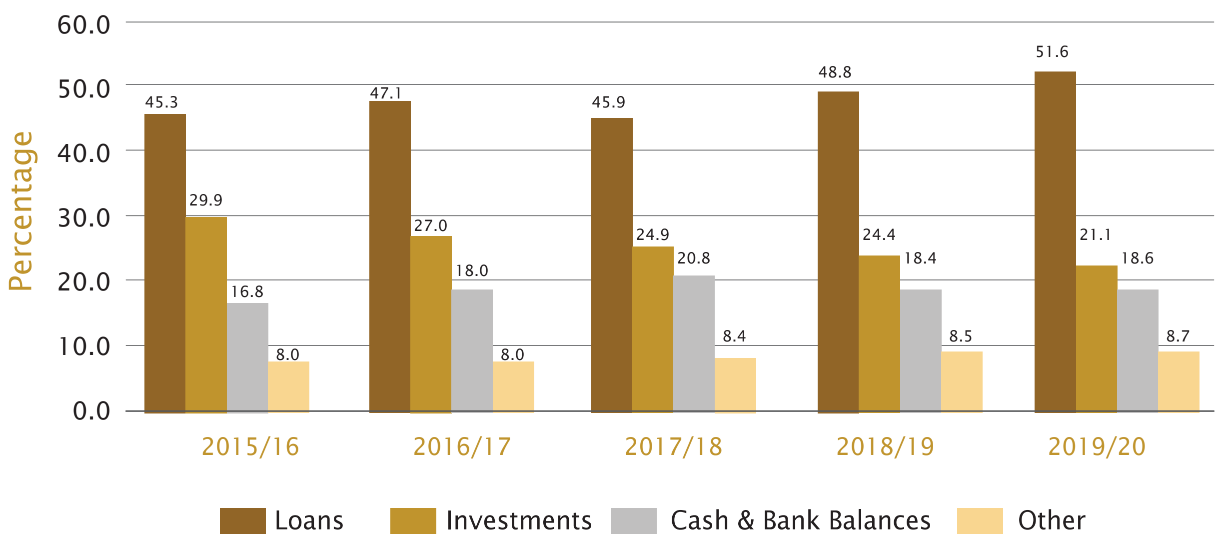
Figure 1: Member Institutions' Market Share (%) per Sector



TOTAL ASSETS GROWTH, COMPOSITION AND QUALITY

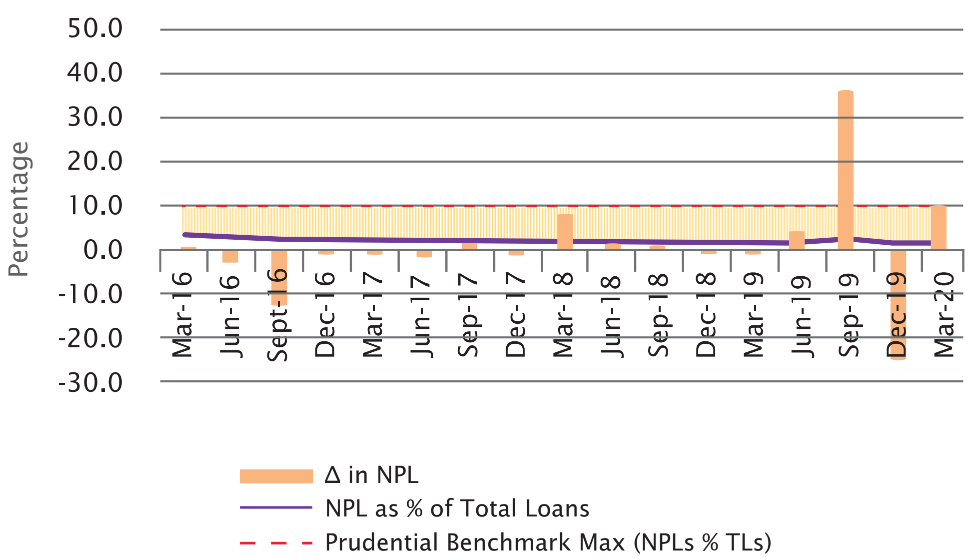
Consistent with economic improvements, the Policyholders' total asset base increased by 9.9 percent or $167.6 billion year over year relative to the 9.2 percent or $143.1 billion increase for the corresponding period in 2019. Asset growth was largely driven by increases in loans and advances, which increased by 16.2 percent or $134.0 billion. ***(Figure 2).***

Figure 2: Share of Banking System Assets



Over the review year, non-performing loans increased to $22.85 billion at the end of the FY2019/20 from $19.61 billion at the end of the FY2018/19. Nonetheless, the overall quality of the Policyholders' assets, as measured by the ratio of non-performing loans to total gross loans remained sound with a ratio of 2.4 percent, unchanged from the corresponding period in 2019 ***(See Figure 3).*** This ratio remains below the statutory maximum of 10.0 percent.

Figure 3: NPLs in the Banking System



REGULATORY CAPITAL

Policyholders' capital remained strong during FY2019/20 with capital ratios remaining well above the prudential requirements. All Policyholders were adequately capitalized and solvent. Regulatory capital increased by 9.5 percent to $198.5 billion for the FY2019/20 ***(Figure 4).*** Primary ratio (Capital to Total Assets) remained unchanged at 10.7 percent for the FY2019/20 compared to the regulatory minimum of 6 percent ***(Figure 5).*** The overall risk weighted capital adequacy ratio for the system showed a slight decline to 14.2 percent as at March 31, 2020 (March 2019: 14.7 percent). This ratio was however, still above the statutory minimum requirement of 10.0 percent ***(Figure 6)***.

Figure 4: Regulatory Capital Base

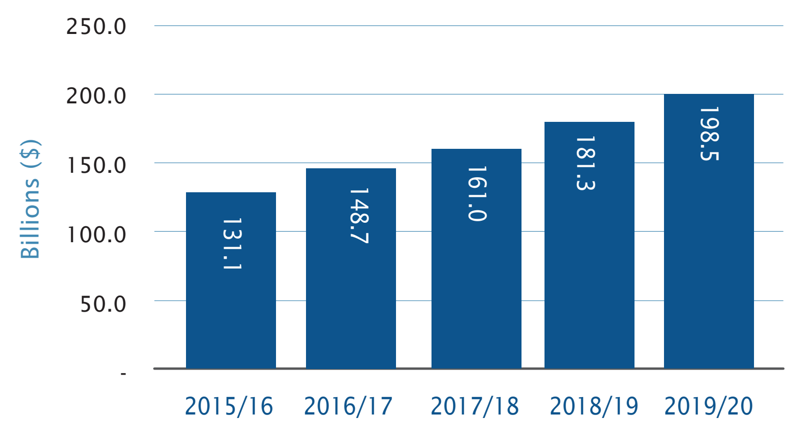


Figure 5: Primary Ratios

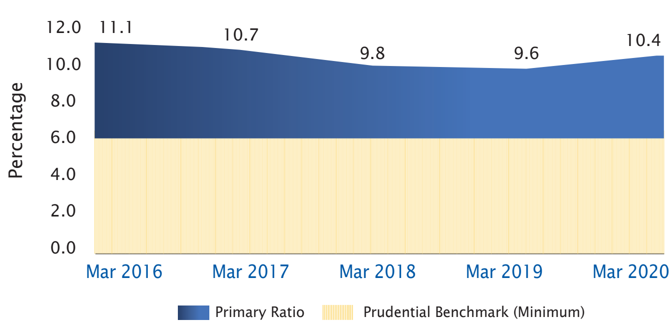
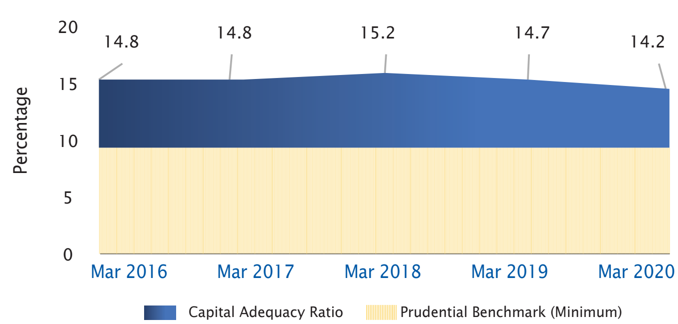


Figure 6: Risk Weighted Capital Adequacy



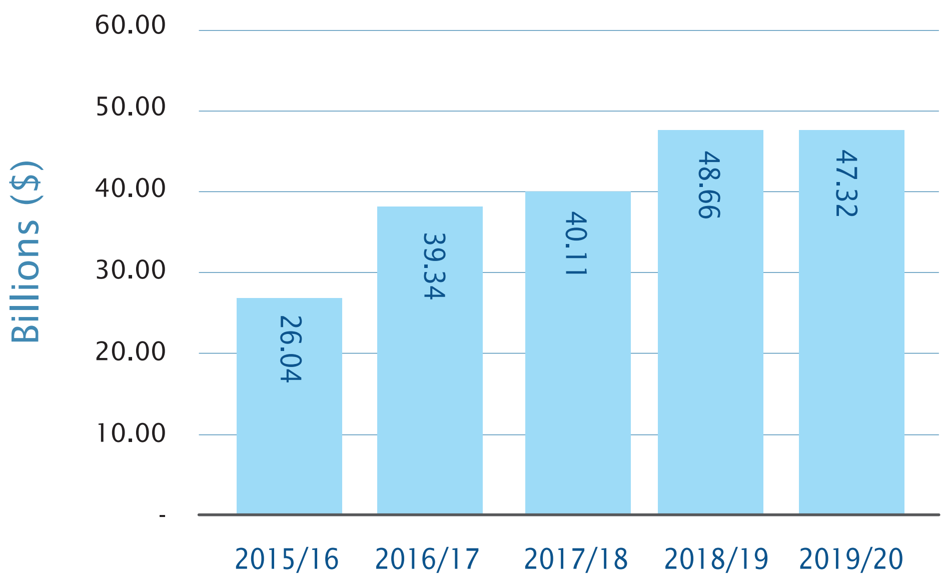
LIQUIDITY

Policyholders maintained satisfactory levels of liquidity during the year, bolstered by the reduction in the liquid assets requirements, which saw funds being channeled into other areas to support growth. Total average liquid assets (all currencies) increased by 7.1 percent during the fiscal year, with total average domestic currency liquid assets increasing by 12.9 percent while the total average foreign currency liquid assets grew by 2.3 percent.

PROFITABILITY

For FY2019/20, Policyholders recorded pre-tax profits of $47.3 billion a slight decline of 2.8 percent relative to FY2018/19 ***(Figure 7),*** which was largely impacted by the lower non-interest income from dividends and shares. In this regard, all profitability ratios recorded moderate declines year over year. The return on average assets ratio was 2.7 percent for the FY2019/20 relative to 3.0 percent for the FY2018/19.

Figure 7: Pre-tax Profit



CREDIT UNION SECTOR UPDATE

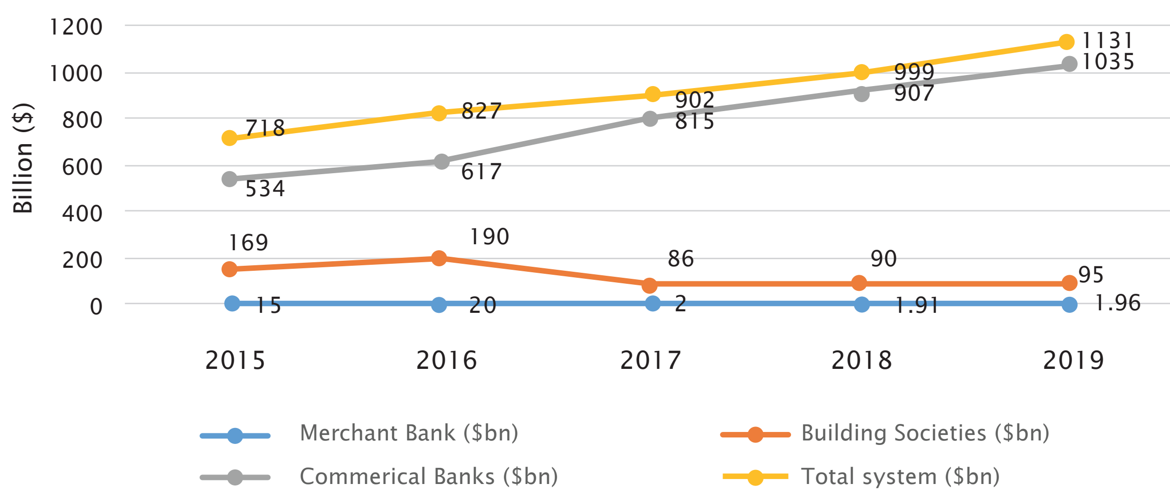
The Corporation remained in dialogue with the Jamaica Cooperative Credit Union League (JCCUL) and the BOJ during FY2019/20, with the impending passage of the legislation (Credit Unions (Special Provisions) Act) to bring credit unions under the ambit of the BOJ. The passage of the legislation will require credit unions to apply for membership in the DIS and receive deposit insurance coverage for its members, as obtains with current deposit taking institutions. At the end of December 2019, there were 25 credit unions down from 26 at end 2018.

PROFILE OF DEPOSITS

Deposits Eligible For Deposit Insurance Coverage – Insurable Deposits

The total value of insurable deposits in the banking system grew by 13.2 percent to $1,131 billion as at December 31, 2019[3], relative to $999.4 billion at the end of the corresponding period in 2018 ***(Figure 8).*** Similarly, the number of insurable deposit accounts increased to 4.4 million at the end of 2019 from 4.2 million at the end of 2018. Against this background, the average insurable deposit balance increased to $258,278, marking a 7.5 percent increase from average balance of $240,319 recorded in 2018.

Figure 8: Total Estimated Insurance Deposits



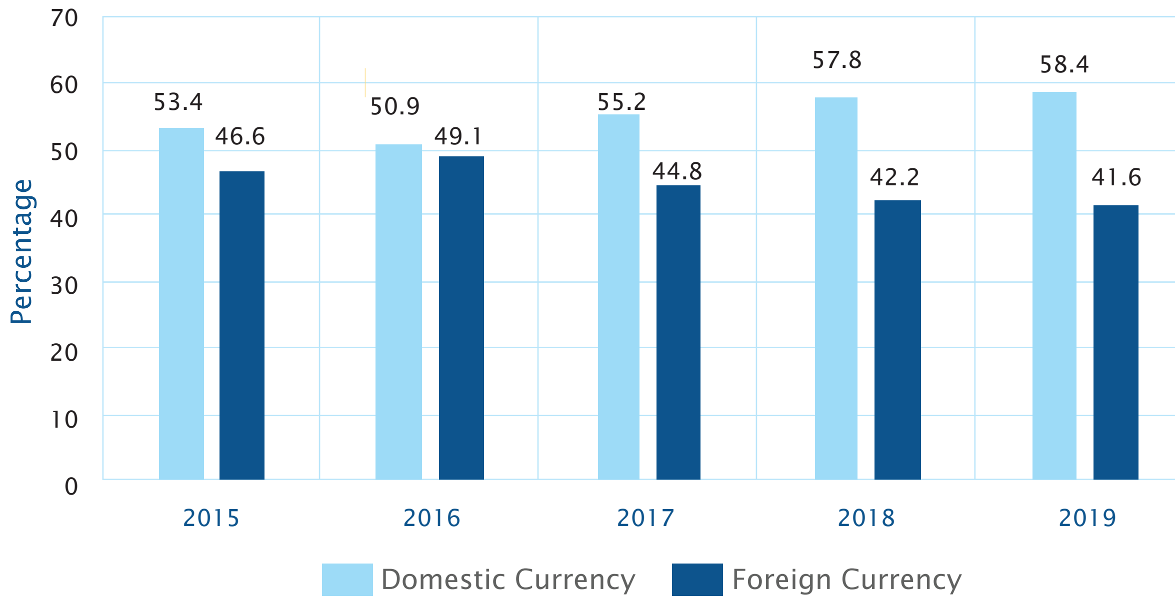
At the end of each calendar year, the Corporation conducts a survey of the distribution of insurable deposits (Survey) held at member institutions. Insurable Deposits refer to the total deposits in the banking system excluding the deposits of Government entities and member institutions. This Survey provides an estimate of the Corporation's potential liabilities (estimated insured deposits) and is also used as the base for the calculation of the annual premium paid by each member institution on April 1 of the following year.

INSURABLE DEPOSITS HELD IN DOMESTIC AND FOREIGN CURRENCIES

Over the past four years, the level of domestic currency insurable deposits relative to total insurable deposits has increased while the proportion of foreign currency insurable deposits has declined. As at December 30, 2019, insurable deposits held in domestic currencies increased by 14.2 percent to $660.3 billion year over year, and accounted for 58.4 percent of total insurable deposits. On the other hand, foreign currency insurable deposits grew by 11.8 percent to $471 billion and represented 41.6 percent of total insurable deposits, down from 42.2 percent ***(Figure 9).***

[3] December 31st is the date each year at which insurable deposit liabilities of Policyholders information is required for the Survey of Insurable Deposits.

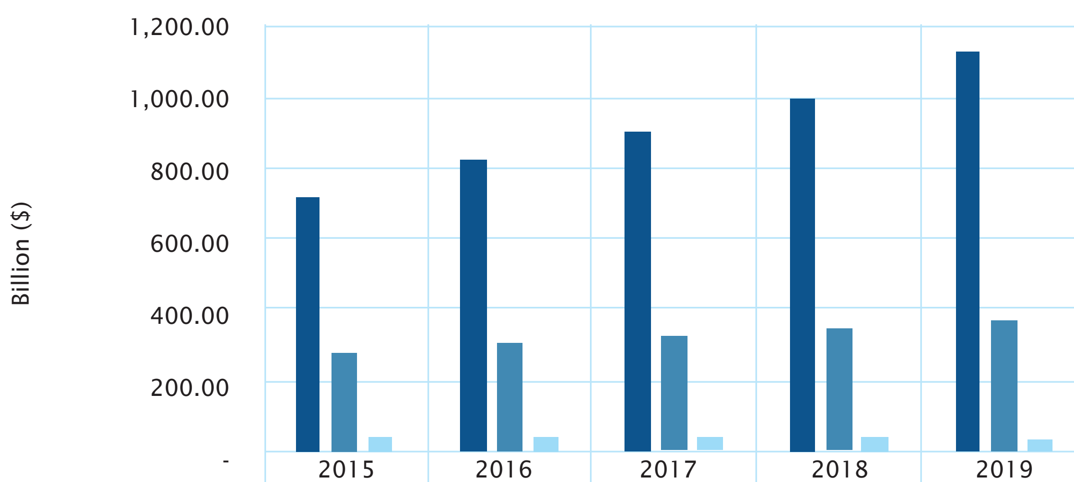
Figure 9: Currency Distribution of Insurable Deposits



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

During 2019, the coverage limit remained at $600,000 per depositor, per ownership category, per institution. At this level, estimated insured deposits totalled $366.9 billion at the end of 2019 and accounted for 32.4 percent of insurable deposits. This represented a 6.1 percent year over year increase from $345.7 billion for 2018. ***(Figure 10)***.

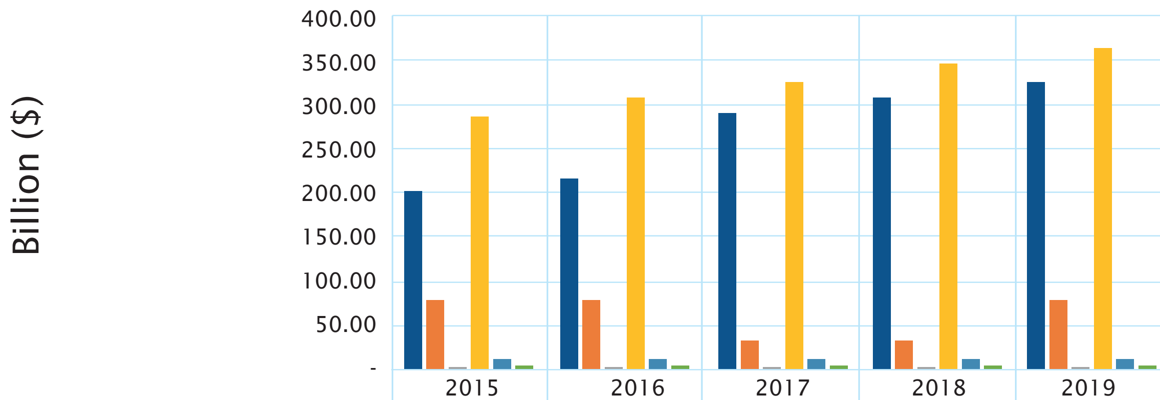
Figure 10: Insured to Insurable Deposits



	2015	2016	2017	2018	2019
Insurable Deposits ($Bn)	717.70	826.40	902.00	999.40	1,131.30
Insured Deposits ($Bn)	284.00	306.00	324.00	345.70	366.90
Insured to Insurable (%)	39.6	37.0	35.9	34.6	32.4

The Deposit Insurance Fund (DIF) balance increased by 17.61 percent to $24.7 billion at the end 2019 compared to $21 billion at the end of 2018. In this regard, the DIF Reserve Ratio, which is the Fund balance as a percentage of total estimated insured deposits, increased to 6.4 percent at end of the year relative to 6.0 percent at the end of 2018 ***(Figure 11)***.

Figure 11: Estimated Insured Deposit by Sub-Sector



	2015	2016	2017	2018	2019
Commercial Banks ($Bn)	202.30	220.40	288.20	308.70	328.90
Building Societies ($Bn)	80.20	84.20	35.60	36.90	37.90
Merchant Bank ($Bn)	1.50	1.70	0.10	0.20	0.14
Total Estimated Insured Deposits ($Bn)	284.00	306.20	324.00	345.70	366.90
Deposit Insurance Fund ($Bn)	13.70	16.00	17.90	20.70	23.40
DIF Ratio (%)	4.8	5.2	5.5	6.0	6.4

PROFILE OF NUMBER OF FULLY INSURED DEPOSIT ACCOUNTS

Fully insured deposits[4] accounted for 21.4 percent of insurable deposits at the end of 2019 down from 23.0 percent in 2018 given the more significant increase in the volume of deposits with value above $600,000. The number of fully insured deposit accounts represented 95.2 percent of total insurable accounts and indicates that the majority of depositors are protected ***(Table 6).*** This level of coverage also underscores JDIC's mandate of protecting the majority of retail depositors and is in line with the International Association of Deposit Insurers' (IADI) best practice recommendation of fully insuring upwards of 90 – 95 percent of deposit accounts.

TABLE 6: PROFILE OF INSURED AND INSURABLE DEPOSIT ACCOUNTS

Year	Value of Fully Insured Deposits ($'000)	Total Value of Insurable Accounts ($'000)	%	Number of Fully Insured Accounts	Total Number of Insurable Accounts	%
2015	194,130,210	717,731,115	27.0	3,912,550	4,062,324	96.3
2016	205,638,019	826,501,702	24.9	4,001,794	4,169,402	96.0
2017	216,629,133	902,216,107	24.0	3,801,530	3,980,416	95.5
2018	229,819,115	999,438,895	23.0	3,965,915	4,158,800	95.4
2019	241,800,651	1,131,265,495	21.4	4,171,477	4,380,025	95.2

[4]Accounts with balances of $600,000 or less

GLANCE AT SHARES OF RETAIL AND CORPORATE DEPOSITS

The annual survey of insurable deposits as at December 31, 2019 revealed increases in corporate and retail insurable deposits. Retail insurable deposits totaled $644.2 billion or 56.9 percent of total insurable deposits **(Figure 12)**. Corporate deposit accounts and retail deposit accounts increased to 132,173 accounts (120,212 in 2018) and 4,247,852 accounts (4,038,588 in 2018), respectively. The average balance in retail deposit accounts was $151,644 compared to $3.7 million in corporate deposit accounts.

Figure 12: Share of the Value of Retail and Corporate Deposits

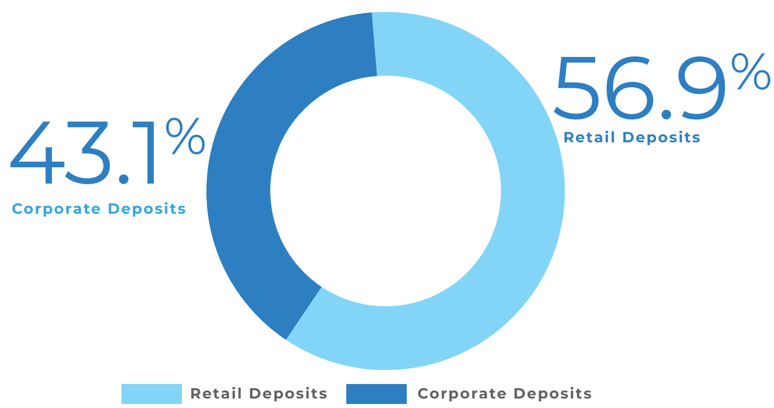
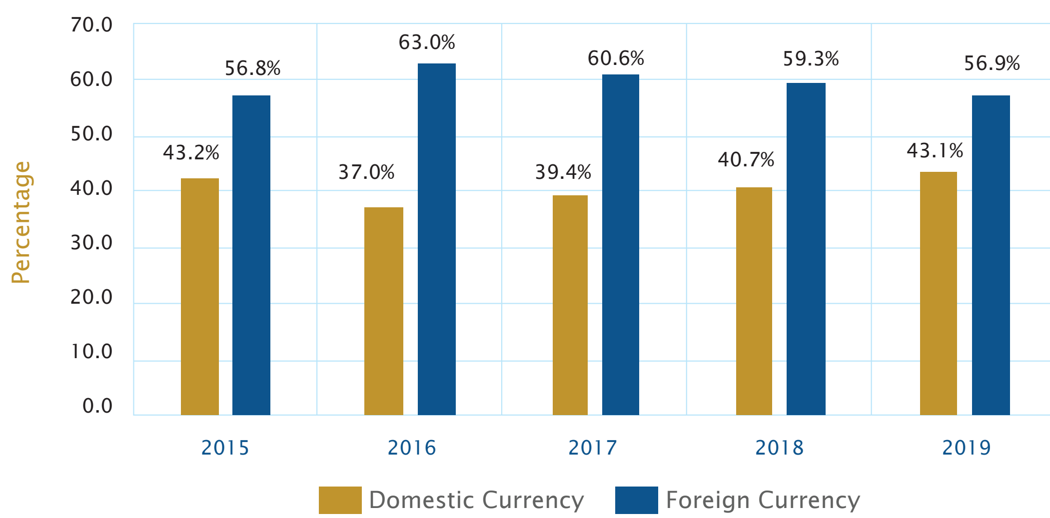


Figure 12: Share of the Value of Retail and Corporate Deposits



JDIC ANNUAL REPORT 2019/2020

REVIEW OF OPERATIONS

FINANCIAL PERFORMANCE

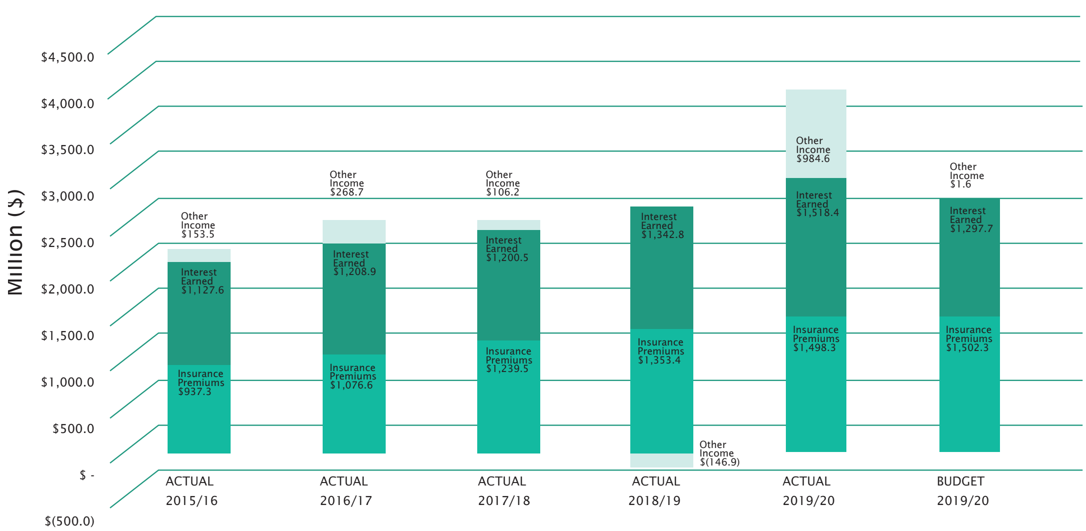
Total assets of the Corporation at March 31, 2020 was $25.2 billion, an increase of 14.2 percent or $3.13 billion over the previous year. The increase is due primarily to an 11.0 percent increase in investments to $24.03 billion at March 31, 2020 ($21.65 billion – March 31, 2019), which comprises Government of Jamaica (GOJ) and Bank of Jamaica (BOJ) assets. Increase in cash and cash equivalents of $673 million comprising interest maturities closer to the end of the financial year was strategically held to achieve the Corporation's liquidity requirements based on the review the DIF adequacy evaluation as at December 2018.

The Corporation's total income for the year ended March 31, 2020 was $4 billion, a 56.9 percent increase over the previous period. ***Table 7*** summarizes the Corporation's total income.

Table 7: Total Income

TOTAL INCOME	2019/20 ACTUAL $M	2019/20 BUDGET $M	2018/19 ACTUAL $M	2017/18 ACTUAL $M
Insurance Premiums	1,498.3	1,502.3	1,353.4	1,239.5
Interest Earned	1,518.4	1,299.3	1,342.8	1,200.5
Other Income	984.6	-	(146.9)	106.2
Total Income	4,001.3	2,801.6	2,549.3	2,546.2

Total Income FY2015/16 to 2019/20



Premium income was $1,498.3 million for the year, an increase of $144.9 million (10.7 percent) from the previous financial year. The increase in premium income was primarily due to an increase in insurable deposits held at member institutions.

Investment income was $1,518.4 million for the year, an increase of $175.6 million (13.1 percent) over the previous FY2018/19. The increase was a result of a depreciating JMD versus US dollar[5] resulting in increased interest income on the US dollar investment portfolio together with the increase in the investment portfolio as a result of increased premium income.

Other income reflected an increase by $1,307 million, due mainly to unrealised foreign exchange gains of $528.5 million and gains realised from fair value of disposed GOJ bonds in FY2019/20 in the amount of $455.6 million previously recognised in Other Comprehensive Income held in JDIC's investment portfolio.

Administrative expenses were $288.3 million for the year. This was $6 million (2.0 percent) lower than the previous FY2018/19 where expenditures included the Corporation's recognition of its twentieth anniversary activities. Normalising the previous year expenditure by deducting expenses for the twentieth anniversary activities, the financial year would have shown an increase in administrative expenses of 8.0 percent. This would have been mainly due to the full cost of additional senior staff employed at the latter part of FY2018/19 now covered in FY2019/20 and increases in salaries and benefits approved by MoFPS for FY2019/20.

Allowing for the administrative expenses and impairment loss on financial assets ($3.4 million, compared to $7.1 million the previous year) the Corporation achieved a surplus of $3,709.5 million. The surplus is reflected in the Deposit Insurance Fund, $24.7 billion as at March 31, 2020 an increase of 17.6 percent over the previous financial year.

Table 8: Deposit Insurance Fund Statement Of Surplus Or Deficit And Other Comprehensive Income

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2019/20 ACTUAL $M	2019/20 BUDGET $M	2018/19 ACTUAL $M	2017/18 ACTUAL $M
Insurance Premiums	1,498.3	1,502.3	1,353.4	1,239.5
Surplus from Investment and Administrative Operations:				
Interest Earned	1,518.4	1,299.3	1,342.8	1,200.5
Other Income	984.5	-	(146.9)	106.2
Total Interest Income Earned and Other Income	2,502.9	1,299.3	1,195.9	1,306.7
Administrative Expenses	(288.3)	(556.3)	(294.3)	(244.4)
Impairment loss on financial assets	(3.4)	-	(7.1)	
Surplus from Investment and Administrative Operations	2,211.2	743	894.5	1,062.3
Surplus from Operations	3,709.5	2,245.3	2,247.9	2,301.8

Compared to budget for FY2019/20, expenditures were 47.6 percent lower, mainly due to staff costs not incurred consequent to the delayed approval from the MoFPS for implementation of recommendations from the organizational review, job evaluation and reclassification exercise submitted in August 2018.

Additionally, budgeted professional fees and public education programme expenditures in anticipation of the admission of the credit unions were not incurred during the reporting period.

[5]The exchange rate of JAMD 134.5682 to USD 1 at March 31, 2020 represents an 8.56% or $10.6103 devaluation of the Jamaica Dollar since March 31, 2019 resulting in the translation gain on foreign account balances held, namely our USD investment portfolio and our BOJ account.

Overall Balance Target (OBT) Agreed with the MoFPS

The Overall Balance Target (OBT) which shows the cash generated from operations, was agreed with the MoFPS as an assessment of the financial performance of the Corporation. The budgeted OBT for FY2019/20 was $1,477.7 million. The Corporation was successful with an actual out-turn of $2,635.9 million, $1,158.2 million (78.4 percent) higher than projected. In addition to the 47.6 percent positive out-turn of the expenses above, this was due mainly to the deferred acquisition of an office building contingent on the organizational review, job evaluation and reclassification exercise.

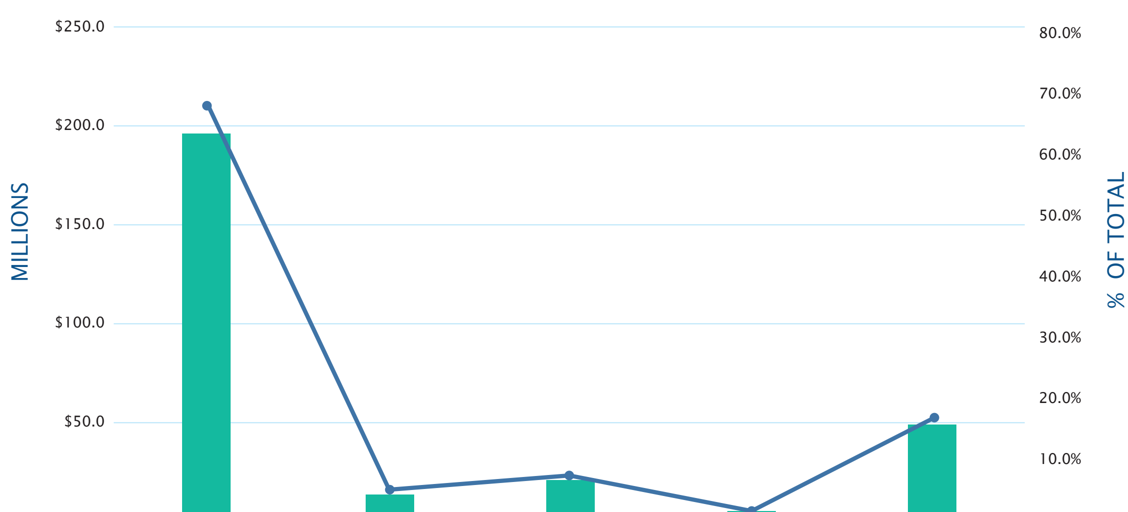
Administrative Expenses as a Percentage of the DIF and Total Assets

Administrative Expenses for the year to March 31, 2020 was 1.2 percent (2019: 1.4 per cent) of the DIF and 1.2 percent (2019: 1.4 percent) of total assets. The reductions are due to increase in investments from premiums received, unrealised foreign exchange gains and gains on disposal of investments throughout the financial year ended March 31, 2020.

The distribution of administrative expenses is shown in ***Table 9.***

Table 9: Summary of Total Expenses Distribution

TOTAL EXPENSES	2019/20 ACTUAL		2019/20 BUDGET		2018/19 ACTUAL		2017/18 ACTUAL	
	$M	%	$M	%	$M	%	$M	%
Staff Costs	196.7	67.4	290.2	52.2	172.3	57.2	155.58	63.6
Public Education	16.4	5.6	43.5	7.8	47.1	15.6	15.09	6.2
Professional Fees	22.4	7.7	97.1	17.5	24.5	8.1	15.69	6.4
Depreciation	6.5	2.2	26.2	4.7	6.7	2.2	6.62	2.7
Impairment loss on financial assets	3.4	1.2	-	-	7.1	2.4	-	-
Other	46.3	15.9	99.3	17.8	43.7	14.5	51.48	21.1
TOTAL	291.7	100.0	556.3	100.0	301.4	100.0	244.46	100.0



	Staff Costs	Public Education	Professional Fees	Despreciation	Other
MILLIONS	$196.7	$16.4	$22.4	$6.5	$49.7
%	67.4%	5.6%	7.7%	2.2%	17.1%

PROTECTING YOUR DEPOSITS... SECURING YOUR FUTURE.

DEPOSIT INSURANCE FUND MANAGEMENT

The DIF balance at the end of FY2019/20 was $24.7 billion, an increase of 17.6 percent compared to the previous year, despite the declining interest rate environment. Over the previous five years the DIF balance increased by 103.3 percent ***(Table 10)***.

Investment decisions were undertaken in accordance with the prescriptions of the Deposit Insurance Act; Corporation's Investment Policy; the annual Investment Guidelines and recommendations arising from the annual DIF Adequacy Evaluation relating to projected liquidity requirements. Although the financial year was characterized by a relatively inactivity of GOJ issues due to decided fiscal policy and interest rates continuing on a downward trajectory, the Corporation met its liquidity requirements.

Monthly Treasury Management Committee (TMC) meetings included invited local investment brokers to share market intelligence with a particular focus on the fixed income markets. The management of the DIF included the implications assessed by the TMC members with identified risk appropriately addressed in a timely manner.

Table 10: Five-Year Fund Growth

	2019/20 $M	2018/19 $M	2017/18 $M	2016/17 $M	2015/16 $M
Insurance Premiums	1,498.3	1,353.4	1,239.6	1,076.6	937.3
Surplus from Investment and Administrative Operations	2,214.6	901.6	1,062.2	1,265.5	1,092.9
Impairment Loss on Securities	(3.4)	(7.1)	-	-	-
Previous Year Deposit Insurance Fund	21,027.6	18,844.0	16,542.2	14,200.1	12,169.9
Initial application of IFRS 9	-	(64.3)			
Deposit Insurance Fund	24,737.1	21,027.6	18,844.0	16,542.2	14,200.1

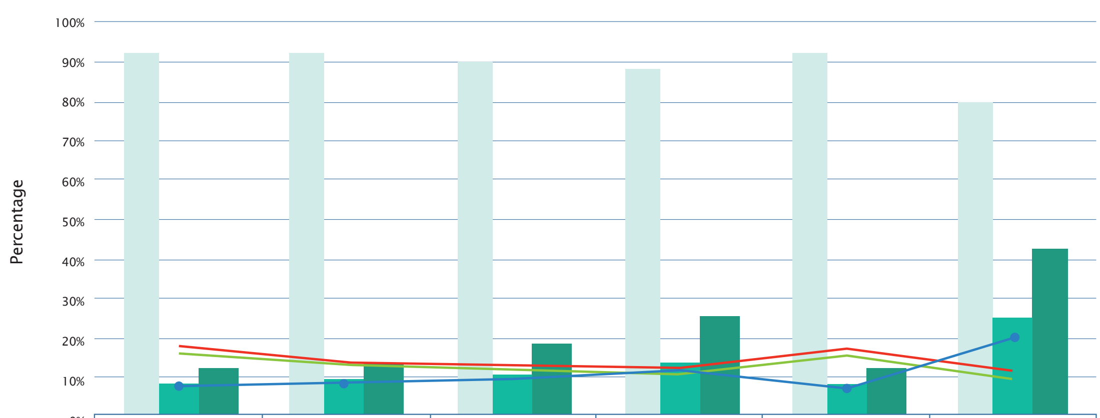
KEY PERFORMANCE RATIOS

The Key Performance Ratios (Table 11) outperformed expectations when compared with the budgeted ratios. This resulted mainly from the increase in income arising from increases in insurance premiums, interest earned on investments and gains on disposal of investments. This was coupled with increased asset prices reflected in the revaluation of securities held and classified as Fair Value through Other Comprehensive Income.

Table 11: Summary of Key Performance Ratios

KEY PERFORMANCE RATIOS	DEFINITION	2019/20 ACTUAL %	2019/20 BUDGET %	2018/19 ACTUAL %	2017/18 ACTUAL %
Operating	Total Expenses/Interest Earned & Other Income	11.7	42.8	25.2	18.7
Expense Control	Total Expenses /Total Income	7.3	19.9	11.8	9.6
Total Expenses	Total Expenses/Surplus from Operations	7.9	24.8	13.4	10.6
Total Expenses to DIF	Total Expenses/Deposit Insurance Fund	1.2	2.2	1.4	1.3
Net Surplus	Surplus from Operations/Total Income	92.7	80.1	88.2	90.4
Return on Assets	Surplus from Operations/Total Average Assets	15.7	9.4	10.8	11.9
Asset Management	Total Revenue/Total Average Assets	16.9	11.7	12.3	13.1
Insurance Premiums to Total Income	Insurance Premiums/Total Income	37.4	53.6	53.1	48.7

Summary of Key Performance Ratios



	ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	ACTUAL 2018/19	ACTUAL 2019/20	BUDGET 2019/20
Operating	12.1%	14.4%	18.7%	25.2%	11.7%	42.8%
Administrative Expenses	8.2%	9.1%	10.6%	13.4%	7.9%	24.8%
Net Surplus	92.4%	91.7%	90.4%	88.2%	92.7%	80.1%
Expense Control	7.6%	8.3%	9.6%	11.8%	7.3%	19.9%
Return on Assets	16.4%	12.8%	11.9%	10.8%	15.7%	9.4%
Asset Management	17.7%	13.9%	13.1%	12.3%	16.9%	11.7%

Table 12 reflects the investment portfolio maturity profile at the end of the financial year compared with previous years.

Table 12: Portfolio Maturity Profile

TENOR OF INVESTMENT SECURITIES	2019/20	2018/19 %	2017/18 %	2016/17 %
Up to 12 months	4.7	7.3	13.0	21.8
1 - 3 Years	17.7	16.3	14.8	11.4
3 - 5 Years	23.6	12.8	11.3	2.8
Over 5 Years	54.0	63.6	60.9	64.0
TOTAL	100.0	100.0	100.0	100.0

The reduction in the ratio of short term securities was due to the receipt of the amortised portion of the GOJ 2019 global bond and increase in cash holdings from investment interest received close to the end of the financial year. The proceeds of which were reinvested in over 3-5 and over 5 years' tenor bonds to re-align the portfolio's distribution to maintain its liquidity target.

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

Table 13: Investment Securities Portfolio Distribution

INVESTMENT SECURITIES	2019/20 DISTRIBUTION %	2018/19 DISTRIBUTION %	2017/18 DISTRIBUTION %	2016/17 DISTRIBUTION %
Fixed Rate Accreting Notes	32.6	35.7	40.4	44.2
Benchmark Investment Notes	35.5	32.6	20.5	4.7
GOJ Global Bonds	27.4	26.3	30.3	33.8
GOJ Local US$ Bonds	-	-	-	5.7
BOJ CDs	3.3	4.3	7.6	10.2
Interest Accrued	1.2	1.1	1.2	1.5
TOTAL	**100.0**	**100.0**	**100.0**	**100.0**

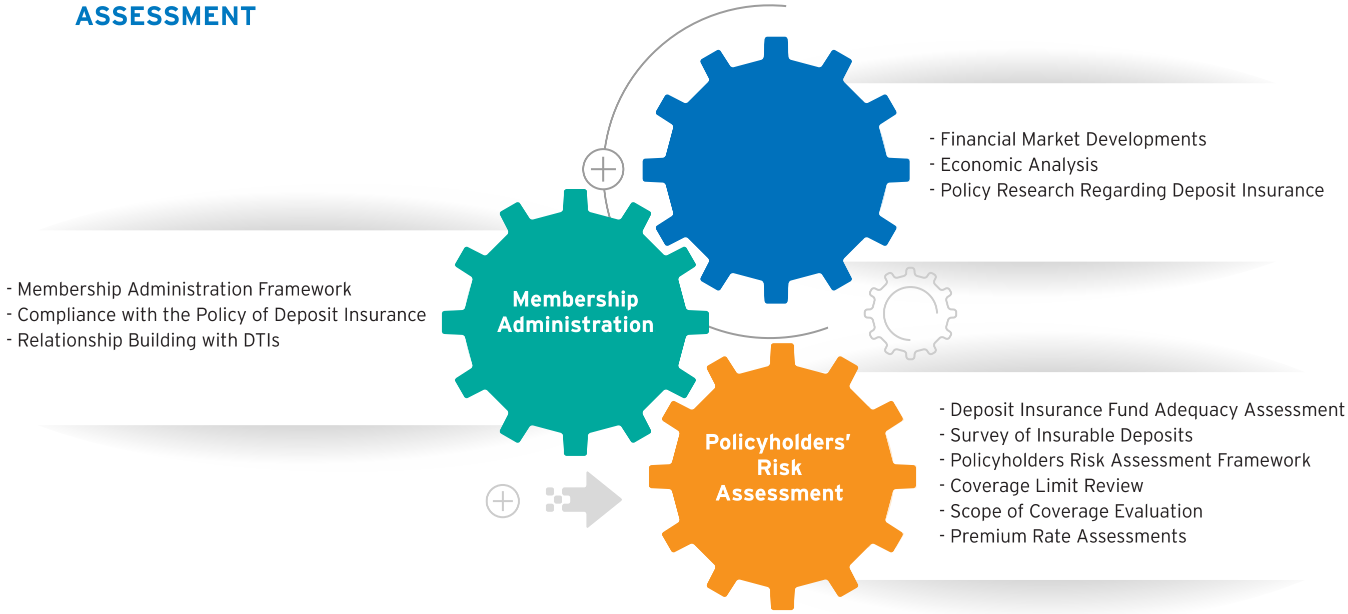
SUMMARY FINANCIAL PROJECTIONS
FOR YEAR ENDING MARCH 31, 2021

DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME	YEAR ENDING MARCH 31, 2021 $'000
Total Income	3,145,806
Total Expenses	(681,108)
Surplus from Operations	2,464,698
Surplus from Operations - Balance at Beginning of the Year	23,883,617
Deposit Insurance Fund - Balance at End of the Year	**26,348,315**

CASH AND CASH EQUIVALENTS	YEAR ENDING MARCH 31, 2021 $'000
Total Inflow	11,737,169
Total Outflow before Investments	(1,132,697)
Investments	(10,640,000)
Net inflow	(35,528)
Balance at Beginning of the Year	84,209
Balance at End of the Year	**48,681**

DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION	MARCH 31, 2021 $'000
Property, Plant and Equipment	392,266
Investment Securities	26,933,244
Current Assets	96,608
Total Assets	**27,422,118**
Current Liabilities	11,264
Unearned Premium Income	-
Share Capital	1,000
Capital Reserves	126,601
Fair Value Reserves	934,938
Deposit Insurance Fund	26,348,315
Total Liabilities	**27,422,118**

MONITORING AND RISK ASSESSMENT



To be able to effectively reimburse depositors and participate in other resolution options in relation to non-viable Policyholders, the Corporation continued its ongoing risk monitoring and assessment activities in relation to the condition and financial performance of Policyholders and the risk they may pose to the DIF.

This was achieved through the continued surveillance of the macro economy and financial markets performance, along with relevant information from the prudential regulatory authorities and Policyholders. The Corporation kept abreast of the BOJ and international standards relating to prudential regulation and supervision and emerging best practice trends in relation to Policyholder operations and performance assessment. Assessment findings were reviewed and discussed with the prudential regulatory authorities and recommendations presented to the Committee of Management (COM) and the Board of Directors where appropriate to inform timely decision making in relation to policy and legislative reform.

The Corporation remained focused on maintaining strong communication with members and prospective members of the DIS. Membership compliance was monitored consistent with the Policy of Deposit Insurance and other reporting requirements prescribed under the DIA. In relation to the prospective membership of Credit Unions, the Corporation continued its collaborative work with the JCCUL and the BOJ and fine-tuned the admission framework in anticipation of the credit unions coming under the regulatory ambit of the BOJ and becoming members of the DIS.

The Corporation continued to execute on key initiatives through the collection and analysis of data to inform the ongoing review of the significant elements of the DIS, in particular, the scope of deposit insurance and the coverage limit offered. Below are some of the findings from selected key initiatives:

Deposit Insurance Fund Adequacy Evaluation

The Corporation completed its work on the Deposit Insurance Fund Adequacy Evaluation (DIFAE/ Evaluation), during FY2019/20, in keeping with its regulatory obligation under the DIA, to conduct periodic reviews of the size and value of the DIF (not less than once per year). This detailed review identifies the Corporation's liabilities and potential liabilities, inclusive of capital and operating expenses. An in-depth risk analysis classifies Policyholders based on their assessed risks and takes into account credit risk default modelling. The results of the risk analysis guided the JDIC in planning for, and managing, the liquidity of the Corporation ensuring there was adequate funding available to reimburse depositors in the event of non-viability of a Policyholder. The review and recommendations were shared with the COM and the Board of Directors.

The completed Evaluation indicated that the assessed risks of the member institutions were considered low and therefore no resolution was anticipated for FY2019/20. Against this background, the DIF was determined to be adequate to cover the Corporation's existing and potential liabilities for the reporting period.

Coverage Limit Review

During FY2019/20, the level of the deposit insurance coverage was reviewed to ensure the Corporation continued to meet its public policy objectives, while limiting the Deposit Insurance Fund's exposure to loss. The Corporation periodically reviews the coverage limit to ensure it is relevant and credible, and if necessary, makes recommendations to the Minister. The International Association of Deposit Insurers (IADI) Core Principles for Effective Deposit Insurance Systems, Principle 8, states that, *"policymakers should define clearly the level and scope of deposit coverage. Coverage should be limited, credible and cover the large majority of depositors but leave a substantial amount of deposits exposed to market discipline."*

The review conducted during the period revealed that 95.2 percent of deposit accounts were fully insured, in line with the IADI benchmark of covering upwards of 90-95 percent of depositors. In conducting the review, due consideration was given to the DIA, international standards, and changes in the international and domestic macroeconomic and regulatory environments. Additionally, the Corporation considered factors such as, but not limited to: (i) inflation, (ii) the movement in the exchange rate and (iii) the distribution of deposit accounts, to ensure depositors are adequately protected and the coverage level is credible. A credible coverage limit is critical in mitigating bank runs in the event of rumoured or real bank failure.

Survey of Insurable Deposits

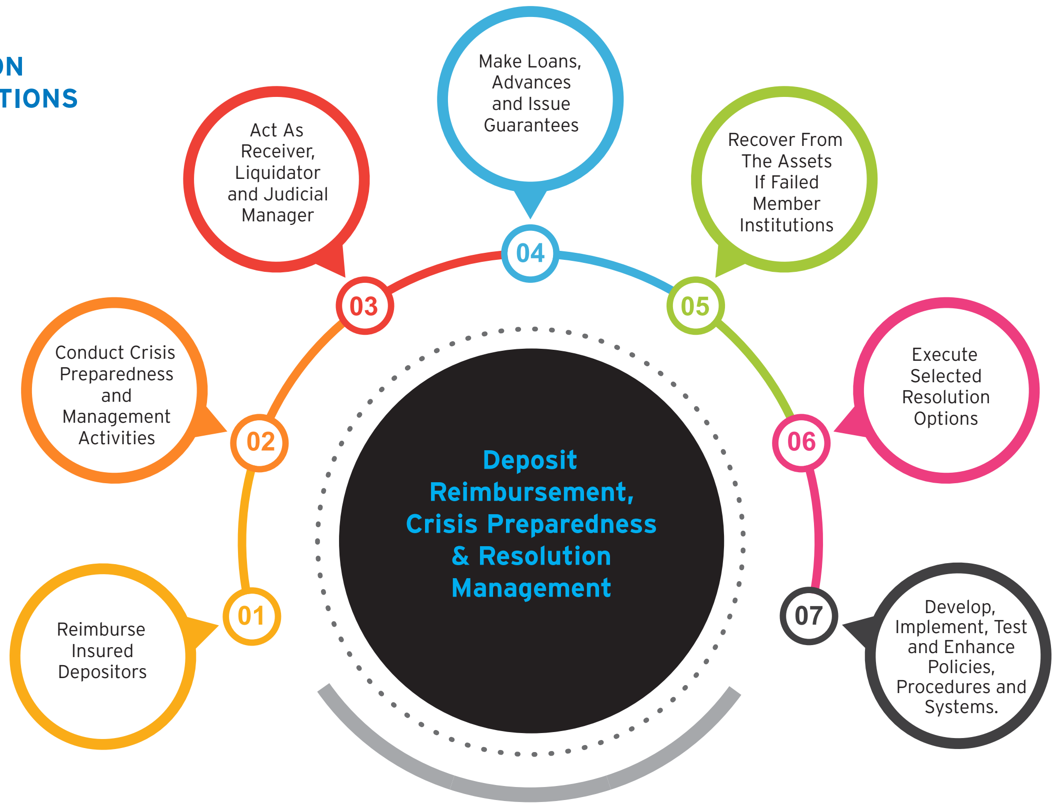
At the end of December 2019, the Corporation conducted its annual Survey of the Distribution of Insurable Deposits. One of the objectives of the Survey is to obtain necessary information on the categories of deposit and the dollar value distribution of insurable deposits in the banking system and be able to estimate the amount of insured deposits. This type of information is also used in guiding JDIC's review of the design features[6] of the DIS. The value of insurable deposit, being the base upon which the calculation of the annual premium payable by Policyholders, is ascertained from the information contained in the Survey. A prescribed premium rate is applied to the base in the calculation of the annual premium payable by Policyholders into the DIF. Assessments on the appropriate premium rate is information in the annual DIF Adequacy Evaluation.

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

In fulfillment of its mandate to protect depositors and contribute to financial system stability, a key corporate strategy is that the Corporation operates in a constant

[6]The design features of the DIS includes the deposit products which are covered as well as the level of coverage, the premium rate and fund management.

INTERVENTION AND RESOLUTIONS



state of readiness to respond financial system distress. This ensures that in the event of a member institution's failure, the required policies, procedures and systems are in place to provide depositors with prompt and easy access to their insured deposits and by so doing limits the risk of depositor runs. The Corporation has the power to undertake several roles and functions in planning for and executing the resolution of a non-viable member institution to make certain it can fulfill its mandate. These include: acting as receiver, liquidator and judicial manager; and arranging restructuring transactions, which may involve providing financial assistance with security. Critical to the Corporation executing its roles and functions is the ongoing information sharing and collaboration with the other members of the financial safety net, namely the BOJ, FSC and the MoFPS in normal times and crises periods.

Building the Corporation's Resolution Capacity

Since the establishment of the DIS in 1998, there has been no call on the Fund and no bank failure, presenting a good opportunity for the Corporation to develop and refine its resolution capabilities. There have also been significant regulatory reforms implemented to strengthen the financial system taking into consideration the conglomerated and interconnected structure of financial institutions and international best practice standards. Albeit, more work is required. In this regard, several other initiatives are being pursued including in the area of resolution and crisis management. The Corporation continues to participate in these initiatives with the other financial safety net partners to implement reforms geared towards enhancing the legal framework for the resolution of DTIs and Non DTIs and achieving better alignment with international best practice standards, namely the FSB Key Attributes for Effective Resolution Regimes for Financial Institutions. These initiatives have reinforced the need to ensure there is express clarity in relation to specific roles of the Corporation where resolution is undertaken by the administrative authority with power to determine and exercise resolution powers over financial institutions subject to the regime established for resolution[7]. This is against the background of the JDIC's existing powers for resolution under the DIA, namely, to act as receiver and liquidator of DTI's and exercising the power to restructure their holding companies and subsidiaries.

Use of the DIF in Resolution

There are two powers the Corporation can execute to protect depositors and make deposit insurance payments available when a member institution is deemed non-viable. The first involves utilizing, the Fund to make a straight payout in the event the DTI is

[7]The KAs state that where there are multiple resolution authorities (involved in resolution) within a jurisdiction their respective mandates, roles and responsibilities should be clearly defined and coordinated.

found to be insolvent. The second relates to the case of a non-payout resolution strategy where JDIC can provide financial assistance, against security, to an assuming member institution. Such assistance may be in the form of making loans or advances or issuing a guarantee with security to support a resolution, which may include, transfer of insured deposits in a purchase and assumption transaction, obviating the need for a payout. This is within the context that, contributing to a resolution strategy may cost the Fund less than would otherwise have been incurred in the payout of insured depositors in a liquidation net of expected recoveries.

During the review period, the Corporation furthered its work on the drafting of rules to ensure the use of the Fund in resolution is: for the ultimate purpose of protecting depositors; subject to certain safeguards; and the minimization of the risk of moral hazard. These rules will seek to provide express clarity in relation to the use of the Fund, as well as to ensure reliance on the DIF is not excessive, which in turn could cause erosion in confidence in the DIS. The drafting of the rules is also guided by the recommendations of the FSB *Key Attributes* and the IADI *Core Principles. The IADI Core Principle 9, essential criteria states: Where the deposit insurer is not the resolution authority, it has the option, within its legal framework, to authorize the use of its funds for resolution of member institutions other than liquidation*. The essential criteria further states that certain conditions must be met for the use of the Fund, such as: the use of the Fund is transparent and documented, and is clearly and formally specified; and the deposit insurer is informed and involved in the resolution decision making process.

The Corporation's appointment to act as receiver and/or liquidator in the resolution of a member institution, its holding company or subsidiary also provides for a greater involvement in the decision making process and another layer to safeguard the use of the Fund.

Least Cost Analysis[8]

The JDIC will use the estimated cost to payout depositors in a liquidation as a baseline against which the costs/losses to the DIF of each available resolution strategies are analyzed and compared as well as make decisions regarding the use of the DIF in resolution to provide financial assistance.

A comprehensive review of the discrete resources to be procured and associated administrative costs the Corporation is likely to incur to payout depositors in a liquidation was conducted during the year. This analysis included simulating the preparation of a detailed payout budget for member institutions using current market data, as well as a combination of statistical and judgmental components. The key impediments to a prompt reimbursement and the cost implications were also taken into consideration. The review highlighted the key cost drivers in a payout as, human capital, the use of traditional communication and payment disbursement methods. The costing for human capital is consistent with the Corporation's strategic operating model, to maintain a limited core staff complement in stable times and with the pre-planned identification of additional key human resource engagement for crisis periods. The review underscored the need to reduce printing costs and achieve better efficiency in a crisis by leveraging technology based communication mechanisms and advancements in payment channels was highlighted.

The Corporation's ongoing public awareness and education initiatives and the customer information data maintained by member institutions under the rubric of the JDIC issued "Recordkeeping Guidelines for all JDIC Policyholders" are being used to sensitize depositors and other stakeholders to this changing paradigm based on emerging technology. These initiatives will ensure that the Corporation's actions in times of future financial crises are commensurate with depositors' expectations.

Depositor Reimbursement Framework

In an effort to guarantee that in a crisis depositors have access to their insured deposits; and to minimize the likelihood of contagious bank runs, the Corporation maintains a robust depositor reimbursement framework. The Framework involves the ongoing review and update of depositor reimbursement processes and systems that have implications for the timely and accurate reimbursement of their deposits. This includes keeping abreast of and proactively responding to: reforms to the regulatory framework; evolving changes to traditional banking operations and the use of technology to deliver financial products and services and settle payments; strategies to improve data security and privacy; experiences of other jurisdictions and international best practice standards.

During the review period collaborations continued with member institutions in relation to their implementation of the "Recordkeeping Guidelines for all JDIC Policyholders". The Guidelines seek to ensure member institutions maintain customer and account data in a standard format and that their banking

[8]A procedure that requires the implementation of the resolution option, including liquidation of the failed member institution, that is least costly to the Resolution Authority, the financial system or the Deposit Insurance System.

information systems can generate the required data to satisfy the Corporation's information needs. Other initiatives included leveraging technology to automate the depositor reimbursement processes, conducting simulations and developing staff competencies.

Policyholders submitted to the Corporation their annual self-assessment of compliance with the "Recordkeeping Guidelines for all JDIC Policyholders"[9] (the Guidelines) supported by action plans and contingencies to address areas of non-compliance. The Corporation will continue to work with Policyholders and other stakeholders towards achieving full compliance.

An area of focus going forward is working with member institutions and other financial intermediaries through various public education and stakeholder engagement initiatives to fully implement the recordkeeping and disclosure requirements relating to trust and nominee accounts as stated in the Deposit Insurance (Joint, Trust and Nominee Account) Regulations and the Guidelines. Work will also continue in preparation for the phased implementation of the Recordkeeping Guidelines Compliance Framework to commence in FY2021/22. The proposed Recordkeeping Guidelines Compliance Framework will allow the Corporation to independently assess on an ongoing basis each Policyholder's level of adherence to the Guidelines and identify gaps to be addressed in advance of a failure.

Notably progress was made to advance the development of a payout management information system. The technology-based payout system is being built to automate and expedite the reimbursement processes in a systematic and accurate manner. The information system also paves the way for the implementation of the proposed Recordkeeping Guidelines Compliance Framework and better validation of premium payments made by member institutions.

The new payout management information system will also allow for more effective and timely communication with depositors in a crisis and provide for the use of several electronic payment options to disburse insured deposits. System testing activities and the training of business users continued as planned during the review period. The scope of the testing included staff members assuming varying roles based on their existing skills set and simulating the discrete activities in the depositor reimbursement process. This approach provided an opportunity to embrace and develop the staff competencies and test operational readiness.

Crisis Preparedness and Management

Other crisis management simulation and training exercises were also conducted during the period to develop internal capabilities and this will remain a key focus for the next planning period. This is also particularly important as the impact of the Covid-19 pandemic unfolds. The Corporation began to reprioritize certain initiatives to be carried out at the agency level as well as jointly with the other FSSN partners in relation to crisis preparedness and management during the ensuing 12 months. This will include the review of key policies and procedures to better reflect the current environment and guide the Corporation's action, as well as, enhanced inter agency collaboration and information sharing to deal with any unexpected developments and significant shocks. More frequent in house staff training exercises and crisis simulations are also planned to test the Corporation's readiness to respond in a crisis. This involves evaluation of potential gaps and implementation of corrective actions.

[9]The Guidelines may be accessed on the JDIC's Website:
https://www.jdic.org/files/page-attachments/guidelines_on_the_recordkeeping_requirements_for_all_jdic_policyholders_rev_april_30_2014.pdf

Policyholders Training Workshop - Savanna-la-Mar, Westmoreland - September 2019

PUBLIC EDUCATION AND AWARENESS

Public education and awareness continues to be globally recognized by FSSN partners and standard setting bodies in the financial industry, as an important prerequisite to financial inclusion, deposit insurance protection and financial system stability.

The IADI Core Principle 10 for Effective Deposit Insurance Systems which states that 'in order to protect depositors and contribute to financial stability, it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system' reinforces this paradigm. As such, Deposit Insurers in fulfilling their public policy objective are responsible for promoting public awareness of the deposit insurance system, using a variety of communication tools as part of a comprehensive communication programme.

In this regard the Corporation has an ongoing public education programme. Over the years the Corporation has sought to strengthen the programme and during FY2019/20 continued to do so by engaging its audiences through the use of new technologies and aligning its communication strategies and messages accordingly. This was coupled with the use of traditional media (which based on past surveys continues to have wide reach in the Jamaican context), and other ongoing strategies which were considered the most impactful.

Digital Media

During FY2019/20, the Corporation amplified its digital footprint by engaging a firm to assist with the execution of a robust social media programme. This initiative has been steadily reaping encouraging results by focusing on increasing stakeholder awareness of the JDIC and the DIS among its online audience, while importantly, tapping into the millennial and generation z demographic, who are avid users of social media platforms. The intensified new media messaging has also aided in deepening connectivity with rural, regional and international stakeholders.

Additionally, as part of efforts to ensure that the core messages of the public education and awareness programme reach Jamaicans of all socio-economic backgrounds, visual content informing commuters about the mandate of the JDIC and the provisions of the DIS was placed on the Jamaica Urban Transit Company's (JUTC) Wi-Fi platform which commuters can readily access free of cost.

Traditional Media

The Corporation continued its advertising campaign utilising targeted radio and television programmes that sought to reinforce in the minds of Jamaicans, the value of deposit insurance and the protection guaranteed to depositors and to educate generally on the regulation of the financial system.

In order to strengthen consumer awareness of insured deposit-taking institutions, the Corporation maintained its quarterly publication of Policyholders listing in the local and overseas newspapers. Other advertisements over the period focused on highlighting the scope of coverage including the coverage limit, products covered and ownership categories. Specific groupings at the community level were also targeted via the placement of advertisements in various publications such as business magazines, services club newsletters, along with church programmes and booklets.

Financial Literacy Book for Primary Schools

Cognizant that educating the youths is key to ensuring that future generations are financially literate and empowered the Corporation continued its focus on financial education in schools. Work on developing a financial education book for the benefit of children at the primary level continued. The content will address key areas of the financial system such as deposit insurance, the role and function of FSSN partners, saving, investment, and general money management from an early age. An electronic and animated version of the book will also be prepared to accompany and enhance the text. The book is expected to be launched in FY2020/21.

Corporate Website

Due to the rapid evolution of technological advancements among nearly all demographics, websites and related digital media are one of the most cost effective means of communication. Consequently, in keeping with the Corporation's thrust to enhance its visibility and engage its stakeholders and the general public more effectively, a firm is to be engaged to undertake the redesign of the website. The aim is to make the website more modern by improving its functionality and aesthetics, while enhancing the user interface. This is intended to provide a more seamless experience for its internal and external stakeholders and extend the reach of corporate information and public education and awareness among its target publics.

The new website is expected to be launched during FY2020/21.

Public Fora

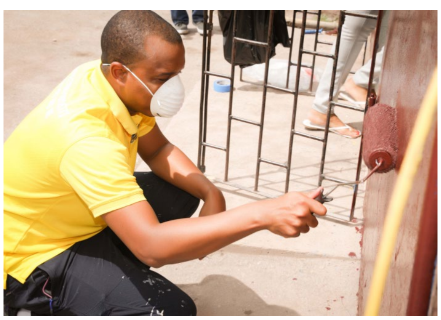
The Corporation's ability to execute two public fora planned for the last two quarters of FY2019/20 was impacted by the imposition of States of Public Emergency by the Government in the community the event was to be held and in the second instance the COVID -19 pandemic. As the new normal unfolds, the JDIC will seek to engage stakeholders through the execution of its outreach activities using virtual and real-time platforms.

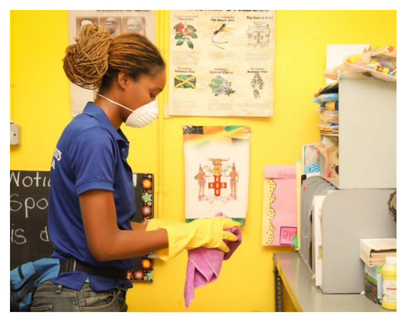
Collaboration with Financial System Safety Net (FSSN) Partners, Policyholders and other Stakeholders on Public Education Initiatives

The engagement of Policyholders, employees of public and private organizations, as well as other stakeholders by way of workshops and sensitization seminars are valuable channels of communication in the dissemination of deposit insurance information in order to reinforce our key messages and bolster awareness of the JDIC and the DIS.

To this end, collaboration with FSSN partners remained a significant aspect of the Corporation's efforts to increase public awareness while a contributing to the confidence and stability in the financial sector. Participation in initiatives under the National Financial Inclusion Strategy spearheaded by the BOJ continued, as well as participation in events hosted by the MoFPS and the Jamaica Stock Exchange, which provided the Corporation with diverse avenues to promote the JDIC and DIS.

Labour Day 2019 – The JDIC family, community members and teachers at the McLeod Basic School in St Andrew, cleaning and painting the school.





The Corporation's corporate social responsibility (CSR) policy promotes the seven core principles recognized by ISO 26000 for CSR: organizational governance; human rights; labour practices; the environment; fair operating practices; consumer issues; community involvement and development which in turn governs its commitment to its team members and external constituents.

During the review period, the Corporation continued its internship and summer employment programme for students attending tertiary and secondary institutions. This allowed them to gain invaluable exposure in the world of work via attachment to several areas of the organization. The participation of members of staff in community outreach activities included: the National Labour Day Project in which the Corporation provided the McLeod Basic School in St Andrew with a welcomed facelift including painting the building and the installation of kitchen cabinets. The Corporation also made donations of essential items to children affected by a fire at the Jamaica National Children's Home and participated in the Jamaica Cancer Society's (JCA) 'Pink Day Initiative' to raise awareness about Breast Cancer.

Financial System Safety Net Partnership

"Financial safety-net is defined to include the functions of prudential regulation, supervision, resolution, lender of last resort and deposit insurance. In many jurisdictions, a department of government (generally a Ministry of Finance or Treasury responsible for financial sector policy) is included in the financial safety-net."[10]

The Corporation works closely with the other members of the financial system safety-net, the Ministry of Finance and the Public Service, Bank of Jamaica and the Financial Services Commission to ensure the overarching financial sector public policy objectives namely, regulation, supervision, consumer protection and financial system stability are met. The legal framework governing each member of the FSSN provides for the ongoing inter agency collaboration, coordination and information sharing in fulfillment of these objectives.

Collaboration and information sharing among the FSSN partners was strengthened through the functions of the Financial Regulatory Committee (FRC) and the Financial System Stability Committee (FSSC) established pursuant to provisions in the BOJ Act. Technical working groups comprising of officers of the respective agencies are also established as is necessary to support the FRC and FSSC in carrying out their functions.

The Financial Regulatory Committee

The FRC was established in 2014 pursuant to section 34BB of the BOJ Act[11]. The statutory objectives of the FRC are to facilitate timely information sharing, coordination and collaboration among its members' agencies. The members of the FRC are the Governor of the Bank of Jamaica (chairman); the Financial Secretary; the Executive Director of the Financial Services Commission; and the Chief Executive Officer of the JDIC.

The FRC is also guided by a MOU executed by its members to promote the exchange of information on their respective areas of operation, strengthen the oversight of the financial sector through coordinated implementation of policy and regulatory reforms while minimizing regulatory burden, and prepare for intervention and other regulatory actions. Under the FRC MOU, the Committee also has responsibility for the coordination and execution of financial sector crisis preparedness and management strategies

Enhancing the Resolution Framework for Financial institutions

A key task being pursued by the FRC at this time, is the development of legislation to strengthen the capacity of the authorities/regulators to take orderly and timely actions in resolving a non-viable regulated financial institution without severe systemic disruption and without exposing taxpayers to loss. The legislation will better align the legal framework governing the resolution of financial institutions with international standards namely, the FSB Key Attributes, in a proportionate manner that achieves the desired policy objectives. Under the new framework it is proposed that the Bank of Jamaica will be the Resolution Authority and the JDIC a Resolution Administrator consistent with the latter's existing powers under the DIA to restructure Policyholders, their holding companies and subsidiaries. The timetable for the tabling of the legislation has been rescheduled to FY 2020/21.

[10]The IADI Core Principles for an Effective Deposit Insurance System, 2014

[11]The Financial Regulatory Committee replaces the Financial Regulatory Policy Council that was established in 2000, consequent on the tabling of a Ministry Paper in Parliament.

Financial System Stability Committee

The BOJ Act, section 34H provides for the establishment of a Financial System Stability Committee that serves to make assessments in support of the objective of financial system stability, make recommendations to the BOJ for carrying out its financial system stability mandate as well as help inform the BOJ's use of macro-prudential rules and standards[12].

The functions of the FSSC include[13]: promoting the regular exchange of information and consultations with key stakeholders[14] regarding the monitoring of risks and giving oversight to the design and conduct of periodic stress tests regarding plausible systemic threats to Jamaica's financial system stability; contributing to the development and implementation of mechanisms and procedures for financial sector crisis planning, management and resolution; recommending measures to securer international cooperation in support of Jamaica's financial system stability; and providing periodic and special reports to the Minister in charge of Finance on financial stability oversight.

The FSSC consists of six ex-officio members and 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 (chairman); the Senior Deputy Governor, the Deputy Governor, or other senior officer of the BOJ with assigned responsibility for the BOJ's financial system stability; the Deputy Supervisor of Banks and Financial Institutions; the Financial Secretary; the Executive Director of the Financial Services Commission; and the Chief Executive Officer of the JDIC.

National Financial Inclusion Council

The National Financial Inclusion Council (NFIC) has responsibility to set the overall policy direction for the development and implementation of the National Financial Inclusion Strategy (NFIS). Established in March 2017, the NFIC is chaired by the Minister of Finance and the Public Service, with other members being the Governor of the BOJ; the Financial Secretary and the Financial Inclusion Steering Committee (FISC) of which JDIC's CEO is a member. The FISC, which is chaired by the Governor, has responsibility to report to the Council on the implementation of the action items in the NFIS.

Of note, the NFIS supports Jamaica's Vision 2030 national development plan and outlines an agenda of reforms structured around four main pillars: Financial Access and Usage (includes electronic transaction instruments and digitization of government payments); Financial Resilience (reforms that would contribute to increased usage of savings, insurance and retirement accounts for low-income persons); Financing for Growth (focuses on three sectors - MSME, agriculture and housing - that have significant potential for contribution to the development of Jamaica's economy and the well-being of the population); and Responsible Finance/ Consumer Protection and Financial Capability (which includes enhanced disclosure, adequate business practices and better informed consumers).

During the review period the Corporation continued to contribute to the work being done to support the deliverables under the NFIS, in particular in initiatives under the NFIS sub-Committee for Consumer Protection and Financial Capability. This was facilitated through the Corporation's own public education and awareness programme, and as well participation in events hosted by the BOJ in the corporate area.

INTERNATIONAL RELATIONS

Membership in the International Association of Deposit Insurers

The International Association of Deposit Insurers (IADI, the Association) was formed in May 2002 with the purpose of sharing deposit insurance expertise, promoting international cooperation in the field of deposit insurance and contributing to the stability of financial systems. The IADI provides its members[15] with standards that serves as a benchmark for jurisdictions to: assess the quality of their deposit insurance systems; identify gaps in their deposit insurance practices; and recommend measures to address the gaps. The Association also provides guidance, training and other educational programs on matters related to deposit insurance and financial system stability.

The JDIC actively contributes to and benefits from the work of the IADI since its establishment. The IADI Core Principles for Effective Deposit Insurance Systems and other supporting guidance and standards issued by the IADI, provide a benchmark for the Corporation in reviewing and enhancing its legal and operating framework. This has been facilitated through the officers of the Corporation serving as members of IADI committees and technical working groups, sharing technical expertise and making presentations at conferences, seminars and other training opportunities.

[12]In December 2010, Cabinet took a decision to assign institutional responsibility to Bank of Jamaica for the stability of Jamaica's financial system and, in October 2015, The Bank of Jamaica Act was amended to provide a statutory basis for the Bank's financial stability mandate.

[13]The functions of the FSSC are provided for in section 34I of the BOJ Act.

[14]These include financial sector representatives and overseas regulatory authorities.

[15]Currently, IADI has 87 Members, 8 Associates, and 14 Partners.

The respective fora provide opportunities for IADI members to keep abreast of evolving trends and developments and to share experiences on issues relating to deposit insurance and other financial consumer protection schemes, crisis preparedness and management and resolution[16].

The IADI has eight regional committees with a mandate to reflect regional interests and common issues through the exchange of information and ideas. The JDIC is a member of the Caribbean Regional Committee (CRC) and actively contributes to the collaboration and sharing of technical expertise on the establishment or enhancement of effective deposit insurance systems among its regional counterparts[17].

The JDIC's CEO is a member of the Member Relations Council Committee (MRC), one of the four Council Committees established by IADI's Executive Council to provide oversight and an advisory role to the work of the Association. The mandate of the MRC is to provide oversight for existing and new members in areas of communications, policy development and outreach strategy for new members. JDIC officers also has membership in three technical committees of the Core Principles and Research Council Committee. These technical committees are: The Deposit Insurance Coverage and Scope Technical Committee; Resolution Issues for Financial Cooperatives Technical Committee; and Risk Management & Internal Control Systems of Deposit Insurance Systems Technical Committee. These committees undertake comprehensive research and develop guidance and other publications to support the standards issued by IADI.

IADI 18th Annual General Meeting and International Workshop themed "Realizing Reforms - What Has Changed in Deposit Insurance Systems Since the Crisis"

In October 2019, the 18th IADI Annual General Meeting and Annual Conference was held under the theme "Realizing Reforms: What has Changed in Deposit Insurance Systems since the Crisis?" The Conference included presentations and panel discussions by policymakers, prominent academics, and deposit insurers on the evolving trends and developments impacting the global economy, financial stability, deposit insurance and bank resolution.

The CEO of JDIC was one of the Deposit Insurance experts who made a presentation on the "Legal Framework for Effective Cross Border Resolution within the Caribbean Region". The CEO highlighted the key role deposit insurers play in protecting depositors, crisis management and resolution regimes and the importance of relevant and harmonized laws. The need for CARICOM Member States to establish special resolution regime for banks including bank insolvency laws that are supportive of effective resolution regimes for financial institutions and separate from general corporate insolvency laws was also highlighted. It was noted in her closing that these issues are particularly important for the Caribbean region. This is within the context of the interconnectedness of the financial landscape across borders and the thrust to deepen the integration of financial markets while ensuring appropriate mechanisms are in place to protect depositors and other financial consumers and strengthen financial stability.

Regional Capacity Building - Caribbean Community (CARICOM) Proposals for a Model Deposit Insurance Framework for Member States

The Corporation continued its work with the Caribbean Community (CARICOM) Secretariat and member countries to establish a Model Deposit Insurance Policy for the Caribbean Community (the Policy) in order to promote the adoption of a harmonized legal and regulatory framework for deposit insurance in line with international standards. The work of the JDIC included chairing the technical working group tasked with drafting the Policy and providing technical guidance on pertinent issues relating to establishing or improving deposit insurance systems particularly given the respective structures of regional financial systems.

The Draft Policy, along with other CARICOM Single Market and Economy related initiatives were presented at the 40th Meeting of Conference of the Heads of Government in July 2019 for members to provide feedback for subsequent sign off. The next steps following the approval of the Policy include the preparation of a Model Deposit Insurance Legislation and supporting regulations.

[16]Conferences/Trainings attended by JDIC Officers during the review period include: IADI Fourth Americas Deposit Insurance Forum; IADI 5th Biennial Research Conference: Towards Building a More Resilient Financial System – Challenges in Deposit Insurance and Bank Resolution; and FSI/IADI 9th Joint Conference on Bank Resolution, Crisis Management and Deposit Insurance. and Bank Resolution; and FSI/IADI 9th Joint Conference on Bank Resolution, Crisis Management and Deposit Insurance.

[17]The CRC membership includes the deposit insurance organizations in Jamaica, Trinidad and Tobago, Bahamas and Barbados and associate members include British Virgin Islands and Belize.

OUR TEAM

CEO's Office L-R: Clover Edwards and Antoinette McKain

General Counsel, Corporate Secretariat and Communications
L-R: LeeAnne Golding, Stacie-Ann Carty, Marjorie McGrath, Kadisha Sharp, Peta-Gay Coombs, Latoya Nicholson and Brianna Gibson

Monitoring and Risk Assessment
L-R: Desmarie Brooks, Jovaughn Vanriel and Dawn Marie Brown
Missing: Camielle Frazer and Donna Marie McDonald

Finance, Funds and Asset Management
Front L-R: Rickie Williams, Nerissa McKenzie Harris, Dorraine Wright, Mickel Brown, Ronald Edwards
Back L-R: Delgado Williamson, Patrice McQueen, Randia Scott, Pamella Lawrence and Pearzie Reid

Intervention, Resolutions and International Relations
Front L-R: Shavalee Johnson, Jhanelle Smith
Back L-R: Sherene Lewis-Bailey, Stephanie Williams, Eloise Williams-Dunkley, Priesnell Warren

MANAGEMENT OF STRATEGIC RESOURCES

Human Resource

The Corporation's business model continues to require recruitment and retention of expert staff in critical areas relating to deposit insurance, resolution and financial crisis management. Human resource activities continued to focus on those critical initiatives under the key business strategy of "Building Sustainable Human Resource Capacity". These activities included: Organization Review, Training and Development, Occupational Health and Safety and Benefits.

The staff establishment for FY2019/20 was 43 persons but the Corporation started and ended the year with a complement of 28 and 29 persons, respectively. Recruitment and retention continued to be challenging as in previous years. A comprehensive organization review, job evaluation and reclassification exercise was completed and submitted to the MoFPS for approval in August 2018. This was with the objective of ameliorating persistent recruitment and retention challenges. As at year end, the Corporation continues to await the approval from the MoFPS for implementation.

These staffing challenges caused the deferral and protracted execution of several key initiatives.

Training And Development

As a regulatory body and a member of the FSSN, the Corporation continued to recognise that capacity building for the requisite skills and competencies requires ongoing investment in its human capital. Staff participation in relevant technical training programmes continued to be key to building and maintaining an effective team with the required professional and technical skills as the operating environment experienced rapid evolution during to technological advancements and regulatory risk increase. During the review period, staff skills and competencies were upgraded through participating in the following training courses and conferences including: Executive Leadership, Risk Management, Strategic Planning, Financial Modeling, Treasury Management, Financial Technology, Digital Banking and Supervisory Technology and Project Management. Team members also participated in Financial Analysis Training offered by the Federal Deposit Insurance Corporation (FDIC) Corporate University.

Occupational Health And Safety

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

The Corporation completed ergonomic upgrades to the infrastructure consistent with the proposed Occupational Safety and Health Act (OSHA) which is now before a Joint Select Committee of Parliament.

Business Continuity Amid Covid-19 Pandemic

The Corporation activated its business continuity plans to mitigate the effects of COVID-19 on employees well-being and Corporate productivity. This strategy focused on resilience ensuring that employees had the requisite information and resources to maintain personal safety and information technology systems were enhanced and tailored to meet business needs unique to this period. This included the implementation of mechanisms to ensure the continuation of seamless collaboration and information sharing with members of the FSSN, Policyholders and other external stakeholders.

Recognizing that we are operating in an environment of continuous change, the Corporation focused on how to best preserve value in these complex environments and adapting to business environments that bear little resemblance to the norm. The Corporation's response included:

i. Keeping staff up to date with relevant information;

ii. Purchasing and distributing appropriate sanitization products;

iii. Providing an emergency grant to each employee to assist with the purchase of sanitization supplies;

iv. Granting remote access to employees allowing them to work from home with robust data security and operational protocols; and

v. Strategizing the scheduling of staff attendance to ensure appropriate social distancing.

Information And Communication Technology

Information and Communication Technology (ICT) is strategic and critical to the operations of the Corporation and the achievement of a significant number of its targets. During FY2019/20, the Corporation focused on improving the ICT infrastructure, project implementation and enhancing staff knowledge and skills in ICT related matters. The ICT infrastructure was also upgraded to improve business processes and disaster recovery preparedness.

SUMMARY PERFORMANCE SCORECARD

	BUSINESS STRATEGY KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES
1.	**PROACTIVE READINESS AND RESOLUTIONS MANAGEMENT**		
1.1	Continue Implementation of Standard Record-Keeping Guidelines and Compliance Framework for Policyholders.		Conduct Compliance Framework sensitizations sessions for Policyholders, finalize Framework and issue to Policyholders for implementation.
1.2	Test Financial Crisis Management Operational Readiness and Contingency Plans: Simulate the Coordination and Collaboration of Selected Inter-Agency Activities in a Financial Crisis.		Simulation exercise is deferred to FY2020/21, consequent to the revised schedule for the tabling of the Financial Institutions Resolution Bill.
1.3	Provide Technical Input to Develop Legislation for a Special Resolution Regime (SRR) for Financial Institutions in Jamaica i.e. the Financial Institutions Resolution Bill in Collaboration with the other FSSN partners and Propose Consequential Amendments to the DIA.		Continue collaboration with the other FSSN partners to finalize the drafting of the Financial Institutions Resolution Bill for tabling. Conduct a comprehensive review of the DIA and draft recommendations for provisions in the Financial Institutions Resolution Bill and consequential amendments to the DIA.
1.4	Develop the Operating Framework for JDIC to Act as Receiver, Liquidator or Judicial Manager and Resolution Toolkit		Finalize the procurement of a Consultant to conduct staff training, simulation and assist with completing the drafting of the rules to operationalize JDIC's role to act as liquidator, receiver or judicial manager as per provisions under the DIA section 5(2) (c) and to ensure alignment with the FIRB.
1.5	Admission of Credit Unions to the Deposit Insurance Scheme (DIS). (Contingent on the promulgation of the Credit Unions (Special Provisions) Act).		Continue collaboration with the JCCUL and other stakeholders to finalise the proposed deposit insurance design features for Credit Unions.
1.6	Conduct Deposit Insurance Fund Evaluation (DIFAE)		Continue to collaborate with the IDB to identify and select a subject matter expert to develop an independent model and conduct an evaluation of the DIF.
1.7	Review the Scope of Coverage and Coverage Limit		Prepare the necessary Ministerial Order and other documentation for recommended change in the deposit insurance coverage limit.
2.	**STRONG PARTNERSHIPS**		
2.1	Collaborate with the CARICOM Secretariat and Member Countries to Develop a CARICOM Deposit Insurance Policy and Model Law		Continue to provide technical input and collaborate with the Secretariat to finalize the CARICOM Deposit Insurance Policy and Model Law Framework.
2.2	Implementation of Service Level Agreements for Information Sharing with the Bank of Jamaica.		Continue working with the BOJ to advance the finalization of the Service Level Agreement.

ON TRACK DELAYED NO EXPECTATIONS

3.	**BUILDING SUSTAINABLE HUMAN RESOURCE CAPACITY**		
3.1	Strengthening of the Human Resource Policies, Guidelines and Procedures		Conclude the review of the Human Resource Policies and Procedures Manual and submit recommendations to the COM and the Board of Directors for approval.
3.2	Update of Performance Management and Development System.		Finalise the process to engage a Consultant to conduct a review of JDIC's Performance Appraisal Policy and design a 360-Degree Performance.
3.3	Continue Implementation of JDIC Staff Pension Arrangement.		Continue work on finalizing and subsequent implementation of the Pension Plan.
3.4	Implement Organizational Review		Commence implementation upon approval by the MoFPS.
4.	**LEVERAGING ICT FOR OPERATIONAL EFFICIENCY**		
4.1	Complete Implementation of the Payout Management Information System (PMIS) Version 1 Release.		Complete development and implementation of PMIS.
4.2	Implement Range of Deposit Insurance Payment Disbursement Methods.		Procure subject matter expert to document business and system requirements to interface with the PMIS for the use of electronic bank transfers to disburse payments.
4.3	Implement Records and Information Management System.		Complete independent audit review of the status of the implementation of the manual records and information management systems.
4.4	Establish a Committee to Review, Update and Stimulate ICT Business Continuity Plan and Infrastructure (including Disaster Recovery).		Conduct ICT Business Continuity training, simulate and test business continuity and recovery procedures.
4.5	Implement Enterprise Risk Management Policy and Framework.		Finalize the procurement of a consultancy firm to provide risk management services.
5.	**PUBLIC EDUCATION AND AWARENESS**		
5.1	Implement Revamped Public Education and Awareness Programme.		Engage consultant/firm to assist with the development and implementation of a new public education programme.
5.2	Redesign Corporate Website.		Finalize redesign of Corporate website.
5.3	Admission of Credit Unions to the Deposit Insurance Scheme. (Contingent on the promulgation of the Credit Unions (Special Provisions) Act)		Implement public education programme on the admission of Credit Unions to the DIS.
5.4	Schools Programme – Promote Book on 'Financial Systems' for Primary Schools.		Finalize development, launch and promotion activities for financial education book in FY2020/21.
5.5	Develop Comprehensive Social Media Marketing/ Digital Advertising Campaign.		Continue to build out and monitor campaign to determine effectiveness.

A NEW NORMAL: SAFEGUARDING FINANCIAL SYSTEM STABILITY AND ENSURING FINANCIAL CRISIS PREPAREDNESS

1.0 Background

The global economy has experienced a series of unprecedented shocks as the Coronavirus (COVID-19) pandemic exponential spread has created a major health crisis. *In addition to the impact on health, the spread of COVID-19 is likely to have a substantial negative impact on economic growth and significant implications for financial sector stability and deposit insurance*[18] , (IADI, 2020).

As the impact of the pandemic unfolds, financial system regulators (i.e. central banks, supervisors, deposit insurers, resolution authorities and other members of financial system safety nets) are seeking to mitigate the immediate impact on the real economy and maintain financial system stability through extraordinary fiscal, monetary and macro prudential measures while adopting to the "new normal". This is as COVID-19 has changed how we live and interact with each other, how we work and communicate, how we conduct business and financial transactions and how we move around and travel. The pandemic has also brought heightened attention to the importance of implementing regulatory reforms to proactively respond to a number of other complex and significant emerging non-financial risks. These include cyber threats, security of personal data, ethical issues raised by new technologies and climate change. It is therefore of utmost importance that policymakers stay informed and provide effective, sound, timely and well-coordinated policy measures that minimize opportunities for moral hazard and do not generate new risks.

This paper provides a brief summary of regulators in other jurisdictions response to the pandemic; the impact of the pandemic on financial systems; and looks ahead by highlighting areas for consideration by authorities as they remain vigilant in safeguarding the stability of financial systems and ensuring effective crisis management and preparedness mechanisms are in place.

2.0 Regulatory Authorities Responses to COVID-19

The responses of regulatory authorities have generally been swifter, bigger and broader-based than it was for the Global Financial Crisis (GFC). Central Banks were among the first of the authorities to act by reducing policy interest rates and introducing a myriad of additional emergency measures to stabilize financial markets (BIS Economic Report, 2020). In addition, many deposit insurers have been quick to implement their business continuity plans (BCPs) and crisis management frameworks. The initial responses by regulators in jurisdictions such as, Canada, Trinidad and Tobago, United States, the United Kingdom and Jamaica to COVID-19 are summarized in the table below and includes: increasing the monitoring of the solvency and liquidity of financial institutions; adjusting regulatory requirements; and delaying or rolling back implementation of new regulatory requirements.

[18]Some Implications of the Coronavirus: Ensuring Business Continuity and Effective Crisis Management Activities for Deposit Insurers, IADI (2020).

RESPONSE TO COVID-19 BY REGULATORS IN SELECTED JURISDICTIONS

Jurisdiction	Institution	Measures Taken Since COVID-19
Canada	Canada Deposit Insurance Corporation	Deferral of annual deposit insurance premium due date until December 15, 2020 Delayed – Testing for compliance of Data and System Requirements (DSR 2.0) Stepped up public awareness activities about the DIS in response to concerns about COVID-19
Trinidad & Tobago	Central Bank of Trinidad & Tobago	Premiums are to be paid via ACH and RTGS Correspondence from the Central Bank are issued electronically until normalcy returns Ongoing monitoring of developments and will adjust its communication as necessary
United Kingdom	Bank of England	Banks and building societies have been offered long-term funding at lowered interest rates Additional funding given to banks specifically to lend to small and medium-sized companies Reduced capital requirements and no dividend payments (2019 unpaid and 2020)
United States of America	Federal Deposit Insurance Corporation	The Federal Reserve responded with various monetary policy programs to provide market liquidity Supervisory and other FDIC activities at financial institutions are conducted off-site The FDIC is in contact on a daily basis with other safety-net participants.
Jamaica[19]	Bank of Jamaica	Maintained a low policy rate; and provided emergency liquidity facility Waived RTGS fees associated with all customer payments temporarily Removed the limit on the amounts that DTIs can borrow overnight without being charged
	Jamaica Deposit Insurance Corporation	Increased monitoring of all DTIs, in collaboration with the Supervisor of Banks/BOJ. Modified investment strategy for its Deposit Insurance Fund to ensure there is sufficient liquid holdings Activated business continuity plan

Source: IADI Survey, 2020[20]

3.0. Implications for Financial Systems

"The current economic crisis differs starkly from the GFC and previous financial crises. On this occasion, it was not the financial sector that toppled the real economy, but rather the real economy that has threatened to topple the financial sector, with potentially devastating knock-on effects as financial sector problems spill back onto the real economy." (BIS Annual Economic Report 2020).

However, the global financial system today is better capitalized and prepared to deal with a crisis, as well as authorities are now more experienced in how to handle a fallout. Reforms have strengthened bank-level (micro prudential) regulation, which has helped to increase resilience of individual banking institutions not just in terms of capital adequacy and liquidity (as prescribed under Basel III) but advances in better stress testing; governance and accounting standards. Albeit, there are evolving implications of the current pandemic for financial systems and regulators, they should not become complacent. These include:

1. **Negative impact on economic growth and significant implications for liquidity and credit quality.**

   Job losses, bankruptcies, and industry restructuring could pose significant challenges for the financial sector.

2. **Decrease in asset prices with large scale impacts for individuals and businesses.**
   Rise in economic and financial market stress - resulting in a test of Banks' resilience.

3. **Unprecedented challenges of heightened uncertainty for Regulators (supervisors, deposit insurers, central banks and resolution authorities) which makes it harder to predict and prepare for bank and other financial institution failure or a crisis.**

[19] The JDIC implemented several initiatives to remain operational which includes: activating its work from home protocols; implementing the use of VPN as well as robust security protocols; providing cyber security education to all staff; ensuring more frequent and robust ICT infrastructure security testing and monitoring to ensure data integrity and security, business continuity and connectivity with stakeholders; and using virtual meeting platforms for all internal and external meetings.

[20] Data retrieved from IADI COVID-19 Survey, (April, 2020); websites: Canada Deposit Insurance; Central Bank of Trinidad and Tobago; Bank of England.

4.0. Looking Ahead: Safeguarding the Stability of Financial Systems and Ensuring Effective Crisis Management and Preparedness Strategies

Regulators should continue to vigorously monitor the health, economic and financial sector impacts and also put into place intensive crisis management planning and preparedness strategies to deal with all eventualities. This is as the resilience of banks continue to be tested in the face of a sharp slowdown in economic activity that may turn out to be more severe and lengthy than currently anticipated. Focus should also be placed on planning for other emerging non-financial risks and should not be limited to COVID-19. Initiatives for consideration by authorities in mitigating and effectively managing the vulnerabilities to the financial system are as follows:

i. **Provide Supportive Fiscal and Monetary Policies:** Supportive monetary, fiscal and financial policies may need to continue until the crisis is contained, and to also ensure a steady, sustainable recovery once under control. A premature withdrawal of supporting policies could derail the recovery and incur larger costs in respective jurisdictions including implications for exacerbating financial stability risks.

ii. **Preserve Regulatory and Prudential Frameworks:** Countries that have made progress to align their regulatory and prudential frameworks with international standards and best practice, should remain vigilant that these achievements are preserved. Albeit, regulatory reforms and supervisory actions should be evaluated and prioritized and allow for necessary flexibility while ensuring appropriate balance to mitigate moral hazard.

iii. **Robust Information Sharing and Coordination Framework- Domestic and Cross Border:** Given the pandemic's broad reach and extensive cross-border linkages, there is a clear need for greater coordinated approach (IMF Blog, 2020). The focus must be placed on ensuring the necessary legal frameworks are in place and adequately operationalized to allow for the ongoing and timely exchange of information among domestic and cross border financial and non-financial regulators, where such frameworks do not currently exist. This will provide: enhanced mechanisms for the identification of emerging risks; better-informed policy making; and more robust stabilization strategies to mitigate against or minimize the impact of a fallout in financial systems.

iv. **Enhanced Resolution, Crisis Management and Preparedness Frameworks:** Authorities are encouraged to assess the necessary reforms needed to address legal and operational gaps in their resolution frameworks to align with international best practice standards, namely the FSB Key Attributes. The broad range of resolution strategies for banks and non- banks and powers for application should be implemented. While the Key Attributes are geared towards global systemically important financial institutions (GSIFIs), they present useful guidance for all jurisdictions to benchmark against and enhance their resolution arrangements based on the size and structure of their financial systems and implementation capacity. This will enhance national and regional financial crisis management frameworks, support a level playing field across jurisdictions and avoid regulatory arbitrage.

v. **Heightened Guidance and Monitoring by Regulators of Non-Financial Risk:** Since COVID-19, a number of regulatory authorities have called on banks to enhance their resilience efforts to deal with non-financial risks. The Federal Deposit Insurance Corporation and the Federal Reserve Board have requested its largest and most complex domestic banking organizations to integrate changes and lessons learned from the coronavirus response into resolution plans due in 2021. The European Central Bank (2020) recommends that banks proactively assess and test the capacity of existing IT infrastructure, in the light of a potential increase of cyber-attacks. Similarly, the Monetary Authority of Singapore (2020) reinforces the need for financial institutions to remain vigilant against cyber threats since the pandemic such as email scams, phishing and ransomware attacks. On the other hand, climate change also poses new challenges to central banks, regulators and supervisors. The Bank of England has been building its capacity to proactively deal with the implications of climate change for financial stability.

vi. **People and Culture:** Regulatory agencies and financial institutions should be provided with additional operational capacity to respond to immediate financial stability priorities including the required development of human capital and skills and mechanisms for the monitoring of non-financial risks. Many regulators and financial institutions will now recognize they need to hire or develop additional skills among their employees to address non-financial risks. Importantly also is building an organization culture that recognizes the importance of managing these risks.

vii. **Opportunities to Expand Digital Payment and Financial Inclusion:** Authorities around the world have been implementing measures to encourage the use of digital payments in response to Covid-19. These measures although initially intended to facilitate the use of digital payments during lockdown as well as alleviate the challenges associated with social distancing, have provided new opportunities. More broadly and significantly for emerging markets and developing economies, the measures provide the unexpected opportunity to further promote financial inclusion objectives through the use of technology. Additionally, Fintech players are being provided with longer-term support and opportunities to expand their reach. It is therefore important that authorities continue to monitor these developments and implement appropriate regulations to combat financial crime and protect consumers. Initiatives should be pursued to review the scope of coverage of deposit insurance systems and/or implement other financial consumer protection schemes to ensure public policy objectives remain relevant.

viii. **Emerging Technologies and SupTech/Regtech[21]:** New technologies such as big data, natural language processing, robotic process automation, and predictive analytics should be leveraged to automatically scan a wider set of data sources to provide early warning signals of risk events while at the same time reducing compliance and regulatory costs through automation.

ix. **Testing and Refining Crisis Preparedness Capacity:** Crisis management scenarios should be conducted routinely to assess and enhance how regulatory authorities coordinate their response to a given situation including scenarios relating to non-financial risks. Regulators and financial institutions should also conduct more frequent tests of their business continuity plans by simulating disruption events in order to reveal potential impacts on the financial system and addressing gaps. This is even more so important at this time in light of the remote working arrangements and increased use of technology that have become necessary due to the pandemic.

5.0 Conclusion

A pandemic on this scale presents unique challenges given its global repercussions and potential duration. This and other emerging non-financial risks have taken on new levels of importance, and regulators and supervisors around the world are now coming to terms with the associated unique challenges. There is a new normal that requires deposit insurers and other members of financial system safety nets to adapt and respond quickly. Therefore, high levels of robust and timely information sharing, coordination, collaboration and clear decision making between financial system regulators domestically and globally is now even more necessary and should also include key non-financial regulators. Regulatory reforms and supervisory actions should be prioritized with appropriate flexibility. Resolution and crisis management frameworks should be strengthened to align with international standards. As well as, there should be enhanced transparency and education about financial consumer protection mechanisms. Also, financial regulators and international standard setters should begin placing more emphasis on collecting data and providing guidance on non-financial risks.

References

BIS . (2020). BIS Annual Economic Report. BIS.
FSI. (2020). Covid-19 and Operational Resilience: Addressing Financial Institutions' Operational Challenges in a Pandemic.
FSI. (2020). Financial Crime in Times of Covid-19 – AML and Cyber Resilience Measures. FSI.
IADI. (2019). Deposit Insurers' Role in Contingency Planning and System-wide Crisis Preparedness and Management. IADI.
IADI. (2020). Survey on the Impact of the COVID-19 Pandemic Crisis on their Financial Sector. IADI.
IMF. (2020, May 22). COVID-19 Worsens Pre-existing Financial Vulnerabilities.
IMF. (2020). Global Financial Stability Report: Markets in the Time of COVID-19. IMF.
The World Bank. (2020). The Global Economic Outlook During the COVID-19 Pandemic: A Changed World.

[21]Supervisory technology (Suptech) is the use of innovative technology by supervisory agencies to support supervision. It helps supervisory agencies to digitize reporting and regulatory processes, resulting in more efficient and proactive monitoring of risk and compliance at financial institutions. While Regtech is the management of regulatory processes within the financial industry through technology and the main functions of Regtech include regulatory monitoring, reporting, and compliance.

BOARD OF DIRECTORS AND SENIOR EXECUTIVES COMPENSATION

BOARD OF DIRECTORS

Name and Position of Director	Fees ($)	Motor Vehicle Upkeep/Travelling or Value of Assignment of Motor Vehicle ($)	Honoraria ($)	All Other Compensation including Non-Cash Benefits as applicable ($)	Total ($)
John Jackson, Chairman	83,250	-	-	-	83,250
Aisha Wright, Director	33,000	-	-	-	33,000
Lisa Lewis, Director	58,900	-	-	-	58,900
Myrtle Halsall, Director	60,650	-	-	-	60,650
Vernon McLeod, Director	64,550	-	-	-	64,550
Maurene Simms, Director	-	-	-	-	-
Antoinette McKain, Director/CEO	-	-	-	-	-
TOTAL	**300,350**				**300,350**

SENIOR EXECUTIVES

Name and Position of Senior Executive	Salary ($)	Gratuity (in lieu of pension) and Performance Incentive ($)	Travelling Allowance or Value of Assignment of Motor Vehicle ($)	Pension or Other Retirement Benefits ($)	Other Allowances /Benefits ($)	Non-Cash Benefits ($)	Total ($)
Antoinette McKain Chief Executive Officer	9,890,829	2,943,473	2,757,498	-	3,641,830	-	19,233,630
Ronald Edwards Director, Finance, Funds and Asset Management	5,754,429	1,662,115	1,697,148	-	588,849	-	9,702,541
Stacie-Ann Carty General Counsel /Corporate Secretary	5,754,429	-	1,697,148	-	428,968	-	7,880,545
Eloise Williams Dunkley Director, Intervention, Resolutions and International Relations	5,382,447	1,569,119	1,697,148	-	489,441	-	9,138,155
Dawn Marie Brown Director, Monitoring and Risk Assessment	5,010,464	1,456,454	1,697,148	-	488,943	-	8,653,009
TOTAL	**31,792,598**	**7,631,161**	**9,546,090**	**-**	**5,638,031**	**-**	**54,607,880**

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

AUDITED FINANCIAL STATEMENTS

FY2019/2020

CONTENTS **PAGES**

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 119, which comprise the Deposit Insurance Fund statement of financial position as at March 31, 2020, 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, 2020, 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 company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on the Audit of the Financial Statements (continued)

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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.

Report on the Audit of the Financial Statements (continued)

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on additional matters as required by the Deposit Insurance Act

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

July 23, 2020

Deposit Insurance Fund Statement of Financial Position
March 31, 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents		863,482	190,815
Investment securities	5	24,031,160	21,650,876
Trade and other receivables	6	28,360	27,640
Property, plant and equipment	7	276,920	194,645
TOTAL ASSETS		25,199,922	22,063,976
LIABILITIES, EQUITY, RESERVES AND FUND			
LIABILITIES			
Unearned premium income	8	2,942	-
Trade and other payables		58,837	57,756
		61,779	57,756
EQUITY, RESERVES AND FUND			
Share capital	9	1,000	1,000
Capital reserves	10	158,145	101,601
Fair value reserves	11	241,879	876,041
Deposit insurance fund	12	24,737,119	21,027,578
		25,138,143	22,006,220
TOTAL LIABILITIES, EQUITY, RESERVES AND FUND		25,199,922	22,063,976

The financial statements on pages 77 to 119 were approved for issue by the Board of Directors on July 23, 2020 and signed on its behalf by:

Chairman
Myrtle Halsall

Chief Executive Officer
Antoinette McKain

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

PROTECTING YOUR DEPOSITS... SECURING YOUR FUTURE.

Deposit Insurance Fund Statement of Surplus or Deficit and Other Comprehensive Income
March 31, 2020

	Notes	2020 $'000	2019 $'000
Income:			
Insurance premiums		1,498,335	1,353,413
Interest earned		1,518,376	1,342,762
Foreign exchange gain/(loss)		528,540	(150,689)
Other income		452	3,847
Gain on disposal of investment		455,587	-
		4,001,290	2,549,333
Expenses:			
Administration expenses	13	(288,312)	(294,325)
Impairment loss on financial assets		(3,437)	(7,086)
Surplus from operations		3,709,541	2,247,922
Other comprehensive income (OCI):			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land and building		56,544	-
Items that may be reclassified to profit or loss:			
Unrealised gain on securities measured at fair value through OCI		(183,835)	583,394
Realised gain on securities measured at fair value through OCI		(455,587)	-
Expected credit loss securities measured at fair value through other OCI		5,260	10,407
		(634,162)	593,801
Other comprehensive income		(577,618)	593,801
Total comprehensive income		3,131,923	2,841,723

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

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

	Share Capital $'000 (Note 9)	Capital reserve $'000 (Note 10)	Fair value reserves $'000 (Note 11)	Deposit insurance fund $'000 (Note 12)	Total $'000
Adjusted balance at March 31, 2018	1,000	101,601	282,240	18,779,656	19,164,497
Surplus from operations	-	-	-	2,247,922	2,247,922
Other comprehensive income:					
Change in fair value of investment securities measured at fair value through OCI	-	-	583,394	-	583,394
Expected credit loss credit losses on FVOCI securities	-	-	10,407	-	10,407
Total comprehensive income	-	-	593,801	2,247,922	2,841,723
Adjusted balance at March 31, 2019	1,000	101,601	876,041	21,027,578	22,006,220
Surplus from operations	-	-	-	3,709,541	3,709,541
Other comprehensive income:					
Unrealised gain on securities measured at fair value through OCI	-	-	(183,835)	-	(183,835)
Surplus on revaluation of land and building	-	56,544	-	-	56,544
Realised gain on securities measured at fair value through other comprehensive income	-	-	(455,587)	-	(455,587)
Expected credit loss credit losses on securities measured at fair value through OCI	-	-	5,260	-	5,260
Total comprehensive income	-	56,544	(634,162)	3,709,541	3,131,923
Balances at March 31, 2020	1,000	158,145	241,879	24,737,119	25,138,143

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

Deposit Insurance Fund Statement of Cash Flows
March 31, 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities:			
Surplus for the year		3,709,541	2,247,922
Adjustments for:			
Depreciation	7	6,469	6,730
Interest income		(1,518,376)	(1,342,762)
Unearned premium income		2,942	(100,921)
Foreign exchange (gain)/loss		(528,540)	150,689
Impairment loss on financial assets		3,437	7,086
Gain on disposal of property, plant and equipment		(37)	-
Gain on disposal of investment		(455,587)	-
Operating profit before changes in working capital		1,219,849	968,744
Changes in:			
Trade and other receivables		(720)	6,698
Trade and other payables		1,081	251
		361	6,949
Net cash provided by operations		1,220,210	975,693
CASH FLOWS FROM INVESTING ACTIVITIES:			
Addition to property, plant & equipment	7	(32,421)	(11,970)
Disposal Proceeds		258	-
Investment securities, net		(1,985,928)	(2,421,076)
Interest received		1,470,548	1,334,640
Cash used in investing activities		(547,543)	(1,098,406)
Increase/(decrease) in cash balance at end of year		672,667	(122,713)
Cash balance at the beginning of the year		190,815	313,528
Cash balance at the end of the year		863,482	190,815

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

1. The Corporation

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

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

The Corporation has the power to do all things necessary or incidental to the furtherance of its objective including levying premiums and policyholders and managing a Deposit Insurance Fund [see note 12(b)]. Among other things it can make enquires of a policyholder as to the conduct of its affairs and act as receiver, liquidator or judicial manager of any insolvent policyholder, or of its holding Corporation or subscriber, which becomes insolvent.

2. Basis of Preparation

(a) Statement of compliance:

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

New and amended standards that became effective during the year:

Certain new and amended standards which were in issue, came into effect for the current financial year. This is the first set of the Corporation's annual financial statement in which IFRS16, Leases became effective from April 1, 2019, however, there is no effect on the Corporation's financial statements.

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

At the date of approval of these financial statements, certain new and amended standards and interpretations were in issue but were not effective at the reporting date and had not been early adopted by the corporation. The Corporation has assessed them and determined that the following may be relevant to its operations:

- Amendments to References to Conceptual Framework in IFRS Standards is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;

2. Basis of Preparation (continued)

(a) Statement of compliance (continued):

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

- Amendments to *References to Conceptual Framework in IFRS Standards* (continued):
  - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
  - A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures,* effective for annual accounting periods beginning on or after January 1, 2020, address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The amendments apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The entity is required to:
  - assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable.
  - assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions that the interest rate benchmark is not altered as a result of IBOR reform.
  - not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform solely because the actual results of the hedge are outside the range of 80-125 percent.
  - apply the separately identifiable requirement only at the inception of the hedging relationship.
  - prospectively cease applying the exceptions at the earlier of:

    (a) when the uncertainty regarding the timing and the amount of interest rate benchmark based cash flows is no longer present; and

    (b) the discontinuation of the hedging relationship (or reclassification of all amounts from the cash flow hedge reserve).

  Additional disclosures will be required for hedging relationships directly affected by IBOR reform.

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

2. Basis of Preparation (continued)

(b) Basis of preparation and functional currency

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

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

(ii) Debt instruments at fair value through other comprehensive income (FVOCI) measured at fair value

(c) Use of judgements and estimates:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and judgements that affect the selection of accounting policies and the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income, expenses, gains and losses for the year then ended. Actual amounts could differ from those estimates.

The estimates and the assumptions underlying them, are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements made in applying accounting policies and the key areas of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements, and or that have a significant risk of material adjustment in the next financial period, are as follows:

(i) Judgements:

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

The key relevant judgements are as follows:

(1) Classification of financial assets:

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

2. <u>Basis of Preparation (continued)</u>

(c) Use of judgements and estimates (continued)

(i) Judgements (continued):

(2) Impairment of financial assets:

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

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

(1) Allowance for impairment losses:

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

3. <u>Significant Accounting Policies</u>

(a) Cash and cash equivalents

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

(b) Trade and other receivables

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

3. Significant Accounting Policies (continued)

(c) Property, plant and equipment

Land and buildings are shown at fair value based on triennial valuations by external independent valuators, 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%
Computers	20%
Machines and equipment	10%

Gains and losses on disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount and are taken into account in determining the surplus from operations in the year the assets is derecognised. Repairs and renewals are charged to the profit or loss when the expenditure is incurred.

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

(d) Trade and other payables

Trade and other payables are measured at cost.

3. Significant Accounting Policies

(e) Revenue recognition

(i) Insurance premiums

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

(iii) Interest income

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

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

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

(f) Foreign currency transactions and balances

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

(g) Provision for losses

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

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

3. Significant Accounting Policies (continued)

(h) Related party

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

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

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

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

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

3. Significant Accounting Policies (continued)

(i) Impairment

The Corporation recognises allowances for ECL on the following financial instruments that are not measured at FVTPL:

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

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

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

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

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

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

Measurement of ECL

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

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

3. Significant Accounting Policies (continued)

(i) Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

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

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

Restructured financial assets

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

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

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

Credit-impaired financial assets

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

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

3. Significant Accounting Policies (continued)

(i) Impairment (continued)

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

Credit-impaired financial assets (continued)

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

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

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

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

Write-off

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

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

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

3. <u>Significant Accounting Policies (continued)</u>

(j) Financial instruments

(i) General:

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

(ii) Classification and subsequent re-measurement

The Corporation has classifies its financial assets in the following measurement categories:

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

Financial assets

The classification requirements for debt instrumentals are described below:

(a) Debt Instruments

Classification and subsequent measurement of debt instruments depend on:

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

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

- *Amortised cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described at [note 3(j)(iv)]. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

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

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

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

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

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

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

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

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

(iii) Initial recognition and 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.

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(iv) Derecognition

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

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(iv) Derecognition (continued)

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

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

(v) Offsetting

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

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

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

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

Any gain/loss computed would be net of any unrealised gains/losses in equity at the date of exchange.

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

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

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

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

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.

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

4. 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.

5. Investment securities

	2020 $'000	2019 $'000
(a) Amortised Cost:		
Government of Jamaica	10,179,706	10,192,886
Impairment	(35,180)	(37,004)
Interest accrued	103,806	103,442
	10,248,332	10,259,324
(b) Fair Value through Other Comprehensive Income:		
Government of Jamaica	13,606,732	11,262,921
Interest accrued	176,096	128,631
	13,782,828	11,391,552
	24,031,160	21,650,876

5. Investment securities (continued)

(c) Remaining term to contractual maturity

	2020			
	Under 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Carrying value $'000
Amortised Cost:				
Government of Jamaica-				
Fixed rate accreting notes	-	-	7,881,122	7,881,122
Benchmark investment note	964,885	542,949	-	1,507,834
BOJ FR USD CD	165,602	625,148	-	790,750
Interest accrued	103,806	-	-	103,806
Impairment loss	(4,003)	(4,197)	(26,980)	(35,180)
	1,230,290	1,163,900	7,854,142	10,248,332
Fair Value through Other Comprehensive Income:				
Government of Jamaica-				
Benchmark investment note	-	4,172,773	2,880,462	7,053,235
GOJ Global Bond	-	-	6,553,497	6,553,497
Interest accrued	176,096	-	-	176,096
	176,096	4,172,773	9,433,959	13,782,828
	1,406,386	5,336,673	17,288,101	24,031,160

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

5. Investment securities (continued)

(c) Remaining term to contractual maturity (continued)

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

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

	2020			
	Under 1 year %	1 to 5 years %	over 5 years %	carrying value %
Fixed rate accreting notes	-	-	9.89	9.89
Benchmark investment notes	1.57	6.04	8.24	5.28
BOJ FR USD CD	4.04	3.46	-	3.75
GOJ Global bond	-	-	6.75	6.75

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

6. Trade and other receivables

	2020 $'000	2019 $'000
Withholding tax recoverable	8,918	9,546
Prepayments	1,105	791
Other recoverable	18,337	17,303
	28,360	27,640

7. 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, 2018	26,400	103,600	12,658	48,739	47,518	238,915
Additions	-	28	455	9,358	2,129	11,970
March 31, 2019	26,400	103,628	13,113	58,097	49,647	250,885
Additions	-	559	2,187	25,074	4,601	32,421
Disposals	-	-	-	-	(877)	(877)
Revaluation	52,600	(3,187)	-	-	-	49,413
March 31, 2020	79,000	101,000	15,300	83,171	53,371	331,842
Depreciation:						
March 31, 2018	-	2,590	10,999	-	35,921	49,510
Charge for the year	-	2,590	235	-	3,905	6,730
March 31, 2019	-	5,180	11,234	-	39,826	56,240
Elimination on disposal	-	-	-	-	(656)	(656)
Revaluation adjustment	-	(7,131)	-	-	-	(7,131)
Charge for the year	-	2,547	262	-	3,660	6,469
March 31, 2020	-	596	11,496	-	42,830	54,922
Net book values:						
March 31, 2020	79,000	100,404	3,804	83,171	10,541	276,920
March 31, 2019	26,400	98,448	1,879	58,097	9,821	194,645

The Corporation's land, buildings & freehold improvement were revalued on the basis of open market value by Allison, Pitter & Corporation, independent qualified valuators, carried out in November 2019. 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, 2020.

7. Property, plant & equipment (continued)

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

	2020 $'000	2019 $'000
Cost	36,591	36,591
Accumulated depreciation	(15,011)	(14,097)
Net book value	21,580	22,494

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).

8. Unearned premium income

This represents the portion of insurance premiums received from policyholders relating to the period subsequent to March 31, 2020. As at March 31, 2020 the balance is $2,942,450.

9. 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.

10. Capital reserves

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

11. Fair value reserves

This represents the cumulative net change in the fair value of debt securities at FVOCI until the assets.

12. 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 16 (d)), and for the payment of expenses incurred by the Corporation in the exercise of its functions under the Deposit Insurance Act (Section 17).

	2020 $'000	2019 $'000
Balance at March 31, 2019	21,027,578	18,844,006
Changes on initial application of IFRS 9	-	(64,350)
Balance as at April 1, 2019	21,027,578	18,779,656
Surplus from operations:		
Surplus from insurance operations	1,498,335	1,353,413
Surplus from investment and administration operation	2,211,206	894,509
	3,709,541	2,247,922
Deposit Insurance Fund at year end	24,737,119	21,027,578

(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.

12. Deposit insurance fund (continued)

(b) (Continued)

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).

13. Expenses by nature

	2020 $'000	2019 $'000
Auditors' remuneration	1,838	1,750
Depreciation (note 7)	6,469	6,730
Directors' emoluments –		
Fees	300	569
Management remuneration	19,234	15,317
Printing and stationery	392	1,743
Professional fees	22,411	24,486
Public education	16,365	47,103
Repairs and maintenance	1,909	1,666
Staff costs (excluding directors' management remuneration)	177,512	156,992
Utilities	9,952	10,129
Other expenses	31,930	27,840
	288,312	294,325

14. Staff costs

	2020 $'000	2019 $'000
Wages and salaries	102,629	93,685
Statutory contributions	8,596	8,022
Others	66,287	55,285
	177,512	156,992
Management remuneration	19,234	15,317
	196,746	172,309

The number of persons employed by the Corporation at the end of the year was 29 (2019: 28).

15 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:

	2020 $'000	2019 $'000
Investment balance	23,238,873	20,707,177

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

(i) Representation on the Board of Directors;

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

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

	2020 $'000	2019 $'000
Investment balance, net of impairment	792,287	943,699
Cash balance	859,661	188,208
	1,651,947	1,131,907

(c) Transactions and balances with key management:

	2020 $'000	2019 $'000
Wages and salaries	25,934	21,655
Statutory contributions	1,418	1,628
Other staff benefits	9,440	9,485
	36,792	32,768

16. 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.

16. Financial risk management (continued)

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

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

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

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

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

(a) Market risk

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

(i) Currency risk

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

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

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, 2020. The Corporation has no foreign currency liabilities.

16. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	2020 $'000	2019 $'000
J$ equivalent		
Financial assets		
Investment securities	7,464,490	6,733,038
Cash at bank	23,235	15,757
	7,487,725	6,748,795

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 2020	Effect on surplus and deposit fund 2020 $'000	% change in currency 2019	Effect on surplus and deposit fund 2019 $'000
US$ against the J$-				
Revaluation	2	(149,755)	4	(269,952)
Devaluation	6	449,264	6	404,928

(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.

	2020		
	US$ denominated $'000	J$ denominated $'000	Total $'000
J$ Equivalent			
Fixed rate	7,344,247	7,053,235	14,397,482
Variable rate	-	1,507,833	1,507,833
	7,344,247	8,561,068	15,905,315

16. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

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

Fair value sensitivity for fixed rate instruments:

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

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

The sensitivity of equity is calculated by revaluing investment classified at FVOCI 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 2020 $'000	Effect on equity 2019 $'000
Jamaica dollar instruments		
Change in basis points:		
(2020: - 100) (2019: - 100)	(70,532)	(55,671)
(2020: + 100) (2019: + 100)	70,532	55,671
US dollar instruments		
Change in basis points:		
(2020: - 100) (2019: - 100)	(73,440)	(66,339)
(2020: + 100) (2019: + 100)	73,440	66,339

16. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments:

A change of +/-100 (2019: +/-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 2019.

	2020 Effect on surplus from operations		2019 Effect on surplus from operations	
	100bp Increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
Cash flow sensitivity	15,078	(15,078)	15,027	(15,027)

(iii) Other price risk

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

(b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from credit given to customers from stock broking activities, investing activities, collateralised lending and deposits with other institutions. Balances arising from these activities include debt securities, resale agreements, cash and cash equivalents and accounts receivable. The COVID-19 pandemic has caused significant market volatility which has increased the Corporation's credit risk. The downgrading of credit ratings and/ or outlooks for investment securities held has resulted in an increase in the credit risk of some investment securities and other receivable.

(i) Management of credit risk

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

16. Financial risk management (continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

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

This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

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

- Cash and cash equivalents

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

- Investment securities

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

(ii) Concentration of credit risk

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

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

The following table sets out information about the maximum exposure to credit risk and the credit quality of financial assets measured at amortised cost, FVOCI debt instruments (2020) and available-for-sale debt instruments (2019). Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

16. Financial risk management (continued)

(b) Credit risk (continued)

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

	Debt securities - FVOCI	Debt securities - FVOCI
	2020	2019
	Stage 1 12-month ECL	Total
	$'000	$'000
Credit grade		
Non- investment grade	13,606,732	11,262,921
Loss allowance	39,692	34,431

	Debt securities - Amortised	Held-to-Maturity
	2020	2019
	Stage 1 12-month ECL	Total
	$'000	$'000
Credit grade		
Non- investment grade	10,179,706	10,192,886
Loss allowance	35,180	37,004

(iv) Impairment

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

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

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

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

16. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

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

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

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

(a) Significant increase in credit risk (SICR)

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

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

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

Credit risk grades:

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

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

16. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(a) Significant increase in credit risk (continued)

Credit risk grades (continued):

The Corporation assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Determining whether credit risk has been increased significantly:

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

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

Definition of default:

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

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

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

(b) Incorporation of forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information.

16. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

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

The Corporation has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process.

Forecasts of these economic variables (the "base economic scenario") are provided by the Corporation's Finance team on an annual basis and provide the best and worst estimate view of the economy.

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

In addition to the base economic scenario, the Corporation considers other possible scenarios and scenario weightings. At April 1, 2019 and March 31, 2020, the Corporation concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

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

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

16. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

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

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

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

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

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

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

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

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

(d) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

16. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

(d) Loss allowance (continued)

Debt securities –FVOCI:	Stage 1 12-month ECL
	$'000
Balance as at April 1, 2019	34,432
Net remeasurement of loss allowance	5,260
Balance as at March 31, 2020	39,692

Debt securities –Amortised Cost:	Stage 1 12-month ECL
	$'000
Balance as at April 1, 2019	37,004
New financial assets sold, net of financial assets purchased	(1,824)
Balance as at March 31, 2020	35,180

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.

16. <u>Financial risk management (continued)</u>

(b) Credit risk (continued)

(iv) Impairment (continued)

(c) Liquidity risk

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

Liquidity risk management process

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

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

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

(iii) Optimising cash returns on investment.

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

Financial liabilities cash flows

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

(d) Adequacy of the Deposit Insurance Fund

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

16. Financial risk management (continued)

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

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

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

As at December 31, 2019, there were eleven (11) (2018: 11) member institutions with total insured deposits estimated at $ 366.9 billion (2018: $345.7 billion), of which the DIF covered 6.4% (2018: 6.0%). 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.

17. Fair values of financial instruments

Definition and measurement of fair values

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

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

17. Fair values of financial instruments (continued)

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

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

Level 1

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

Level 2

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

Level 3

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

(i) Valuation technique and significant un-observation inputs

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

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

17. Fair values of financial instruments (continued)

Fair value hierarchy (continued)

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

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

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

Fair values were estimated as follows:

	2020			
	Carrying value			Fair value
	Notes	FVOCI $'000	Total $'000	Level 2 $'000
Financial assets measured at fair value:				
Government of Jamaica securities	5	13,782,828	13,782,828	13,782,828

	2020			
	Carrying value			Fair value
	Notes	Amortized Cost $'000	Total $'000	Level 2 $'000
Financial assets not measured at fair value:				
Government of Jamaica securities	5	10,248,332	10,248,332	10,248,332

17. Fair values of financial instruments (continued)

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

		2019		
		Carrying value		Fair value
	Notes	FVOCI $'000	Total $'000	Level 2 $'000
Financial assets measured at fair value:				
Government of Jamaica securities	5	11,391,552	11,391,552	11,391,552

		2019		
		Carrying value		Fair value
	Notes	Amortized Cost $'000	Total $'000	Level 2 $'000
Financial assets not measured at fair value:				
Government of Jamaica securities	5	10,259,324	10,259,324	10,259,324

18. Capital commitment

As at March 31, 2020 the Corporation had capital commitment in relation to the development of the Payout Management Information System (PMIS) at the budgeted cost of $46.40 million (2019: $37.78 million).

19. Impact of COVID-19

The first CoVid-19 patient was confirmed in Jamaica on March 2020, following which the Government of Jamaica activated its Disaster Risk Management Act (DRMA). Consequently, the Corporation in response, implemented a number of strategies and measures to mitigate the impact of the DRMA to its, staff, Policyholders, the public and other stakeholders, these include:

(i) The Disaster, Preparedness, Recoveries and Business Continuity Plan was reviewed, with procedures updated and implemented for the pandemic;

(ii) Scenario analysis was conducted on the Deposit Insurance Fund (DIF), to ensure increased liquidity is maintained to treat with the Corporation's liability and potential liabilities, including operating and capital expenditure;

19. Impact of COVID-19 (continued)

(iii) Instituted measures to safeguard employees and other stakeholders by providing information, equipping all employees with supplies to prevent contagion, sanitizing the office building while establishing protocols to access the premises. In addition, a work from home strategy to minimize the number of employees in office was implemented with minimal disruptions to the operations of the Corporation; and

(iv) Enhancing the ICT Security Infrastructure, *inter-alia.*

The Corporation continues to monitor the impact of COVID-19.

JAMAICA DEPOSIT INSURANCE CORPORATION

JDIC...Protecting Deposits for You and Me

30 Grenada Crescent, Kingston 5, Jamaica
Tel: 876-926-5225; 876-968-7398
Fax: 876-920-9393

Toll Free: Jamaica: 1-888-991-5342
USA & CAN: 1-877-801-6793
UK: 1-800-917-6601

Email: jdic@jdic.org Jamaica Deposit www.jdic.or @jdicjam