ANNUAL REPORT 2020/2021

JAMAICA DEPOSIT INSURANCE CORPORATION

GUARANTEED PROTECTION

July 30, 2021

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 2020/2021 and a copy of the Corporation's Accounts as at March 31, 2021, 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 protect depositors and contribute to the highest levels of financial system confidence and stability in Jamaica; leveraging Financial System Safety Net partnerships and recognizing consumer expectations.

MISSION

IN CONTRIBUTING TO THE STABILITY AND CONFIDENCE IN JAMAICA'S FINANCIAL SYSTEM THE JAMAICA DEPOSIT INSURANCE CORPORATION WILL:

- Protect insured deposits against loss due to the non-viability of Deposit Taking Institutions;
- Facilitate the resolution of non-viable Deposit Taking Institutions consistent with governing legislation and international standards;
- Manage the Deposit Insurance Fund consistent with its statutory objects;
- Support the promotion of financial consumer protection and financial inclusion;
- Take such necessary steps to minimize its exposure to loss.

To execute its Mission, the Corporation will create a knowledge management environment which promotes excellence in professional and technical expertise and allow employees to realize their full potential.

CORE VALUES

ACCOUNTABILITY

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

COMMUNICATION

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

EXCELLENCE

We continuously measure and monitor productivity to improve our operations.

PROFESSIONALISM

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

TEAMWORK

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

ACRONYMS

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
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
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
SRR	Special Resolution Regime
TWG	Technical Working Group

GLOSSARY OF TERMS

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

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

Coverage Limit
The maximum payment the JDIC can make out of the Deposit Insurance Fund to a depositor should their insured financial institution (Policyholder/member institution) fail. The coverage limit and rules of coverage are 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 recovered 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) of all insured financial institutions.

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.

Financial System Safety Net

The agencies that comprise a country's Financial System Safety Net (FSSN) work together to ensure that a robust regulatory framework is in place to promote and maintain financial and economic stability. In Jamaica the FSSN partners are the Ministry of Finance & the Public Service, the Bank of Jamaica, the Financial Services Commission, and the Jamaica Deposit Insurance Corporation.

Insurable Deposits

Deposits received or held by a Policyholder from or on behalf of a depositor, but are not deposits from another Policyholder; or from a statutory body or authority or government company.

Insured Deposit

That portion of insurable deposits that is within the coverage limit prescribed under the Deposit Insurance Act.

Policyholders

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

Premium Assessment Rate

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

Resolution

The exercise of powers and the application of tools by the safety net authorities empowered to apply them in respect of a failing or failed financial institution, 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; bridge-bank or temporary public ownership, with a view to maintaining financial system stability while minimizing the resort to public funds. Resolution may also involve the reimbursement of insured deposits to depositors and the winding up of a failed bank with a view to maximizing recoveries..

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CHAIRMAN'S REMARKS

Myrtle Halsall, OD
Chairman

This was a remarkable year when the JDIC mandate and operations was uniquely validated, even though the country did not experience a financial crisis and there was no bank failure. In March 2020, the COVID-19 global pandemic was declared by the World Health Organisation (WHO) with the rapid spread of the coronavirus across national borders. With millions of deaths from the virus worldwide, hospitals and health care systems were severely overwhelmed. As national governments, including the Jamaican Government, responded with the required pervasive restrictions on personal contact locally and international travel, economic activity was severely impacted. There was the real risk to the operations of JDIC Policyholders as the economic impact was felt by bank customers. JDIC, together with its Financial System Safety Net Partners responded to the risks by a strategic pivot to crisis management planning and simulations to be able to successfully deal with any contingency from Policyholder risk. In addition to the risk of Policyholders' stressed conditions potentially resulting in a failure of institutions, there was also the risk to the personal and family health of staff due to the virus and so the Corporation implemented all the best practices recommended by the World Health Organisation and the Government to ensure the health of staff.

- *The COVID-19 Pandemic Economic Impact*

The required response of the Jamaican Government, as with governments globally, curtailed economic and productive capacity, impacting international supply chains, industries and sectors that were heavily labour intensive and those such as the tourism sector where small island states like Jamaica gain a significant contribution to the country's Gross Domestic Product (GDP). The unemployment rate also increased as the Jamaican economy experienced significant slowdown, volatility and uncertainties, many of which remained at the end of the financial year.

- *Economic Resilience Maintained*

Despite the negative projections for end FY2020/21, however, the country performed much better than forecasted. Real GDP is estimated to have contracted by 10.8 percent, an improvement from the 18.4 percent originally projected, with the March quarter 2021 estimated to have declined by 5.7 percent, an improvement when compared with the 9.4 percent decline for quarter ending December 2020. This reflected a tempering of the rate of economic contraction and an indication that growth is returning to the country. This is even more evident with the reduction in the employment rate which is down to 8.9 percent; the increase in tourist arrivals and bookings; unprecedented levels of remittances; recovery in the Business Process Outsourcing sector to pre-COVID-19 levels; continued growth in the Net International Reserve and relative stability in the exchange rate.

- ***JDIC Policyholder Resilience Maintained***

Prior to the COVID-19 pandemic Jamaica was on a growth trajectory and Policyholder institutions experienced year on year profitability. It is notable that in the years post the 2008 Global Financial Crisis the supervisory authority for JDIC Policyholders, the Bank of Jamaica, had worked with Policyholders in the phased implementation of key Basle Committee recommended standards for liquidity, capital and counterparty risk. During this financial year Policyholder risk was able to be mitigated with this regulatory strengthening, which continues with the lessons being learned from the impact of the pandemic. The Bank of Jamaica also opened an offer for liquidity facilities to both the banking and credit union sectors for institutions that might be in need and those who took up this offer were able to comply with repayment conditions. Despite the challenges in the economy Policyholders recorded asset growth and profitability and remained solvent. Deposit growth in the banking system maintained a relatively stable grow rate being approximately 14 percent in this financial year compared to a growth rate of 13 percent in the previous financial year. Policyholders were able to respond positively by offering their customers moratoriums, loan extensions, reduction in fees and special loan facilities to maintain and stimulate commerce. The Jamaican regulatory response has been similar to those of many countries and similarly the unwinding of the economic and regulatory measures will have to be managed appropriately to avoid or mitigate any attendant downside risk.

- ***Increase in the JDIC Deposit Insurance Coverage Limit to $1,200,000***

While not specifically in response to mitigating the impact of the pandemic, the JDIC Deposit Insurance Coverage Limit made available to depositors if their bank becomes insolvent was increased to $1,200,000 on August 31, 2020 seeking to restore its real value from the $600,000 limit set in 2007. With this increase the deposits insured within this limit increased by 40 percent. In its consideration of the increased limit, JDIC also determined that there was no need to increase the premium rate of 15 basis points charged to Policyholders, and this was well received by the sector. This increase in the Deposit Insurance Coverage Limit contributed to confidence in the financial system during this period. At this new coverage level, the JDIC is covering approximately 97.3 percent of deposit accounts in the financial system, well in line with the international standard of 90-95 percent.

- ***The Deposit Insurance Fund***

By the end of the financial year the Deposit Insurance Fund reached $28.1 billion an increase of 13.8 percent over the previous year and continuing a 5-year growth trend. The annual Fund Adequacy Review results indicated that it was adequate to meet the assessed risk posed by Policyholder institutions and the Corporation kept sufficiently liquid investments to meet its projected and potential liabilities.

- ***Strengthening of JDIC Institutional Capacity***

As a Board, the lessons from the financial year highlighted the continuing challenge of ensuring that JDIC can maintain its institutional capacity, primarily being an expert cadre of staff. Recognizing that the JDIC is critical to financial system confidence and stability, it must as a regulatory counterpart in the Financial System Safety Net maintain an employment model attractive to dedicated professionals. The Board focused its attention very keenly on solutions to this challenge to support its mandate for ensuring succession and continues to liaise with the MoFPS in this regard.

- ***Corporate Governance***

The Board remained cognizant of its fiduciary responsibilities and gave due focus to the effective performance of its Committees, which very ably supported the Board in its work and the review of the various corporate governance policies with the required support of the Management. The Board also undertook its Board Assessment and the required assessment of the Chief Executive Officer for the FY2019/20.

OPPORTUNITIES

While we continue to offer sincere condolences and commiserate with our countrymen in regard to the hundreds of lives tragically lost in Jamaica due to the pandemic, there were great opportunities spawned for the country, businesses and individuals with the acceleration of a number emerging technologies characterized by the ongoing digitization of financial and other services and also radical changes to more efficient work models including the adoption of remote working. The Bank of Jamaica put its financial innovation Sand Box in place and also commissioned the modeling of a Central Bank Digital Currency (CBDC), for roll out of a pilot in 2022. CBDC has the capacity to change the environment of banking business on a significant magnitude. This is projected to help increase financial inclusion exponentially but, of course, also brings attendant risks. JDIC has started to examine these potential risk areas to allow it to promote the best public policy options for management of these risks and the protection of the public who will likely be adversely impacted by these risks. JDIC look forward to forging a mandate that supports this.

CLOSING

An overall objective assessment saw the JDIC being successful in the execution on its mandate this year. This was only possible due to the dedication and professionalism of the staff and their commitment to the task at hand in-spite of the challenges. I must specifically thank the CEO and the senior Management team of the Corporation for their continued hard work and for making the job of the Board that much easier, given their focus and devotion in ensuring the mandate of the JDIC is achieved. I remain honoured to work with this team as we continue to serve this organisation and by extension, Jamaica in contributing to financial system confidence and stability. Again, thank you team on behalf of the Board for a job well done.

I thank my fellow Board members who supported me with their valuable and dedicated contribution to the work of the Board and its various Committees. We look forward to achieving even more for the next fiscal year and beyond.

Myrtle Halsall, OD

CEO'S REPORT ON OPERATIONS

Antoinette McKain
CEO

"Operational Resilience to Proactively Mitigate the Impacts of the COVID-19 Pandemic on JDIC Policyholders and Maintaining Financial System Stability"

JDIC operations focus for financial year 2020/21 can largely be characterized by a pivot to ensuring that it would be able to achieve its mandate with sufficient and effective responsiveness to deal with any adverse impact and uncertainties wrought by the global COVID-19 pandemic on the condition and performance of Policyholders, and not less on the well-being and productivity of JDIC staff. Policyholders (commercial banks, merchant banks and building societies) at year end were sufficiently liquid, well capitalized, profitable and solvent. JDIC staff also remained healthy and productive, despite the ravages of the pandemic on people's lives.

Government's necessary actions to reduce the spread of the coronavirus causing the pandemic, with the unprecedented limitations on personal contact among citizens and on international travel, naturally impacted economic activity, bringing tourism, a significant contributor to GDP down by more than 80 percent. The unemployment rate spiked upward of 9 percent at the beginning of the year carrying with it the potential for the most adverse consequences on JDIC Policyholders' customers to sustain loan repayments, potentially putting the institutions performance and viability at risk.

JDIC's explicit statutory mandate, under the larger public policy objective for maintaining financial system confidence and stability, remained the insurance of deposits held by its Policyholders and managing the Deposit Insurance Fund (the Fund/DIF) against the risk of loss; and to act as liquidator/trustee in the winding up of insolvent Policyholder institutions, their holding companies and subsidiaries. As a regulatory counterpart of the Bank of Jamaica's (BOJ's) supervisory function JDIC worked collaboratively with the BOJ, and its other Financial System Safety Net Partners (FSSN) being the Financial Services Commission (FSC) and the Ministry of Finance and the Public Service (MoFPS) to ensure that the required information on the macro economy and the prudential condition of its Policyholders and other of financial institutions, was readily available and sufficient for the required enhanced monitoring by JDIC of Policyholder risk. This allowed JDIC to make timely strategic decisions on the focus of its operations.

Of note the BOJ also implemented a number of initiatives aimed at continuing to preserve financial system stability, including offering liquidity support to banks and other financial institutions. During the period the BOJ maintained its accommodative monetary policy stance, holding its policy interest rate at 0.50 percent with a view of maintaining inflation within the target range of 4.0 to 6.0 percent and encouraging economic recovery. The BOJ committed to deploying additional measures, including a reduction of the policy rate and the cash reserves requirement, to ensure the continued liquidity to the financial system and to maintain orderly conditions within the foreign exchange market.

- ***Resilience in the Economy and on Policyholders' Condition and Performance***

By the end of the financial year it was evident that there was a sufficient level of resilience in the Jamaican economy which had benefited from prior years' fiscal discipline and the Government's provision of support to various vulnerable persons within the economy and other stimulus initiatives. Consequently, all economic indicators remained satisfactory at year end. Notwithstanding, it was clear that there would be continuing uncertainty relating to the magnitude and length of the pandemic and as well its continued impact with the ability to create greater stressors in the economy and compromise to the operations of JDIC Policyholders.

JDIC Policyholders remained adequately liquid, capitalized, solvent and sufficiently compliant with prudential standards. Consistent with the BOJ liquidity support offered to banks, their customers were in turn offered moratoriums on their loans. Total banking system assets grew by 12.0 percent or $223.6 billion to total $2,083.7 billion at the end of the fiscal year, relative to 10.0 percent or $169.0 billion for the corresponding period in 2020. This growth was largely driven by increases in investments, and loans and advances. The value of total deposits within the system grew by 14 percent compared to 13 percent growth in the previous year. Estimated insured deposits increased by 40 percent with an increase in the Deposit Insurance Coverage Limit to $1,200,000 effective 31st August 2020, up from $600,000. Similarly, the number of insurable deposit accounts increased by 6.5 percent to 4.6 million accounts. The average insurable deposit balance increased by 10.6 percent to $285,659, up from the $258,281 in the corresponding period.

- ***JDIC Proactive Readiness Strategy Responsiveness***

In the context of its mandate and the vagaries wrought by the impact of the global COVID- 19 pandemic, this year saw JDIC pivot it operation's focus on ensuring the efficacy of its financial crisis management plans, effectiveness of its depositor payout processes and enhancing its resolution management capacity to be proactive in the event of being required to deal with the adverse pass through to its Policyholders resulting in their non-viability or insolvency. Important also to JDIC operations was continued enhanced monitoring of Policyholder institutions; targeted stakeholder collaborations and its public education and awareness campaigns and strengthening its information and communication technology infrastructure. Key to delivering on most of its strategic business objectives was the ongoing dialogue and collaboration with safety net partners, Policyholders and key international partners.

- ***JDIC and Policyholder Engagement***

In addition to the usual ongoing collaborations with Policyholder institutions under the Policy of Deposit Insurance, the respective Policyholder heads and senior officers participated in virtual meetings with myself and senior JDIC management officers to share information on key issues. These included: changes in product offerings and distributions channels in response to fintech and digitization of financial services; any business pivots consequent on the COVID- 19 pandemic; the on-going work with Policyholders to ensure effective systems interface with JDIC systems for depositor protection; JDIC resolution and crisis management preparedness; and work on new legislation which will enhance financial institution crisis management and resolution capacity of the authorities. We made commitments to continue the engagement. These meetings were followed by JDIC hosting of a virtual Policyholders' Forum for the Policyholder operations officers and front line staff. These sessions focused on the operations of the JDIC and emerging developments and trends in the deposit insurance industry. During the period four (4) Policyholders training sessions were held with an additional three (3) scheduled for April 2021. The training sessions included over 400 participants primarily comprising Policyholder staff. An online deposit insurance training platform is to be developed to complement the present training methodology.

CORE OPERATIONS STRATEGIES

- *Building Sustainable Human Resource Capacity*

Strengthening of its human resource capacity through the recruitment and retention of expert staff remained critical to the Corporation ensuring the sustainability of its mandate and delivery on its strategic objectives. The recommendations from a comprehensive review of the JDIC organisation model and structure, evaluation of commensurate job requirements and the supporting reclassification of salaries are under the review of the MoFPS for approval to support sustainable human resource capacity for the JDIC. During the year, critical capacity enhancing opportunities for the JDIC team members were accessed by them. These included virtual local and international professional and technical training, workshops and conference participations primarily responsive to regulatory and deposit insurance solutions relating to financial institution conditions and performance consequent on the economic impact of the COVID-19 pandemic.

- *Proactive Readiness Strategy - Strengthening the Corporation's Resolution and Crisis Management Capacity*

During the year focus was placed on testing and enhancing the Corporation's procedures and systems in relation to: resolving non-viable Policyholder institutions; making depositor reimbursements; operationalizing the Crisis Preparedness and Management Plan, as well as conducting more frequent crisis management simulations. A Financial Regulatory Committee (FRC) technical working group led by JDIC senior executives started the update of the 2015 National Financial Crisis Management Plan. The FRC institutions senior teams also participated in a Financial Crisis Management Workshop and Simulation led by the Toronto Centre – Global Leadership in Financial Supervision to identify gaps within the existing framework to allow these to be addressed strategically in the context of various constraints.

In regard to key legislative reforms for the financial sector, the Corporation continued its collaboration with the other members of the FSSN to strengthen the framework for the administrative resolution of non-viable financial institutions, before they become balance sheet insolvent taking into account no creditor worst off principles; to establish funding sources for resolutions premised on shareholders bearing the first losses; and efficient winding up processes for insolvent financial institutions where systemic consequences are not contemplated. The effective implementation and operationalization of the new framework will see the removal of a resort to the public purse to fund the costs of resolutions of non-viable financial institutions. The new legislation will better align Jamaica's framework with the international benchmark standards, the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions. This will see inter alia: the designation of the Bank of Jamaica, with its existing mandate for financial stability, become the Resolution Authority, effectively replacing the Minister responsible for finance under existing law, and the JDIC a Resolution Administrator. The JDIC's role as Resolution Administrator will be consistent with its existing powers under the DIA to act as receiver and liquidator and to restructure Policyholders, their holding companies and subsidiaries.

- *Newer Imperatives - Fintech, Suptech, Regtech*

With growing fintech dominance in the provision of financial services, together with the BOJ's consequent adoption of the "Sand Box" approach to advancing the appropriate regulatory frameworks, as well as the BOJ's intended implementation in 2022 of a pilot to test the introduction of Central Bank Digital Currency (CBDC), JDIC started research on the implications of these newer technologies. JDIC recognizes that regulatory reforms must support financial inclusion objectives and economic growth anticipated from these newer adaptations, while ensuring the safety of the public who are the targets of these services. JDIC will therefore seek to ensure that it is able to promote the best public policy options for the protection of the users of these newer digitized financial services which will characterize the future. JDIC's digital transformation strategy will be designed to aid in the seamless implementation of these options.

- Annual Deposit Insurance Fund Adequacy Evaluation

The annual statutory evaluation of the Deposit Insurance Fund (the Fund/DIF) was conducted against the macroeconomic developments, with emphasis on the uncertainties brought on by the COVID-19 pandemic and its impact on Policyholder institutions. The annual evaluation is in order to ensure risk to Policyholders is assessed to make a determination of the adequacy of the Fund to meet its objective of protecting depositors within a specified period. Due to the pandemic and associated risk, a mid-year evaluation of the Fund was also done to determine if the prior findings and recommendations remained valid. Based on the mid-year assessment, it was determined that the DIF remained adequate to cover existing and potential liabilities for the year ahead. The risks posed by Policyholders did not indicate that insolvency or resolutions would be anticipated.

Additionally, the Corporation in conjunction with the IDB, as part of their Technical Cooperation Financial System Reform Support Programme and their contribution to the further strengthening of Jamaica's financial system, developed a terms of reference for the engagement of a consultant to conduct an independent assessment of the Fund for completion in FY2021/22.

- Increase in the Deposit Insurance Coverage Limit to $1,200,000

The level of deposit insurance coverage was reviewed to ensure that it remained credible. Effective August 31, 2020 the coverage limit was increased to $1,200,000 up from $600,000. At this increased level, estimated insured deposits (calculated on December 2020 data) accounted for 39.5 percent of the value of insurable deposits up by approximately 7-9 percent. International deposit insurance best practice standards recognize that a credible coverage limit is critical in mitigating bank runs in the event of a bank failure. The increase in the Deposit Insurance Coverage Limit served to boost depositors' confidence during the year.

- Operational Efficiency and Information and Communication Technology - Enhancing the ICT Infrastructure

The Corporation implemented several upgrades to enhance its ICT infrastructure. An ICT disaster recovery simulation was also conducted which indicated the Corporation was prepared in terms of its offsite back-up capability. Beginning in the new financial year 2021/22, the Corporation will undertake a more formalized digital transformation strategy, such that the ICT strategy better aligns with the objectives and initiatives for increased operational efficiency of the JDIC.

- Public Education and Awareness Strategy

During the financial year the Corporation continued to engage its publics, ensuring depositors remained assured of the protection offered under the DIS, in particular given the uncertainties consequent to the pandemic. With the increase in the deposit insurance coverage limit, the Corporation heightened its advertising and other elements of its public education campaign, which further served to promote the JDIC brand and the DIS. Of note, the Corporation continued to monitor the impact of the pandemic on the financial sector to determine whether there was need to further heighten the programme, however Policyholders remained resilient and financial consumers' confidence seemingly undaunted. The increased use of social media platforms also continued to play a significant role in deepening stakeholder awareness of the JDIC among its online audience. Additionally, to provide a more seamless experience for stakeholders and extend the reach of corporate information and public education among its target audience, the

Corporation decided to enhance the functionality and aesthetics of its website. The new website will be launched during FY2021/22. The financial literacy book being developed for primary school children will also be completed in the new financial year.

Collaboration with FSSN partners remained a significant aspect of the Corporation's efforts to increase public awareness and so participation in interagency initiatives continued, including those under the National Financial Inclusion Strategy.

FINANCIAL PERFORMANCE

The DIF balance at the end of year was $28.1 billion, an increase of 13.6 percent compared to the previous year. Over the last five years the DIF balance increased by 69.9 percent. Total assets of the Corporation at March 31, 2021 was $29.5 billion, an increase of 17.1 percent or $4.3 billion over the previous year. The increase was due primarily to a 6.2 percent increase in investment securities to $25.5 billion ($24.0 billion in March 31, 2020) and increase in cash and cash equivalents.

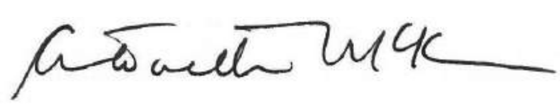
The Corporation's total income for the year ended March 31, 2021 was $3.7 billion, a 7.5 percent decrease over the previous period; with premium income being $1,696.9 million for the year, an increase 13.2 percent compared to the previous financial year. Administrative expenses were $351.4 million, $63.1 million higher than the previous year resulting mainly from increase in staff cost, increase in public expenditure and increase in depreciation.

The Overall Balance Target agreed with the MoFPS as an assessment of the financial performance of the Corporation was $2,439.65 million. The actual out-turn was $5,303.48 million, 117.4 percent higher than projected. This was due mainly to the better overall performance as a result of increases in income, reduction in administrative expenses and the prepayment of deposit insurance premiums. All key performance ratios were commendable. Refer to Table 18 of the Report.

CLOSING REMARKS

It was a difficult year all round with human tragedy due to the COVID-19 pandemic; economic disruption, loss of jobs, and financial system stressors. Yet, many new opportunities were seized as individuals and organisations were forced to be adaptive, creative and to identify new ways of doing business; seeking to leverage the global space more and more characterised by constant and rapid technological changes to business and work norms. I therefore take this opportunity to thank and commend the Senior Management officers of the JDIC and the entire JDIC team who responded quickly in adapting to all the new norms, allowing the JDIC to be sufficiently responsive. I give special thanks to the Chairman and Board of Directors who continued to provide the necessary expert guidance and oversight to ensure the most diligent oversight to ensure the success of the JDIC. The expertise of the Board in various required disciplines provided me with wise counsel, and I remain, on behalf of the JDIC team, grateful for this. Consultation and coordination with FSSN partners, Policyholders, the membership of the International Association of Deposit Insurers, other Deposit Insurance organisations and stakeholders were particularly critical during the year and so I extend thanks to all and hope that you benefited also from the expertise of the JDIC team.

The JDIC team commits to continue the journey into the coming years, providing the best public policy responses for protecting depositors and the users of financial services in a dynamic and more inclusive financial system.



Antoinette McKain

OPERATIONAL RESPONSE TO THE COVID-19 PANDEMIC

Identification of the first COVID-19 cases in Jamaica in March 2020 was a signal to the JDIC that its state of operational readiness had to be enhanced in the context of assessment of the economic impact of the disease in the countries in which it was first announced. Following on the GOJ's implementation of its Disaster Risk Management Act to aid in stemming the pandemic, the JDIC activated its Business Continuity Plan (BCP). Consequent on the activation its BCP, the JDIC notified all its stakeholders, including the MoFPS, the BOJ, the FSC, member institutions, and the JCCUL, inter alia, of its immediate operating response actions as Deposit Insurer and as a member of the Financial System Safety Net, and consistent with its public policy objective of protecting depositors and contributing to the maintenance of confidence and stability in the financial system. Initiatives included the following:

1. Implemented remote working arrangements for employees and kept the team updated with GOJ information/protocols, as well as resources to assist with personal safety, while ensuring business continuity.
2. Upgraded the ICT infrastructure, including conducting a Disaster Recovery Simulation, to improve business processes, disaster recovery preparedness and data security; and enhance the remote working arrangements.
3. Intensified monitoring and assessment of developments in the global and local economies in particular the pass through effects of national government actions to mitigate the effect of COVID–19 on the economy and financial system; and any impact on member institutions.
4. Enhanced monitoring and risk assessment of the financial performance of member institutions, with more frequent information sharing and collaboration with the BOJ supervisory division.

5 Intensified collaboration with the FSSN partners, in particular the BOJ to ensure enhanced and timely information sharing to keep abreast of the developments in the financial system and the performance of DTIs and Non DTIs. This included information from the Financial Regulatory Committee (FRC) and macro prudential information from the Financial System Stability Committee (FSSC), to ensure timely detection of any potential risk to the Deposit Insurance Fund (DIF/the Fund).

6 Engaged member institutions through the JDIC's CEO meetings with all institution Heads, hosting of a Policyholders Forum, and deposit insurance workshops with some 400 participants.

7 Reviewed and tested activating and operationalizing the Corporation's Financial Crisis Management Plan and supporting compendium of policies and procedures to ensure consistency with current legislations and standards of best practice and the Corporation's overall state of readiness to respond to a crisis within the current environment and in collaboration with the other FSSN partners.

8 Commenced work with the BOJ, FSC, MoFPS through a FRC Technical Work Group to review and update the National Financial Crisis Preparedness and Management Plan and finalized plans to conduct a multi-agency financial crisis simulation exercise in May 2021.

9 Increased crisis preparation and management workshops, training courses and simulation exercises with focus on Deposit Insurers response to COVID-19 pandemic, specifically targeted to ensure staff skills were further sharpened to treat with any eventuality

10 In addition to the annual evaluation of the DIF, conducted a mid-year evaluation to ensure the availability of adequate liquidity to treat with any potential resolution activity, in the preservation of deposits up to the deposit insurance coverage limit.

11 Adjusted investment strategy for FY2020/21 underpinned by the Corporation's Investment Guidelines, by going short with placements to ensure sufficient liquidity to treat with any call on the DIF to resolve a member institution and protect insured depositors.

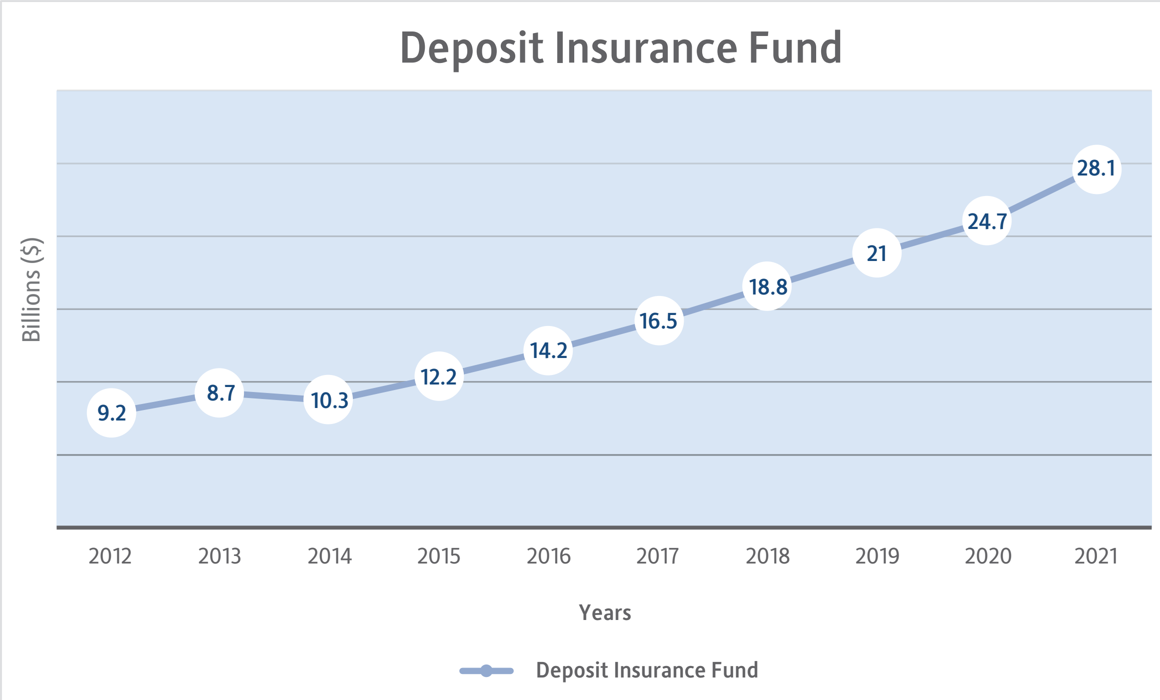
12 Prepared draft MOU regarding the considerations for BOJ to provide immediate liquid funds to JDIC for payout and any other resolution activity in order to maintain confidence and stability of the financial system.

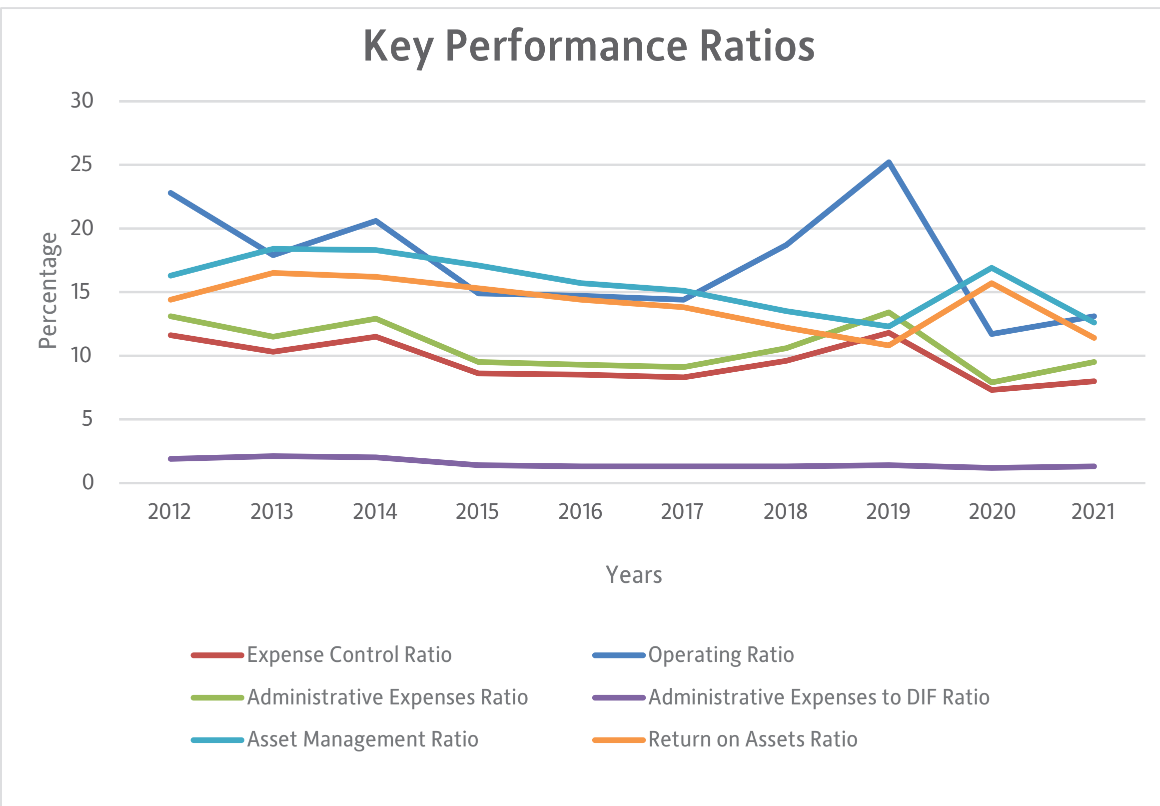
13 Intensified public education including presence on social media platforms, with the CEO and other team members participating in remote presentations and interviews on national television and radio stations, as well as increased advertising in print and electronic media; to educate and reassure depositors and other stakeholders on the benefits of deposit insurance protection, in particular with the doubling of the deposit insurance coverage limit to J$1.2M on August 31, 2021[1].

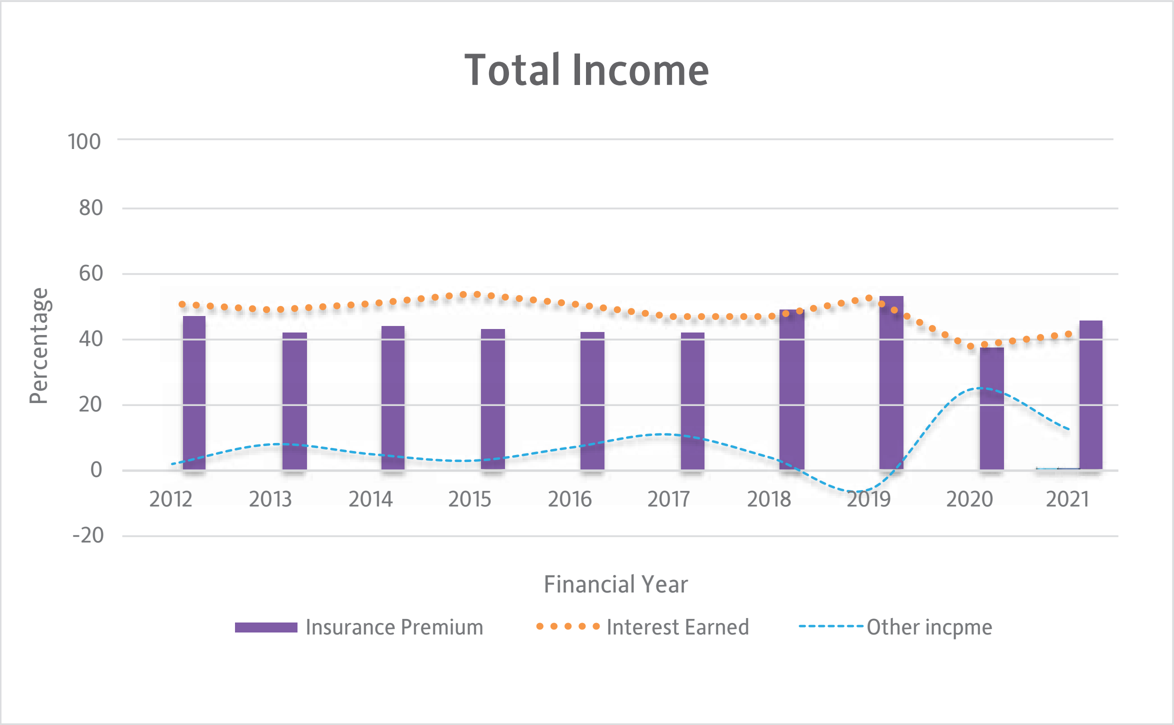
1 The increase in the deposit insurance coverage limit to $1.2 million was not a direct response to the COVID-19 pandemic, however was timely amidst the uncertainties and contributed to reassuring depositors and boosting confidence in the financial system.

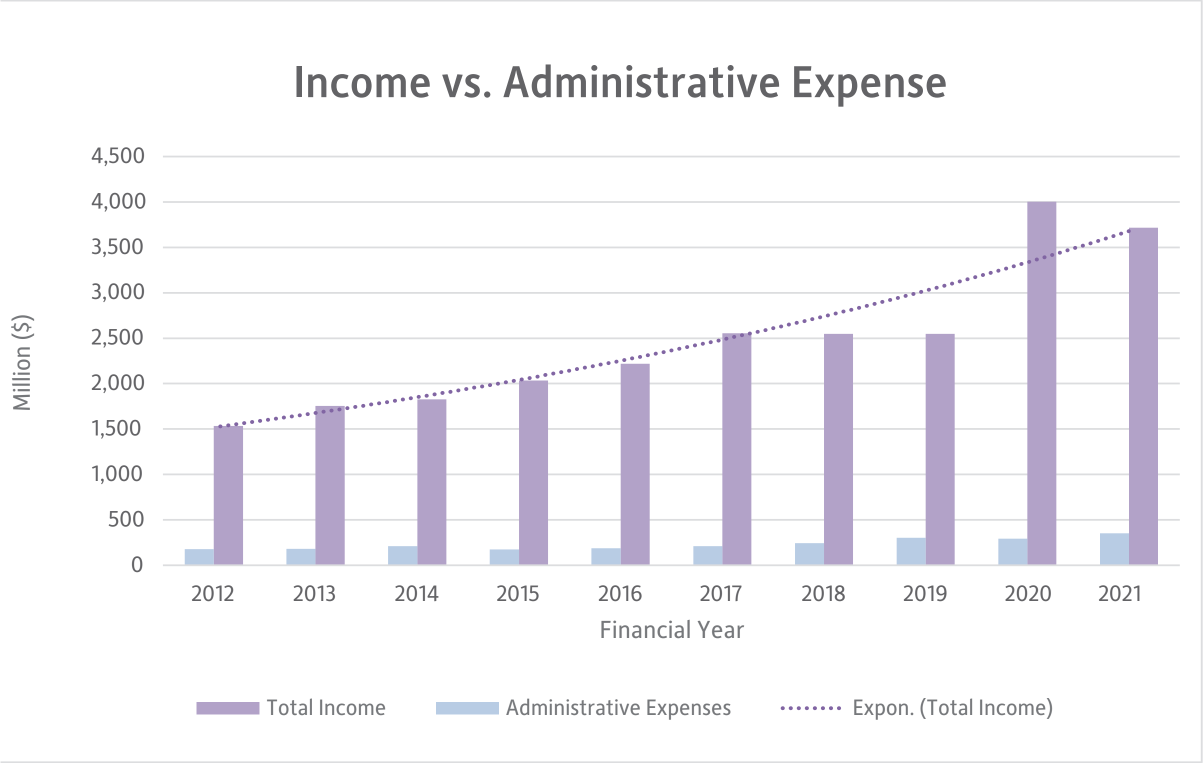
10-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

FINANCIAL YEAR	2021 '000	2020 '000	2019 '000	2018 '000	2017 '000	2016 '000	2015 '000	2014 '000	2013 '000	2012 '000
DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME										
Insurance Premiums	1,696,898	1,498,335	1,353,413	1,239,559	1,076,597	937,283	870,050	809,250	745,540	727,806
Interest Earned	1,548,725	1,518,376	1,342,762	1,200,508	1,208,858	1,127,598	1,100,029	922,900	862,530	780,742
Other Income	470,870	984,579	(-146,842)	106,177	268,754	153,542	64,382	93,621	148,026	26,454
Total Income	3,716,493	4,001,290	2,549,333	2,546,244	2,554,209	2,218,423	2,034,461	1,825,771	1,756,096	1,535,002
Impairment Loss on Securities	220	3,437	7,086	-	-	-	32,091	-	-	-
Administrative Expenses	351,395	288,312	294,325	244,462	212,111	188,187	173,987	209,280	180,782	178,015
Surplus from Operations	3,364,878	3,709,541	2,247,922	2,301,782	2,342,098	2,030,236	1,828,383	1,616,491	1,575,314	1,356,987
DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION										
Deposit Insurance Fund	28,101,998	24,737,119	21,027,578	18,844,006	16,542,224	14,200,126	12,169,890	10,341,507	8,725,016	9,246,938
Investment Securities	25,487,747	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
Total Assets	29,535,120	25,199,922	22,063,976	19,363,248	18,490,226	15,340,667	12,834,908	11,028,471	8,892,521	10,177,943
Property, Plant and Equipment (NBV)	283,367	276,920	194,645	189,405	178,501	110,722	110,038	95,630	97,825	98,946
OTHER SELECTED DATA										
Persons employed at the end of the year	28	29	28	24	21	21	25	26	24	23
Operating Ratio (%)	17.4	11.7	25.2	18.7	14.4	14.7	14.9	20.6	17.9	22.8
Expense Control Ratio (%)	9.5	7.3	11.8	9.6	8.3	8.5	8.6	11.5	10.3	11.6
Administrative Expenses Ratio (%)	10.4	7.9	13.4	10.6	9.1	9.3	9.5	12.9	11.5	13.1
Administrative Expenses to DIF Ratio (%)	1.2	1.2	1.4	1.3	1.3	1.3	1.4	2.0	2.1	1.9
Net Surplus (%)	90.5	92.7	88.2	90.4	91.7	91.5	89.9	88.5	89.7	88.4
Asset Management Ratio (%)	12.6	15.9	11.6	13.5	15.1	15.7	17.1	18.3	18.4	16.3
Return on Assets Ratio (%)	11.4	14.7	10.2	12.2	13.8	14.4	15.3	16.2	16.5	14.4
Insurance Premium/ Total Income (%)	45.7	37.4	53.1	48.7	42.1	42.2	42.8	44.3	42.5	47.4


Deposit Insurance Fund
Billions ($)
9.2
8.7
10.3
12.2
14.2
16.5
18.8
21
24.7
28.1
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Years
Deposit Insurance Fund


Key Performance Ratios
Percentage
30
25
20
15
10
5
0
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Years
Expense Control Ratio
Operating Ratio
Administrative Expenses Ratio
Administrative Expenses to DIF Ratio
Asset Management Ratio
Return on Assets Ratio


Total Income
100
80
60
40
20
0
-20
Percentage
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Financial Year
Insurance Premium
Interest Earned
Other incpme


Income vs. Administrative Expense
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
Million ($)
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Financial Year
Total Income
Administrative Expenses
Expon. (Total Income)

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 organisations.

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.

Dr Lewis 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

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 the prescribed coverage limit in the event a member institution (Policyholder) fails, in which event the Corporation undertakes resolution, depositor reimbursements and financial crisis management activities in conjunction with the other FSSN partners. This is part of the Corporation's 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 accountability and corporate governance through the oversight of its Board of Directors and Management.

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 its 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.

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

In keeping with the DIA, the Board met seven (7) times during the calendar year, thereby fulfilling the statutory requirement for not less than six (6) meetings.

BOARD OF DIRECTORS		NUMBER OF MEETINGS ATTENDED (CY)
Myrtle Halsall, OD	*Chairman*	7/7
Jide Lewis	*Nominee of the Governor, Bank of Jamaica*	6/7
Aisha Wright	*Nominee of the Financial Secretary*	7/7
Antoinette McKain	*Chief Executive Officer*	7/7
Herbert Hylton	*Board Member*	7/7
Lisa Lewis	*Board Member*	6/7
Vernon McLeod	*Board Member*	6/7

Consistent with the PBMA, the Board ensured that the following reports were submitted within the prescribed period:

- The Corporate Plan, Operating and Capital Budgets for FY2021/22 – 2024/25;
- The Annual Report, and the audited financial statements for FY2019/20; and
- The Quarterly and Half-yearly reports.

During the review period the Corporation's Board engaged in corporate governance sensitization and training sessions. These sessions included training in the following areas: the Board Performance Evaluation Instrument; the Special Resolution Regime (SRR) being developed by the FRC; and annual reporting requirements by public bodies. Members of the Board also attended corporate governance training conducted by the Caribbean Governance Training Institute (CGTI).

There are three (3) standing committees of the Board: The Audit Committee, Investment Committee and Corporate Governance Committee. These Committees are governed by their respective terms of reference which outline their responsibilities.

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 five (5) times for the financial year and effectively carried out its mandate by reviewing and making recommendations on all Quarterly and Half-Yearly Reports, FY2019/20 Annual Report and Audited Financial Statements and the 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 (FY)
Herbert Hylton	*Chairman*	5/5
Lisa Lewis	*Board Member*	4/5
Vernon McLeod	*Board Member*	5/5
Michael Martell	*Co-opted Member, MoFPS*	5/5

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.

In keeping with the Terms of Reference, the Committee met four (4) times for the financial year and submitted the required reports to the Board. The Committee gave due consideration to the vagaries of the economic and investment climate, consequent on the impact of the COVID-19 pandemic, globally and domestically on the performance of the JDIC investment portfolio and the implication for the DIF Reserve Target Ratio. The Investment Policy and legislative requirements were reviewed in this context.

INVESTMENT COMMITTEE		NUMBER OF MEETINGS ATTENDED (FY)
Vernon McLeod	*Chairman*	4/4
Jide Lewis	*Board Member*	3/4
Antoinette McKain	*Board Member*	4/4
Ronald Edwards	*Director, Finance, Funds and Asset Management*	4/4
Dawn Marie Brown	*Director, Monitoring and Risk Assessment*	4/4

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.

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

The Committee comprises of four (4) Board members, inclusive of the Chairman of the Board of Directors and the Chief Executive Officer. During the financial year, the Committee met once.

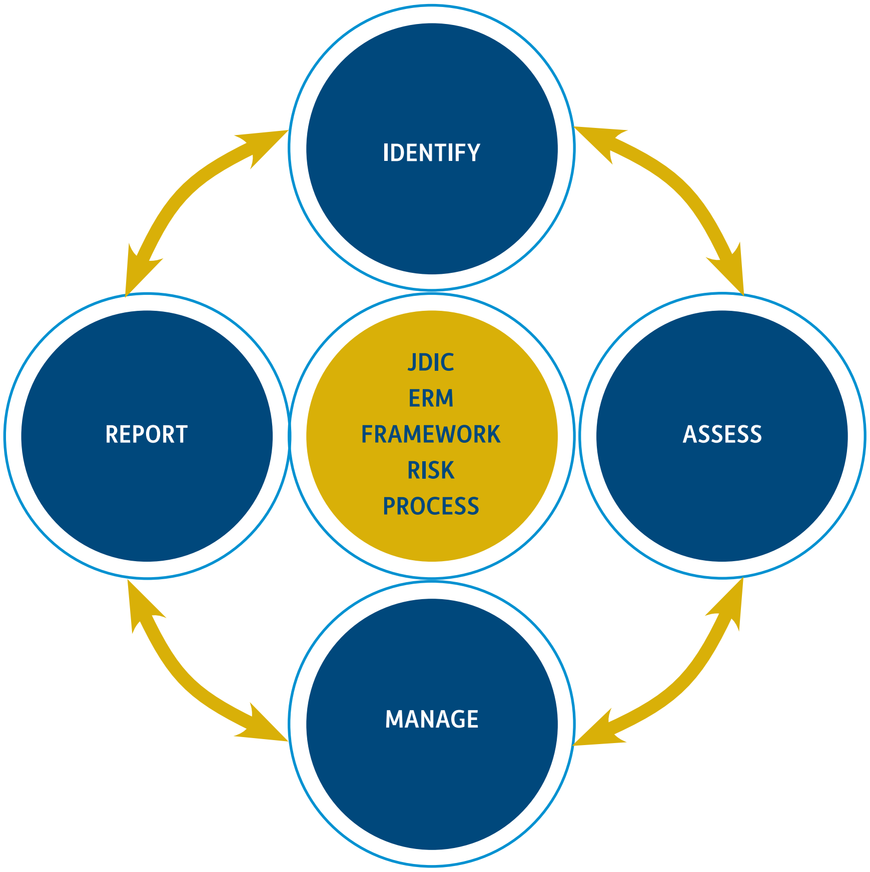
CORPORATE GOVERNANCE COMMITTEE		NUMBER OF MEETINGS ATTENDED (FY)
Lisa Lewis	*Chairman*	1/1
Vernon McLeod	*Board Member*	1/1
Myrtle Halsall, OD	*Board Member*	1/1
Antoinette McKain	*Board Member*	1/1

In keeping with its obligations the Committee monitored the Corporation's compliance with the PBMA and conducted the annual evaluation of the Chief Executive Officer's performance, guided by the Corporate Governance Framework, the GOJ Accountability Framework and the JDIC's Human Resource Policy.

ENTERPRISE RISK MANAGEMENT

The Corporation maintains a comprehensive Enterprise Risk Management (ERM)[2] Framework that involves a structured and holistic approach for identifying and appropriately managing risks[3]. The Board and Management ensure that the ERM Framework is entrenched in the culture, governance structure and processes of the Corporation and that strategic objectives and risk appetite are aligned. Key ERM functions to ensure risks are identified, assessed, managed and reported include: identifying potential events that may affect the Corporation at all levels; and conducting quarterly risk review and validation sessions, annual environmental scan and analysis of the strengths, weaknesses, opportunities and threats facing the Corporation. These activities also underpin the Corporation's strategic planning and guides the development of annual corporate plans, operating and capital budgets.

JDIC ERM FRAMEWORK RISK PROCESS



2 The Corporation's ERM Framework was formally established in 2019 to inter alia allow for better strategic decision making and promote a culture of risk management at all levels. The development and operationalization of the Framework continues to evolve and improve.

3 The JDIC's ERM Framework is guided by the key principles of the Committee of Sponsoring Organisations (COSO) Enterprise Risk Management - Integrated Framework and the International Organisation of Standardization (ISO 31000) risk management standard.

The Corporation's Risk Management Committee comprises risk owners supported by designated risk champions for each functional area and a Risk Manager. The Risk Management Committee (RMC) has responsibility for executing all the day to day risk management processes as guided by the ERM Framework and annual work plans. The Risk Management Committee reports quarterly to the Audit Committee its assessment of the Corporation's risks, risk ratings and action plans to address risks that may affect the achievement of the Corporation's objectives. The independent internal and external audit functions also provide a layer of defense by ensuring necessary controls and risk mitigating strategies are in place and are being applied.

KEY RISK AND RESPONSES DURING THE REVIEW PERIOD

In assessing the risks during the review period, the JDIC placed heightened focus on the potential vulnerabilities that may impact the continuity of its business operations and the risks to the DIS (call on the DIF) consequent to the performance and state of viability of member institutions. This was within the context of the potential risks posed by the external environment particularly the evolving developments and uncertainties of the COVID-19 pandemic on the domestic and global economies. In response, during the year priority was placed on: strengthening key stakeholder engagement; conducting more robust monitoring of Policyholders' performance; enhancing crisis preparedness and resolution management and depositor reimbursement readiness; and updating and expanding the scope of business continuity plans.

The developments during the past year have highlighted the importance of quickly identifying, assessing and proactively responding to potential events by reprioritizing and making adjustments to ensure the Corporation operates in a state of constant readiness at all times. The Corporation will continue to place importance on the implementation of initiatives to strengthen its ERM Framework and Policy by ensuring effective internal controls are in place, ongoing development of the risk culture and staff awareness through training, and improving the risk management tools and mechanisms to quickly identify, assess and manage key risks.

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 FY2019/20	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)	Deposit Insurance Act, 1998 PBMA, 2001	Annually	✓
Corporate Plan, Operating & Capital Budgets FY2021/22-2024/25	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 and half yearly out-turns of actual performance against targets and shows the financial statements and the projected budgets for the remaining quarters and 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.	Integrity Commission	Contractor General Act, 1983	Quarterly	✓

EXECUTIVE MANAGEMENT

THE TEAM: Standing L-R, Ronald Edwards, Director Finance Funds and Asset Management; Dorraine Wright, Manager Human Resource; Dawn Marie Brown, Director Monitoring and Risk Assessment; Stacie-Ann Carty, General Counsel/ Corporate Secretary (resigned December 2020; position vacant at March 31, 2021) and Antoinette McKain, Chief Executive Officer. Seated L-R; Eloise Williams Dunkley, Director Intervention, Resolutions and International Relations; Marjorie McGrath, Manager Corporate Communication.

Under the DIA, the 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 two (2) statutory inter-agency committees established under the Bank of Jamaica Act, namely: The Financial System Stability Committee and the Financial Regulatory Committee, respectively having mandates for information sharing and coordination among financial system safety net members, implementation of mechanisms and procedures for financial sector crisis planning, management and resolution; and for financial system stability assessment. The CEO is also a member of the Bank of Jamaica Bankers' Committee and the Financial Inclusion Steering Committee.

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 FSSN statutory inter-agency and other relevant committees and 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.

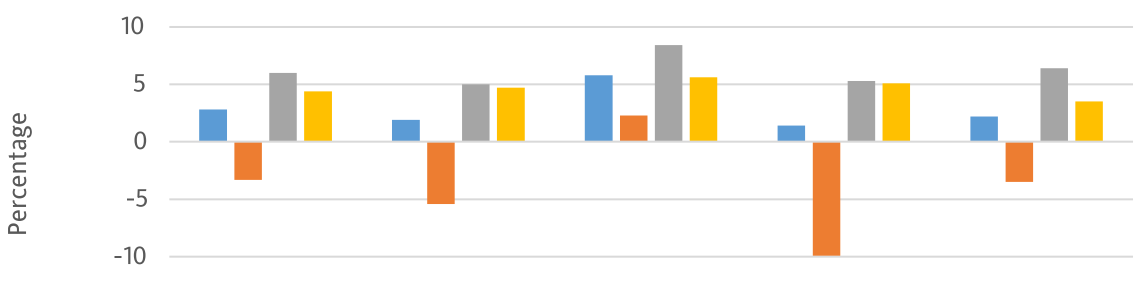
Other standing and sub-committees of the COM include: Treasury Management; Information and Communication Technology; Disaster Preparedness, Recovery and Business Continuity; Procurement; Disposal of Assets; Records and Information Management; Expenditure Control; Legislative Review; and such ad hoc committees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

MACROECONOMIC PERFORMANCE

GLOBAL DEVELOPMENTS

During the financial year the COVID-19 pandemic had widespread adverse impact on the global health and economic landscape. As infections spread, countries implemented tighter restrictions, thereby bringing economic activity to a near standstill. There was an unprecedented decline in economic activity, with the world output contracting 3.3 percent in 2020 following low growth in 2019. In April of 2020, growth plummeted as most countries were forced into lockdowns essentially halting production, which was followed by months of uncertainty. Strong recovery of 6.0 percent is projected for 2021 but a high level of uncertainty prevails. Further, the pace and level of recovery is diverging across countries based on, *inter alia*, the level and duration of disruptions, the extent of policy support, access and buy-in to vaccinations and the effectiveness of economic policies. **Table 1** 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



	World	Canada	China	United Kingdom	United States
2019	2.8	1.9	5.8	1.4	2.2
2020	-3.3	-5.4	2.3	-9.9	-3.5
2021P	6	5	8.4	5.3	6.4
2022P	4.4	4.7	5.6	5.1	3.5

REGIONAL ECONOMIC DEVELOPMENTS

The ongoing global health and economic crisis has been particularly challenging for the Caribbean region. Tourism was one of the sectors most affected by the COVID-19 pandemic as countries were forced to implement travel restrictions to contain the spread of the virus, tourist-dependent Caribbean countries saw tourism and tourist-related activities effectively brought to a halt. According to the IMF, the Caribbean contracted by 4.3 percent in 2020. The region is projected to see a 3.3 percent increase in real GDP during 2021.[4] The main economic outturns for Jamaica's major Caribbean partners are shown in **Table 2** below.

Table 2: Performance of Key Macroeconomic Indicators as at March 31, 2021

Indicators	Jamaica	Barbados	Trinidad	Bahamas
GDP Growth (%)	-5.7	-19.8	-8.7**	-14.8*
Inflation	5.2	2.0	0.8**	1.8
Unemployment Rate (%)	8.9	13.6	n.a.	n.a.
Exchange Rate (J$=US$1) As at March 31, 2021	146.58	2.03	6.76	1.00

Sources: Statistical Institute of Jamaica, Bank of Jamaica, Central Bank of Barbados, Central Bank of Trinidad and Tobago and The Central Bank of Bahamas
n.a. – not available
**end 2020*
***September 2020*

DOMESTIC ECONOMIC DEVELOPMENTS

The COVID-19 pandemic has posed significant challenges for the Jamaican economy. Given the measures implemented to stem the spread of the virus, many businesses and employees were impacted. In response, the Government of Jamaica budgeted for a COVID-19 Allocation of Resources for Employees (CARE) Programme designed to provide an economic response to the pandemic and lessen the impact of the measures implemented.

In light of the ongoing pandemic during the year, the economy recorded quarterly contraction for the first 3 quarters in the fiscal year 2020/21 with the highest decline being 18.4 percent in the September quarter. The PIOJ has estimated a 5.7 percent contraction for the January to March 2021 quarter. The economic contraction was consistent with global performance as the pandemic reduced demand, increased unemployment and brought about significant uncertainty, thereby stimulating weakened business and consumer confidence.

The BOJ maintained its accommodative monetary policy stance during FY2020/21. Specifically, the Bank held its policy interest rate at 0.50 percent throughout the year with a view of maintaining inflation within the target range of 4.0 to 6.0

4 IMF World Economic Outlook – April 2021

percent and encouraging economic recovery amidst the ongoing COVID-19 pandemic. The BOJ also implemented a number of initiatives aimed at preserving financial system stability and ensuring the continued smooth functioning of the foreign exchange market.

Table 3 summarizes the key macroeconomic outturns at the end of FY2020/21. During the period, inflation largely remained within the BOJ's target range (4.0 to 6.0 percent). Net International Reserves (NIR) continued to increase, ending the fiscal year at US$3.3 billion, reflecting a 2.5 percent increase relative to the level at the end of March 2020.[5] Jamaica's labour market conditions were adversely impacted by COVID-19. The unemployment rate increased to a high of 12.6 percent in July 2020 but recovered to 8.9 percent in January 2021. Interest rates continued to trend downward with a weighted average of 1.52 percent on the 180-day treasury bills at the end of March 2021 compared to 1.80 percent at the end of March 2020. For the fiscal year 2020/21, the Jamaica dollar recorded both periods of appreciation and depreciation and closed at J$146.58:US$1, reflecting an 8.3 percent depreciation relative to FY2019/20.

The CARE programme was a temporary cash transfer programme to individuals and businesses to lessen the impact of the pandemic on their welfare. During the year the programme continued to support the country's economic recovery and continued to assist those most impacted by the measures put in place to stem the spread of COVID-19 virus. The CARE Programme included:

- **Business Employee Support and Transfer of Cash which provided cash transfers to businesses in the tourism industry;**
- **Supporting Employees with Transfer of Cash which provided cash to individuals who lost employment since the first COVID-19 case in Jamaica;**
- **Grants to assist the marginally self-employed and informally employed;**
- **Other grants included COVID-19 PATH grants, small business grants, tourism grants and compassionate grants.**

Table 3: Key Macroeconomic Outturns at end March 31, 2021

Indicators	2018	2019	2020	2021
GDP Growth (%)	1.4	1.7	-2.4	-5.7*
Inflation (Y-o-Y)	3.9	3.4	4.8	5.2
NIR (US$ Million)	3,074.57	3,084.83	3,237.67	3,319.33
Unemployment Rate (%)	9.6	8.0	7.3	8.9
180 Day T-bill Rate (%)	3.17	2.17	1.80	1.52
FY Exchange Rate (J$=US$1)	125.98	126.47	135.39	146.58

**PIOJ preliminary estimate*
Sources: Statistical Institute of Jamaica and Bank of Jamaica

5 At this level, net international reserves represented 38.71 weeks of goods and services imports relative to the benchmark of 12 weeks.

Despite the adverse and substantial shock of COVID-19 on Jamaica, the economy has remained largely resilient. In December, Standard & Poor's affirmed Jamaica's long-term local and foreign currency issuer default rating at B+ with a negative outlook. In March, Fitch Ratings affirmed Jamaica's long-term foreign currency issuer default rating at B+ with a stable outlook.

OUTLOOK FOR FY2021/22

The outlook for the global economy for FY2021/2022 is characterized by uncertainty. According to the IMF, "future developments will depend on: (1) the path of the pandemic, (2) policy actions, (3) the evolution of financial conditions and commodity prices, and (4) the capacity of the economy to adjust to health-related impediments to activity. The ebb and flow of these drivers and their interaction with country-specific characteristics will determine the pace of the recovery and the extent of medium-term scarring".

The extent of the local economic fallout remains difficult to estimate and recovery is dependent in part on recoveries by our major trading partners, the management, containment and duration of the health and economic impact of the COVID-19 pandemic. Jamaica's recovery is also contingent on the availability and buy-in to vaccinate against the disease by the population. The PIOJ projects an increase in real GDP within the range 7 to 9 percent for the first quarter of FY2021/22. Projections relating to the macroeconomic indicators in keeping with the GOJ Fiscal Policy Paper FY2021/22 are presented in **Table 4** below.

Table 4: Medium Term Macro Economic Indicators - Actual and Projections

Indicators	FY2018/19	FY2019/20	FY2020/21	FY2021/22	FY2022/23
	(A)	(A)	(E)	(P)	(P)
Real GDP Growth (%)	1.9	-0.1	-11.6	5.2	6.2
Inflation (Annual Pt to Pt, %)	3.4	4.8	6.3	5.1	5.0
NIR (US $Million)	3,084.8	3,237.7	2,942.4	2,582.6	2,921.2
Fiscal Balance (% of GDP)	1.2	0.9	-4.0	0.3	0.3
Primary Surplus (% of GDP)	7.5	7.1	3.0	6.1	5.6
Total Public Debt (% of GDP)	94.4	94.8	110.1	100.7	89.3

A – Actuals *E - Estimate* *P – Projections*

Source: Ministry of Finance – Government of Jamaica Fiscal Policy Paper FY2021/22

DEVELOPMENTS IN THE LEGISLATIVE AND REGULATORY ENVIRONMENT

During the period under review there were very few legislative developments to the financial system, being, the passing of the Bank of Jamaica (Amendment) Act, 2020 and the Micro Credit Act, 2021. While these two pieces of legislation were passed, there remains four (4) pending pieces of legislation, namely: The Cooperative Societies Amendment Bill; The Credit Unions (Special Provisions) Bill; The Financial Institutions Resolution Bill; and the Anti-Money Laundering Counter Financing of Terrorism (AML/CFT) and Proliferation of Weapons of Mass Destruction Rules. Additionally, of note is the passing of the Data Protection Act, 2020, which will have significant implications for the processing of data by financial institutions and their respective supervisors.

The Bank of Jamaica (Amendment) Act, 2020

The Bank of Jamaica (Amendment) Act, was enacted on December 22, 2020, and will come into effect on April 16, 2021 pursuant to the Appointed Day Notice published in the Jamaica Gazette by the Minister of Finance and the Public Service. The Bank of Jamaica Act, has been amended to strengthen the governance arrangement of the Bank of Jamaica (the Bank) and facilitate independence in carrying out its mandate, in accordance with international best practices. The revised mandate of the Bank, provides that the main objectives of the Bank are, maintenance of price stability and financial system stability.

The Act also includes provisions to upgrade the Bank's governance arrangements and enhance its accountability and transparency, through provisions which will provide for the:

- Establishment of two new statutory committees, being the Monetary Policy Committee; and the Financial Policy Committee;
- Independence of the Bank in making, monetary policy, purchases and sales of foreign exchange, decisions to increase or reduce external reserves, the management of external reserves or supervisory matters pursuant to the Banking Services Act decisions;
- Amendment of the statutory minimum capital requirement to a percentage of monetary liabilities;
- Restricting of the Bank's ability to make temporary advances to the Government;
- Prohibition of the Bank from purchasing or acquiring on a primary issue, securities issued or guaranteed by the Government;
- Removal of the Minister of Finance's approval in regards to staff emoluments;

  Exemption of the Bank from the requirements of the Public Bodies Management and Accountability Act (PBMA); while at the same time ensuring transparency and accountability through the promulgation of suitable governance rules. These rules provide for the exercise of corporate governance, international best practice standards, the preparation and submission of an Annual Report to the Minister of Finance and the Public Service, and audits of the accounts of the Bank by the Auditor General on the direction of the House of Representatives.

The Monetary Policy Committee is to consist of three (3) ex-officio members (inclusive of the Governor of the Bank, who sits as the Chair of the Committee), and two (2) members to be appointed by the Governor General, to allow for a more collegial approach towards formulating the monetary policies of the Bank. The Monetary Policy Committee in performing its function is to seek to achieve and maintain the price stability as defined by the inflation target set by the Minister of Finance and the Public Service.

The Financial Policy Committee is to consist of four

(4) ex-officio members, inclusive of the Governor of the Bank, and two members appointed by the Governor General, with the responsibility of formulating financial policies which govern and promote the proper functioning of the financial system. In formulating financial policies, the Financial Policy Committee will determine policy matters relating to:

- Prudential supervision and macro prudential policy (financial system stability);
- Statutory mandates or functions delegated by the Minister in relation to remittances and cambios;
- Payments and settlements systems; and
- Credit reporting.

The Micro Credit Act

The Act governs the operations of privately-owned money-lending businesses in Jamaica, by placing them under the regulatory ambit of the Bank of Jamaica. The Act establishes a legal framework, under which:

- Money-lending business operations will be licensed;
- Fit and proper requirements will be established for licensing purposes;
- Operating requirements for licensees will be established;
- Customer complaints will be addressed;

  Regulatory powers to conduct inspections, examine the records of licensees, impose regulatory sanctions for non-compliance and issue standards and guidance;
- A Code of Conduct will be provided for the money-lending services;
- Penalties with custodial sentences will be applicable on conviction for committing an offence.

PENDING LEGISLATION

The Cooperative Societies Amendment Bill

The Bill will amend the Cooperative Societies Act, by effectively bringing credit union cooperative societies under the regulatory ambit of the Minister of Finance and the Public Service and Bank of Jamaica. As such, the Bill will restrict the deposit-taking activities of co-operative societies to those co-operative societies which operate as credit unions. It is anticipated that this Bill will be presented to Parliament jointly with the proposed Credit Unions (Special Provisions) Act.

The Credit Unions (Special Provisions) Bill

Upon the promulgation of the Bill, all Credit Unions will be under the prudential supervisory regime of the Bank of Jamaica. The Bill provides for, licensing, capital, reserves, prohibited business, remedial and intervention processes and the role of specially authorized Credit Unions. Once the Bill has been passed Credit Unions shall apply to the Corporation for deposit insurance coverage. It is anticipated that the Bill will be passed by the end of the 2021 calendar year.

The Financial Institutions Resolution Bill

The purpose of the Bill is to establish:

1. A resolution regime under which non-viable financial institutions will be resolved using administrative mechanisms; and
2. Provisions for the winding up of financial institutions, and their exit from the financial system.

The Bill seeks to provide a resolution regime for those financial institutions, whose distress or disorderly failure could cause significant disruption in the wider financial system and economy of Jamaica. In addition to administrative mechanisms, the legislation will incorporate modified insolvency provisions to be applied to: (i) the residual entity after a financial institution has been subjected to administrative resolution; and (ii) financial institutions which are insolvent, but whose demise will not cause significant disruption in the wider financial system.

PENDING FINANCIAL RULES

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

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

- Risk Based Framework;
- Know your customer, know the transaction counterparty and customer due diligence;
- Special Guidance - UNSEC Resolutions on the Proliferation of Weapons of mass Destruction;
- Special Guidance-Branches and Subsidiaries;
- Nominated Officer Regime;
- Board responsibility and employee integrity awareness; and
- Compliance monitoring, which include, transaction monitoring and reporting and record keeping.

POLICYHOLDERS' PROFILE AND PERFORMANCE

PROFILE OF POLICYHOLDERS

As at March 31, 2021, the number of member institutions in the DIS remained unchanged at eleven (11), comprising of eight (8) commercial banks, two (2) building societies and one (1) merchant bank.

COMMERCIAL BANKS

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

BUILDING SOCIETIES

- Scotia Jamaica Building Society
- Victoria Mutual Building Society

MERCHANT BANK

- Cornerstone Trust & Merchant Bank Limited

POLICYHOLDERS' PERFORMANCE

Policyholders remained adequately capitalized, solvent, and resilient buttressed by liquidity support from the BOJ, despite the deterioration in asset quality and profitability. This was amidst unprecedented shocks to the domestic economy caused by the COVID-19 pandemic and associated public health concerns that resulted in lockdowns and travel restrictions. **Table 5** below presents a summary of the key financial indicators for the banking system at March 31.

Table 5: Summary of Financial Performance of the Banking System as at March 31 ($ Billions)

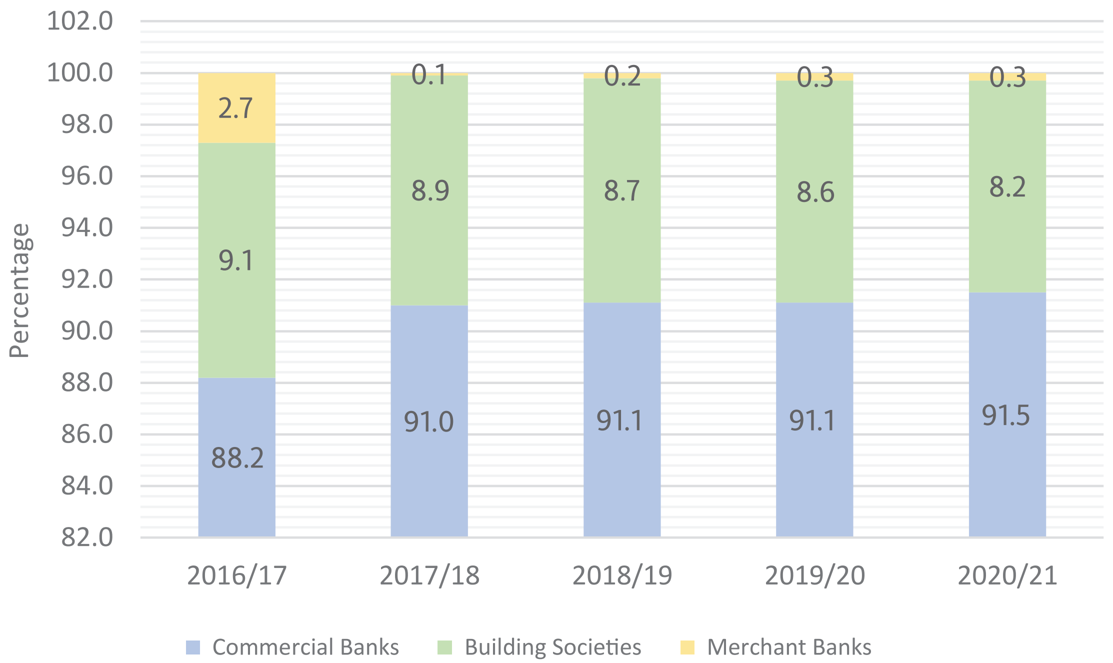
Key Financial Indicators	2017	2018	2019	2020	2021	20/21 (Δ%)
Total Assets	1,405.91	1,549.14	1,691.02	1,859.98	2,083.65	12.0
Cash and Bank	250.80	322.56	311.10	346.18	365.75	5.7
Investments	376.68	385.71	412.98	392.89	492.57	25.4
Regulatory Capital Base	147.48	161.02	160.20	198.45	226.08	13.9
Total Deposits	880.11	1,023.9	1,094.89	1,236.22	1,409.42	14.0
Loans & Advances (gross)	657.99	710.40	825.00	959.03	1,055.42	10.1
Non-performing Loans	18.19	19.42	19.61	23.24	30.55	31.4
Provision for Loan Loss	21.55	22.64	24.16	24.01	32.16	33.5
Interest Income	89.35	71.90	99.28	108.85	109.17	0.3
Non-interest Income	57.42	62.07	85.42	86.85	83.63	(3.7)
Pre-Tax Profit[6]	39.34	40.11	48.66	47.32	27.73	(41.4)
Key Ratio (%)						
Capital Adequacy Ratio	14.8	15.2	14.7	14.2	14.3	0.1

POLICYHOLDERS' MARKET SHARE

Market share across all three sectors, in terms of total assets, remained relatively unchanged at the end of FY2020/21. The commercial banking sector continued to dominate the banking system, accounting for 91.5 percent of total assets. Building Societies and Trust & Merchant Bank Licensees accounted for 8.2 percent and 0.3 percent, respectively **(See Figure 1).**

6 Despite the decline in profitability during the review period due to the pandemic, the system generally remained profitable.

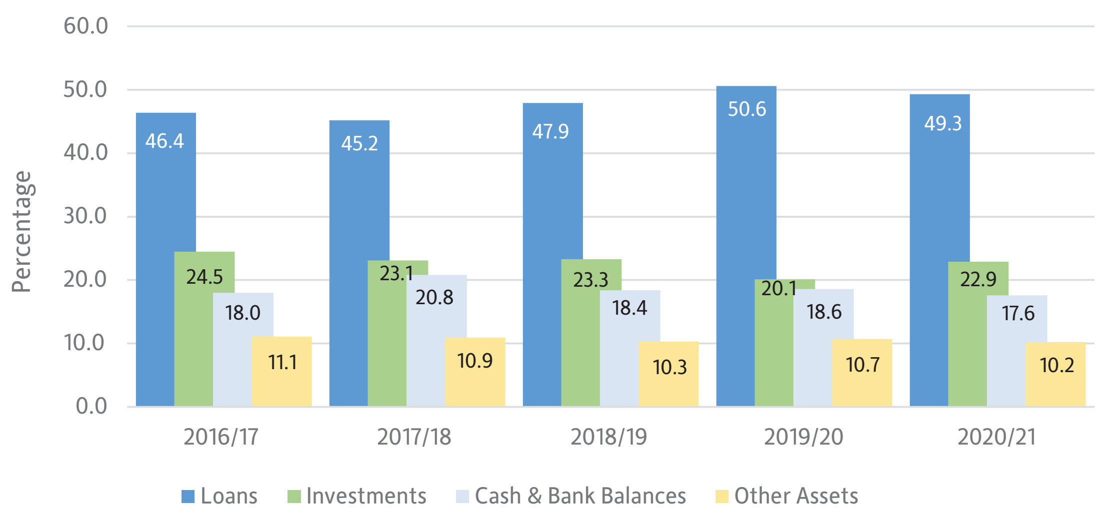
Figure 1: Member Institutions' Market Share (%) per Sector



TOTAL ASSETS GROWTH, COMPOSITION AND QUALITY

Despite the impact of the COVID-19 pandemic on business and economic activities, there was expansion in terms of total assets growth within the banking sector. The total asset base of Policyholders grew by 12.0 percent or $223.6 billion to total $2,083.7 billion at the end of the fiscal year, relative to 10.0 percent or $169.0 billion for the corresponding period in 2020. This growth was largely driven by increases in investments, and loans and advances. Notwithstanding this, only the investment component of total assets increased its share for the review period **(See Figure 2).**

Figure 2: Share of Banking System Assets

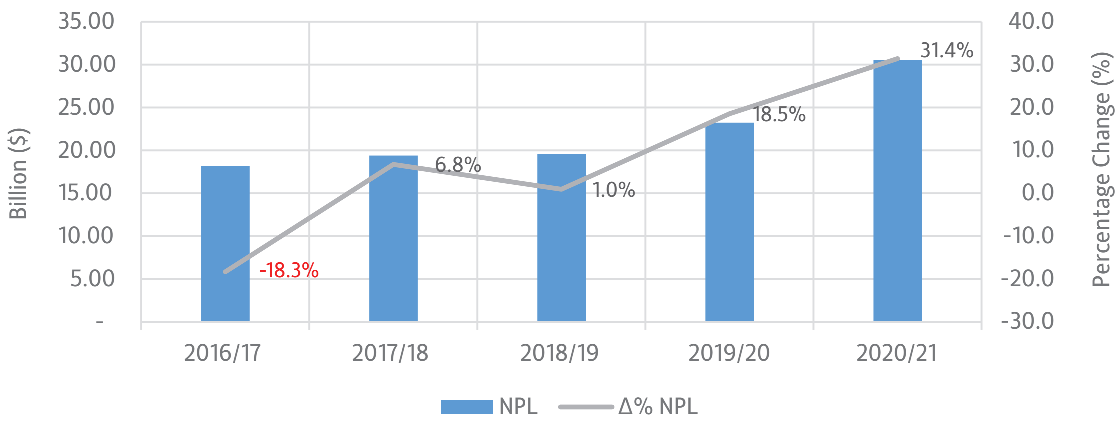


Total loans and advances which represented 49.3 percent of total assets, increased by 10.1 percent to $1,055.4 billion. This reflects an expansion in both local and foreign currency borrowing of 9.3 percent and 13.0 percent, respectively. Investments grew by 25.4 percent or $99.7 billion over the review period, while cash and bank balances registered growth of 5.7 percent.

Asset quality indicators in the banking system deteriorated as a consequence of marked increase in the stock of loan delinquencies during the review period, due to the negative economic impact of the COVID-19 pandemic and measures implemented to stem the spread. Non-performing loans increased by 31.4 percent to $30.54 billion at the end of the FY2020/21 from $23.24 billion at the end of the FY2019/20.

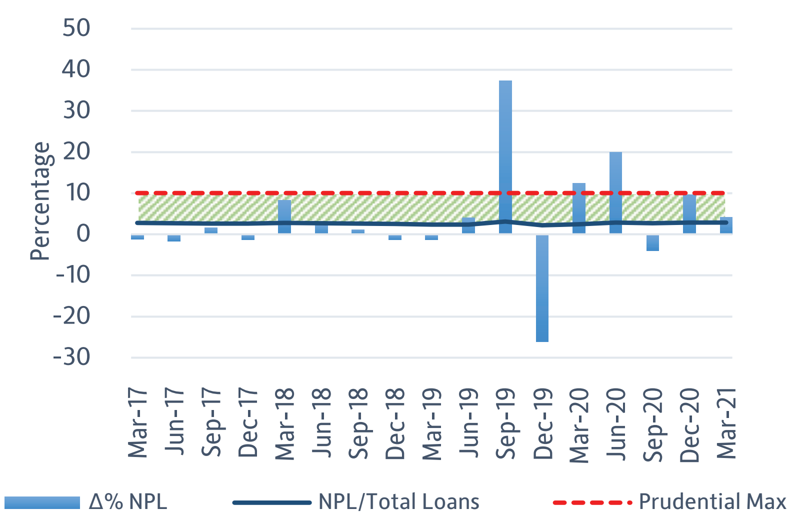
In response to and in of light of the financial difficulties faced by customers, arising from the measures to stem the spread of the COVID-19 virus, Policyholders offered a number of programmes to assist borrowers in maintaining their facilities. The main facility offered was moratoriums on loans in an attempt to stymie the negative impact of the pandemic on their customers. These moratoriums ranged from 3 to 12 months. There was increased demand for these facilities over the year, however at the end of December the demand represented less than 20 percent of the stock of loans.

Figure 3: Non - Performing Loans as at end March 2017 - 2021



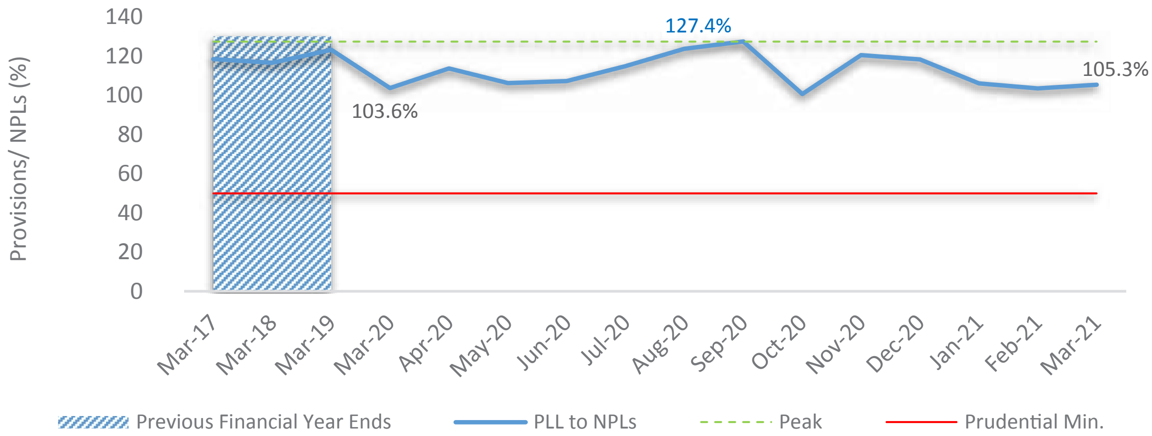
Nonetheless, the ratio of non-performing loans to total gross loans remained sound, only slightly worsening to 2.9 percent from 2.4 percent during the corresponding period in FY2019/20 **(See Figure 4).** All three sub-sectors recorded out-turns for the NPLs to total loan ratio well within the prudential maximum of 10 percent.

Figure 4: NPLs in the Banking System



In light of the increased loan defaults, Policyholders shored up loan loss provisions. Loan loss provisioning was up 33.5 percent to $32.1 billion at the end of the FY2020/21 when compared to $24.0 billion at the end of the FY2019/20. Consequently, NPL coverage, as measured by the ratio of loan-loss provisions to NPLs, expanded to 105.3 percent by end March 2021 from 103.6 percent as at end March 2020. During the review period, the ratio peaked at 127.4 percent, well above the prudential minimum of 50.0 percent **(See Figure 5).**

Figure 5: Ratio of Loan Loss Provision to Non-performing Loans



The ratio of NPL to capital plus provisioning for the banking system increased 1.4 percentage points to 11.8 percent during the fiscal year. Of note, all three sub-sectors satisfied the prudential maximum of 20 percent.

REGULATORY CAPITAL

The banking system was well poised in terms of capital at the onset of the pandemic, and as at end FY2020/21, it remained adequately capitalized, solvent and operating above the prudential requirements. Regulatory capital increased by 13.9 percent to $226.1 billion **(Figure 6)**. With this increase, capital adequacy indicators such as the risk-weighted capital adequacy ratio and the primary ratio returned favourable outcomes of 14.3 percent and 10.9 percent, respectively. These results compare to 14.2 percent and 10.7 percent at the end of FY2020/21 **(See Figures 7 & 8).** The regulatory minimums are 10.0 percent and 6.0 percent for the capital adequacy ratio and the primary ratio, respectively.

Figure 6: Regulatory Capital Base

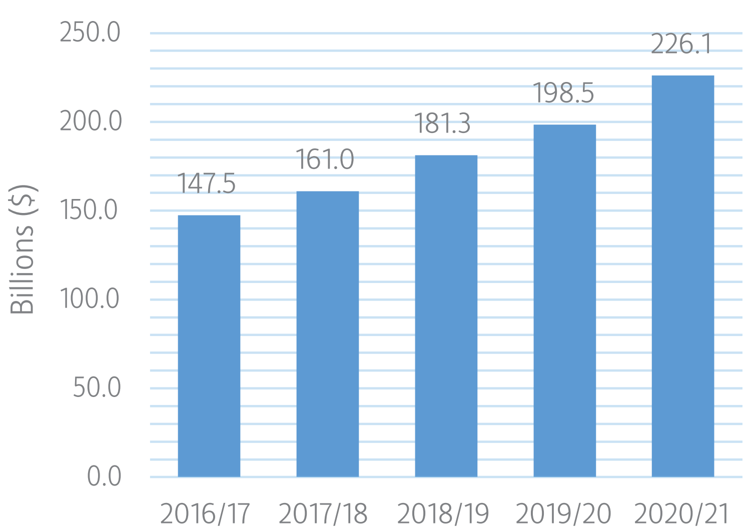


Figure 7: Primary Ratios

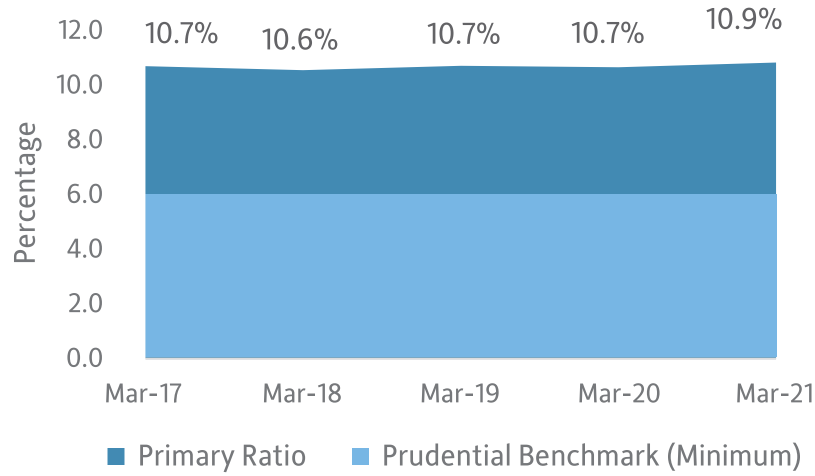
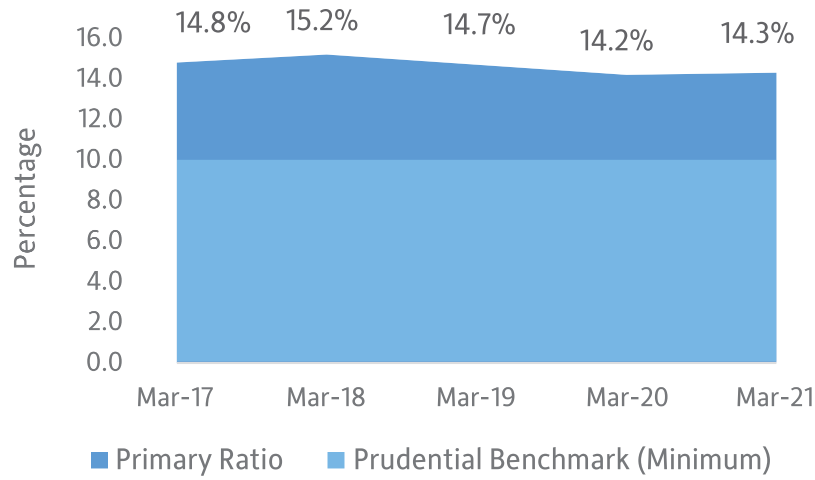


Figure 8: Risk Weighted Capital Adequacy Ratio



LIQUIDITY

Policyholders exhibited resilience against liquidity risk during FY2020/21, supported by BOJ's numerous pre-emptive measures to ensure Policyholders had adequate access to liquidity, both Jamaica dollar and foreign currencies at the height of the COVID-19 crisis.

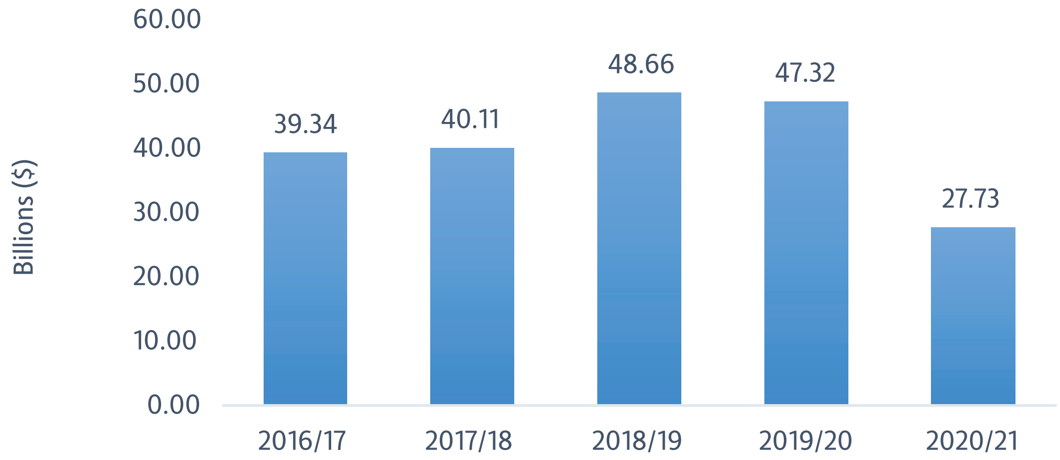
Among these measures were the reduction in cash reserve requirement for all currencies, asset buyback programme, as well as Emergency Liquidity Facility for DTIs to ensure that credit can continue to be extended to the productivity sector, as well as liquidity support such as early encashment of securities without penalties *inter alia*.

Total average liquid assets within the system increased 11.1 percent to $476.2 billion, up from $428.5 billion at end March 2020. Total average foreign currency liquid assets increased 13.2 percent to $253.3 billion, while total average domestic currency cash reserve declined 16.8 percent to $40.5 billion.

PROFITABILITY

For FY2020/21, declining profitability of the banking sector reflected the economic impact of the pandemic. The system remained profitable, though it registered pre-tax profits of $27.7 billion, a steep decline (41.4 percent) from end FY2019/20 **(Figure 9).**

Figure 9: System Pre - Tax Profits



This was mainly due to flat income growth, elevated costs and the increase in loan loss provisioning resulting from the rise of NPLs in the loan portfolio. Interest income grew 0.3 percent or $322 million and non-interest income contracted 3.7 percent or $3.2 billion during the review period. Interest expense and non-interest expense increased 0.9 percent ($163 million) and 15.8 percent ($20.9 billion), respectively. Net Interest Margin was 6.1 percent relative to 6.8 percent for the prior period.

At the sub-sector level, pre-tax profits in commercial banks decreased by 54.8 percent to $20.6 billion, accounting for 74.2 percent of total profits in the system during the review period (**See Table 6**). This was reflective of a 6.4 percent decline in non-interest income primarily from dividends and losses on shares.

Table 6: Pre-Tax Profit Per Sub-Sector

Sub-Sectors	FY2019/20 ($Bn)	FY2020/21 ($Bn)	Percentage Change
Commercial Banks	$45.6	$20.6	(54.8)
Building Societies	$1.8	$7.1	288.2
Merchant Banks	($0.80)	$0.73	191.8

Building societies recorded an increase in pre-tax profits of 288.2 percent due mainly to higher non-interest income (**See Table 6**). Similarly, merchant banks recorded an increase of 191.8 percent in pre-tax profits as a result of an increase in non-interest income driven by a substantial increase in foreign currency trading gains. The banking system's efficiency ratio improved to 85.3 percent from 87.3 percent at end FY2019/20.

PROFILE OF DEPOSITS

PROFILE OF DEPOSITS ELIGIBLE FOR DEPOSIT INSURANCE COVERAGE – INSURABLE DEPOSITS

The dollar value of total insurable deposits in the banking system increased 17.7 percent to $1,331.7 billion at the end of December 2020[7] relative to $1,131.3 billion at the end of the corresponding period in 2019 **(See Figure 10 and Table 7)**. Similarly, the number of insurable deposit accounts increased 6.5 percent from 4.4 million accounts at the end of 2019 to 4.6 million accounts at the end of 2020. As a consequence of the larger increase in the dollar value of insurable deposits compared to the number of insurable accounts, the average insurable deposit balance increased 10.6 percent to $285,561 in 2020, up from the $258,281 recorded at the end of 2019.

Figure 10: Total Estimated Insurable Deposits

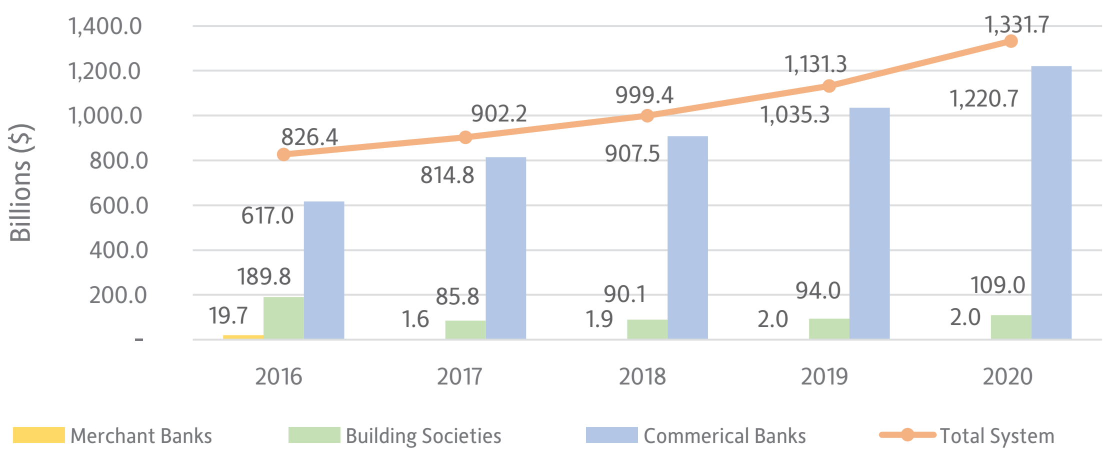


Table 7: Total Insurable Deposits as at December 31, 2019 & December 31, 2020

Sub-Sectors	Dec'19 ($Bn)	Dec'19 (% share)	Dec'20 ($Bn)	Dec'20 (% share)
Commercial Banks	1,035.3	91.5	1,220.7	91.7
Building Societies	94.0	8.3	109.0	8.1
Merchant Banks	2.0	0.2	2.0	0.2
Total	**1,131.3**	**100.0**	**1,331.7**	**100.0**

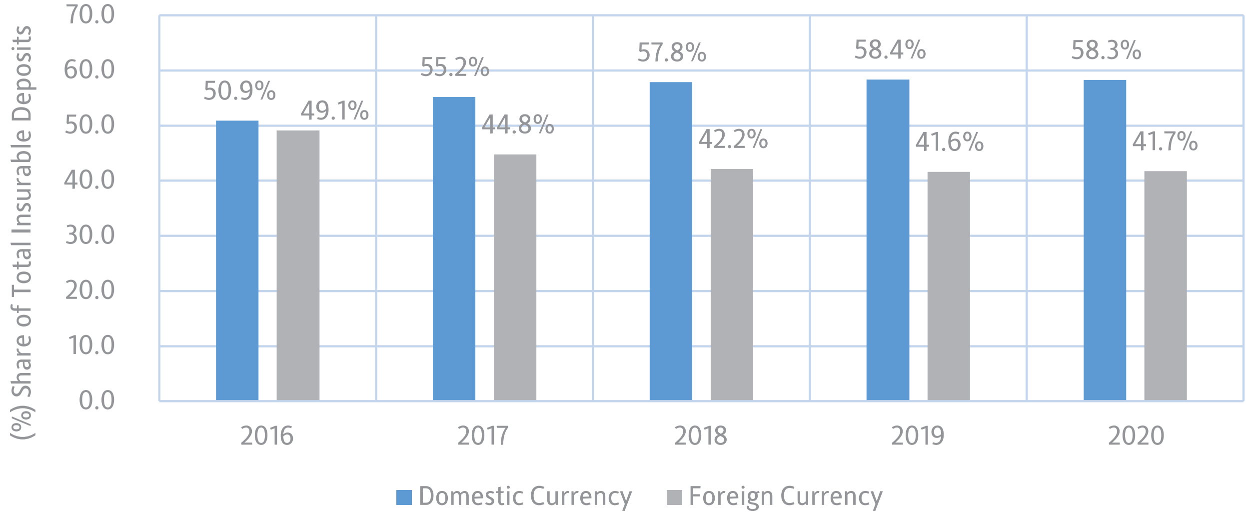
At the end of each calendar year, the Corporation conducts a Survey of the Distribution of Insurable Deposits (Survey) held at member institutions. Insurable Deposits refer to the total deposits in the banking system excluding the deposits of Government entities and member institutions. This Survey provides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

7 The Survey of Insurable Deposits is conducted using data as at December 31 each year.

INSURABLE DEPOSITS HELD IN DOMESTIC AND FOREIGN CURRENCIES

Both the domestic currency and foreign currency accounts recorded increased deposits as at December 2020. Insurable deposits held in domestic currencies increased by 17.5 percent to $775.9 billion year over year, and accounted for 58.3 percent of total insurable deposits. On the other hand, foreign currency insurable deposits grew by 18.0 percent to $555.8 billion and represented 41.7 percent of total insurable deposits **(Figure 11, Table 8).** These results remain largely unchanged from 2019.

Figure 11: Currency Distribution of Insurable Deposits



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

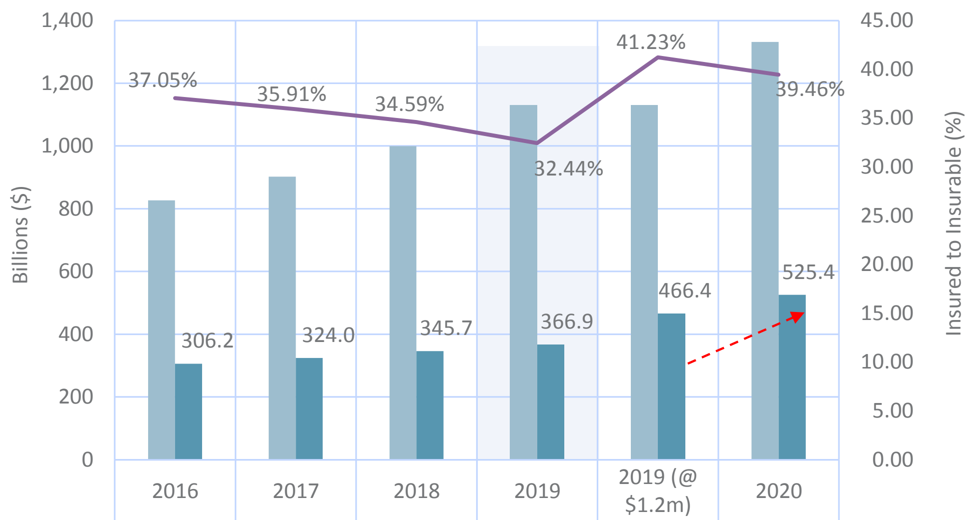
Effective August 31, 2020, the coverage limit on deposits was increased to $1,200,000 from $600,000. At this level, estimated insured deposits totalled $525.4 billion at the end of 2020 and accounted for 39.5 percent of insurable deposits. This represents an increase of 43.2 percent from $366.5 billion for 2019. However, adjusted for the coverage limit increase to $1,200,000, total estimated insured deposits for 2019 was $466.4 billion, which results in year over year growth of 12.7 percent in estimated insured deposits.

Table 8: Change in Domestic and Foreign Currency as at December 2020

	Dec'19 ($Bn)	Dec'20 ($Bn)	(%Δ)
Domestic Currency	660.3	776.0	17.5
Foreign Currency	471.0	555.8	18.0
Total	1,131.3	1,331.7	17.7

Given that total insurable deposits grew by a larger amount (17.7 percent) compared to insured deposits, the ratio of insured deposits to total insurable deposits declined to 39.46 percent in December 2020 from 41.23 percent in 2019. **(See Figure 12 and Table 9**).

Figure 12: Insured to Insurable Deposits



	2016	2017	2018	2019	2019 (@ $1.2m)	2020
Insurable Deposits ($Bn.)	827	902	999	1,131	1,131	1,332
Insured Deposits ($Bn.)	306	324	346	367	466	525
Insured to Insurable (%)	37.05%	35.91%	34.59%	32.44%	41.23%	39.46%

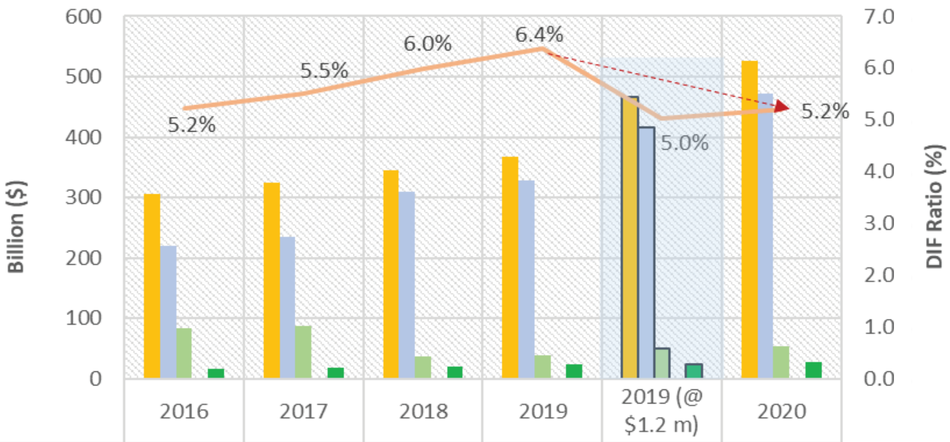
Table 9: Total Estimated Insured Deposits as at December 31, 2019 & December 31, 2020

Institutions	Dec'19 ($Bn)	Dec'19 (%)	Dec'20 ($Bn)	Dec'20 (%)
Commercial Banks	416.2	89.2	471.1	89.7
Building Societies	50.0	10.7	54.1	10.3
Merchant Banks	0.2	0.1	0.2	0.0
Total	**466.4**	**100.0**	**525.4**	**100.0**

Of the total estimated insured deposits, commercial banks continued to account for the largest percentage share with 89.7 percent; followed by building societies and merchant banks with 10.3 percent and 0.04 percent, respectively, both marginally lower than in 2019.

The Deposit Insurance Fund (DIF) balance increased by 16.7 percent to $27.3 billion at the end 2020 compared to $23.4 billion at the end of 2019. In this regard, the DIF Reserve Ratio, which is the Fund balance as a percentage of total estimated insured deposits, declined 1.2 percentage points to 5.2 percent at end of the year relative to 6.4 percent at the end of 2019. This decline resulted from the increase in the deposit insurance coverage limit which also saw the level of insured deposits within the system increase. **(See Figure 13).**

Figure 13: Estimated Insured Deposit by Sub-Sector



	2016	2017	2018	2019	2019 (@ $1.2 m)	2020
Total Estimated Deposits ($Bn.)	306.03	323.96	345.5	366.9	466.4	525.4
Commercial Banks ($Bn.)	220.4	234.0	308.7	328.9	416.2	471.1
Building Societies ($Bn.)	84.2	87.9	36.9	37.9	49.9	54.1
Merchant Banks ($Bn.)	1.7	2.0	0.2	0.1	0.2	0.2
Deposit Insurance Fund ($Bn.)	15.99	17.86	20.7	23.4	23.4	27.3
DIF Ratio (%)	5.2%	5.5%	6.0%	6.4%	5.0%	5.2%

PROFILE OF NUMBER OF FULLY INSURED DEPOSIT ACCOUNTS

The percentage of insurable deposit accounts that are fully covered increased to 97.3 in December 2020, up from 95.2 percent in 2019, and indicates that the majority of depositors are protected **(Table 10).** 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. However, a considerable volume of the value of deposits remains unprotected, as fully insured deposits[8] accounted for 28.0 percent of insurable deposits at the end of 2020. This is up from 21.4 percent in 2019, owing to the doubling of the coverage limit to $1,200,000.

Table 10: 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	%
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
2020	372,781,316	1,331,715,511	28.0	4,536,302	4,663,508	97.3

2019 data is as at December 31, 2019 under the $600,000 coverage limit.

8 Accounts with balances of $1,200,000 or less

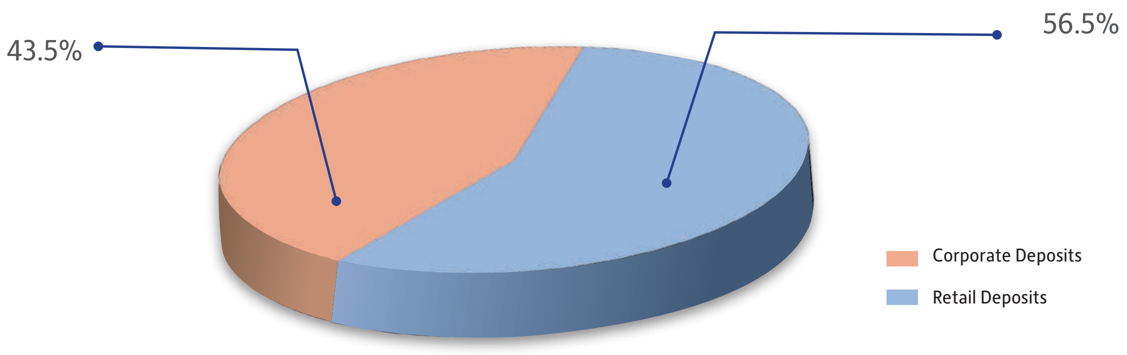
Table 11: Fully Covered Accounts as at December 31, 2020			
Sub- Sector	**Total No. of Insurable Accounts**	**Total No. of Fully Insured Accounts**	**% of Fully Insured Accounts**
Commercial Banks	3,765,609	3,653,809	97.0
Building Societies	897,433	882,138	98.3
Merchant Banks	466	355	76.2
System Total	**4,663,508**	**4,536,302**	**97.3**

Building societies continued to report the largest share of fully covered accounts at 98.3 percent, followed by commercial banks at 97.0 percent and merchant banks at 76.2 percent **(Table 11).** Given that 97.3 percent of deposit accounts in the banking system remain fully covered the Corporation has continued to meet its public policy objective of protecting the greater percentage of retail depositors.

GLANCE AT RETAIL AND CORPORATE DEPOSITS

The annual survey of insurable deposits as at December 31, 2020 revealed increases in corporate and retail insurable deposits of 19.6 percent and 16.3 percent, respectively. Corporate insurable deposits accounted for 43.5 percent or $580.0 billion of total insurable deposits while retail insurable deposits accounted for 56.5 percent or $751.8 billion of the total insurable deposits (**See Figure 14**). The average balance in retail deposit accounts was $168,030 compared to corporate deposits with average balance of $3.5 million.

Figure 14: Share of the Retail and Corporate Deposits in the System



Insured retail deposits accounted for approximately 58.7 percent of the total insurable retail deposits, while most of the corporate deposits remain uninsured due to their size, with just about 14.1 percent of these deposits being insured. Fully insured retail deposits valued $315.9 billion, while fully insured corporate deposits amounted to $56.7 billion.

CREDIT UNION SECTOR UPDATE

The Corporation remained in dialogue with the Jamaica Cooperative Credit Union League and the Bank of Jamaica during FY2020/21, with the impending passage of the Credit Unions (Special Provisions) Bill to bring credit unions under the prudential regulatory framework of the Bank of Jamaica. The passage of the legislation will require credit unions to apply for membership in the Deposit Insurance Scheme and receive deposit insurance coverage for its members, as obtains with current deposit taking institutions. At the end of December 2020 there were 25 credit unions, unchanged from end 2019.

REVIEW OF OPERATIONS

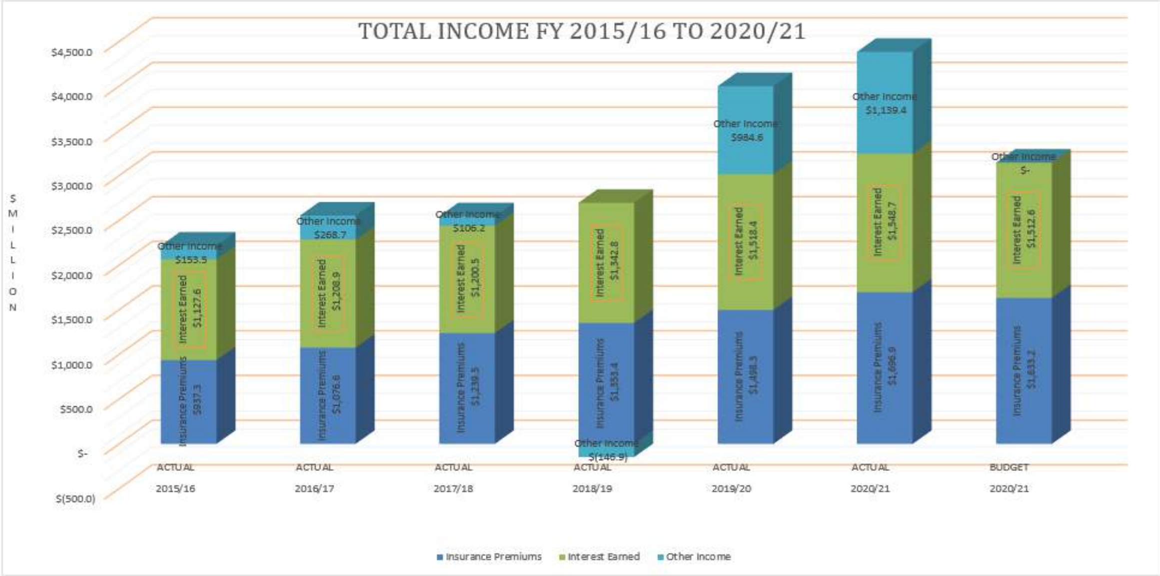
FINANCIAL PERFORMANCE

The Corporation had another successful year in-spite of the impact of the COVID-19 pandemic and the down-turn in the economy. It ended the financial year meeting the budgetary targets and the Overall Balance Targets. Total Assets at March 31, 2021 was $29.5 billion, an increase of 17.1 percent or $4.3 billion over the previous year. The increase was due primarily to a 6.2 percent increase in Investments to $25.5 billion ($24.0 billion – March 31, 2020), which comprises Government of Jamaica (GOJ) and Bank of Jamaica (BOJ) assets, and increases in cash and cash equivalents of $2.88 billion or 334.88 percent.

The Corporation's total income for the year ended March 31, 2021 was $3.7 billion, a decrease of 7.5 percent over the previous year resulting from reduced foreign exchange gains and no activity relating to the disposal of investments. **Table 12** summarizes the Corporation's total income.

Table 12: Total Income

Total Income	FY2020/21 Actual $M	FY2020/21 Budget $M	FY2019/20 Actual $M	FY2018/19 Actual $M
Insurance Premiums	1,696.9	1,633.2	1,498.3	1,353.4
Interest Earned	1,548.7	1,512.6	1,518.4	1,342.8
Other Income	470.9	-	984.6	(146.9)
Total Income	**3,716.5**	**3,145.8**	**4,001.3**	**2,549.3**



The components of Total Income are:

- Insurance Premiums of $1,696.9 million, which increased by 13.3 percent over the previous year arising from the increases in insurable deposits held by Policyholders;
- Interest Earned of $1,548.7 million, increased by 2 percent over the previous year, in a low interest rate environment the increase resulted from the investment strategies employed, and the increase in the additional insurance premiums available for investment;
- Other Income which decreased by 52 percent over the previous year, resulting mainly from the decrease in foreign exchange conversion transactions and there being no disposal of investments.

ADMINISTRATIVE EXPENSES

Actual Administrative expenditure was $351.4 million, which was up 21.88 percent when compared with the previous year's expenditures of $288.3 million. This outturn was due mainly to higher expenditures of staff costs, public education activities and professional fees.

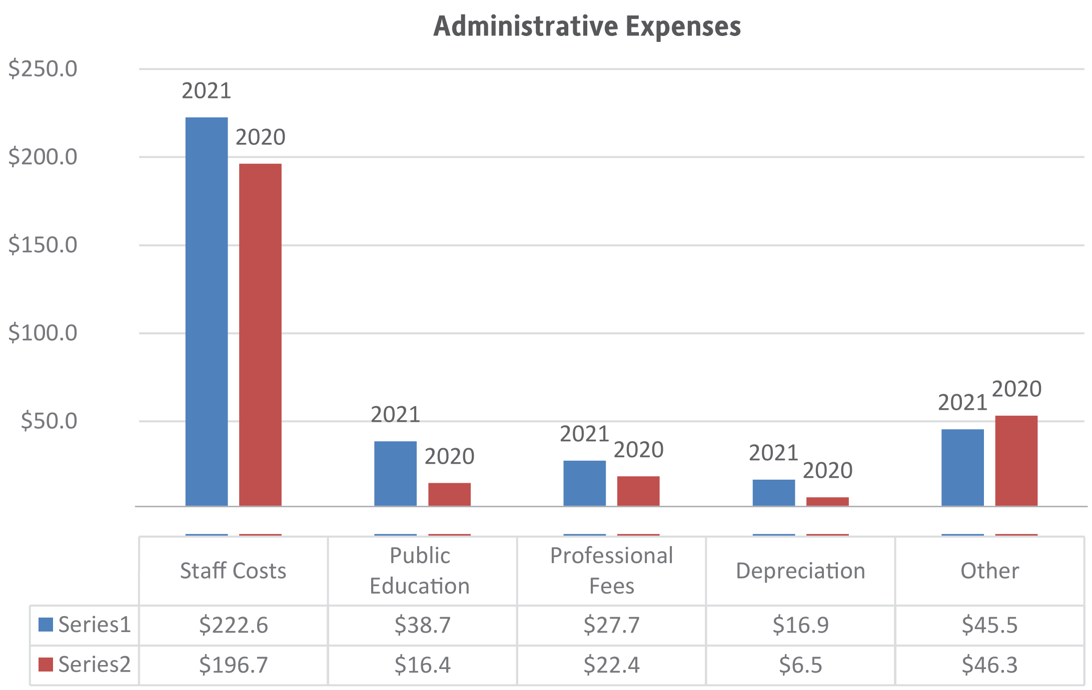
Actual Expenses compared to budget for FY2020/21, was 48.4 percent lower mainly due to staff costs not incurred consequent on the delayed approval from the MoFPS for implementation of recommendations from the organisational review, job evaluation and salary reclassification submitted in August 2018. Additionally, budgeted professional fees were lower due mainly to the deferral of some projects during the COVID-19 pandemic period and the general reduction in other operational activities.

Administrative Expenses as a Percentage of the DIF and Total Assets

Administrative Expenses for the year to March 31, 2021 was 1.3 percent (2020: 1.2 percent) of the DIF and 9.5 percent (2020: 7.2 percent) of total income. The distribution of administrative expenses is shown in **Table 13.**

Table 13: Summary of Administrative Expenses Distribution

Administrative Expenses	FY2020/21 Actual		FY2020/21 Budget		FY2019/20 Actual		FY2018/19 Actual	
	$M	%	$M	%	$M	%	$M	%
Staff Costs	222.6	63	395.2	58	196.7	67	172.3	57
Public Education	38.7	11	46.2	7	16.4	6	47.1	16
Professional Fees	27.7	8	109.3	16	22.4	8	24.5	8
Depreciation	16.9	5	17.0	2	6.5	2	6.7	2
Other	45.5	13	113.4	17	46.3	16	43.7	15
TOTAL	**351.4**	**100**	**681.1**	**100**	**288.3**	**100**	**301.4**	**100**



Taking into account the administrative expenses and the impairment loss on financial assets of $0.2 million (2020: $3.4 million) the Corporation achieved a surplus on operations of $3,364.9 million as at March 31, 2021, a decrease of 9.3 percent over the previous financial year. Despite the economic challenges, the Corporation was able to achieve a Surplus from Operations to Total Income ratio of 90.5 percent **(Refer Table 14).**

Table 14: Deposit Insurance Fund Statement of Surplus or Deficit and Other Comprehensive Income					
Statement of Surplus or Deficit and Other Comprehensive Income	**FY2020/21 Actual $M**	**FY2020/21 Budget $M**	**FY2019/20 Actual $M**	**FY2018/19 Actual $M**	**FY 2017/18 Actual $M**
Insurance Premiums	1,696.9	1,633.2	1,498.3	1,353.4	1,239.5
Surplus from Investment and Administrative Operations:					
Interest Earned	1,548.7	1,512.6	1,518.4	1,342.8	1,200.5
Other Income	470.9	-	984.5	(146.9)	106.2
Total Interest Earneda and Other Income	2,019.6	1,512.6	2,502.9	1,195.9	1,306.7
Administrative Expenses	(351.4)	(681.1)	(288.3)	(294.3)	(244.4)
Impairment Loss on Financial Assets	(0.2)	-	(3.4)	(7.1)	-
Surplus from Investment and Administrative Operations	**1,668.0**	**831.5**	**2,211.2**	**894.5**	**1,062.3**
Surplus from Operations	**3,364.9**	**2,464.7**	**3,709.5**	**2,247.9**	**2,301.8**

OVERALL BALANCE TARGET (OBT)

The Overall Balance Target (OBT), which shows the cash generated from operations for the year agreed with the MoFPS, which are quarterly financial targets to assess the performance of the Corporation. The budgeted OBT for the year was $2,439.65 million and the actual out-turn was $5,303.48 million, which was $2,863.83 million higher than projected. This is due mainly to Corporation's better overall performance as a result of increases in income, reduction in administrative expenses and the prepayment of deposit insurance premiums.

In achieving the targets, the Corporation ended the year with total assets of $29.5 billion, which was an increase of 17.1 percent over the previous year's total assets of $25.2 billion. This increase was due to the 17.4 percent increase in investment securities and cash and cash equivalents.

DEPOSIT INSURANCE FUND MANAGEMENT

During FY2020/21 the Deposit Insurance Fund (DIF/the Fund) grew by 13.6 percent to $28.1 billion, when compared to the balance of $24.7 billion in the previous year. Over the five-year period since April 1, 2016, the DIF increased by 69.9 percent. Growth of the Fund over the last five years is as follows:

Table 15: Five-Year Fund Growth					
Actual Fund Growth Details	**FY2020/21 $M**	**FY2019/20 $M**	**FY2018/19 $M**	**FY2017/18 $M**	**FY2016/17 $M**
Insurance Premiums	1,696.9	1,498.3	1,353.4	1,239.6	1,076.6
Surplus from Investment and Administrative Operations	1,668.2	2,214.6	901.6	1,062.2	1,265.5
Impairment Loss on Securities	(0.2)	(3.4)	(7.1)	-	-
Previous Year Deposit Insurance Fund	**24,737.1**	**21,027.6**	**18,844.0**	**16,542.2**	**14,200.1**
Initial Application of IFRS 9	-	-	(64.3)	-	-
Deposit Insurance Fund	**28,102.0**	**24,737.1**	**21,027.6**	**18,844.0**	**16,542.2**

Investment decisions were undertaken in accordance with the provisions of the DIA; the Corporation's Investment Policy; the annual Investment Guidelines and recommendations arising from the DIF Adequacy Evaluation relating to projected liquidity requirements. Although the financial year was characterized by relative inactivity of GOJ issues due to decided fiscal policy, and reduced market trades and interest rates continuing on a downward trend and levelling off at the lower rates, the Corporation met its liquidity requirements.

The Corporation maintained the DIF Adequacy Evaluation recommendation to have in the 12 months' tenor, liquid assets of $3 billion. The investment maturity profile at the end of the financial year compared with previous years are as follows:

Table 16: Investment Portfolio Maturity Profile				
Tenor of Actual Investment Securities	**FY2020/21 %**	**FY2019/20 %**	**FY2018/19 %**	**FY2017/18 %**
Up to 12 months	7.5	4.7	7.3	13.0
1 – 3 Years	11.7	17.7	16.3	14.8
3- 5 Years	40.5	23.6	12.8	11.3
Over 5 Years	40.3	54.0	63.6	60.9
Total	**100.0**	**100.0**	**100.0**	**100.0**

The reduction in the ratio of longer term instruments was achieved to maintain the liquidity position and ended the year with 40.3 percent of the securities with tenor of five years and over compared with 54 percent in the previous year. **Table 17** shows the investment securities portfolio distribution and comparison with the three previous years.

Table 17: Investment Securities Portfolio Distribution

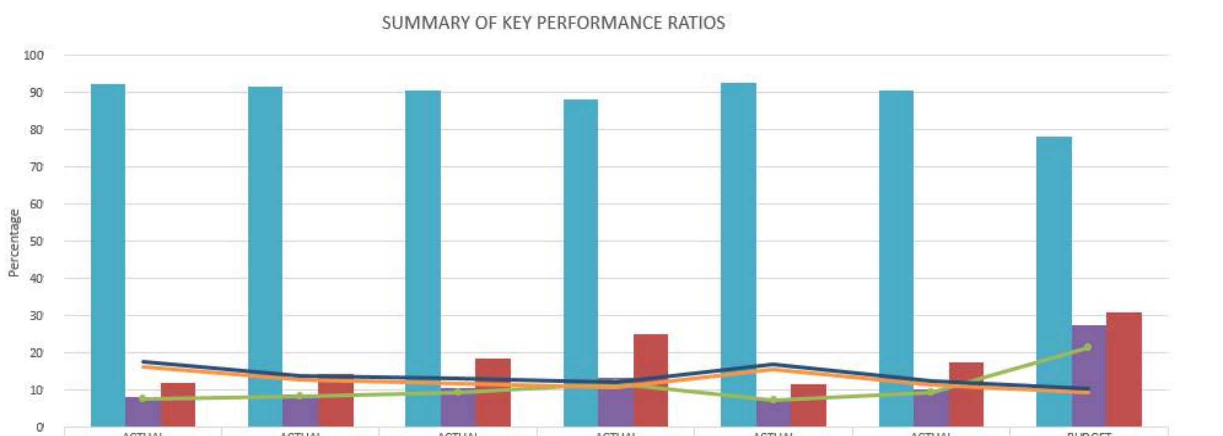
Investment Securities	FY2020/21 Distribution %	FY2019/20 Distribution %	FY2018/19 Distribution %	FY2017/18 Distribution %
Fixed Rate Accreting Notes	31.1	32.6	35.7	40.4
Benchmark Investment Notes	31.1	35.5	32.6	20.5
GOJ US$ Global Bonds	30.3	27.4	26.3	30.3
BOJ US$ CDs	2.4	-	-	-
BOJ CDs	1.0	3.3	4.3	7.6
Interest Accrued	4.1	1.2	1.1	1.2
Total Income	**100.0**	**100.0**	**100.0**	**100.0**

KEY PERFORMANCE RATIOS

The Key Performance Ratios **(Table 18)** showed that the Corporation performed at an acceptable level. This was despite the developments in the economy and strategies that had to be implemented to minimize the disruptions to its operations and safeguard staff and stakeholders, consequent to the measures put in place in response to the COVID-19 pandemic and limitations in the availability of suitable investment instruments.

Table 18: Summary of Key Performance Ratios					
Key Performance Ratios	**Definition**	**FY2020/21 Actual %**	**FY2020/21 Budget %**	**FY2019/20 Actual %**	**FY2018/19 Actual %**
Operating	Total Expenses /Interest Earned and Other Income	17.4	31.0	11.7	25.2
Expense Control	Total Expenses/ Total Income	9.5	21.6	7.3	11.8
Total Expenses	Total Expenses/Surplus from Operations	10.4	27.6	7.9	13.4
Total Expenses to DIF	Total Expenses/Deposit Insurance Fund	1.2	2.6	1.2	1.4
Net Surplus	Surplus from Operations/ Total Income	90.5	78.3	92.7	88.2
Return on Assets	Surplus from Operations/ Total Average Assets	11.4	9.4	14.7	10.8
Asset Management	Total Income/ Total Assets	12.6	10.5	15.9	12.3
Insurance Premiums to Total Income	Insurance Premiums/ Total Income	45.7	51.9	37.4	53.1

Summary of Key Performance Ratios



	ACTUAL 2015/16	ACTUAL 2016/17	ACTUAL 2017/18	ACTUAL 2018/19	ACTUAL 2019/20	ACTUAL 2020/21	BUDGET 2020/21
Operating	12.1%	14.4%	18.7%	25.2%	11.7%	17.4%	31.0%
Administrative Expenses	8.2%	9.1%	10.6%	13.4%	7.9%	10.4%	27.6%
Net Surplus	92.4%	91.7%	90.4%	88.2%	92.7%	90.5%	78.3%
Expense Control	7.6%	8.3%	9.6%	11.8%	7.3%	9.5%	21.6%
Return on Assets	16.4%	12.8%	11.9%	10.8%	15.7%	11.4%	9.4%
Asset Management	17.7%	13.9%	13.1%	12.3%	16.9%	12.6%	10.5%

SUMMARY FINANCIAL PROJECTIONS FOR YEAR ENDING MARCH 31, 2022

DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME	YEAR ENDING MARCH 31, 2022 $'000
Total Income	3,483,603
Total Expenses	(680,634)
Surplus from Operations	2,802,969
Surplus from Operations – Balance at Beginning of the Year	28,037,664
Deposit Insurance Fund – Balance at End of the Year	**30,840,633**

CASH AND CASH EQUIVALENTS	YEAR ENDING MARCH 31, 2022 $'000
Total Inflow	10,938,864
Total Outflow before Investments	(1,235,148)
Investments	(12,682,651)
Net inflow/outflow	(2,978,935)
Balance at Beginning of the Year	3,026,042
Balance at End of the Year	**47,107**

DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION	MARCH 31, 2022 $'000
Property, Plant and Equipment	486,206
Investment Securities	30,827,570
Current Assets	100,518
Total Assets	**31,414,294**
Current Liabilities	31,876
Unearned Premium Income	-
Share Capital	1,000
Capital Reserves	158,145
Fair Value Reserves	382,640
Deposit Insurance Fund	30,840,633
Total Liabilities	**31,414,294**

MONITORING AND RISK ASSESSMENT

During FY2020/21, the Corporation intensified its monitoring and risk assessment of member institutions due to the uncertainties brought on by the COVID-19 pandemic. This was particularly necessary to ensure the Corporation was proactive in identifying any potential risk to the Deposit Insurance Fund and member institutions' businesses and to coordinate in an effective manner with FSSN partners to respond to any potential distress on the part of member institutions. This is in keeping with the JDIC's public policy objective to provide the highest level of deposit insurance protection to the most vulnerable depositors and to contribute to the confidence and the maintenance of Jamaica's financial system.

In this regard, the Corporation continued to work closely with the BOJ and other FSSN partners to satisfy the required information needs to facilitate the enhanced monitoring. The Corporation also worked closely with member institutions to ensure that data sharing was secure, given the sudden thrust to remote working, brought about as one of the measures to help contain the spread of the pandemic. The Corporation also maintained collaborative work with the Jamaica Cooperative Credit Union League in preparation for the admission of the credit union sector to the DIS.

The members of the Monitoring and Risk Assessment Department's (MRAD) skills were sharpened with additional training in relevant areas specific to the uncertainties of the operating environment and issues impacting member institutions as a result of the COVID-19 pandemic. The intensified training/exposure of the MRAD members included several virtual workshops and training sessions in areas such as advanced asset quality assessment, sensitivity analysis, stress testing and deposit insurance, offered by both local and international organisations. Team members also served on Technical Working Groups of the Financial System Safety Net, as well as internationally, Deposit Insurance Technical Working Groups.

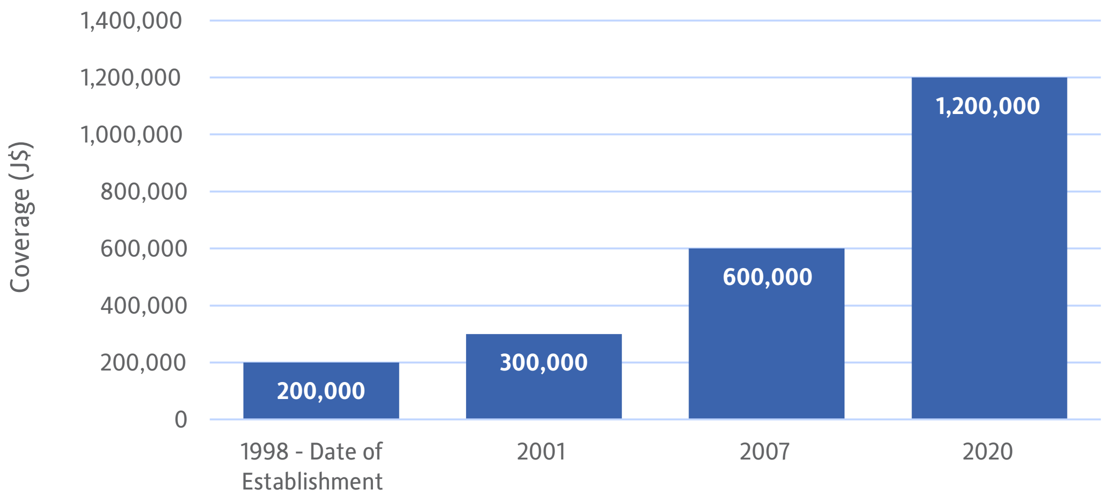
Below are some of the highlights of the monitoring and risk assessment function and accomplishments during the year.

DEPOSIT INSURANCE COVERAGE LIMIT

The Corporation, as part of its periodic review of the Deposit Insurance Coverage Framework, conducted a thorough review of the Deposit Insurance Coverage Limit to ensure it remains credible and preserves the purchasing power of depositors, while minimizing moral hazard. The review considered developments in the macroeconomic environment including, inflation and exchange rate movements and how they impacted the real value of the Coverage Limit, as well as nature and quality of the prudential regulatory environment and the soundness of Policyholders.

On completion of the assessment of the Coverage Limit, a recommendation was made for the Coverage Limit to be increased to $1,200,000 from $600,000. Following the Board's agreement and approval the recommendation was forwarded to the Minister of Finance and the Public Service for approval and submission to the Lower and Upper Houses of Parliament for approval, which was received, and the increase gazetted, which brought it into effect on August 31, 2020. This was the third adjustment and increase since establishment of the JDIC in 1998 **(Figure 15).**

Figure 15: JDIC's Coverage Limit Changes



DEPOSIT INSURANCE FUND ADEQUACY EVALUATION

The Deposit Insurance Fund (DIF/the Fund) was evaluated to be adequate for the FY2020/21 based on the assessed risk of the member institutions for the reporting period. The Corporation, consistent with the DIA, is required to evaluate the DIF at least once per year. The Fund was assessed against the macroeconomic developments, with emphasis on the uncertainties brought on by the COVID-19 pandemic, the financial system and the performance and risk exposure of the member institutions, in order to ensure the Fund is adequate to meet its objective of protecting the most vulnerable depositors. In this regard, the Corporation completed the annual Deposit Insurance Fund Adequacy Evaluation (DIFAE/Evaluation), during FY2020/21, considering the Corporation's liabilities and potential liabilities, its capital and operating expenses as well as the management and the financial performance of member institutions. Given the uncertainties associated with the pandemic, a mid-year evaluation of the Fund was done to determine if the prior findings and recommendations still hold. These exercises also rank member institutions based on assessed risks and act as a guide to the Corporation for the management of its liquidity and ensuring adequate funding is available for prompt reimbursement to depositors in the event a member institution becomes non-viable. The evaluation and assessment was shared with the Committee of Management, the Board of Directors and the BOJ and further disclosure made in keeping with the PBMA.

In light of the uncertainties associated with the pandemic, the scenarios were further stressed to determine the liquidity needs of the Corporation for the ensuing year, rather than the usual normal time performance. Based on the assessment, it was determined that the DIF was adequate to cover existing and potential liabilities for the year ahead. The risks posed by the member institutions were deemed low and no resolution was anticipated during FY2020/21.

During the year the Corporation, in conjunction with the Inter-American Development Bank (IDB) as part of their Technical Cooperation Financial System Reform Support Programme and their contribution to the further strengthening of Jamaica's financial system, developed a terms of reference for the engagement of a Consultant to conduct an independent assessment of the Fund for completion in FY2021/22. This was in keeping with Section 17(4) of the DIA.

SURVEY OF INSURABLE DEPOSITS

For the period under review the Corporation conducted its annual Survey of the Distribution of Insurable Deposits, on member institutions deposit base as at December 2020, which determined that the Corporation is covering approximately 97.3 percent of deposit accounts in the system. This is consistent with the IADI recommendation for Deposit Insurers to cover at least 90-95 percent of deposit accounts in the system.

Member institutions are required to submit details of their insurable deposit base to the JDIC, by the end of January of each year. This Survey provides critical empirical information used by the Corporation in its planning and preparation to ensure it can promptly satisfy its mandate of protecting depositors and contributing to financial stability. From the data received, the JDIC is able to estimate the amount of insured deposits, which plays a part in determining the adequacy of the Fund. The Survey data also helps to inform the design features of the DIS (including the deposit products which are covered, as well as the coverage limit).

In depth details of the findings of the Survey can be found in the 'Profile of Deposits' under the 'Policyholders' Profile and Performance' section.

MEMBERSHIP ADMISSION FRAMEWORK

The Corporation continued to maintain its strong communication and partnership with member institutions and prospective members of the DIS. Membership compliance is critical to the operations of the Corporation and is consistent with the reporting requirements of the DIA, and the Membership Admission Framework of the Corporation.

Consistent with the on-going drafting of the Bill, Credit Unions (Special Provisions) Act, the Corporation remained in preparation mode for credit union sector's admission to the DIS. In that regard, the Corporation continued its collaborative work with the Jamaica Cooperative Credit Union League and Bank of Jamaica and continued its informal monitoring and risk assessment of the sector including collecting information on the sector's insurable deposit base and product profiles.

INTERVENTION AND RESOLUTION

The Corporation's intervention and resolution functions are critical in ensuring the fulfillment of its mandate to protect depositors and contribute to financial system confidence and stability. During the year, initiatives were prioritized to ensure the Corporation continued to operate in a constant state of readiness to carry out its core functions of resolving non-viable Policyholders (member institutions) and reimbursing insured depositors in light of the evolving developments and uncertainties related to the COVID-19 pandemic. The Corporation's intervention and resolution activities for the review period were also guided by its enhanced monitoring of Policyholders' performance, the increased information sharing and collaboration with the other financial safety net partners and the developments in the domestic and global financial systems and operating environments.

Against this background, intensified focus was placed on testing and enhancing the Corporation's procedures and systems in relation to: resolving non-viable member institutions; making depositor reimbursements; operationalizing the Crisis Preparedness and Management Plan as well as conducting more frequent simulation exercises during the period.

Enhancing Resolution Readiness and Crisis Preparedness

The Corporation is responsible for resolving member institutions, their holding companies and subsidiaries that are no longer viable pursuant to its roles and functions under the DIA. When a financial institution fails, the Corporation may be appointed to act as receiver and liquidator to restructure the member institution in collaboration with the other FSSN partners and using the least cost resolution strategy. In preparation for carrying out its role in resolution, the JDIC conducts a variety of agency specific and inter-agency initiatives to ensure the adequacy of its legal and operating framework and build its institutional capacity, guided by international best practice standards.

Evaluating Crisis Preparedness and Resolution Readiness

Throughout FY2020/21, activities included reviewing and updating procedural documents developed to operationalize the execution of the Corporation's statutory role in the resolution of non-viable member institutions, as well as strengthening staff competencies. These activities were conducted during a series of staff training, sensitization and simulation exercises. The exercises were designed to sharpen team members' skills, test and update targeted operational aspects of the JDIC's Crisis Preparedness and Management Plan and the resolution decision making process, assess the efficacy of existing processes and address identified areas for improvement. This included testing the triggers to activate the JDIC's Crisis Management Plan; assessing JDIC's role throughout the various steps to close a failing bank and the internal decision-making structure and levels of authority. Other activities were also focused on reviewing the types of information required about a Policyholder showing signs of financial distress to facilitate preparatory planning and decision making for resolution in collaboration with the other FSSN members and identifying and developing the supporting analytical tools.

Legislative Reforms - Drafting of the Legislation to Establish a Special Resolution Regime

In regard to key legislative reforms, the Corporation continued its collaboration with the other members of the FSSN to strengthen the framework for the resolution of non-viable financial institutions and the management of systemic crises. Under the rubric of the FRC and its supporting technical working groups, two initiatives are being undertaken in this regard; these include, developing the special resolution regime for all financial institutions and updating the National Financial Crisis Preparedness and Management Plan. Both initiatives will continue in the next financial year.

The drafting of the legislation to establish a special resolution regime that better aligns Jamaica's legal framework with the Financial Stability Board's Key Attributes of Effective Resolution Regimes for Financial Institutions, seeks to achieve the following: administrative powers to effect a broad range of resolution strategies; special insolvency rules for financial institutions; designating the BOJ as the Resolution Authority and the JDIC as the Resolution Administrator and resolution fund manager. The JDIC's roles are consistent with its existing powers and competencies under the DIA to act as receiver and liquidator and restructure Policyholders, their holding companies and subsidiaries. In preparation for the passing of the legislation to enhance the resolution framework and the Corporation's expanded role, focus continues on refining the model for the Corporation's resolution organisation structure to ensure alignment with the key resolution functions, as well as staff training in the various areas.

Updating the National Financial Crisis Preparedness and Management Plan

The National Financial Crisis Preparedness and Management Plan (the Plan) provides operational guidance on the processes and coordinated actions of each FSSN member in preparing for and managing a crisis, based on their respective statutory mandates. The scope of the FRC multi-agency review that commenced during the year includes updating the Plan and its compendium of supporting documents to reflect the current legal framework and to be responsive to emerging developments in the global and domestic economies and financial systems. The review process includes conducting FSSN multi-agency crisis management training and simulation exercises scheduled for FY2021/2022.

Providing Depositors with Timely and Easy Access to Insured Deposits

A critical responsibility of the Corporation is to ensure that in the event of the failure of a member institution and regardless of the decided resolution strategy, all insured depositors are provided with timely and easy access to their insured deposits. In keeping with the Corporation's thrust to leverage technologies to improve its efficiencies and meet depositor expectations underpinned by its statutory mandate, progress was made to complete the development and implementation of the first version of the Corporation's new Payout Management Information System (PMIS, the System). The PMIS is one of the key components of the Corporation's Depositor Reimbursement Framework that will facilitate timely and easy access to insured deposits in the event of a Policyholder failure. The System is designed to fully automate the processes for the determination and computation of each depositor's entitlement to deposit insurance including the algorithms for the various ownership categories and other coverage rules.

During the year the Corporation also advanced its plans to start using the System to conduct payout simulation exercises that will form part of the ongoing operational activities for crisis readiness going forward. The objectives of the payout simulation exercises are to ensure end users remain knowledgeable of the functionalities and use of the PMIS and to identify system enhancements to further improve the payout business process and modernize the reimbursement channels in line with the evolutions in financial technology.

During non-crisis periods the PMIS will also be used to conduct the Corporation's independent verification of each member institution's level of compliance with the "Recordkeeping Guidelines for all JDIC Policyholders" (the Guidelines) to complement the current annual self-assessment activities conducted by member institutions. The reliability of depositor records and member institutions' capability to produce such records in the standard format stated in the Guidelines are also essential elements to ensure depositors have timely and accurate access to their insured deposits[9] in the event of the failure of a member institution. Against this background work also continued during the review period to refine the Recordkeeping Guidelines Compliance Framework for subsequent implementation, and develop process documents to operationalize the access to depositor records prior to a member institution closure.

Providing "pass through deposit insurance coverage" to support Financial Services Innovations

Initiatives to promote member institutions and other financial intermediaries' compliance with the recordkeeping and disclosure requirements where the beneficiaries of trust and nominee accounts are eligible for separate deposit insurance coverage pursuant to the DIA, were delayed. These initiatives will recommence in FY2021/22 and are being reassessed to ensure alignment with the BOJ's reforms to the payment, clearing and settlement systems.[10] Particularly in regard to the development of the regulatory framework for Payment Service Providers (PSP)[11] that are not deposit-taking institutions and the issuance of the BOJ's Fintech Regulatory Sandbox Guidelines. The development of the BOJ's regulatory framework has implications for the scope of deposit insurance coverage and the JDIC's operations. This highlights the importance of the Corporation developing guidance for member institutions and specifically other financial intermediaries, including Payment Service Providers that are required to maintain custodian accounts with a Policyholder (i.e. statutory trust accounts), as well as ensuring the necessary collaboration with the BOJ in the development of the regulatory framework for Payment Service Providers.

Payment Service Providers that are required as part of the licensing regime to maintain custodian accounts with a Policyholder, will be eligible for deposit insurance coverage and are required to comply with the recordkeeping and disclosure requirements as stated in the Deposit Insurance (Joint, Trust and Nominee Account) Regulations and the Guidelines. The eligibility/entitlement of the beneficiaries of PSP custodian accounts to deposit insurance aligns with the Corporation's public policy objective, supports innovations in financial services and promotes financial inclusion. It is to be noted however, that this type of coverage also referred to as "pass through deposit insurance coverage" is applicable only in the event of the failure of the Policyholder that maintains the custodian account and not the failure of the PSP.

9 The IADI has reported that based on the results of a recent survey, the overall number of working days necessary to complete payout by DIOs is 30 days. This timeline has remained constant for the period 2016 -2020. Source IADI. (2021). Policy Note: Effective Reimbursement System and Processes. International Association of Deposit Insurers Policy Note No. 1

10 The Bank of Jamaica (the Bank, BOJ) has the legal responsibility for oversight of the National Payment System as provided for in the Payment Clearing and Settlement Act (PCSA), 2010.

11 Where a PSP will provide services relating to inter alia, issuing or acquiring payment instruments and transferring money or value, including issuance of electronic money

PUBLIC EDUCATION AND AWARENESS

Collaboration and coordination with FSSN partners, member institutions and other key stakeholders continue to provide a valuable platform for Deposit Insurers to promote public awareness of deposit insurance systems and fulfill their public policy objective of contributing to financial system confidence and stability. During the financial year the Corporation continued to leverage this and other strategies and initiatives to reach and engage its publics; ensuring depositors remained assured of the protection offered under the deposit insurance scheme. Given the challenges presented by the COVID-19 pandemic, the Corporation actively sought to implement pragmatic solutions to address its impact, including adapting quickly to the virtual space as a strategy to continue engaging depositors and other stakeholders and intensifying its public education campaign.

With the increase in the deposit insurance coverage limit to $1.2M on August 31, 2020, the campaign was further heightened during the period and up to the end of the financial year. Implemented during the pandemic, the doubling of the coverage limit was significant and served to boost depositors' confidence in the financial system, as they were guaranteed this additional protection during this period of uncertainty. Promotion of the increase was carried out under the theme 'You've Been Upgraded', and included a digital town hall, radio and television interviews, development of new advertisements and increased advertising in print and on electronic platforms, including social media.

The Corporation continued to monitor the impact of the COVID-19 pandemic on the financial sector to determine whether there was need to further heighten the programme; however, Policyholders remained resilient and financial consumers' confidence undaunted.

Advertising and Promotion

Traditional and new media continue to play a critical role in the Corporation's drive to build awareness about the JDIC brand and the DIS. Traditional media has maintained its credibility as a vehicle through which organisations can engage a wider cross section of the public through messaging placed in print and electronic media. As such, the Corporation continued its use of targeted radio and television programmes to educate and reinforce in the minds of Jamaicans the value of an explicit deposit protection system and the provisions under the DIS.

To inform regarding JDIC member institutions, the Corporation maintained its quarterly publication of Policyholders listing in local and overseas newspapers. Other advertisements over the period focused on highlighting the increased coverage limit, products covered and ownership categories and included the use of billboards and public transportation. Specific groupings at the community level were also targeted via the placement of advertisements in various publications such as business magazines and service clubs newsletters.

The enhanced and increased use of social media platforms has boosted stakeholder awareness of the JDIC and the DIS among its online audience, while simultaneously tapping into the millennial and GenZ demographic, who are avid users of social media platforms. Additionally, as part of efforts to ensure that the core messages of the public education campaign reached 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 could readily access free of cost.

JDIC...Protecting Deposits for You and Me

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

JAMAICA DEPOSIT INSURANCE CORPORATION

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

YOU'VE BEEN UPGRADED!

DIGITAL TOWNHALL

JDIC team members along with (L-R) Antoinette McKain, CEO, JDIC and Myrtle Halsall, OD, Board Chairman pause for a team photo.

Myrtle Halsall, OD Chairman of the JDIC Board of Directors enjoys a light moment with participants as she speaks on how Deposit Insurance Contributes to Financial Stability.

President of the Jamaica Bankers Association, Jerome Smalling having an animated discussion with fellow presenters Myrtle Halsall, OD, JDIC Board Chairman, Antoinette McKain, Chief Executive Officer, JDIC and Melanie Williams, Financial Inclusion Coordinator at the Bank of Jamaica.

Chief Executive Office, Antoinette McKain speaking on the benefits of Deposit Insurance and its role in Financial System Stability.

Financial Inclusion Coordinator at the Bank of Jamaica, Melanie Williams engages participants on Consumer Protection Mechanisms for the Banking System.

Corporate Website

In keeping with the Corporation's thrust to increase its visibility and continue to engage its stakeholders and the general public, a web designer was engaged to enhance the functionality and aesthetics of the existing website, while augmenting 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 FY2021/22.

Financial Literacy

A key focus of the Corporation in the delivery of its public education programme is the promotion of financial literacy, with emphasis on schools and empowering youths from an early age to secure their financial independence. Having determined that these efforts could be more impactful if greater focus is placed on primary school students, the Corporation embarked on the development of a financial education book for the benefit of children at the primary level, the manuscript for which is currently in its final stages. In addition to deposit insurance, the content will address key areas of the financial system, including 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 produced.

Policyholder Engagement

Policyholders heads participated in a series of meetings with the Corporation's CEO and management team in which key issues pertaining to their respective operations and continued partnership were discussed, particularly in light of the pandemic. Further engagement was had through the hosting of a Policyholders Forum which focused on the operations of the JDIC, emerging developments and trends in deposit insurance and the importance of the public education and awareness programme and their partnership in this, and other initiatives.

Additionally, during the period seven (7) training sessions were conducted for Policyholders team members. It is mutually beneficial for Policyholders to understand how the deposit insurance scheme works, as disseminating this information to their clients remains critical to increasing understanding of the DIS by depositors and other financial consumers; hence the continued training, partnership and exchange of information. An online training platform is to be developed to complement the present training methodology.

All the meetings and training sessions were held virtually and included approximately 400 participants.

Collaboration with FSSN Partners and other Stakeholders

The engagement of employees of public and private organisations, 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 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. Participation in initiatives under the National Financial Inclusion Strategy spearheaded by the BOJ continued, as well as participation in virtual events hosted by the JSE, which provided the Corporation with diverse avenues to promote the JDIC and DIS.

Revamping of the Public Education Programme

In recognition of the changing face of communication, the rapidity with which communication channels evolve and the resultant changes in how publics consume and access information, towards the end of the financial year the Corporation engaged a public relations firm to assist in enhancing its capacity to increase awareness levels among its key stakeholder groups, while keeping in step with emerging trends. The contract will be executed over a twelve-month period, during which time ongoing assessments will be conducted to measure the impact of the communication strategies and tactics designed to fulfill the stated objectives.

CORPORATE SOCIAL RESPONSIBILITY

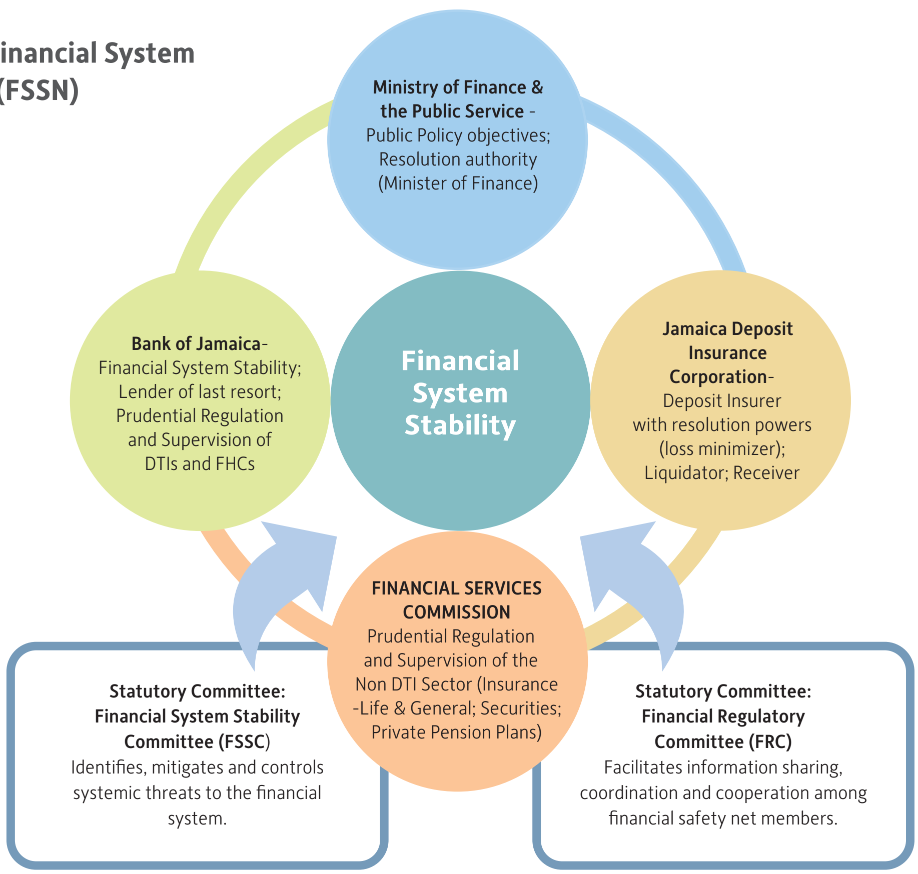
The Corporation's Corporate Social Responsibility (CSR) policy is underpinned by the seven core principles recognized by ISO 26000. These are: organisational governance; human rights; labour practices; the environment; fair operating practices; consumer issues; community involvement and development which in turn governs its commitment to its team members and external constituents.

Execution of planned CSR initiatives was adversely impacted by the ongoing COVID-19 pandemic. Notwithstanding, during the review period, the JDIC continued its community outreach activities focused on the provision of social support for the youths and senior citizens, early childhood development and protection of the environment.

FINANCIAL SYSTEM SAFETY NET PARTNERSHIP

The optimal design of a country's financial system safety net includes the functions of prudential regulation, supervision, resolution, lender of last resort and deposit insurance to achieve financial sector policy objectives and ultimately maintain financial system stability. Within the structure of Jamaica's financial system safety net, these functions are vested in four agencies, namely, the BOJ, FSC, JDIC and the MoFPS based on their respective statutory mandates (Refer **Figure 16** below).

Figure 16: Financial System Safety Net (FSSN)



The mechanisms for the necessary information sharing, inter-agency collaboration and coordination among the JDIC and the other FSSN partners are provided for in each agency's governing legislation and through membership in two inter–agency statutory committees, the Financial Regulatory Committee (FRC) and the Financial System Stability Committee (FSSC) as well as technical working groups established to support the work of the respective committees including the coordinated implementation of regulatory reforms.

The JDIC's membership in the FSSN statutory committees and technical working groups supports the effective execution of the Corporation's roles and functions as well as facilitates the necessary ongoing inter-agency collaborations and information sharing. This is against the background that the strength of prudential regulation, supervision and the resolution regime influences the functions and directly impacts the effectiveness of the deposit insurance system. Information exchanged among the FSSN agencies therefore continue to provide critical inputs used by the JDIC to carry out its functions such as, the review and enhancements of the design features of the DIS, monitor and evaluate member institutions potential risks to the DIF, develop policies and procedures for the Corporation's payout and non-payout resolution options, prepare for and rapidly respond to bank failures in collaboration with the other FSSN agencies.

Financial Regulatory Committee

The Financial Regulatory Committee (FRC) was established in 2014 pursuant to section 34BB of the Bank of Jamaica Act[12] and comprises four ex-officio members, representing the FSSN agencies. The members are, the Governor of the Bank of Jamaica (Chairman), the Financial Secretary (Ministry of Finance and the Public Service), the Executive Director of the Financial Services Commission and the CEO of the Jamaica Deposit Insurance Corporation. The statutory functions of the FRC are to facilitate information-sharing, coordination and cooperation among the members of the financial safety net. This includes the: ongoing review and implementation of financial sector reforms; policies and procedures to strengthen the regulation of the financial system; sharing information on each member's respective areas of operation; and planning and executing financial sector resolution, crisis preparedness and management strategies.

During the review period in addition to the monitoring and analysis of the developments and performance of the DTI and Non DTI sub- sectors, the FRC was apprised of the development and implications of several sectoral regulatory reforms and policies. The progress of the various activities to advance the implementation of key national imperatives, namely, financial deepening[13]; financial Inclusion; and initiatives to improve Jamaica's level of compliance with the FATF 40 Recommendations and the level of effectiveness of Jamaica's AML/CFT system, was also on the FRC's Agenda during the period. (These initiatives are currently being led by the BOJ).

Members of the FRC continued to pursue several initiatives collaboratively through various working groups to strengthen the supervisory, resolution and crisis management frameworks for the financial system in alignment with international best practice standards and proportionate to the structure and capacity of the financial system. Key inter-agency initiatives conducted during the review period with implications for the role and functions of the JDIC included the following:

12 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.

13 Financial Deepening key initiatives include the implementation of a reverse factoring electronic platform, standardizing asset quality by incentivizing the use of independent credit ratings as well as the establishment of a trading platform for fixed income securities.

Review of the National Financial Crisis Preparedness and Management Plan (the Plan) that falls under the remit of the FRC

The Plan provides guidance on the processes and coordinated actions of each FSSN member in a crisis. Despite the enhanced supervisory and monitoring measures undertaken by the authorities in response to the economic challenges created by the measures to reduce the spread of the COVID-19 pandemic to safeguard financial system stability, the review of the Plan commenced as a proactive approach to ensure readiness to deal with any potential vulnerabilities. This is to ensure the Plan reflects the current legal and operating environment, and the gaps identified during the review process are addressed. The review of the Plan is being conducted by a FRC Technical Working Group led by the JDIC. Additionally, as at year end arrangements were advanced to deliver a FSSN multi -agency crisis management training session and table top simulation as a fundamental component of the review process to hone the skills of the crisis management team members and test specific aspects of the crisis management framework at the agency and inter-agency levels.

Development of legislation to strengthen the resolution framework for DTIs and Non DTIs including an effective bank insolvency law

The legislation will seek to establish a special resolution regime that better aligns the legal framework with the Financial Stability Board's Key Attributes of Effective Resolution Regimes for Financial Institutions in a proportionate manner that achieves the desired policy objectives of the orderly resolutions of failing financial institutions without exposing taxpayers. Under the new framework the policy proposals include: introducing expanded administrative resolution powers and strategies; developing special insolvency rules for financial institutions; and designating the Bank of Jamaica as the Resolution Authority and the JDIC as the Resolution Administrator. These provisions are consistent with the Corporation's existing powers under the DIA to restructure Policyholders, their holding companies and subsidiaries. During the review period the JDIC through its membership in the FRC Technical Working Group continued to provide technical inputs in the development of the legislation for the introduction of the special resolution regime. The JDIC also continued to build out its standard operating procedures and resolution tool kit to support its role in resolution under this new regime once implemented.

These initiatives will continue in FY2021/2022 in keeping with the respective work plans and will contribute to strengthening the resilience of the financial system.

Financial System Stability Committee

The Financial System Stability Committee (FFSC) was established under the Bank of Jamaica Act, section 34BB. The statutory functions of the FSSC include: undertaking macro prudential assessments; promoting the regular exchange of information in support of financial system stability objectives; identifying, assessing and making recommendations in mitigating and controlling systemic threats to the financial system; contributing to the development of policies and standards to address gaps that could threaten the stability of the financial system and the real economy; providing exceptional reports to the Minister in charge of Finance on financial stability oversight; and making recommendations to the BOJ in discharging its financial stability mandate[14].

During the year the FSSC fulfilled its functions by providing guidance on key aspects of BOJ's financial system stability assessments. This included reviewing BOJ's macro prudential assessments; advising on the appropriate macro prudential tools that can be used to manage and/or mitigate the emergence of systemic risks; and communicating with the public on the use and impact of tools on the financial system[15].

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.

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.

14 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.

15 https://boj.org.jm/core-functions/financial-stability/financial-system-stability-committee-fssc/

INTERNATIONAL RELATIONS

A key element of the Corporation's activities is to benchmark its operations against international best practice standards and keep abreast of the trends and developments in financial systems. Particularly in areas relating to deposit insurance systems, other investor compensation schemes, crisis management, resolution and financial system stability both globally and regionally. This is to: ensure the efficacy and robustness of the design of the deposit insurance system; maintain a proactive approach in responding to changes in the operating environment; and build stakeholder relationships towards ensuring the Corporation's public policy objectives are met.

It is against this background that the Corporation is involved in initiatives that supports the development and implementation of standards to promote effective deposit insurance systems globally and regionally. During the year, the Corporation continued to actively participate in the work of the International Association of Deposit Insurers (IADI) and worked closely with the CARICOM Secretariat to finalize the Model Deposit Insurance Policy for the Caribbean Community (the Policy).

Membership in the International Association of Deposit Insurers

The International Association of Deposit Insurers founded in 2002, is a non-profit global standard-setting body for deposit insurance systems.

As a standard setter, the IADI aims to support its members in areas of: establishing or improving their deposit insurance systems and ensuring compliance with the Core Principles for Effective Deposit Insurance Systems; promoting international cooperation on areas of deposit insurance and bank resolution; and contributing to the stability of financial systems. Over the years, the Association's activities have also become more diverse and responsive to the expanded role of deposit insurers in crisis management and resolution as well as more integrated into the international financial system. Particularly, during these challenging times of the COVID-19 pandemic, the importance of DIOs complying with the IADI Core Principles have been reinforced, particularly Core Principle 6 which inter alia states "deposit insurers have in place effective contingency planning and crisis management policies and procedures, to ensure that it is able to effectively respond to the risk of, and actual, bank failures and other events".

The JDIC's membership in the IADI dates back to 2002[16] being one its founding members. As an active member of the IADI, the Corporation participates in initiatives that contribute to the advancement of the objectives of the Association through its membership on several committees and technical working groups. The Corporation also participates in and presents at IADI knowledge events and has access to the IADI's comprehensive resource database[17]. These activities provide an opportunity to strengthen the Corporation's institutional capacity. This includes the development of staff expertise and engagement in partnerships and collaborations with peers on common goals of depositor protection and financial system stability as well as benchmarking and strengthening the Corporation's operations in line with international

16 IADI has expanded significantly since its establishment in 2002. Membership has grown to 85 deposit insurers as of May 2021, representing 74% of jurisdictions with explicit deposit insurance systems.

17 The members only database includes a vast compendium of research and guidance papers, current trends and developments, and practices and experiences of other jurisdictions relating to deposit insurance systems, bank resolution and the financial system stability issues.

standards[18]. Some of the key benefits of the IADI membership are highlighted in **Figure 17.**

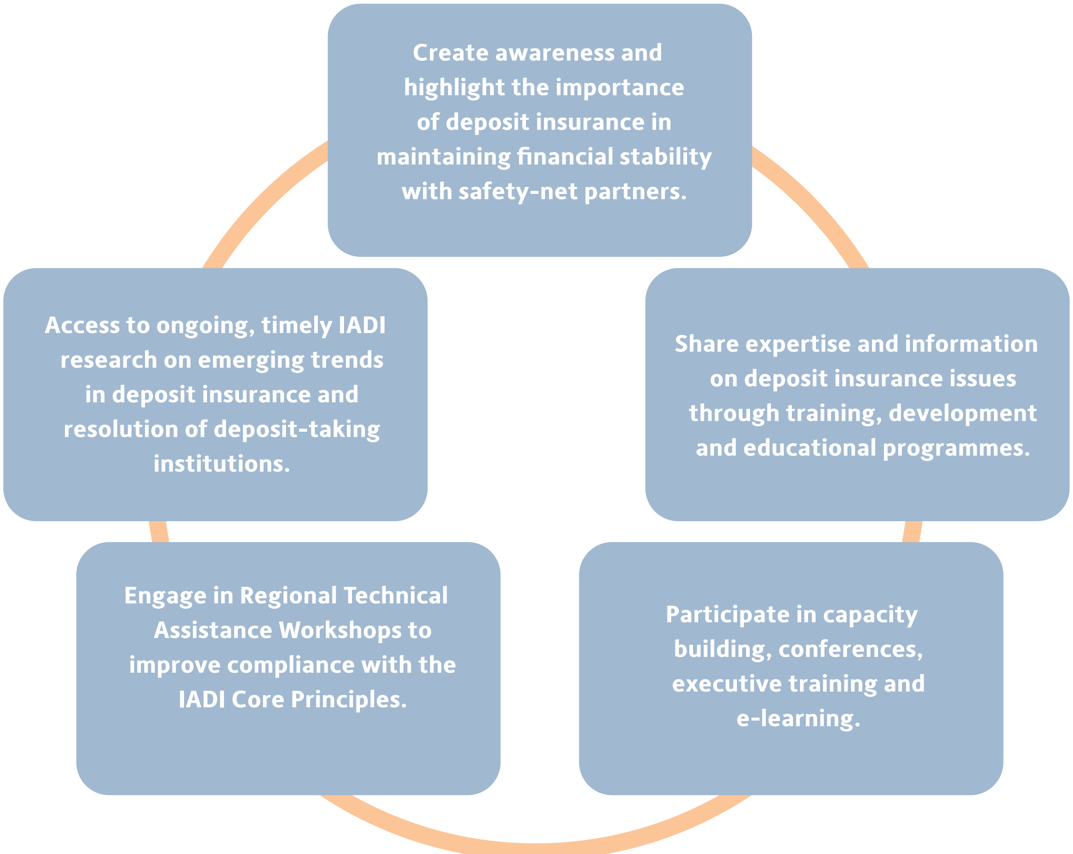


Figure 17 - Key benefits of IADI Membership

IADI Council, Technical and Regional Committees

The work of the IADI is led by the Executive Council (EXCO) and its Council, Technical and Regional Committees. The JDIC was elected to serve on the Executive Council at IADI's 19th Annual General Meeting held December 2020. The 25-member Executive Council ensures the smooth functioning of the affairs of the Association and establishes committees to support the advancement and implementation of the IADI's mandate and strategic objectives.

The JDIC currently serves on three of the four council committees[19] and two technical committees of the Core Principles and Research Council Committee.

18 As part of the JDIC's training and development program selected staff members attended: the FSI-IADI Joint Webinar on the ongoing and expected implications of the COVID-19 crisis for resolution authorities and deposit insurers; IADI-LARC Webinar "Fintech Activities and the Impact of COVID-19: Specific concerns and challenges from a deposit insurance perspective"; IADI MENA Regional Committee Webinar "IADI Core Principle 4: Coordination and cooperation between deposit insurers and other safety-net players in normal times and in crises"

19 The council committees include the: Member Relations Council Committee (MRC); Audit and Risk Council Committee (ARCC); and Training and Technical Assistance Council Committee (TTAC).

The JDIC was also appointed the chairperson for the Caribbean Regional Committee (CRC)[20] in September 2020, upon the expiration of the Deposit Insurance Corporation of Trinidad and Tobago's term. During the reporting period, as chairperson of the CRC, the JDIC continued to pursue previous initiatives to promote collaborations and cooperation among the CRC members and other Caribbean partners that are in the process of exploring and /or establishing a deposit insurance system.

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

The JDIC has been integrally involved in the work of the Caribbean Community (CARICOM) Secretariat along with representatives from other member countries to develop a Model Deposit Insurance Policy for the Caribbean Community (the Policy). The Policy developed in line with the IADI Core Principles for Effective Deposit Insurance Systems promotes the introduction of a best practice deposit insurance system through either the reform of an existing deposit insurance system, or the establishment of a new system in each Member State (or among a group of Member States) so as to encourage market confidence and support financial stability in the Community. Of the 15 Member States of CARICOM, 6 members have established an explicit DIS[21].

The work of the JDIC included: chairing the technical working group tasked with drafting the Policy and the sharing of knowledge and technical expertise in drafting the key design features of a deposit insurance system giving due consideration to the issues faced by small and developing economies.

The Draft CARICOM Policy on Deposit Insurance was finalized during the review period and tabled at the Eight Special Meeting of the Council of Finance and Planning (COFAP) held on April 1, 2021.

20 Other members of the CRC include the Barbados Deposit Insurance Corporation; Deposit Insurance Corporation, Bahamas; Deposit Insurance Corporation, Trinidad & Tobago; as well as associate members, the Ministry of Finance Government of the Virgin Islands and the Central Bank of Belize.

21 These member states include Bahamas, Barbados, Belize, Guyana, Jamaica, and Trinidad and Tobago

MANAGEMENT OF STRATEGIC RESOURCES

HUMAN RESOURCE

Talent management remains critical to achieving the JDIC's objectives and the Human Resources Unit strives to deliver exceptional service and resources in an effort to create a culture where employees are engaged and empowered. In this regard, the corporate strategy "Building Sustainable Human Resource Capacity" and the supporting strategic initiatives were central to the Corporation's operations during the review period.

The approved staff establishment for FY2020/21 was 43 persons, however the Corporation started and ended the year with a complement of 29 and 28 persons, respectively. Recruitment was impacted for some positions due the delay of some organisation initiatives, as well as by the uncompetitive compensation packages. Retention also continued to be challenging as in previous years. A comprehensive organisation review, job evaluation and reclassification exercise was completed and submitted to the MoFPS for approval in August 2018. The recommendations were to enhance the Corporation's operation model and structure in order to ameliorate persistent recruitment and retention challenges. The Corporation continues its dialogue with the Ministry for approval and implementation. These staffing challenges have 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 recognize 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 due to technological advancements and regulatory risk increase. During the review period, staff skills and competencies were upgraded through participation in training courses and conferences in areas including: Executive Leadership, Risk Management, Strategic Planning, Financial Modeling, Treasury Management, Financial Technology, Digital Banking and Supervisory Technology, Professional and Legal training. Team members also participated in Crisis Preparedness and Resolution Options for Financial Regulators & Supervisors, Central Bankers, Deposit Insurance and Senior Ministry of Finance Officials.

OCCUPATIONAL HEALTH AND SAFETY

The Corporation remains committed to promoting an environment of good occupational health and safety practices, which saw employees participating in ongoing health and wellness programmes. In response to the COVID-19 pandemic, the Corporation adopted infection prevention and control strategies using appropriate combinations of administrative controls, safe work practices, and personal protective equipment (PPE) to prevent employee exposure.

Addressing Employee COVID-19 Issues

Business continuity management in relation to minimizing the effects of COVID-19 on employees well-being and corporate productivity was paramount. Focus remained on ensuring that employees had the requisite information and resources to maintain personal safety and that information technology systems were enhanced and tailored to meet business needs unique to the 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 the environment was continuously changing, 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:

- Keeping staff up to date with relevant information;
- Purchasing and distributing appropriate sanitization products;
- Granting remote access to employees allowing them to work from home with robust data security and operational protocols;
- Providing a subsidy to each employee to assist with setup of remote work office; and
- Strategizing the scheduling of staff attendance to ensure appropriate social distancing.

The Corporation continues to be proactive in managing workplace safety during the COVID-19 pandemic by being alert and informed about changes in outbreak conditions, including how it relates to community spread, testing availability, vaccination programmes and updates on infection prevention and control measures accordingly.

INFORMATION AND COMMUNICATION TECHNOLOGY

The Corporation continues to pursue the key initiative of "Leveraging Information and Communication Technology (ICT) for Operational Efficiency" to improve its digital strategy, while being prepared for unforeseen events in a rapidly changing environment. Speed, flexibility, cost efficiency, reduced risk, cyber security and operational simplification are the characteristics that define the business' ICT operating platform, all critical to the operations and achievement of the Corporation's strategic objectives.

During FY2020/21, the Corporation executed several projects to upgrade the ICT infrastructure. These projects were introduced /implemented to improve business processes, disaster recovery preparedness and enhance the remote work experience. To facilitate the remote working arrangements, measures such as a secure VPN channel is used by staff members to access the Corporation's data. This technology protects the confidentiality and integrity of the Corporation's information asset by reducing the risks of cyber attacks.

A Disaster Recovery Simulation exercise was conducted during the year to assess the Corporation's preparedness for a disaster /disruption. The simulation yielded successful results and areas for improvement were identified to strengthen the Corporation's disaster recovery and preparedness posture.

SUMMARY PERFORMANCE SCORECARD

BUSINESS STRATEGY/ KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES FY2021/22
1. PROACTIVE READINESS AND RESOLUTIONS MANAGEMENT		
1.1 Continue the Phased Implementation of Standard Recordkeeping Guidelines and Compliance Framework for Policyholders	Green	Complete the detailed review/update of the Recordkeeping Guidelines and Compliance Framework to incorporate feedback received from Policyholders during the annual compliance assessments.
1.2 Engage Member Institutions, Nominees and Trustees to Ensure Their Operations Allow for Separate DI Coverage for Beneficiaries	Amber	Develop procedural guidelines for member institutions and professional intermediaries acting as trustees and nominees on their obligations, disclosure and recordkeeping requirements.
1.3 Strengthen the Resolution Management Framework:		
1.3.1 Make Proposals for Legislative Amendments to ensure the Corporation has the necessary powers to act in Resolution	Amber	Collaborate with the MoFPS to have legislative amendments tabled in Parliament.
1.3.2 Continue to Develop Internal Policies, Processes and Pre-Drafted Legal Documents, Notices and other Material for a Resolution Toolkit	Green	Continue development of the Resolution Toolkit to operationalize Special Resolutions Regime provisions.
1.3.3 Increase Public Awareness and Transparency of JDIC's Role in Resolution	Amber	Finalize the information for inclusion in the Corporation's public education programme to increase awareness of JDIC's role in resolution.
1.4 Conduct Crisis Communication/Media Training and Simulation Activities	Amber	Conduct media training and simulation exercise.
1.5 Admission of Credit Unions to the Deposit Insurance Scheme	Green	Continue collaboration/information sharing with the BOJ and JCCUL in preparation for the admission of Credit Unions to the DIS.
1.6 Update the Monitoring and Risk Assessment Policies and Procedures and the Policyholder Risk Assessment Framework (PRAF) and Compliance Framework	Green	Complete updating of the Membership Admission Framework to include appropriate methodologies for the Credit Union Sector.
1.7 Implement Member Institutions' Business Intelligence Software (MIBIS) for Monitoring, Risk Assessment and Resolution	Amber	Develop the MIBIS functional requirements to implement a solution that aligns with the overall ICT strategy for JDIC's digital transformation.
1.8 Establishment of Compensation Schemes (contingent of the FSC's timetable to advance this initiative)	Grey	Continue collaboration with the FSC to provide technical input towards the establishment of compensation schemes.

SUMMARY PERFORMANCE SCORECARD

BUSINESS STRATEGY/ KEY INITIATIVES		PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES FY2021/22
1.9	Review and Maintain the Contingency Funding Plan (CFP) for Resolution		Continue discussions with relevant GOJ agencies and potential contingency funding partners when the legislation to implement the special resolution framework is passed.
1.10	Conduct Deposit Insurance Fund (DIF) Adequacy Evaluation		Completed.
2	**STRONG PARTNERSHIPS**		
2.1	Collaborate with the CARICOM Secretariat and Member Countries to Develop a CARICOM Deposit Insurance Policy		Completed.
2.2	Implement Service Level Agreements (SLAs) for Information Sharing with Central Bank		Collaborate with the BOJ to update the draft SLA, including provisions under FIRA.
3	**LEVERAGING INFORMATION AND COMMUNICATION TECHNOLOGY FOR OPERATIONAL EFFICIENCY**		
3.1	Complete Payout Management Information System (PMIS) Development and Implementation Activities		Finalize implementation activities.
3.2	Finalize Framework for Establishing Advisory Panel		Send terms of engagement/expression of interest letter to SMEs.
3.3	Review the Scope of Coverage and the Coverage Limit		Completed.
3.4	Implement Investment Software		Identify and implement investment software upon completion of the Accounting system upgrades.
3.5	Upgrade Human Resource Management Information System (HRMIS) and Payroll Software		Implement upgraded HRMIS.
3.6	Implement Records and Information Management System (RIMS)		Continue manual implementation of the RIMS.
3.7	Review, Update and Simulate ICT Business Continuity Plan and Infrastructure		Review and update the ICT Business Continuity Plan.
4	**BUILDING SUSTAINABLE HUMAN RESOURCE CAPACITY**		
4.1	Implement Organisation Review, Job Evaluation and Reclassification		Commence implementation subject to approval by the MoFPS.
4.2	Strengthen the Human Resource Policies, Guidelines and Procedures Framework		Internal policy review complete. Engage consultant to conduct independent review and update of the Human Resource Policies, Guidelines and Procedures Framework.

SUMMARY PERFORMANCE SCORECARD

	BUSINESS STRATEGY/ KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES FY2021/22
4.3	Update Performance Management and Development System		Complete review of the Performance Management Appraisal process.
4.4	Implement JDIC Staff Pension Scheme		Implement Pension Scheme upon FSC approval.
5	**PUBLIC EDUCATION AND AWARENESS**		
5.1	Strengthen Social Media and Digital Advertising Campaign		Continue ongoing digital advertising campaign and monitoring to gauge effectiveness.
5.2	Design of a 'Dark' Website		Develop 'dark' site.
5.3	Produce New Radio, Television, Billboard (Mobile, Stationary and Bus Shelters) Advertisements, and Corporate Video		Produce Corporate Video.
5.4	Schools' Programme - Finalize Development and Promote Book on Financial Systems for Primary Schools		Launch and promote financial education book.
5.5	Host Fora - Policyholders; Public and Other Stakeholders		Completed.
5.6	Admission of Credit Unions to the Deposit Insurance Scheme (Contingent on the passing of the Credit Unions (Special Provisions) Act.)		Implement public education programme on the admission of Credit Unions to the DIS.

ON TRACK/COMPLETED DELAYED/RESCHEDULED NO EXPECTATIONS/NOT ON TRACK

Evolution of Financial Technology and Decentralized Finance: Policy Responses for Consideration by Deposit Insurers and Other Regulators

Introduction

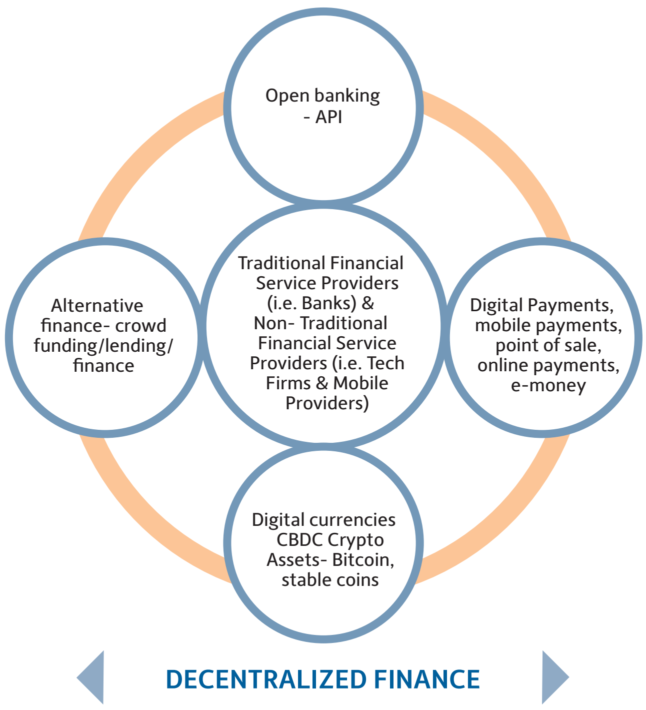
The global and domestic economies are in the middle of a technological revolution that is reshaping the future of financial systems. The evolution of financial technology (Fintech) is changing the traditional business model of deposit taking institutions (DTIs) and other financial service providers as well as expanding the number and diversity of financial services, providers, and delivery channels. Financial system regulatory authorities (central banks, supervisors/regulators and deposit insurers) must therefore be proactive in their policy responses. This is against the background that, Fintechs present several opportunities and challenges, and are also decentralizing finance by reducing or eliminating the need for intermediaries or centralised processes that have traditionally been involved in the provision of financial services.

The Financial Stability Board (FSB) has defined Fintech as "technologically enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services."

Evolution of Fintech Products and Services

Some Types of Fintech Developments are highlighted below in **Figure 18.**

Figure 18.



Fintechs - Opportunities and Challenges

The evolution of Fintech products and services presents several opportunities for the provision of financial services. These include prospects for increase market access, more diversified and expanded scope of financial products and service offerings, ease of access and convenience, lower costs to service providers and consumers, greater competition as well as advancing financial inclusion programmes.

Fintech has enabled traditional deposit taking institutions (DTIs) to deliver related services through third-party agents and electronic channels such as computers or smartphone applications. There is also the growth of purely virtual DTIs that have no physical branch presence. Further, Fintech products and services are also being developed and provided directly by non-bank entities such as mobile network operators and tech companies. Prompted by the ongoing rise of electronic means of payment, and the emergence of alternative digital currencies such as Bitcoin and the impending 'death of cash', some central banks across the world have commenced experiments to start or have started to issue "digital cash" – an electronic version of notes and coins also known as a central bank digital currency.

These types of access to financial services through technological applications may reduce or eliminate the need for intermediaries or centralized processes that have traditionally been involved in the provision of financial services. Consequently, giving rise to a more decentralized financial system and at the same time expanding the group of financial service providers outside of the traditional financial system.

Despite the opportunities that Fintech presents, its evolution has implications for the complexity and structure of financial systems and financial system stability. More specifically and relevant to deposit insurers, some of these Fintech developments are contributing to the blurring of the lines between financial products and services offered within and outside the traditional financial system. Consequently, creating the potential to mislead and perplex financial consumers and the public as to whether a product is a deposit and is guaranteed by the deposit insurance scheme, creating several policy issues for deposit insurers and other members of the financial system safety net.

Policy Responses for Consideration by Deposit Insurers and Other Regulators

The developments in Fintech have given rise to the need for regulatory authorities to be proactive and implement appropriate and timely policy responses. In this regard, regulatory authorities including deposit insurers are currently undertaking several key initiatives to support Fintech and the decentralization of financial systems while managing the risk posed to financial system stability. The table on page 88 highlights Jamaica and other selected jurisdictions policy responses and initiatives to date to support and leverage the development of Fintechs and mitigate against risks to the financial system.

As deposit insurers seek to embrace and support the evolution of Fintechs, the following are some key policy issues for considerations:

Public Policy - The principal public policy objectives for deposit insurers are to protect depositors and contribute to financial system stability. Deposit insurers should assess if these technological developments in their respective jurisdictions pose new challenges to achieving the public policy objectives. Of note, protection of financial consumers may be problematic when innovations target consumers outside the traditional financial system. A wider scope public policy objective to include protecting financial consumers and supporting financial inclusion may be necessary. However, this requires analyzing the opportunities and risks, unique features and potential implications the evolution of the range of Fintech products and services will have on financial markets.

Legal Clarity - Regulators are being urged to issue specific frameworks to increase legal certainty, remove hurdles for Fintech products and limit risks of misuse as well as to avoid uncertainties concerning the determination of legal liability and consumer protection.

Financial Stability - Regulators should design an adequate policy framework that addresses the risks of fair competition and financial stability on both domestic and international levels. Decentralized financial technologies may raise risks such as concentration risks; greater procyclicality; unclear responsibility and accountability due to permission less systems; and recovery and resolution challenges that causes market participants to lose confidence in financial markets and may increase risks to financial stability. The role of the regulators and deposit insurer is to ensure that technological platforms are sufficiently regulated, and to determine whether deposit insurance or other safeguards are required.

Regulatory Framework - Coordination and communication between the deposit insurer and other safety net players are crucial to determine how these new Fintech platforms fit into the financial system. Determining what Fintech products and services can and should be regulated is critical. This will involve issuing new or revisions to existing regulations and licensing regimes for participants and service providers of Fintech products including non-financial entities. Regulations must be proportionate and at the same time equitable to ensure a level playing field with traditional financial institutions as well as align with the deposit insurance legal and operating frameworks where applicable. E.g. service providers should be required to collect the names of transaction senders and receivers and must have Anti-Money Laundering ("AML") and FATF policies and procedures as well as other recordkeeping requirements that meet the needs of the deposit insurer.

Market Conduct - As the market for Fintech grows, regulators as part of their licensing regime should ensure market participants: fully understand how their activities fall within the scope of regulation; follow market conduct rules that will address potential ambiguity; and promote market integrity.

Financial Consumer Protection - In centralized finance, DTIs are required by law to hold a certain amount of their capital as reserves, to maintain stability and depositors are protected under a deposit insurance scheme. Deposit insurers should research the appropriateness and available options to extend deposit insurance coverage to selected Fintech products that are not traditional deposits to ensure they meet their public policy objectives.

Coverage and Membership in the DIS – Not all Fintech products and services based on their features and/or legal nature will be eligible for deposit insurance. Where applicable, protection to the consumers of Fintech products, should be subject to safeguard arrangements /requirements guided by several factors. These include: ensuring a robust regulatory framework and oversight of these entities (of note, traditionally, these entities are not accustomed to such oversight); levying of payment of deposit insurance premiums that would increase the operational costs and could offset some of the lower transaction costs; and assessing the practical and technical complexities of implementing the various coverage approaches. There are three approaches to coverage i.e. exclusion, direct, and indirect/ pass-through that have been implemented in various jurisdictions. Deposit insurers should assess the viability of each option relevant to the structure of their financial system.[22]

Consumer Financial Literacy and Public Awareness - Given the variety of new products and services that co-exist and intermingle with traditional financial products and payment services, deposit insurers should ensure the public is aware of what is covered and what is not. Fintechs are creating financial services and products that utilize emerging technologies, lower barriers to entry and reduce costs presenting an opportunity to "banking the unbanked". However, there exist the potential for exploiting the vulnerable. In this regard, DIOs play a key role in public awareness and consumer financial literacy in order to help consumers to understand the difference between uninsured alternative finance instrument and deposits that are insured under the scheme. This will help consumers and investors to make better financial decisions.

Enhance dialogue with a wider group of stakeholders – Regulators should engage key stakeholders involved in supporting or providing Fintech services and bring the key players into the formal financial system, particularly the technology sector that have had limited interaction with financial regulators to date. This is to help avoid the emergence of unforeseen complications in the design of decentralized financial technologies at a later stages. Consideration should be given to whether there are also regulators outside the financial safety-net (e.g. the telecommunications) that need to be brought into discussions with financial safety-net regulators and become part of the FSSN.

CONCLUSION

Although the developments in Fintech have been in motion for several years, the COVID-19 pandemic has created new opportunities for Fintech products and services to accelerate and enhance financial inclusion, amid social distancing and containment measures.

Looking ahead, given the anticipated increased use and offerings of Fintech products, regulatory authorities including deposit insurers must keep pace with the developments and emerging trends in their domestic and the global markets and implement proactive policy responses. The public policy objectives, mandate and design features of deposit insurance schemes particularly membership, scope of coverage and funding options should be assessed to ensure consistency with the legal framework and the technical complexities of implementing the various coverage options for Fintechs i.e. using the direct and/or indirect/pass-through coverage where applicable. It may also be necessary to establish separate financial consumer

22 While the direct approach provides insurance for Fintech customers recognizing their funds as eligible deposits (hence, protecting customers when the Fintech service provider fails), it generally does not provide protection when the DTI holding the float account fails. The pass-through approach is applicable only in the event of the failure of the DTI that maintains the custodian account eligible Fintech service provider and not the failure of the service provider.

compensation schemes to avoid co-mingling with traditional deposit insurance. Regulations to provide robust oversight of key Fintech participants and service providers to ensure legal certainty and consumer protection as well as public education targeted at the most vulnerable should be prioritized using a coordinated and collaborative approach among deposit insurers and other regulators.

No.	Selected Jurisdiction	Initiatives
1.	Jamaica	The Bank of Jamaica (Central Bank) in 2020 commenced reforms to the payment, clearing and settlement systems. Particularly in regard to the development of the regulatory framework for Payment Service Providers (PSP) that are not deposit-taking institutions. The reforms seek to license and provide oversight of PSPs authorizing them to provide services relating to issuing or acquiring payment instruments and transferring money or value, including issuance of electronic money. PSPs that are required to maintain custodian accounts at JDIC member institutions are eligible for deposit insurance using the pass through approach pursuant to the Deposit Insurance (Joint, Trust and Nominee) Account Regulations. In 2018, the Jamaica Stock Exchange partnered with a Block Chain service provider to provide an end-to-end compliant platform to facilitate crypto assets trading in Jamaica in response to brokers and investors demand to trade digital assets locally. The Financial Services Commission has responsibility for providing the regulatory framework to facilitate this new investment and has commenced implementation of the framework.
2.	Jamaica, Bahamas, Trinidad & Tobago, Eastern Caribbean and Canada	Central Banks are at varying stages of exploring and implementing CBDC initiatives Particularly for Jamaica, the Bank of Jamaica July 2020 invited CBDC providers to submit development and testing plans for CBDC solutions in a controlled environment in its recently established Fintech Regulatory Sandbox. Financial inclusion, improved management processes, costs, and commitment to Jamaica's transition to a digital economy were cited as the primary benefits that Bank of Jamaica anticipated achieving with CBDC.
3.	Bermuda	In 2018, Bermuda's Government created a comprehensive crypto framework and worked quietly towards a potential pilot program. In February 2021, the Bermuda dollar pilot test began.
4.	European Union	In September 2020, the European Commission announced a comprehensive package of legislative proposals and the updating of certain financial rules for the regulation of crypto-assets. The proposed Markets in Crypto-assets Regulation (MiCA), intends to replace national rules covering the issuance, trading and storing of such crypto-assets and covers issuers, service providers, wallet operators and crypto-exchanges. The driving force for this comprehensive proposal was the importance of legal certainty and clarity of regulatory regime in areas pertaining to block chain based applications.
5.	Nigeria, Kenya	These DIOs provide protection to e-money customers using the pass through approach.
6.	Switzerland	The Swiss Federal Council drafted a proposal in 2019 to amend Federal Laws to further improve the regulatory framework for Distributed Ledger Technology (DLT) in Switzerland by increasing legal certainty, removing hurdles for DLT-based applications and limiting risks of misuse. The proposal was examined in Parliament in early 2020.
7.	USA	The Office of the Comptroller of the Currency (OCC) published clarification in July 2020 in regard to national banks and federal savings associations' authority to provide cryptocurrency[23] custody services for customers so long as they effectively manage the risks and comply with applicable law. The Federal Reserve in February 2021, published "Preconditions for a general-purpose central bank digital currency," (CBDC).

23 The term "cryptocurrency" also encompasses digital assets that are not broadly used as currencies.

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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 ($)
MYRTLE HALSALL, CHAIRMAN	85,200	-	-	-	85,200
AISHA WRIGHT, DIRECTOR	48,000	-	-	-	48,000
LISA LEWIS, DIRECTOR	42,500	-	-	-	42,500
HERBERT HYLTON, DIRECTOR	69,400	-	-	-	69,400
VERNON MCLEOD, DIRECTOR	59,700	-	-	-	59,700
DR JIDE LEWIS, DIRECTOR	54,500	-	-	-	54,500
ANTOINETTE MCKAIN, DIRECTOR/CEO	-	-	-	-	-
TOTAL	**359,300**				**359,300**

SENIOR EXECUTIVES

NAME AND POSITION OF SENIOR EXECUTIVE	YEAR	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	FY2020/21	10,385,370	2,503,616	2,745,684	-	2,633,203	-	18,267,874
RONALD EDWARDS DIRECTOR, FINANCE, FUNDS AND ASSET MANAGEMENT	FY2020/21	6,042,151	1,679,021	1,697,148	-	2,471,758	-	11,890,077
STACIE-ANN CARTY, GENERAL COUNSEL / CORPORATE SECRETARY	FY2020/21	4,531,613	3,033,525	1,272,861	-	1,664,169	-	10,502,168
ELOISE WILLIAMS DUNKLEY DIRECTOR, INTERVENTION, RESOLUTIONS AND INTERNATIONAL RELATIONS	FY2020/21	6,414,134	1,579,122	1,697,148	-	1,551,705	-	11,242,109
DAWN MARIE BROWN DIRECTOR, MONITORING AND RISK ASSESSMENT	FY2020/21	6,023,555	1,499,900	1,697,148	-	1,341,527	-	10,562,130
TOTAL	FY2020/21	**33,396,823**	**10,295,184**	**9,109,989**	**-**	**9,662,362**	**-**	**62,464,358**

Note: Other Allowances/Benefits include Medical and Group Life Premiums, Vacation Leave Payments, COVID-19 Assistance Payments, Merit Payments and Interest Rate Subsidy.

AUDITED FINANCIAL STATEMENTS FY2020/2021

CONTENTS

KPMG
Chartered Accountants
P.O. Box 436
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 97 to 137, which comprise the Deposit Insurance Fund statement of financial position as at March 31, 2021, 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, 2021, 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA DEPOSIT INSURANCE CORPORATION

Report on the Audit of the Financial Statements (continued)

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

As part of an audit in accordance with 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

June 23, 2021

JAMAICA DEPOSIT INSURANCE CORPORATION

DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

	Notes	2021 $'000	2020 $'000
ASSETS			
Cash and cash equivalents	3(a)	3,738,388	863,482
Investment securities	5	25,487,747	24,031,160
Trade and other receivables	6	25,618	28,360
Property, plant and equipment	7	283,367	276,920
TOTAL ASSETS		29,535,120	25,199,922
LIABILITIES, EQUITY, RESERVES AND FUND			
LIABILITIES			
Unearned premium income	8	427,237	2,942
Trade and other payables		53,223	58,837
		480,460	61,779
EQUITY, RESERVES AND FUND			
Share capital	9	1,000	1,000
Capital reserves	10	158,145	158,145
Fair value reserves	11	793,517	241,879
Deposit insurance fund	12	28,101,998	24,737,119
		29,054,660	25,138,143
TOTAL LIABILITIES, EQUITY, RESERVES AND FUND		29,535,120	25,199,922

The financial statements on pages 97 to 137 were approved for issue by the Board of Directors on June 23, 2021 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.

JAMAICA DEPOSIT INSURANCE CORPORATION

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

YEAR ENDED MARCH 31, 2021

	Notes	2021 $'000	2020 $'000
Income:			
Insurance premiums		1,696,898	1,498,335
Interest earned		1,548,725	1,518,376
Foreign exchange gain		470,871	528,540
Other income		-	452
Gain on disposal of investment		-	455,587
		3,716,494	4,001,290
Expenses:			
Administration expenses	13	(351,395)	(288,312)
Impairment loss on financial assets		(220)	(3,437)
Surplus from operations		3,364,879	3,709,541
Other comprehensive income/(loss):			
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/(loss) on securities measured at fair value through other comprehensive income (FVOCI)		547,414	(183,835)
Realised gain on securities measured at FVOCI		-	(455,587)
Expected credit loss on securities measured at FVOCI		4,224	5,260
		551,638	(634,162)
Other comprehensive income/(loss)		551,638	(577,618)
Total comprehensive income		3,916,517	3,131,923

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

JAMAICA DEPOSIT INSURANCE CORPORATION
DEPOSIT INSURANCE FUND STATEMENT OF CHANGES IN EQUITY, RESERVES AND FUND
YEAR ENDED MARCH 31, 2021

	Share Capital $'000 (Note 9)	Capital reserves $'000 (Note 10)	Fair value reserves $'000 (Note 11)	Deposit insurance fund $'000 (Note 12)	Total $'000
Balances 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 loss on securities measured at FVOCI	-	-	(183,835)	-	(183,835)
Surplus on revaluation of land and building	-	56,544	-	-	56,544
Realised gain on securities measured at FVOCI	-	-	(455,587)	-	(455,587)
Expected credit loss on securities measured at FVOCI	-	-	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
Surplus from operations				3,364,879	3,364,879
Other comprehensive income:					
Unrealised loss on securities measured at FVOCI	-	-	547,414	-	547,414
Expected credit loss on securities measured at FVOCI	-	-	4,224	-	4,224
Total comprehensive income	-	-	551,638	3,364,879	3,916,517
Balances at March 31, 2021	1,000	158,145	793,517	28,101,998	29,054,660

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

DEPOSIT INSURANCE FUND STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2021

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities:			
Surplus for the year		3,364,879	3,709,541
Adjustments for:			
Depreciation	7	16,856	6,469
Interest income		(1,548,725)	(1,518,376)
Unearned premium income		424,295	2,942
Foreign exchange gain		(470,871)	(528,540)
Impairment loss on financial assets	16(b)(iv)	220	3,437
Gain on disposal of property, plant and equipment		-	(37)
Gain on disposal of investment		-	(455,587)
Operating profit before changes in working capital		1,786,654	1,219,849
Changes in:			
Trade and other receivables		2,742	(720)
Trade and other payables		(5,614)	1,081
		(2,872)	361
Net cash provided by operations		1,783,782	1,220,210
CASH FLOWS FROM INVESTING ACTIVITIES:			
Addition to property, plant and equipment	7	(23,303)	(32,421)
Disposal proceeds		-	258
Investment securities, net		367,968	(1,985,928)
Interest received		746,459	1,470,548
Net cash provided by/(used in) investing activities		1,091,124	(547,543)
Increase in cash balance at end of year		2,874,906	672,667
Cash balance at the beginning of the year		863,482	190,815
Cash balance at the end of the year		3,738,388	863,482

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 $1,200,000 (2020: $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 came into effect the during the current financial year, none of which had any significant impact on these 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 IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance contracts* and IFRS 16 *Leases*, is effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revise discount rate that reflects the change in interest rate will be used in remeasuring the lease liability.

2. Basis of Preparation (continued)

(a) Statement of compliance (continued):

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

- Amendments to IFRS 9 *Financial Instruments* (continued)

  The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

  The Corporation is assessing the impact that this amendment will have on its future financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after 1 January 2023. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Corporation is assessing the impact that this amendment will have on its future financial statements.

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets*, is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

  The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

2. Basis of Preparation (continued)

(a) Statement of compliance (continued):

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

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* (continued)

  This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

  The Corporation is assessing the impact that this amendment will have on its future financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to certain standards and are effective for annual periods beginning on or after January 1, 2022. The amendment that affect the company's operations is IFRS 9 *Financial Instruments*.

  IFRS 9 *Financial Instruments*, amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The Corporation is assessing the impact that this amendment will have on its future financial statements.

(b) Basis of preparation and functional currency

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

(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.

2. Basis of Preparation (continued)

(c) Use of judgements and estimates (continued):

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) 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. Significant Accounting Policies

(a) Cash and cash equivalents

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

(b) Trade and other receivables

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

(c) Property, plant and equipment

Land and buildings are shown at fair value based on triennial valuations by external independent 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.

3. Significant Accounting Policies (continued)

(d) Trade and other payables

Trade and other payables are measured at cost.

(e) Revenue recognition

(i) Insurance premiums

Insurance premiums are based on the amount of insurable deposits held by member institutions as at December 31, 2019. Insurance premiums are payable initially on the issuance of a policy and subsequently in annual or half yearly installments on or before the policy's anniversary date. Premium income is recognised on the accrual basis.

(ii) Interest income

Interest income is 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 fair value through profit or loss (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;

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;

3. Significant Accounting Policies (continued)

(i) Impairment (continued)

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

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

- 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.

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.

3. Significant Accounting Policies (continued)

(i) Impairment (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 (continued).

- 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.

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.

(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 classifies its financial assets in the following measurement categories:

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

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

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

Financial assets

The classification requirements for debt instruments 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(i). Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

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

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

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

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

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

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

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.

(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.

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(iv) Derecognition (continued)

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

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

(j) Financial instruments (continued)

(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).

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

	2021 $'000	2020 $'000
(a) Amortised Cost:		
Government of Jamaica	9,458,276	10,179,706
Impairment [note 16(b)(iv)]	(31,176)	(35,180)
Interest accrued	509,928	103,806
	9,937,028	10,248,332
(b) Fair Value through Other Comprehensive Income:		
Government of Jamaica	14,978,479	13,606,732
Interest accrued	572,240	176,096
	15,550,719	13,782,828
	25,487,747	24,031,160

(c) Remaining term to contractual maturity

	2021			
	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	-	-	8,026,200	8,026,200
Benchmark investment note	-	542,882	-	542,882
BOJ FR USD CD	619,194	-	-	619,194
BOJ FR JMD CD	270,000	-	-	270,000
Interest accrued	509,928	-	-	509,928
Impairment loss	(2,290)	(1,906)	(26,980)	(31,176)
	1,396,832	540,976	7,999,220	9,937,028
Fair Value through Other Comprehensive Income:				
Government of Jamaica-				
Benchmark investment note	1,595,722	2,849,541	2,923,247	7,368,510
GOJ Global Bond	445,286	4,697,351	2,467,332	7,609,969
Interest accrued	572,240	-	-	572,240
	2,613,248	7,546,892	5,390,579	15,550,719
	4,010,080	8,087,868	13,389,799	25,487,747

5. Investment securities (continued)

(c) Remaining term to contractual maturity (continued)

	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

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

	2021			
	Under 1 year %	1 to 5 years %	over 5 years %	carrying value %
Fixed rate accreting notes	-	-	10.00	10.00
Benchmark investment notes	7.38	5.88	8.01	7.09
BOJ FR USD CD	2.05	-	-	2.05
GOJ Global bond	7.63	7.86	6.19	7.23

	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

6. Trade and other receivables

	2021 $'000	2020 $'000
Withholding tax recoverable	-	8,918
Prepayments	1,323	1,105
GCT input tax	17,895	17,232
Other recoverable	6,400	1,105
	25,618	28,360

7. Property, plant and equipment

	Land $'000	Building & freehold improvement $'000	Furniture & fixtures $'000	Work-in-progress $'000	Computers machines & equipment $'000	Total $'000
At cost:						
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
Transfer				(83,171)	83,171	-
Additions	-	-	1,868	-	21,435	23,303
March 31, 2021	79,000	101,000	17,168	-	157,977	355,145
Depreciation:						
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
Charge for the year	-	2,845	403	-	13,608	16,856
March 31, 2021	-	3,441	11,899	-	56,438	71,778
Net book values:						
March 31, 2021	79,000	97,559	5,269	-	101,539	283,367
March 31, 2020	79,000	100,404	3,804	83,171	10,541	276,920

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.

7. Property, plant & equipment (continued)

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, 2021.

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

	2021 $'000	2020 $'000
Cost	36,591	36,591
Accumulated depreciation	(15,925)	(15,011)
Net book value	20,666	21,580

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

The unearned premium income balance of $427,236,565 (2020: $2,942,450) represents the portion of insurance premiums received from policyholders relating to the period subsequent to year end.

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

The fair value reserves represent the cumulative net change in the fair value of debt securities at FVOCI until the assets are derecognised or impaired.

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).

	2021 $'000	2020 $'000
Balance as at April 1	24,737,119	21,027,578
Surplus from operations:		
Surplus from insurance operations	1,696,898	1,498,335
Surplus from investment and administration operation	1,667,981	2,211,206
	3,364,879	3,709,541
Deposit insurance fund at year end	28,101,998	24,737,119

(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

	2021 $'000	2020 $'000
Auditors' remuneration	3,830	1,838
Depreciation (note 7)	16,856	6,469
Directors' emoluments –		
Fees	359	300
Management remuneration	18,268	19,234
Printing and stationery	1,613	392
Professional fees	27,729	22,411
Public education	38,712	16,365
Repairs and maintenance	1,571	1,909
Staff costs (excluding directors' management remuneration)	204,309	177,512
Utilities	10,637	9,952
Other expenses	27,511	31,930
	351,395	288,312

14. Staff costs

	2021 $'000	2020 $'000
Wages and salaries	98,199	102,629
Statutory contributions	10,917	8,596
Others	95,193	66,287
	204,309	177,512
Management remuneration	18,268	19,234
	222,577	196,746

The number of persons employed by the Corporation at the end of the year was 28 (2020: 29).

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:

	2021 $'000	2020 $'000
Investment balance	24,615,511	23,238,873

(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:

	2021 $'000	2020 $'000
Investment balance, net of impairment	903,413	792,287
Cash balance	3,737,520	859,661
	4,640,933	1,651,948

(c) Transactions and balances with key management:

	2021 $'000	2020 $'000
Wages and salaries	32,232	25,934
Statutory contributions	1,818	1,418
Other staff benefits	11,965	9,440
	46,015	36,792

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, 2021. The Corporation has no foreign currency liabilities.

16. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	2021 $'000	2020 $'000
J$ equivalent		
Financial assets		
Investment securities	8,532,207	7,464,490
Cash at bank	19,453	23,235
	8,551,660	7,487,725

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 2021	Effect on surplus and deposit fund 2021 $'000	% change in currency 2020	Effect on surplus and deposit fund 2020 $'000
US$ against the J$-				
Revaluation	(2)	(171,033)	(2)	(149,755)
Devaluation	6	513,100	6	449,264

(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.

	2021		
	US$ denominated $'000	J$ denominated $'000	Total $'000
J$ Equivalent			
Fixed rate	8,229,163	7,638,510	15,867,673
Variable rate	-	542,882	542,882
	8,229,163	8,181,392	16,410,555

16. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	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

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 2021 $'000	Effect on equity 2020 $'000
Jamaica dollar instruments		
Change in basis points:		
(2021: - 100) (2020: - 100)	(76,385)	(70,532)
(2021: + 100) (2020: + 100)	76,385	70,532
US dollar instruments		
Change in basis points:		
(2021: - 100) (2020: - 100)	(82,292)	(73,440)
(2021: + 100) (2020: + 100)	82,292	73,440

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 (2020: +/-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 2020.

	2021		2020	
	Effect on surplus from operations		Effect on surplus from operations	
	100bp Increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
Cash flow sensitivity	5,429	(5,429)	15,078	(15,078)

(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 and FVOCI debt instruments. 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	
	2021	2020
	Stage 1 12-month ECL	Total
	$'000	$'000
Credit grade		
Non- investment grade	14,978,479	13,606,732
Loss allowance	43,916	39,692

	Debt securities - Amortised	
	2021	2020
	Stage 1 12-month ECL	Total
	$'000	$'000
Credit grade		
Non- investment grade	9,458,276	10,179,706
Loss allowance	31,176	35,180

(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, 2020 and March 31, 2021, 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, 2020	39,692
Net remeasurement of loss allowance	4,224
Balance as at March 31, 2021	43,916

Debt securities –Amortised Cost:	Stage 1 12-month ECL
	$'000
Balance as at April 1, 2020	35,180
New financial assets sold, net of financial assets purchased	(4,004)
Balance as at March 31, 2021	31,176
Impairment loss on financial assets	220

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

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

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

(c) Liquidity risk

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

16. Financial risk management (continued)

(c) Liquidity risk (continued)

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). The Corporation is not subject to externally imposed capital requirements, and there were no changes in what the Corporation considers as capital, and management of capital was performed on a basis consistent with that of prior years.

The Corporation's principal objective is to establish and manage a scheme for the insurance of deposits, or part thereof, held by Policyholders against the risk of loss of deposits up to a maximum of $1,200,000 (2020: $600,000) per depositor per ownership category, per institution. The current maximum limit was increased to $1,200,000 effective August 31, 2020, from $600,000 which was in effect since 2007. 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.

16. Financial risk management (continued)

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

As at December 31, 2020, there were 11 (2019: 11) member institutions with total insured deposits estimated at $525.4 billion (2019: $366.9 billion), of which the DIF covered 5.2% (2019: 6.4%). 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.

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.

17. Fair values of financial instruments (continued)

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

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:

		2021		
		Carrying value		Fair value
	Notes	FVOCI $'000	Total $'000	Level 2 $'000
Financial assets measured at fair value:				
Government of Jamaica securities	5	15,550,719	15,550,719	15,550,719

		2021		
		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	9,937,028	9,937,028	9,937,028

		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

17. Fair values of financial instruments (continued)

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

		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

18. Capital commitment

As at March 31, 2021 the Corporation had capital commitment in relation to the development of the Payout Management Information System (PMIS) at the budgeted cost of $30 million (2020: $46.40 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 Management Committee was mandated to meet on a monthly basis to review and direct the responses to the COVID-19 pandemic.

(ii) The Disaster, Preparedness, Recoveries and Business Continuity Plans were reviewed and procedures updated and implemented for the pandemic;

(iii) 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;

(iv) 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 policy was established and a strategy to minimize the number of employees in office was implemented with minimal disruptions to the operations of the Corporation; and

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

The Corporation continues to follow the Government's guidelines and monitor the impact of and recovery from 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.org @jdicjam