



Jamaica Deposit Insurance Corporation Annual Report 2021/22



PROVIDING PROTECTION
FOR DEPOSITORS...
CONTRIBUTING TO
FINANCIAL STABILITY

July 29, 2022

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 2021/2022 and a copy of the Corporation's Accounts as at March 31, 2022, 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).

A handwritten signature in white ink, appearing to read "Myrtle Halsall". The signature is fluid and cursive, with a large initial "M" and "H".

Your 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 confidence and stability in Jamaica's financial system the Jamaica Deposit Insurance Corporation:

- Protects depositors against loss of their insured deposits
- Facilitates the resolution of non-viable Deposit Taking Institutions in cooperation with the Financial System Safety Net Agencies
- Promotes financial consumer education and financial inclusion

and for these purposes manage the Deposit Insurance Fund.

To execute its Mission, the Corporation will create a knowledge management environment which promotes excellence in professional and technical expertise acknowledging employees as our internal customers and allowing them to realize their full potential.

CORE VALUES

ACCOUNTABILITY

We accept our responsibilities, strategies and initiatives and carry them out in a transparent manner.

INTEGRITY

We promise to adhere to strong moral and ethical principles in carrying out our responsibilities.

PROFESSIONALISM

We exercise skill, good judgement and adherence to appropriate standards and practices, communicating effectively and appropriately, always pursuing team objectives and ensuring the highest level of productivity in the performance of our duties.

TEAMWORK

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

EXCELLENCE

We continuously measure and monitor productivity to improve our operations.

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
DIS	Deposit Insurance Scheme
DTIs	Deposit Taking Institutions
ERM	Enterprise Risk Management
FAAA	Financial Administration and Audit Act
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
NFCPMP	National Financial Crisis Preparedness and Management Plan
NFIC	National Financial Inclusion Council
NFIS	National Financial Inclusion Strategy
NIR	Net International Reserves
PBMA	Public Bodies Management and Accountability Act
PIOJ	Planning Institute of Jamaica
PMIS	Payout Management Information System
SRR	Special Resolution Regime
TWG	Technical Working Group

GLOSSARY OF TERMS

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 (DIA).
Deposit	A sum of money or drafts placed with an insured financial institution for credit to a customer's account. Amount to be repaid with or without interest, either on demand or at a time agreed by the parties.
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 DIA 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 Deposits	That portion of insurable deposits that is within the coverage limit prescribed under the DIA.
Policyholders	Deposit-taking financial institutions (Commercial Banks, Merchant Banks and Building Societies) insured under the DIS, 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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Myrtle Halsall, OD
Chairman



CHAIRMAN'S REMARKS

Resilient, best characterizes the performance of Jamaica's economy during financial year 2021/22, as despite the challenges posed by the ongoing impact of the global COVID-19 pandemic and other major global disruptions there was steady economic recovery and general stability in the country. Notwithstanding, (it is noted that) the growth forecast for FY2022/23 reflects a slowdown in this recovery.

With depositor confidence and support for financial system stability being the ultimate objective, as Chairman of the Jamaica Deposit Insurance Corporation (JDIC / the Corporation), I am pleased to be

able to conclude that within this economic environment and the accompanying financial system uncertainties, the Corporation achieved its statutory and strategic objectives for the review period. As in the prior financial year with the onset of the adverse economic and financial impact of the pandemic, there was a decided pivot to focus primarily on the initiatives related to depositor payout systems maintenance and enhancements, financial system crisis management preparedness activities and simulations; and policy work on enhancement to the legal framework for the resolution of financial institutions and generally training interventions that served to bolster staff capacity to deal with

crisis interventions. This was also within the context where the Corporation continued to ensure that its most important asset, its human resource capacity, was protected by continuing to observe the GOJ Disaster Risk Management protocols, as well as implementation of its disaster preparedness and business continuity plans; so as to secure the health and safety of team members and to ensure that its operations were not compromised and the JDIC was ready to seamlessly deal with any member institution (Policyholder) failure.

There was the required continued collaboration with financial system safety net (FSSN) partners, in particular the Bank of Jamaica (BOJ/the Bank) and collaboration through the Financial Regulatory Committee (FRC), to ensure enhanced and timely information sharing regarding developments in the banking sector and implications for the system. Importantly, the financial system performance remained credible, and JDIC member institutions remained liquid and well capitalized above the prudential benchmarks. Consequently, and as in previous years, there was no call on the Deposit Insurance Fund (DIF/the Fund) and at March 31, 2022 the balance was \$31.4 billion, an increase of 11.7 percent over the previous period. Evaluation of the DIF, required at least annually, determined that it was adequate to cover existing and potential liabilities for the ensuing 12-month period, in the context of the assessed level of risk posed by member institutions to the Fund.

CORPORATE GOVERNANCE

Consistent with its obligations under the Deposit Insurance Act (DIA) and its fiduciary responsibilities prescribed under the Public Bodies Management and Accountability Act (PBMA) and otherwise in law, the Board gave the required oversight of the administration of the JDIC and effective management of the Deposit Insurance Fund. The Board was compliant with all its reporting requirements under the DIA and the PBMA. The work of the Board was aided by its three committees namely: the Audit Committee, Investment Committee and Corporate Governance Committee. These committees remained compliant with their respective terms of references and policy documents in relation to the required number of meetings and the areas of their remit. I note that

the Corporation's enterprise wide risk management function and its internal controls functions remained under the purview of the Audit Committee which, in accordance with its quarterly schedule, received and analyzed the respective reports of the Risk Manager and the internal auditors and external auditors, (all functions remaining outsourced and independent); and management responses. The Audit Committee provided the Board with its own view in regard to risks to which the Corporation is exposed and the potential impact on the sound governance and proper administration of the Corporation to ensure that adequate risk management responses are achieved. During the year the Board reviewed and approved the Annual Report and Audited Financial Statements for FY2020/21; and the 4-year strategic and operational plans for FY2022 to FY2026, responsive to the expectations for value added by the Corporation to its public administration objectives and the economy as a whole. The Board also undertook the required performance assessment of its Committees, the functioning of the Board, and the performance of the Chief Executive Officer for FY2020/21. Critical human resource and succession planning requirements were continuously assessed and the required overtures made to the Ministry of Finance.

CLOSING

On behalf of the Board of Directors, I express our commitment to ensuring that the Board continues to maintain the highest standards of sound governance and accountability.

Thanks to the CEO, the Management and Staff for the professionalism and dedication exhibited in the execution of their duties and for ensuring that as a team with a common vision the Corporation achieves its mandate. I must also thank colleague Board Members and stakeholders for their support and contribution to the Corporation's success, as we look forward to embracing new opportunities, as well as challenges, in the year ahead.



Myrtle Halsall, OD



Antoinette McKain
CEO

CEO'S REPORT ON OPERATIONS

OVERVIEW

The JDIC mandate remained the protection of the deposits in Policyholder Institutions and participating in the resolution of Policyholder Institutions thereby contributing to financial stability. The adequacy of the Deposit Insurance Fund (DIF) remained central to this mandate.

Amid planning for economic recovery and the relaxing of restrictions across the globe, the pandemic resurged with new variants posing further challenges to plans for a return to normalcy and the push to achieve herd immunity among the world

population. The Russian invasion of Ukraine in the final months of FY2021/22 further stymied growth and led to surges in energy and food prices and a downward revision in growth projections which magnified the slowdown in the global economy and further compounded the impact of the 2-year pandemic. In spite of these developments, the Jamaican economy remained resilient. With fiscal operations benefitting from prior periods of successful reform, even within the potentially destabilizing pandemic and war in the eastern Europe, economic activity and employment in Jamaica continued to rebound and real GDP grew by an estimated 8.2 percent

bolstered by improved performances in most industries, albeit growth slowed somewhat by the end of the period.

Operating within this context, the Corporation remained resolute in its focus on implementing those strategies that would redound to the enhancement of its institutional capacity to effectively execute its statutory mandate. From this premise, keen focus was given to enhanced monitoring of the performance and condition of Policyholders; enhanced depositor reimbursement capabilities; crisis management planning and resolution management enhancement activities to support a sufficiently robust resolution regime that would be able to be effective in the context of assessed risks.

POLICYHOLDER PERFORMANCE

JDIC Policyholders demonstrated resilience over the period, despite the ongoing impact of the COVID-19 pandemic. This too was due to prior years' regulatory enhancements starting with the period of the financial crisis in Jamaica in the mid-1990's and later after the Global Financial Crisis of 2008-2010. Financial soundness indicators within the sector remained strong, underpinned by capitalization above prudential benchmarks and sufficient liquidity levels. The financial year ended with membership remaining unchanged at eleven. The eight commercial banks maintained dominance of the banking system with 91.7 percent of total assets, while building societies and trust and merchant bank licensees accounted for 8.0 percent and 0.3 percent respectively. At end FY2021/22, the total asset base of Policyholders grew by 11.2 percent or \$233.6 billion totaling \$2,317.2 billion, relative to 12.0 percent or \$223.6 billion for the corresponding period in 2021. This growth was spurred by an increase in investments and net loans driven by an increase in deposits.

Total insurable deposits for the period increased by 14.4 percent to \$1,523.1 billion relative to \$1,331.7 billion at the end of the corresponding period in 2020. Similarly, the number of insurable deposit accounts increased 5.8 percent to just over 4.9 million accounts. The average insurable deposit balance increased 8.0 percent to \$308,573 in 2021, up from the \$285,561 which was recorded at the end of 2020.

CORE OPERATIONS

- Enhanced Depositor Reimbursement Capabilities

Prompt and accurate reimbursement is critical to the maintenance of public confidence in the stability of the financial system as well as minimizing any prolonged disruption for depositors in a crisis. In the context of the vicissitudes of the economic and operating environment, priority was given to enhancing the Corporation's depositor reimbursement capabilities and updating the supporting framework for JDIC to act as receiver and liquidator of those Policyholders that fail. A table top simulation was also conducted to review and test the provisions in the DIA that underpins the deposit insurance coverage rule and other provisions informing reimbursement; and action plans developed to strengthen specific provision in the Act to allow for better clarity and alignment with stakeholder expectations.

- Financial Crisis Management Preparedness

Financial crisis management preparedness remained an imperative for the Corporation throughout the reporting period. This was facilitated through inter-agency teams and intra agency teams comprising JDIC's financial system safety net partners. Training also continued to bolster staff capacity for resolution and financial crisis management. Training opportunities were leveraged to have JDIC team members participate in a wide range of virtual learning and development programmes which were facilitated through in-house and external training, participation in conferences and via e-learning portals. Simulation exercises led by Toronto Centre and PricewaterhouseCoopers were also used as a key learning tool to bolster crisis preparedness capabilities.

- Enhanced ICT Infrastructure

The rise in the use of digital platforms to allay business disruption during the pandemic allowed the Corporation to leverage emerging technology to ensure operational efficiency, maintain productivity levels and successfully pivot to a digital workplace. During FY2021/22, the Corporation continued to improve on its ICT infrastructure with focus on updating and strengthening ICT security controls and improving its business processes and disaster preparedness and recovery readiness. In the coming financial year, the Corporation will continue to improve its value chain with the implementation of a Digital Transformation Strategy.

- Deposit Insurance Fund Adequacy Evaluation

Giving consideration to the protracted uncertainties and developments in the macroeconomic and financial market environment in addition to the annual adequacy assessment of Deposit Insurance Fund there was a second assessment done during the reporting period. From the assessments conducted it was determined that the Fund remained adequate to cover existing and potential liabilities for the coming year. Risks posed by Policyholders were deemed low level and as such no resolution was anticipated.

The Corporation with the technical support of a consultant completed the development of an enhanced model to assess the DIF. In addition to the Expected Credit Loss calculations ordinarily used by the JDIC, the enhanced model included the impact of more granular risk variables impacting the adequacy of the Fund and also specific parameters to account for the no failure history since the establishment of the JDIC. This model will be applied in FY2022/23.

- Deposit Insurance Coverage Limit

Maintaining a credible coverage limit is critical to the maintenance of confidence and stability in the financial system. For that reason, the Corporation periodically reviews the deposit insurance coverage to ensure it remains credible. At last review, it was determined that the existing coverage limit of \$1,200,000, which was increased from \$600,000 in August 2020 continues to cover the large majority of depositors and remains relevant.

- Public Education and Awareness

Coupled with the use of integrated marketing communication strategies, throughout the reporting period, the Corporation leveraged its affiliation with FSSN partners, member institutions and other stakeholders to educate its targeted demographics on the DIS. Additionally, in response to the challenges presented by the pandemic, the Corporation maximized its use of digital platforms to ensure continuity in stakeholder engagement while maintaining broad use of trusted traditional channels.

The increased utilization of social media platforms throughout the period under review has also vastly improved stakeholder awareness of the JDIC and the DIS across all demographics redounding to increased content engagement, steady growth

in followers across active platforms and marked increase in views and click-through to the Corporation's website which was redesigned and launched during FY2021/22.

A market research firm was also contracted during the year to conduct a public awareness survey to gauge the impact of the 'You've Been Upgraded Campaign' and the reach of the current public education programme. This survey will be completed in the new financial year and the findings used to bolster the effectiveness of the public education programme going forward.

FINANCIAL PERFORMANCE

At year end, the DIF balance was \$31.4 billion, an increase of 11.7 percent compared to the previous year. Over the last five years the DIF balance increased by 66.5 percent. Total assets of the Corporation at March 31, 2022 was \$32.4 billion, an increase of 9.8 percent or \$2.9 billion over the previous year. The increase was due primarily to a 20 percent increase in investments to \$30.6 billion (\$25.5 billion in March 31, 2021) which comprises Government of Jamaica and Bank of Jamaica assets.

The Corporation's total income for the period was \$3.7 billion, which surpassed the budgeted amount of \$3.5 billion. Premium income totaled \$1,997.6 million, an increase 17.7 percent over the previous year. Administrative expenses amounted to \$394.9 million net of Impairment Loss on financial asset amounting to \$35.0 million, a 12.3 per cent increase compared to the previous year resulting from increases in depreciation, increase in repair and maintenance and an increase in professional fees.

The outturn of key ratios was reflective of the operating and financial market environment.

The Overall Balance Target agreed with the MoFPS as an assessment of the financial performance of the Corporation was \$2,680.88 million. The actual out-turn for the period was \$3,707.26 million, which was \$1,026.38 million higher than projected. This was due mainly to the Corporation's better overall cash management performance, indicated by a comparison between the actual outturn with that budgeted. The outturn of key performance ratios remained at acceptable levels taking into account the economic and operating environment.

CLOSING

While the pandemic, and the war in eastern Europe in the latter quarter, saw unprecedented challenges in all aspects of the Corporation's operations, there remained a keen understanding of the JDIC team that this was also a moment of unprecedented opportunity. In addition to the enhancements in its operating capabilities, the space was created for greater collaboration and information sharing between JDIC and its financial system safety net partners. By the end of the year it was clear that this was a catalyst for transforming safety net institutions' relationships based on better understandings of roles and responsibilities with the potential to maximize the required synergies among these agencies that will guarantee optimal performance and management and mitigation of financial system crises in the future.

I wish to acknowledge the Chairman and Board of Directors for their expert guidance, invaluable oversight and commitment towards the Corporation and its staff ensuring creditable performance all around. I also use this opportunity to thank the executive management team, and their respective teams, for their support in successfully discharging the mandate of the Corporation. Special thanks is also extended to our Policyholders, local, regional and international partners whose support and cooperation greatly contributed to the achievements of the JDIC.



Antoinette McKain

10-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

FINANCIAL YEAR	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

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

Insurance Premiums	1,997,573	1,696,898	1,498,335	1,357,236	1,239,560	1,076,597	937,283	870,050	809,250	745,540
Interest Earned	1,282,238	1,548,725	1,518,792	1,342,762	1,200,508	1,208,858	1,127,598	1,100,029	922,900	862,530
Other Income	388,572	470,870	528,540	(150,665)	106,177	268,754	153,542	64,382	93,621	148,026
Total Income	3,668,383	3,716,493	4,001,290	2,549,333	2,546,245	2,554,209	2,218,423	2,034,461	1,825,771	1,756,096
Impairment Loss on Securities	(35,042)	220	3,437	7,086	-	-	-	32,091	-	-
Administrative Expenses	429,919	351,395	288,312	294,325	244,462	212,111	188,187	173,987	209,280	180,782
Surplus from Operations	3,273,506	3,364,878	3,709,541	2,247,922	2,301,783	2,342,098	2,030,236	1,828,383	1,616,491	1,575,314

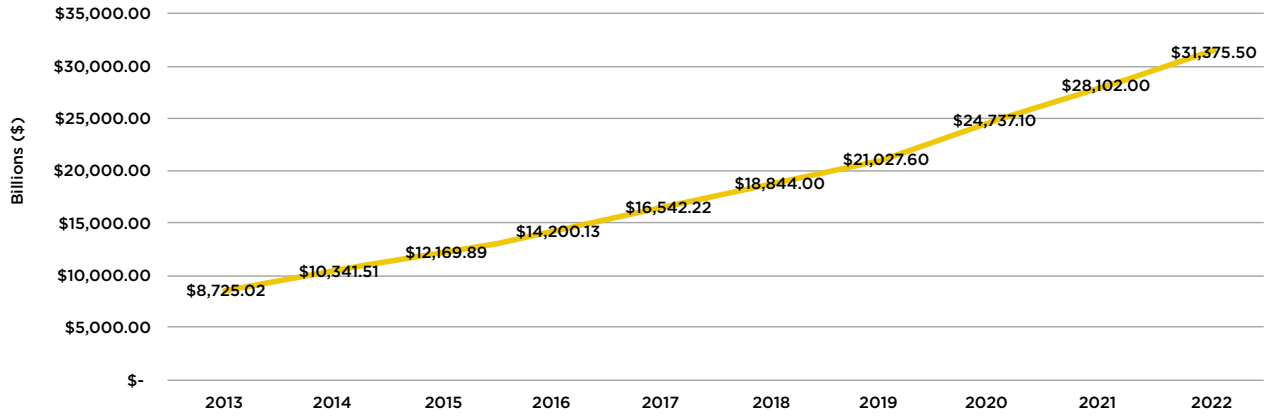
DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION

Deposit Insurance Fund	31,375,504	28,101,998	24,737,119	21,027,579	18,844,007	16,542,224	14,200,126	12,169,890	10,341,507	8,725,016
Investment Securities	30,599,780	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
Total Assets	32,365,769	29,535,120	25,199,921	22,063,977	19,363,247	18,490,226	15,340,667	12,834,908	11,028,471	8,892,521
Property, Plant and Equipment (NBV)	268,917	283,367	276,920	194,645	189,404	178,501	110,722	110,038	95,630	97,825

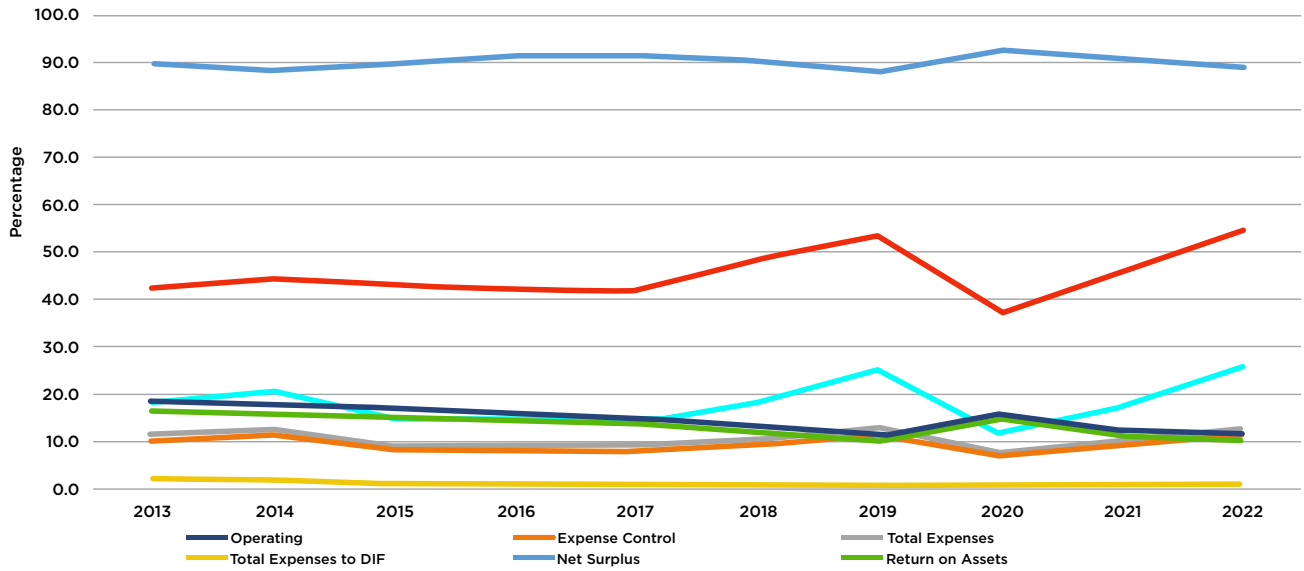
OTHER SELECTED DATA

Persons employed at the end of the year	25	28	29	28	24	21	21	25	26	24
Operating Ratio (%)	25.7	17.4	11.7	25.2	18.7	14.4	14.7	14.9	20.6	17.9
Expense Control Ratio (%)	11.7	9.5	7.3	11.8	9.6	8.3	8.5	8.6	11.5	10.3
Administrative Expenses Ratio (%)	13.1	10.4	7.9	13.4	10.6	9.1	9.3	9.5	12.9	11.5
Administrative Expenses to DIF Ratio (%)	1.4	1.2	1.2	1.4	1.3	1.3	1.3	1.4	2.0	2.1
Net Surplus (%)	89.2	90.5	92.7	88.2	90.4	91.7	91.5	89.9	88.5	89.7
Asset Management Ratio (%)	11.9	11.6	16.9	12.3	13.5	15.1	15.7	17.1	18.3	18.4
Return on Assets Ratio (%)	10.7	11.4	15.7	10.8	12.2	13.8	14.4	15.3	16.2	16.5
Insurance Premium/Total Income (%)	54.5	45.7	37.4	53.2	48.7	42.1	42.2	42.8	44.3	42.5

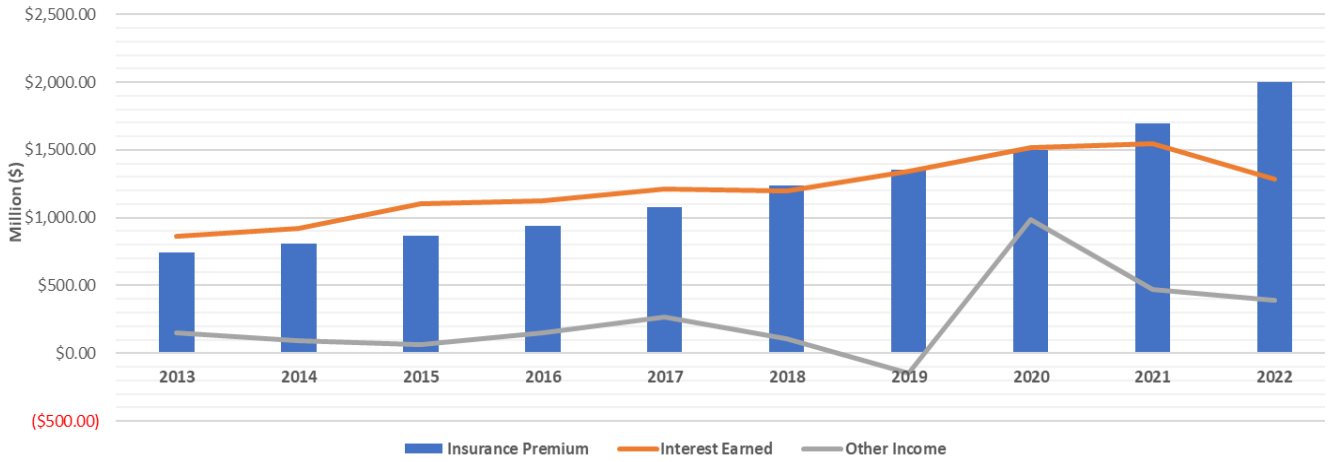
Deposit Insurance Fund



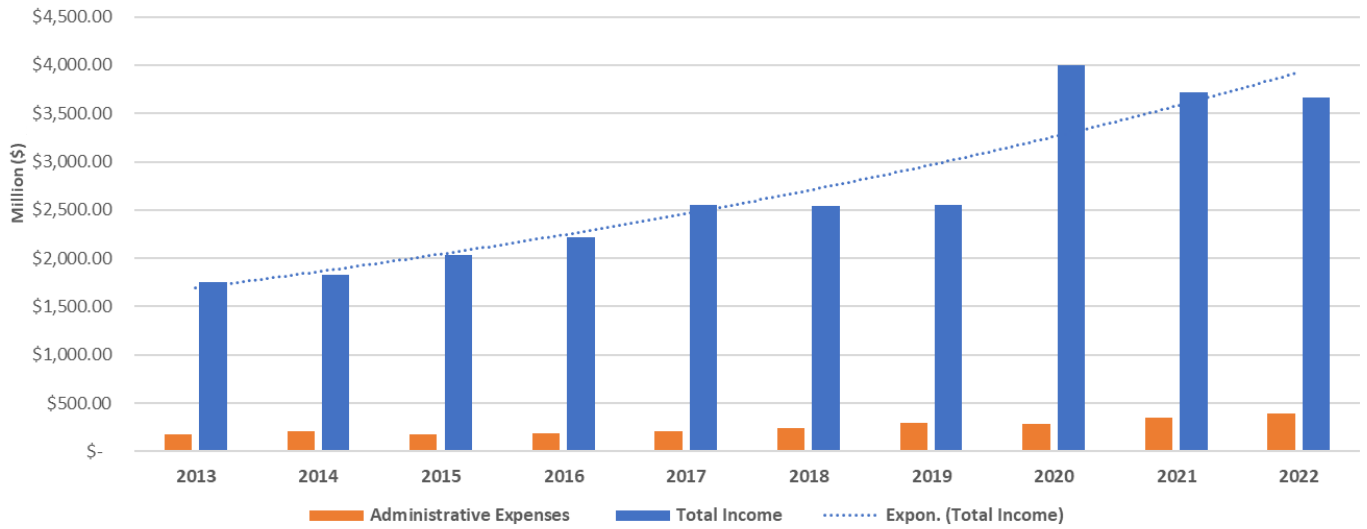
Key Performance Ratios



TOTAL INCOME



INCOME VS ADMINISTRATIVE EXPENSE



BOARD OF DIRECTORS



Myrtle Halsall, OD
Chairman



Antoinette McKain
CEO

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

During her tenure at the Central Bank, Ms Halsall provided policy advice on economic developments both locally and internationally to the Governor of the Bank and the Minister of Finance. She also developed the Bank's first published Quarterly Monetary Policy Report.

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

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

Ms Halsall is presently a member of the Financial Policy Committee of the Bank of Jamaica.

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 was a member of the Member Relations and Communications Council Committee of IADI (MRC) and continues work on a MRC Task Force as the Chairperson directs. She was also a member of the Committee of the Private Sector Organization 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 Virgin Islands.



Aisha Wright
Nominee of the Financial Secretary

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

Herbert Asquith Hylton
Director

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 twenty (20) 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 is currently the Division Chief for the Financial Institutions Supervisory Division at the Bank of Jamaica.

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

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

Herbert 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



Vernon McLeod
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 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 BA in Computer Science and Business Administration from the University of the West Indies.

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 Com-

panies 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 that 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. 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.

The JDIC remains committed to maintaining the highest standard 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 Policies which are 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 one being appointed as the Chairman of the Board.

In keeping with the DIA, the Board met six (6) times during the calendar year, thereby fulfilling the statutory requirement for meetings. In light of the restrictions put in place by the GOJ to curtail the spread of the COVID-19 virus, the Board and its Committees met virtually during the year.

BOARD OF DIRECTORS		NUMBER OF MEETINGS ATTENDED (CY)
Myrtle Halsall, OD	<i>Chairman</i>	6/6
Jide Lewis	<i>Nominee of the Governor, Bank of Jamaica</i>	5/6
Aisha Wright	<i>Nominee of the Financial Secretary</i>	6/6
Antoinette McKain	<i>Chief Executive Officer</i>	5/6
Herbert Hylton	<i>Board Member</i>	6/6
* Lisa Lewis	<i>Board Member</i>	5/6
Vernon McLeod	<i>Board Member</i>	4/6

* Resigned from the Board effective December 31, 2021

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 FY2022/23 - FY2025/26;
- The Annual Report, and the audited financial statements for FY2020/21; and
- The Quarterly and Half-Yearly reports.

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 are guided by the GOJ Audit Committee Policy, Corporate Governance Framework, the PBMA and the FAAA.

The Audit Committee is comprised of three (3) Directors and a co-opted member from the MoFPS. The Committee met three (3) times for the financial year and effectively carried out its mandate by reviewing and making recommendations on all Quarterly and Half-Yearly Reports, FY2020/21 Annual Report and Audited Financial Statements and the FY2022/23-FY2025/26 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	<i>Chairman</i>	3/3
Lisa Lewis	<i>Board Member</i>	3/3
Vernon McLeod	<i>Board Member</i>	3/3
Michael Martell	<i>Co-opted Member, MoFPS</i>	3/3

INVESTMENT COMMITTEE

The Investment Committee advises the Board on the Investment Policy and oversees the management of the Corporation's Investment functions. The Committee is comprised of a minimum of two (2) Board members, one of whom is the CEO, the Chief Officer in charge of finance and one (1) other executive management officer. The Terms of Reference for the Investment Committee requires that meetings are held quarterly or more frequently as required by the Committee. For the financial year, the Committee met four (4) times and submitted the required reports to the Board.

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

In carrying out its mandate, the Committee gave due consideration to 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 (F)
Vernon McLeod	<i>Chairman</i>	3/4
Jide Lewis	<i>Board Member</i>	3/4
Antoinette McKain	<i>Board Member</i>	4/4
Ronald Edwards	<i>Chief Financial and Corporate Services Officer</i>	4/4
Dawn Marie Brown	<i>Director, Monitoring and Risk Assessment</i>	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 policies and principles within the Corporation.

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 three (3) times.

The Committee assisted the Board with oversight of effective corporate governance principles and practises; evaluated and assessed 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.

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.

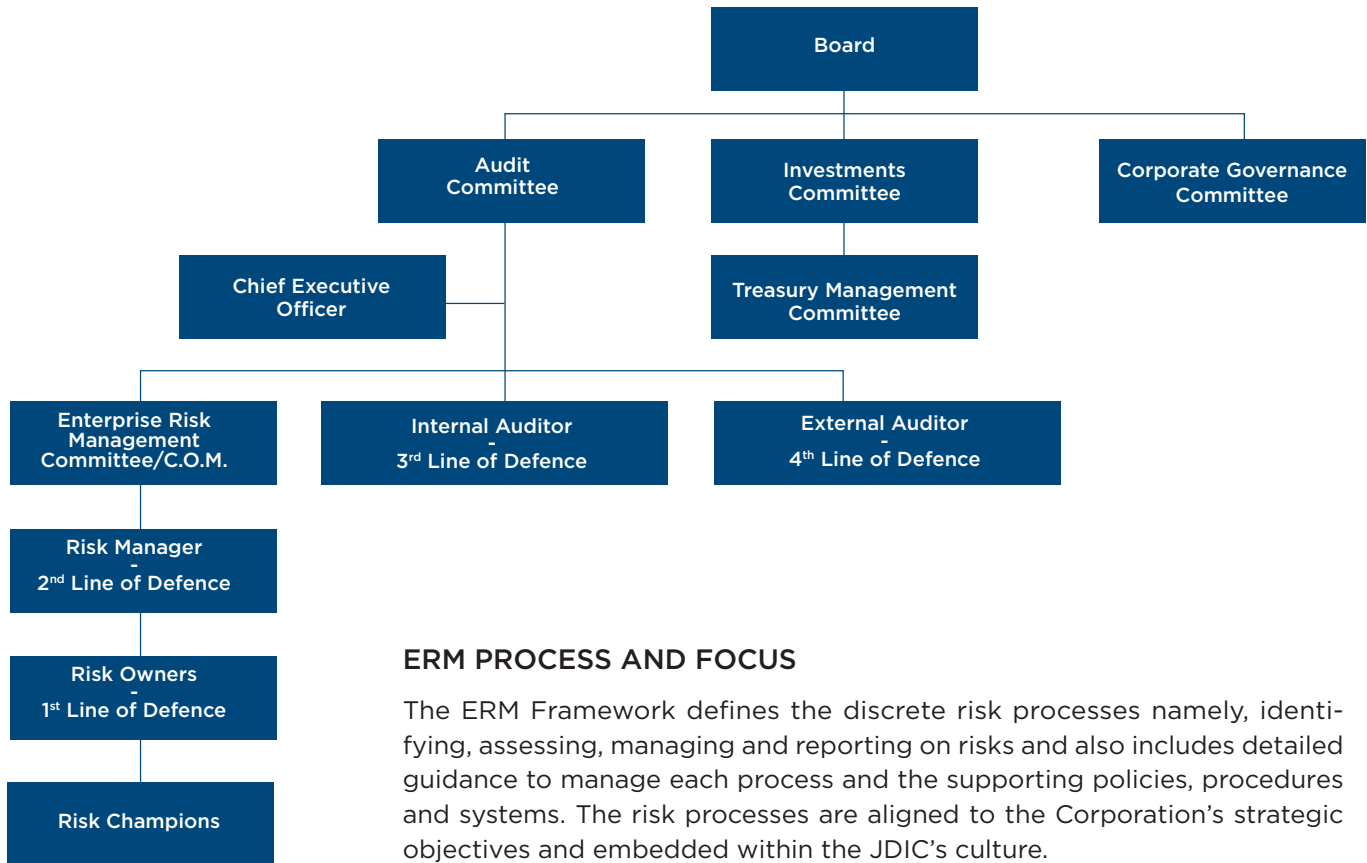
CORPORATE GOVERNANCE COMMITTEE		NUMBER OF MEETINGS ATTENDED (FY)
Lisa Lewis	<i>Chairman</i>	2/3
Vernon McLeod	<i>Board Member</i>	2/3
Myrtle Halsall, OD	<i>Board Member</i>	3/3
Antoinette McKain	<i>Board Member</i>	3/3
Aisha Wright ¹	<i>Board Member</i>	1/1

¹ Appointed as an interim member of the Corporate Governance Committee on the resignation of Lisa Lewis effective December 31, 2021 and attended one (1) meeting.

ENTERPRISE RISK MANAGEMENT

The Corporation maintains a comprehensive Enterprise Risk Management (ERM)² Framework that includes a defined and unified methodology for identifying and managing its risks. The Framework supports a robust governance structure using an integrated approach and details of the discrete roles and responsibilities of the Board of Directors, Board Committee, Management and Staff, that recognizes the necessary lines of defence.

JDIC RISK GOVERNANCE OPERATING STRUCTURE



ERM PROCESS AND FOCUS

The ERM Framework defines the discrete risk processes namely, identifying, assessing, managing and reporting on risks and also includes detailed guidance to manage each process and the supporting policies, procedures and systems. The risk processes are aligned to the Corporation's strategic objectives and embedded within the JDIC's culture.

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.



The Corporation’s risks are categorized in five areas: strategic, reputational, operational, compliance, and finance and are applied across all functional areas. “JDIC has a low-risk appetite for strategic, reputational, financial (market, liquidity, credit) and compliance risks and a low to moderate appetite for operational risks”. The risk appetite dictates the amount of risks that the Corporation is prepared to take while pursuing its strategic and operational goals in fulfillment of its mandate.

During the period, the assessment, monitoring, validating, and reporting of risks for each functional area were conducted on a quarterly basis and informed the maintenance of Risk Registers by the respective Risk Owners. This involved assessing the likelihood and potential impact of each risk, monitoring the direction of risks and the progress of the implementation status for initiatives to mitigate or control risks that are outside the Corporation’s risk appetite. Independent validation and testing of risk ratings were also conducted, this being an integral element of the ERM process. The overall rating for most of the key risks remained unchanged during the year and the Corporation continued to be resolute in monitoring the key risk factors and ensuring corresponding proactive responses.

The Corporation maintained its strategy of enhanced monitoring and risk assessment of member institutions despite the resilience to the risks emanating

from the restrictions to stem the protracted impact of the COVID-19 pandemic. This ensured the Corporation remained proactive in identifying any deterioration in the financial condition and performance of member institutions that might have posed potential risk to the Fund. Strengthening and testing the Corporation’s crisis preparedness management and resolution capacities and the necessary collaboration with FSSN agencies and having strategies in place to readily respond to a crisis also remained a priority. Other areas of focus involved monitoring of developments and trends in the operating environment with focus on financial technology and anticipating and proactively addressing any emerging risks that may impact the protection of depositors, other financial consumers and financial stability.

The Corporation will continue to strengthen its ERM Framework, in regard to its risk procedures and systems to monitor, assess, mitigate and /or control emerging risks in support of its key business strategies and overall mandate. The risk areas identified above as well as the identification of new risks, ongoing staff training to ensure roles and responsibilities as outlined in the ERM Governance Structure are effectively executed along with the identification and unbiased assessment of risks for respective functional areas, will remain a priority in the coming financial year.

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 FY2020/21	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 Commission	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

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The Team L-R: Ronald Edwards, Chief Financial and Corporate Services Officer; Marjorie McGrath, Director Corporate Planning and Communications; Dawn Marie Brown, Director Monitoring and Risk Assessment; Antoinette McKain, Chief Executive Officer; Eloise Williams Dunkley, Chief Monitoring and Resolution Officer; Dorraine Wright, Director Human Resource and Administration; (Vacant Positions: General Counsel/Corporate Secretary, Director Intervention, Resolutions and International Relations and Director Finance and Investment).

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 areas of the Corporation namely: Monitoring and Risk Assessment; Intervention, Resolutions and International Relations, Legal and Corporate Secretariat Branch; Corporate

Planning and Communications and Finance and Corporate Services. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MACROECONOMIC PERFORMANCE

In keeping with its strategy of proactive readiness for carrying out its mandate and maintaining operational efficiency, in the context of the position of Jamaica as a small open economy, the Corporation consistently undertakes robust monitoring of macroeconomic developments globally, regionally, and locally. These developments guide the Corporation in policy analysis; the crafting of policy measures and planning in the short to medium term, allowing for optimal responsiveness to Member Institutions condition and performance and financial system stability issues more generally. Where macroeconomic developments pass through and the impact is negative, and a Member Institution is assessed to be at risk and requires resolution, early macroeconomic assessment will aid in informing the Corporation's resolution option and preparedness. In addition, the obligation for management of the Deposit Insurance Fund makes on-going assessment of macroeconomic fundamentals critical to investment decisions and fund adequacy projections.

GLOBAL DEVELOPMENTS

During FY2021/22, the global economy continued its recovery, albeit at a slow and uneven pace, challenged by resurgences in COVID-19 cases, the threat of new variants, vaccine hesitancy and access, as well as increased economic uncertainty. In January 2022, the IMF projected that the global economy would grow 4.4 percent in 2022. However, in the final months of the 2021/22 period, growth was further stymied with the Russian invasion of Ukraine which led to surges in energy and food prices and a downward revision in growth projections. Global growth is projected to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022. **Table 1** below highlights the economic performance and projections of Jamaica's major trading partners.

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

	2020	2021	2022P	2023P
World	-3.1	6.1	3.6	3.6
United States	-3.4	5.7	3.7	2.3
Canada	-5.2	4.6	3.9	2.8
United Kingdom	-9.3	7.4	3.7	1.2
China	2.2	8.1	4.4	5.1

REGIONAL ECONOMIC DEVELOPMENTS

The COVID-19 pandemic had a debilitating impact on the Caribbean region’s chief income earner of tourism. In 2021, the Caribbean began its recovery and according to the IMF is estimated to have grown by 3.5 percent. The region is projected to expand 10.5 percent in 2022.³ Of note, consistent with global trends, inflation has risen across the Caribbean, exceeding central banks’ targets in most cases.

The increase is primarily attributed to the supply restrictions and the consequent rising food and energy prices associated with the Russia-Ukraine war, higher demand associated with the reopening of economies, as well as currency depreciation. 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, 2022

Indicators	Jamaica	Barbados	Trinidad*	Bahamas*
GDP Growth (%)	8.2	11.8	5.5	6.0*
Inflation	11.3	4.2	3.2	6.7
Unemployment Rate (%)	6.2	10.9	5.4**	13.9
Exchange Rate (J\$=US\$1)	153.78	2.03	6.77	1.00

Sources: Statistical Institute of Jamaica, Bank of Jamaica, Central Bank of Barbados, Central Bank of Trinidad and Tobago,

The Central Bank of Bahamas and The IMF

n.a. - not available

*Projected 2022

** 2021

DOMESTIC ECONOMIC DEVELOPMENTS

Despite the adverse and substantial shock to Jamaica arising from the restrictions to stem the spread of the COVID-19 virus and geopolitical disruptions, the economy has remained largely resilient. During fiscal year 2021/22, real GDP is estimated to have grown by 8.2 percent bolstered by improved performances in most industries. Consistent with global performance, the Jamaican economy continued its recovery reflected in positive GDP growth, decline in unemployment and improvements in business and consumer confidence. The increase in economic activity coupled with shocks to international commodity and shipping prices and supply disruptions owing to the Russia-Ukraine war led to an uptick in inflation above the Bank of Jamaica's target and prompting monetary policy tightening by the Central Bank. Over FY2021/22, the policy rate increased 400 basis points from 0.50 percent in March 2021 to 4.50 percent in March 2022.

Table 3 summarizes the key macroeconomic outturns at the end of FY2021/22. At the end of March 2022, point to point inflation was 11.3 percent. At this rate, inflation was 5.3 percentage points above the upper limit of the Bank of Jamaica's target range (4.0 to 6.0 percent). Consistent with the Bank of Jamaica's tightening monetary policy stance, interest rates increased with a weighted average yield of 6.37 percent on the 180-day treasury bills at the end of March 2022 compared to 1.52 percent at the end of March 2021. Over the fiscal year, the Jamaica dollar depreciated to close the period at J\$153.78:US\$1 reflecting a 4.9 percent depreciation relative to FY2020/21. Net International Reserves (NIR) continued to increase, ending the fiscal year at US\$3.7 billion, reflecting a 10.7 percent increase relative to the level at the end of March 2021.⁴ As economic activity increased, Jamaica's labour market conditions improved. The unemployment rate decreased to 6.2 percent in January 2022, an improvement from the 8.9 percent in January 2021.

TABLE 3: PERFORMANCE OF KEY MACROECONOMIC INDICATORS AS AT MARCH 2019 - MARCH 2022

INDICATORS	2019	2020	2021	2022
GDP Growth (%)	1.8	-2.4	-6.6	8.2*
Inflation (Y-o-Y)	3.4	4.8	5.2	11.3
NIR (US\$ Million)	3,084.83	3,237.67	3,319.33	3,675.8
Unemployment Rate (%)	8.0	7.3	8.9	6.2
180 Day T-bill Rate (%)	2.17	1.80	1.52	6.37
Exchange Rate (J\$=US\$1)	126.47	135.39	146.58	153.78

Sources: Statistical Institute of Jamaica and the Bank of Jamaica

OUTLOOK FOR FY2022/23

Against the background of the Russia-Ukraine war, rising inflation and tightening monetary policy, the global economy is expected to experience a slow pace of growth from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. Significant uncertainty remains with downside risks including

a possible worsening of the war or resurgence in COVID-19 cases or the emergence of new strains. Additionally, there is the development of the Monkeypox virus which is presently being monitored by medical experts around the world for potential impact and treatment. While energy, food and

⁴ At this level, net international reserves represented 29.60 weeks of goods and services imports relative to the benchmark of 12 weeks. (Source: BOJ Website)

commodity prices continue to increase, inflation is expected to stabilize at around 5.0 percent over the medium term. The Planning Institute of Jamaica projects that growth for FY2022/23 will range between 2.0 percent to 5.0 percent. This projection takes into consideration the high degree of uncertainty and the slowing pace of global recovery

as a result of the geo-political developments associated with the Russia-Ukraine war as well as the ongoing COVID-19 challenges. Projections relating to the macroeconomic indicators in keeping with the GOJ Fiscal Policy Paper FY2022/23 are presented in **Table 4**.

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

INDICATORS	FY2019/20 (A)	FY2020/21 (A)	FY2021/22 (E)	FY2022/23 (P)	FY2023/24 (P)
Real GDP Growth (%)	-0.1	-11.0	7.9	3.5	2.7
Inflation (Annual Pt to Pt, %)	4.8	5.2	7.8	5.0	5.0
NIR (US \$Million)	3,237.7	3,319.3	3,470.9	3,294.9	3,054.2
Fiscal Balance (% of GDP)	0.9	-3.1	0.3	0.3	0.3
Primary Balance (% of GDP)	7.1	3.5	6.3	5.9	5.3
Total Public Debt (% of GDP)	94.8	109.7	96.3	87.3	80.1

A - Actuals E - Estimate P - Projections

Source: *Ministry of Finance - Government of Jamaica Fiscal Policy Paper FY2022/23*

DEVELOPMENTS IN THE LEGISLATIVE AND REGULATORY ENVIRONMENT

During the period under review, the Corporation continued its consultations with FSSN partners and other key stakeholders on a number of proposed legislation that will have a direct impact on its operations, that of member institutions and other institutions within the financial sector. Specifically, there are four (4) pending pieces of legislation, namely: The Financial Institutions Resolution Bill; The Credit Unions (Special Provisions) Bill; The Cooperative Societies Amendment Bill; and the Anti-Money Laundering Counter Financing of Terrorism (AML/CFT) and Proliferation of Weapons of Mass Destruction Rules.

PENDING LEGISLATION

The Financial Institutions Resolution Bill

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.

The purpose of the Bill, therefore, is to establish:

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

Under this new framework the policy proposals include designating the BOJ as the Resolution Authority and the JDIC as the Resolution Administrator. Bail-in procedures and establishment of asset management vehicles will be newer tools included among the resolution mechanisms to the authorities.

The Credit Unions (Special Provisions) Bill

The Credit Unions (Special Provisions) Bill was under review during the year. The Bill is expected to be presented by the Minister to Parliament and

will see the establishment of a formal supervisory framework for the sector. Upon the promulgation of the Bill, all Credit Unions intending to continue as such will be required to apply to the BOJ for a licence. The Bill also provides for, the prudential regulations, prohibited businesses and remedial and intervention processes. Once licenced Credit Unions must apply to the Corporation for deposit insurance coverage.

The Cooperative Societies Amendment Bill

This Bill will amend the Cooperative Societies Act, to bring cooperative societies which operate as credit unions under the regulatory ambit of the BOJ. Deposit-taking activities of co-operative societies will be restricted to those cooperative societies which are licenced by the BOJ to operate as credit unions. It is anticipated that the Cooperative Societies Amendment Bill will be presented to Parliament jointly with the Credit Unions (Special Provisions) Bill.

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 functions and licenses will be required 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 2022, the Deposit Insurance Scheme comprised of eleven (11) member institutions (Policyholders), unchanged from 2021. There were 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 demonstrated resilience over the period, despite the ongoing impact of the COVID-19 pandemic and as a consequence, there was no need for intervention or any call on the Fund. Financial soundness indicators remained strong, underpinned by capitalization that was above the relevant prudential benchmarks as well as adequate liquidity levels. **Table 5** presents a summary of the key financial indicators for the Policyholders at March 31, 2022.

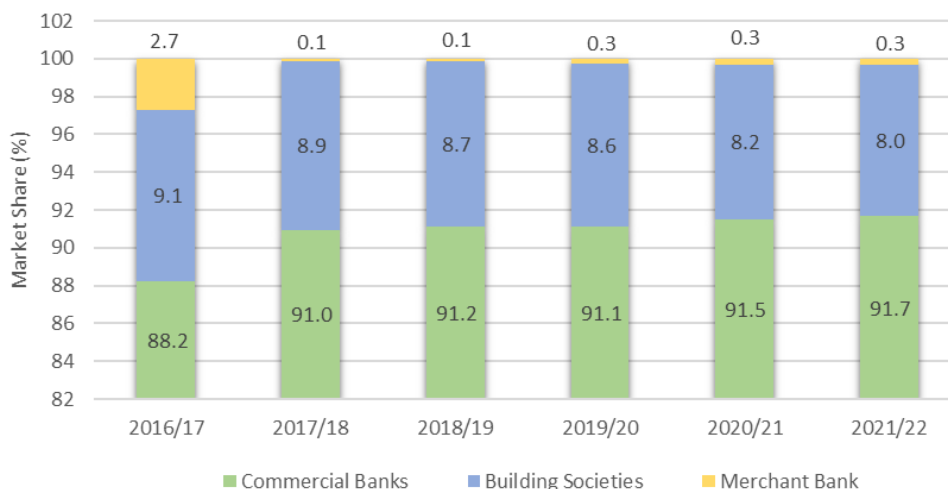
TABLE 5: SUMMARY OF FINANCIAL PERFORMANCE OF THE POLICYHOLDERS AS AT MARCH 31 (\$ BILLIONS)

Key Financial Indicators	2018	2019	2020	2021	2022	21/22 Δ (%)
Total Assets	1,549.14	1,691.02	1,859.98	2,083.65	2,317.24	11.2
Cash and Bank	322.56	311.10	346.18	365.75	400.41	9.5
Investments	385.71	412.98	392.89	492.57	583.11	18.4
Regulator Capital Base	161.02	160.20	198.45	219.01	236.29	7.9
Total Deposits	1,023.9	1,094.89	1,236.22	1,409.42	1,583.03	12.3
Loans & Advances (gross)	710.40	825.00	959.03	1,055.42	1,163.39	10.2
Non-Performing Loans	19.42	19.61	23.24	30.55	32.59	6.7
Provision for Loan Loss	22.64	24.16	24.01	32.16	35.92	11.7
Interest Income	71.90	99.28	108.85	109.17	116.35	6.6
Non-Interest Income	62.07	85.42	86.85	83.63	105.66	26.3
Pre-Tax Profit	40.11	48.66	47.32	27.73	48.92	76.4
Capital Adequacy Ratio	15.2	14.7	14.2	14.3	14.3	0

POLICYHOLDERS' MARKET SHARE

Market share across all three sectors for FY2021/22, in terms of total assets, was comparable to FY2020/21. The commercial banking sector remained dominant in the banking system, accounting for 91.7 percent of total assets. Building Societies and Trust & Merchant Bank Licensees accounted for 8.0 percent and 0.3 percent, respectively (**See Figure 1**).

FIGURE 1: MEMBER INSTITUTIONS' MARKET SHARE (%) PER SECTOR

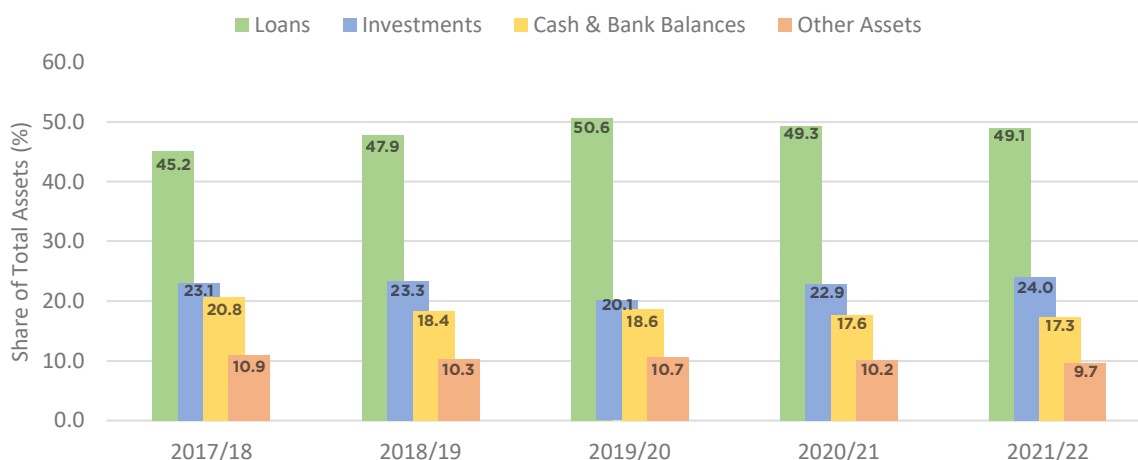


TOTAL ASSETS GROWTH, COMPOSITION AND QUALITY

The total asset base of Policyholders grew by 11.2 percent or \$233.6 billion to total \$2,317.2 billion at the end of the financial year, relative to growth of 12.0 percent or \$223.6 billion for the corresponding period in 2021. This growth in assets was bolstered by the increase in investments (16.5 percent) and net loans (10.6 percent) which were driven by the

increase in deposits. Loans remained the largest asset class accounting for 49.1 percent of total assets. The composition of the assets remained largely unchanged, with only the investment component of total assets recording a marginal increase in its share for the review period. (See Figure 2).

FIGURE 2: SHARE OF BANKING SYSTEM ASSETS



Total net loans and advances increased by 10.6 percent to \$1,137.1 billion compared to the 9.1 percent growth for the comparable period in 2021. The faster growth in net loans reflected the relative decline in the IFRS provisioning as gross loans grew by a similar rate of 10.2 percent as in 2021. Growth in total loans for the financial year was largely attributed to an expansion in domestic currency loans of 13.0 percent (\$107.4 billion) relative to the previous

year's increase of 9.3 percent (\$70.2 billion). Foreign currency loans expanded by 0.3 percent (\$607.1 million), relative to growth of 13.0 percent (\$26.2 billion) in 2021. Investments grew by 18.4 percent (\$90.5 billion) over the review period, primarily as a result of an increase in foreign currency investment. Cash and bank balances registered growth of 9.5 percent.

Policyholders’ asset quality remained good and was comparable to the corresponding period in 2021 with non-performing loans to total gross assets ratio at 2.8 percent (2021: 2.9 percent). This compares favourable with the prudential maximum of 10.0 percent (See Figure 3) and was supported by the continuing recovery of the economy, Policyholders’ being able to grow their loan portfolio at a faster pace than the increase in non-performing loans and more customers being able to service their loans as the economy improved. With improvements in the economy and the Bank of Jamaica’s removal

of special regulatory treatment of loan payments impacted by the restrictions to stem the spread of the COVID-19 virus, many Policyholders phased out the loan moratorium facilities with consideration for customers who were severely impacted by these restrictions.

Non-performing loans grew 6.7 percent (\$3.8 billion) to \$32.6 billion at the end of FY2021/22 compared to 31.4 percent or \$7.3 billion for FY2020/21 (See Figure 4).

FIGURE 3: NON-PERFORMING LOANS IN THE BANKING SYSTEM

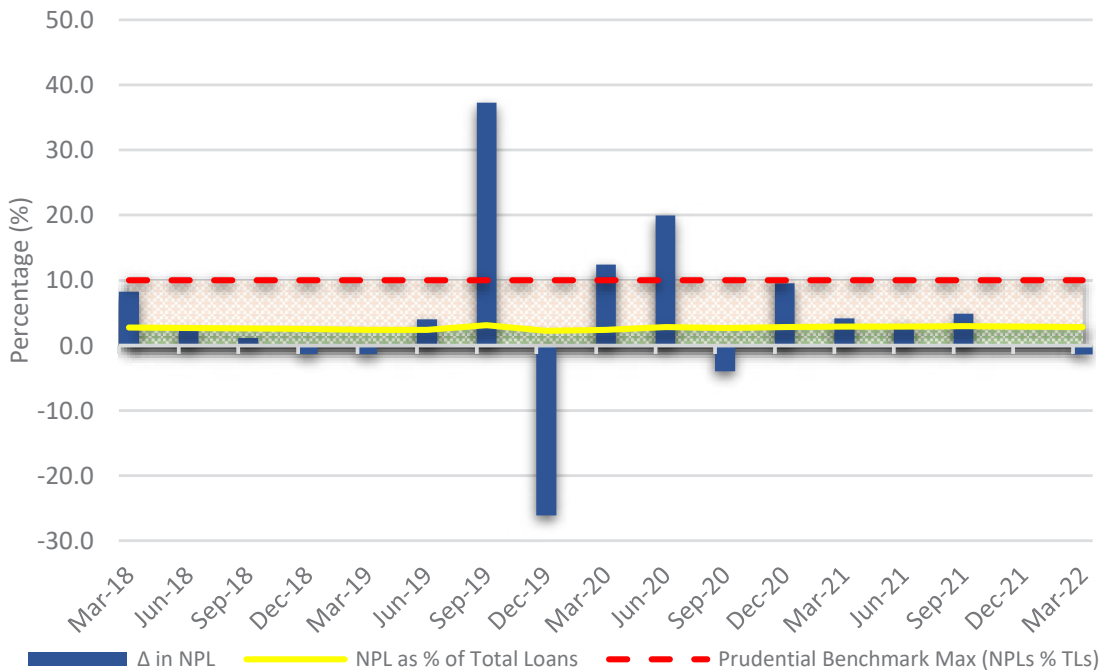
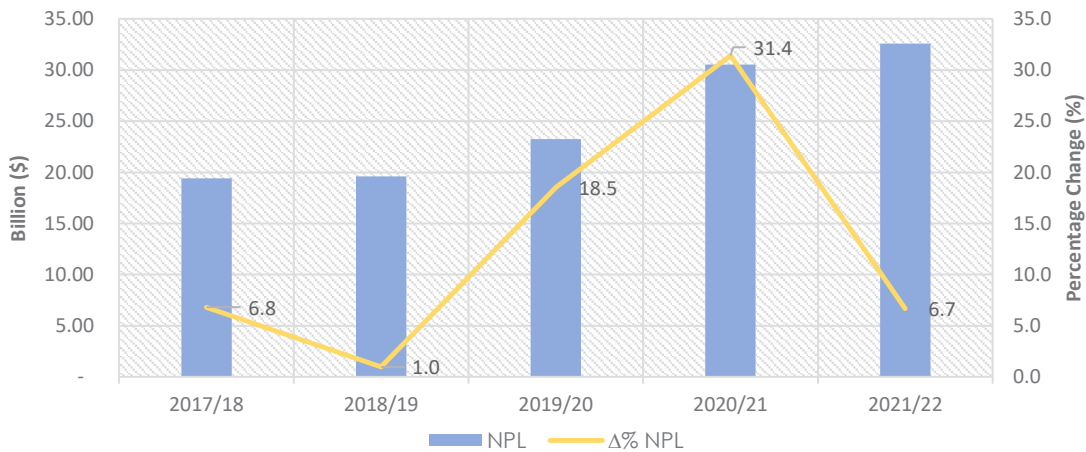
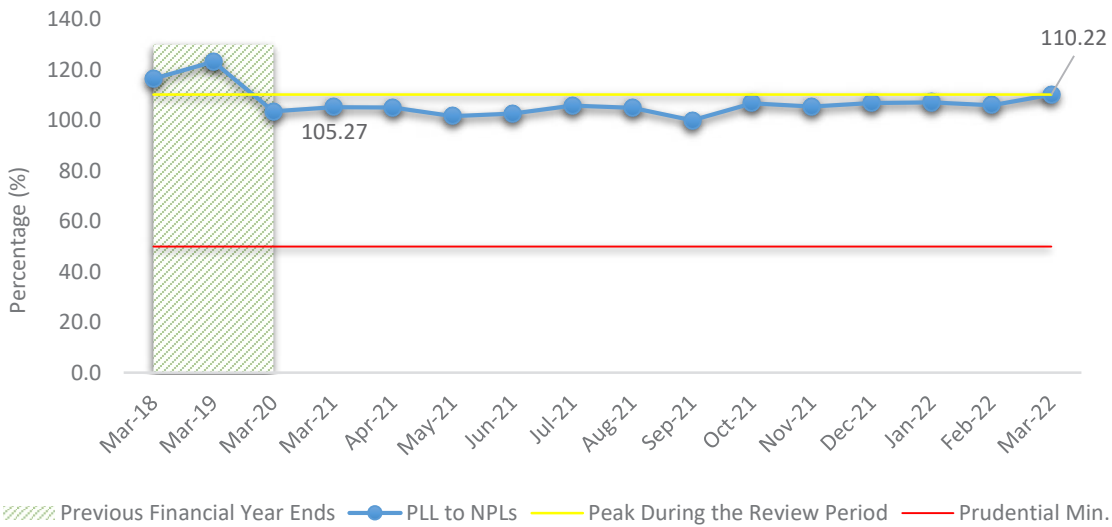


FIGURE 4: NON-PERFORMING LOANS AS AT END MARCH 2018 - 2022



Loan loss provisioning grew at a slower pace (11.7 percent) for FY2021/22 compared with the corresponding period in FY2020/21 (33.5 percent). The ratio of loan-loss provisions to NPLs expanded to 110.2 percent by end March 2022 from 105.3 percent as at end March 2021 (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 decreased 0.2 percentage points to 12.0 percent during the financial year. Of note, all three subsectors were well below the prudential maximum of 20 percent.

REGULATORY CAPITAL

Policyholders remained adequately capitalized, solvent and operating within the prudential benchmarks. Regulatory capital increased by 7.9 percent to \$236.3 billion (Figure 6). The system’s risk-weighted capital adequacy ratio was unchanged at 14.3 percent similar to FY2020/21, while the primary ratio returned outcome of 10.2 percent, down from 10.5 percent (Figure 7 and 8).

FIGURE 6: REGULATORY CAPITAL BASE

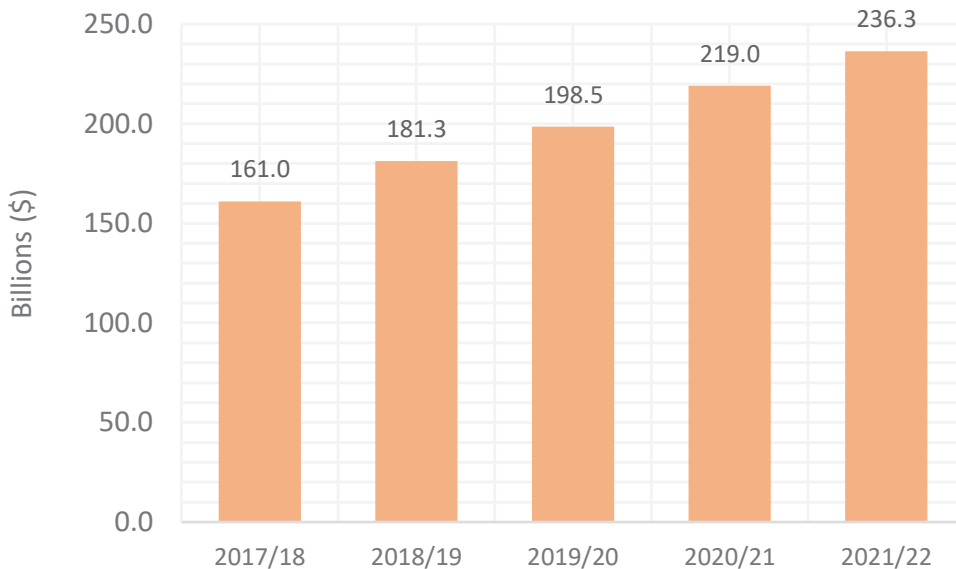


FIGURE 7: PRIMARY RATIOS

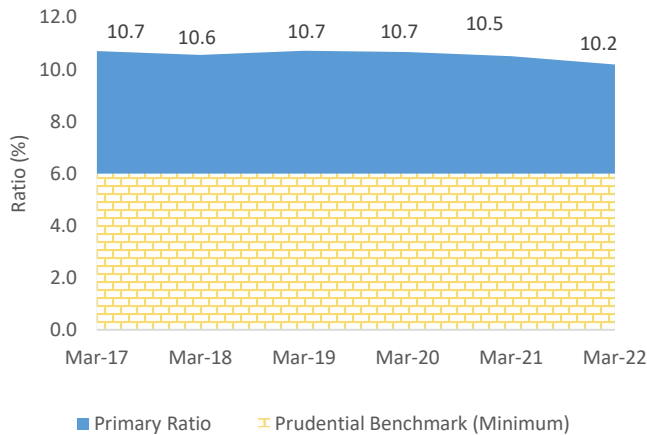
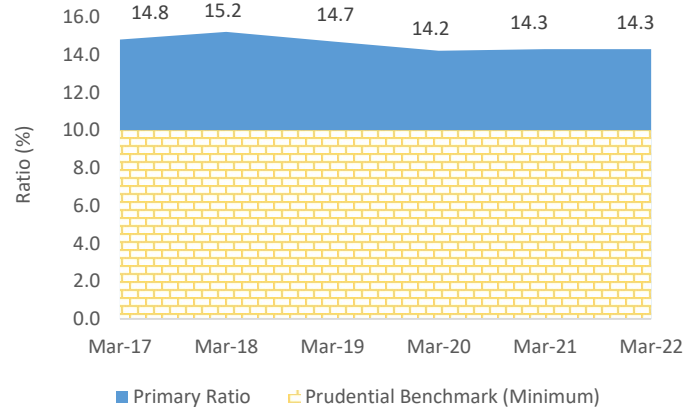
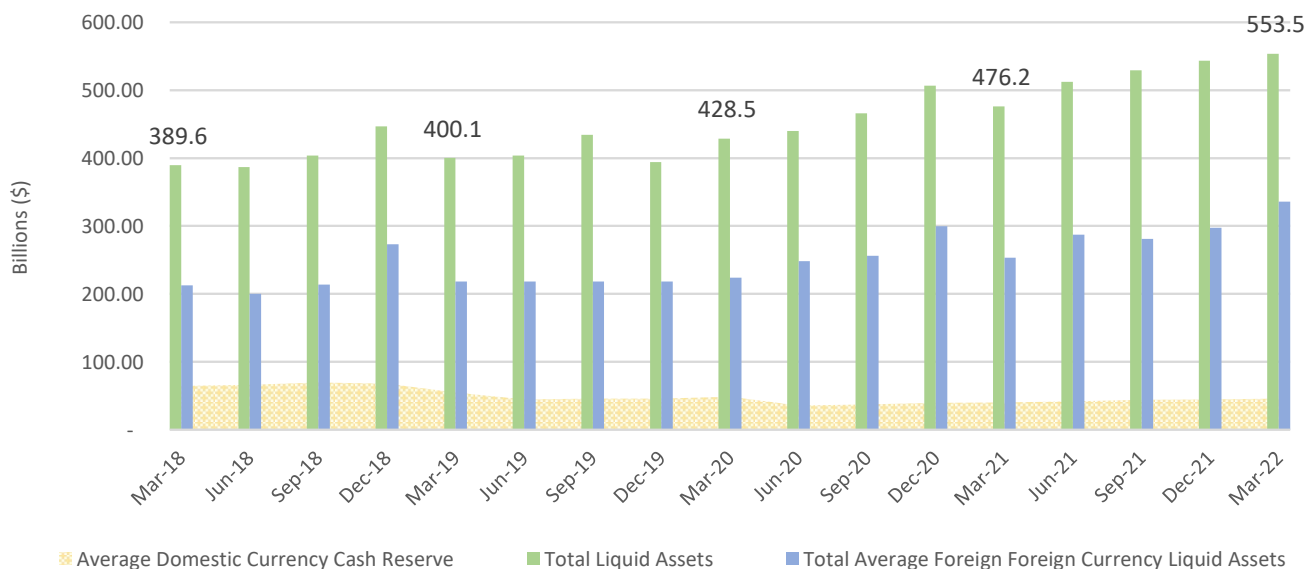


FIGURE 8: RISK WEIGHTED CAPITAL ADEQUACY RATIO



LIQUIDITY

FIGURE 9: BANKING SYSTEM AVERAGE LIQUID ASSETS



Bolstered by policy changes made during the FY2021/22, Policyholders continued to exhibit resilience against liquidity risk even as business operations continued to be impacted by the restrictions to stem the spread of the COVID-19 virus. To better manage emerging credit risk exposures, Policyholders maintained the prudential Liquidity Coverage Ratio as well as higher liquid balances to meet future deposit withdrawals.

Total average liquid assets within the system increased by 16.2 percent to \$553.5 billion, up from \$476.2 billion at end March 2021. Total average

foreign currency liquid assets increased by 32.6 percent to \$336.0 billion, while total average domestic currency cash reserve increased by 12.8 percent to \$45.7 billion (Figure 9).

Liquidity conditions as measured by the ratio of liquid assets to total assets improved. The liquid assets ratio increased 1.6 percentage points to 25.5 percent. This reflected stronger liquid assets growth relative to growth in total assets. Liquid assets to deposits also increased, expanding to 35.0 percent compared to 33.8 percent at the end of FY2020/21.

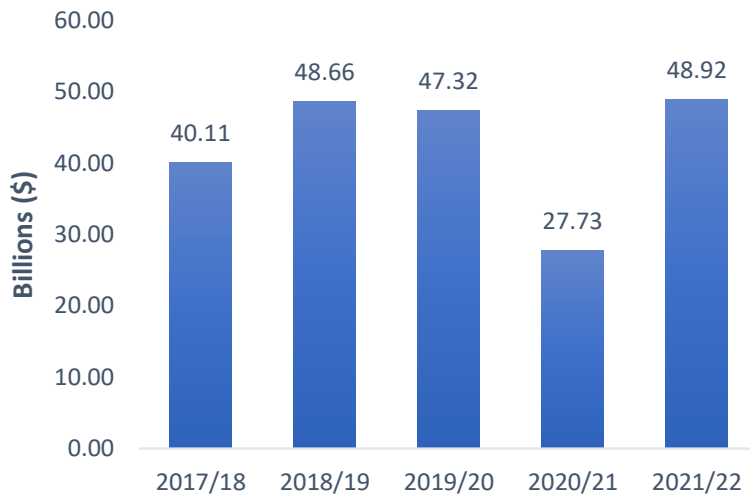
PROFITABILITY

For the FY2021/22 period, Policyholders recorded improved profitability, due to strong recoveries in some non-interest revenue streams. The system registered pre-tax profits of \$48.92 billion, an increase of 76.4 percent when compared to outturns of \$27.73 billion at end FY2020/21 (-41.4 percent) **(Figure 10)**. The improved profit performance for the financial year was largely reflected in non-interest income which increased by 26.3 percent (\$22.0 billion). This compares to the decline of 3.7 percent or \$3.2 billion reported in the previous financial year. Total revenue

growth was also supported by an increase of 6.6 percent (\$7.2 billion) in interest income, compared with growth of 0.3 percent (\$322.0 million) in 2021.

Profitability for FY2021/22 was further aided by lower growth in non-interest expense of 1.4 percent (\$2.2 billion), compared with the 15.8 percent (\$20.9 billion) increase in operating expenses recorded the previous year. Interest expense increased by 9.5 percent or \$1.8 billion during the review period.

FIGURE 10: PRE-TAX PROFITS



PROFILE OF DEPOSITS

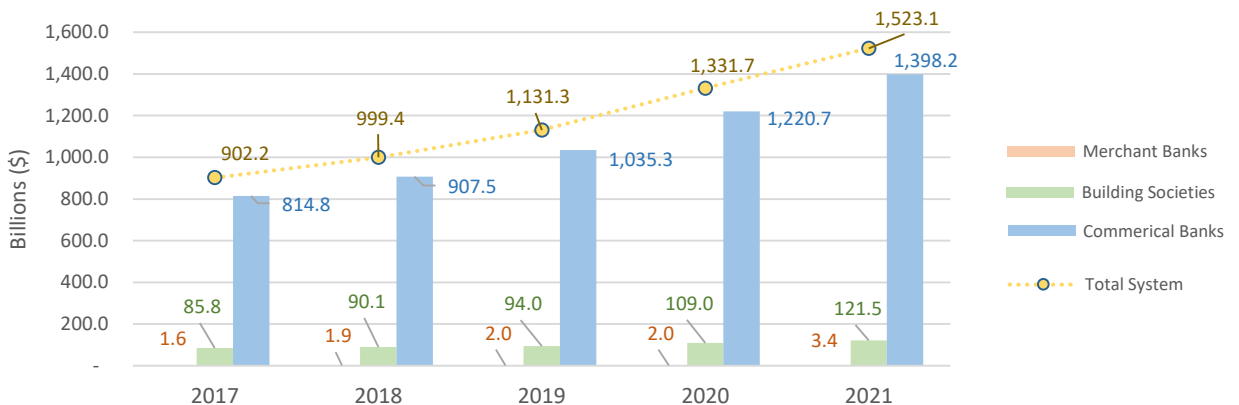
INSURABLE DEPOSITS- ELIGIBLE FOR DEPOSIT INSURANCE COVERAGE

Insurable Deposits refer to the total deposits in the banking system excluding the deposits of Government entities and member institutions.

As at December 31, 2021⁵, total insurable deposits increased 14.4 percent to \$1,523.1 billion relative to \$1,331.7 billion at the end of the corresponding

period in 2020 **(Figure 11)**. The number of insurable deposit accounts increased 5.8 percent from approximately 4.7 million accounts at the end of 2020 to just over 4.9 million accounts at the end of 2021. Consequently, the average insurable deposit balance increased 8.0 percent to \$308,573 in 2021, up from the \$285,561 recorded at the end of 2020.

FIGURE 11: TOTAL ESTIMATED INSURABLE DEPOSITS



⁵ The date on which total insurable deposits are calculated for premium purposes and when insured deposits are calculated, which forms part of the Corporation's potential liabilities.

All subsectors recorded growth in insurable deposits during the year. Additionally, commercial banks, building societies and merchant banks accounted for approximately 91.8 percent, 8.0 percent and 0.2 percent respectively, of total insurable deposits (See Table 6).

TABLE 6: TOTAL INSURABLE DEPOSITS AS AT DECEMBER 31, 2020 & DECEMBER 31, 2021

Sub-sectors	Dec'20 (\$'Bn)	Dec'20 (% share)	Dec'21 (\$'Bn)	Dec'21 (% share)
Commercial Banks	1,220.7	91.7	1,398.2	91.8
Building Societies	109.0	8.1	121.5	8.0
Merchant Banks	2.0	0.2	3.4	0.2
Total	1,331.7	100.0	1,523.1	100.0

Data on insurable deposits is derived from information the Corporation collects through its annual survey of the distribution of insurable deposits (Survey) held at Member Institutions at the end of each calendar year. Additionally, the 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.

INSURABLE DEPOSITS HELD IN DOMESTIC AND FOREIGN CURRENCIES

Domestic and foreign currency deposits increased as at December 2021. Insurable deposits held in domestic currencies increased by 13.0 percent to \$876.6 billion year over year and accounted for 57.6 percent of total insurable deposits. On the other hand, foreign currency insurable deposits grew by 16.3 percent to \$646.5 billion and represented 42.4 percent of total insurable deposits (Figure 12, Table 7).

FIGURE 12: CURRENCY DISTRIBUTION OF INSURABLE DEPOSITS

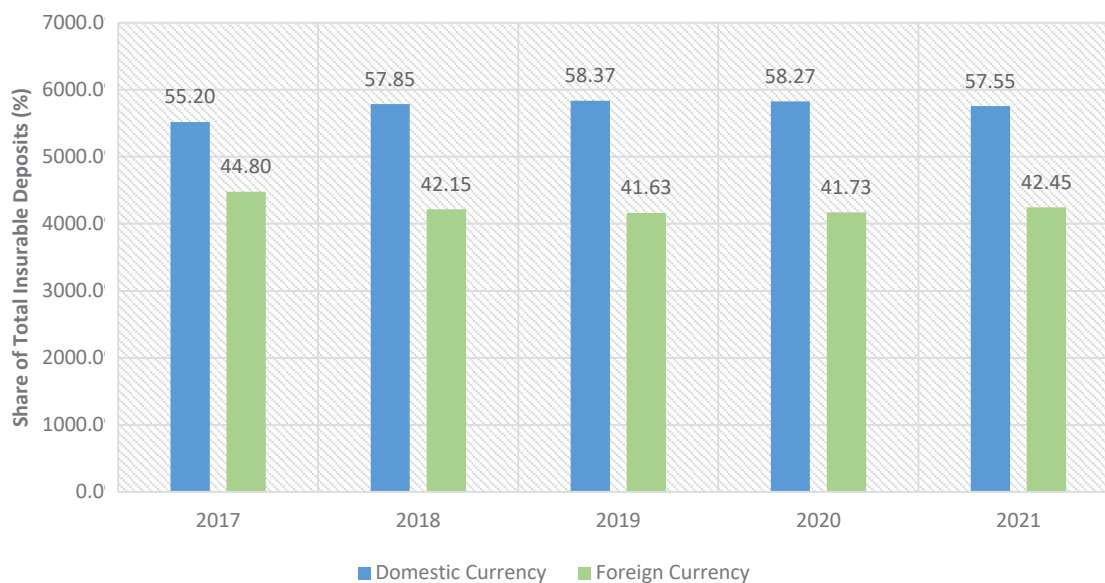


TABLE 7: CHANGE IN DOMESTIC AND FOREIGN CURRENCY DEPOSITS AS AT DECEMBER 2021

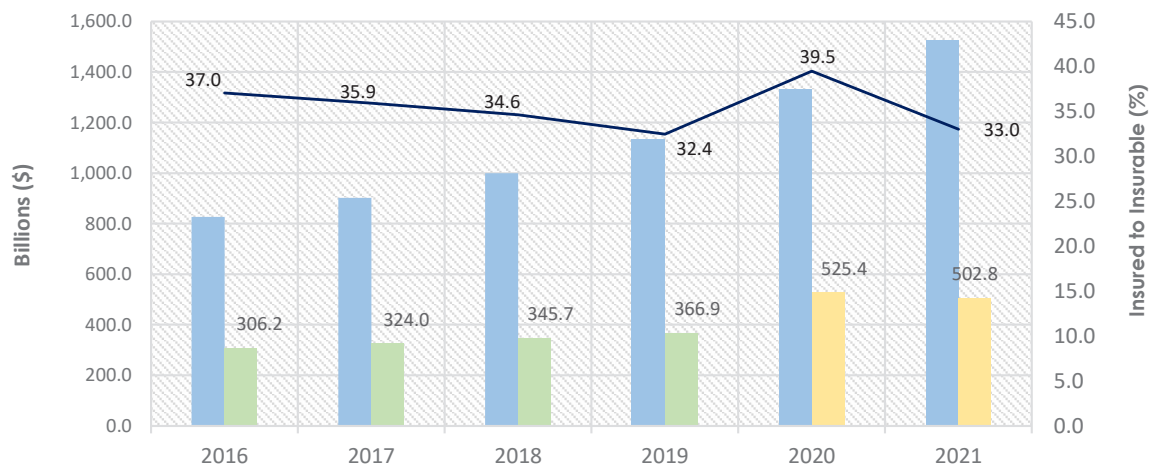
	Dec'20 (\$'Bn)	Dec'21 (\$'Bn)	(%Δ)
Domestic Currency	775.9	876.6	13.0
Foreign Currency	555.8	646.5	16.3
Total	1,331.7	1,523.1	

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

The coverage limit at end December 2021 was \$1,200,000 per depositor, per account category, per institution. Estimated insured deposits totalled \$502.8 billion at the end of 2021, a 4.3 percent decrease when compared to the \$525.4 billion recorded for 2020. Within the context of a decrease

in estimated insured deposits and an increase in insurable deposits, the ratio of insured deposits to total insurable deposits declined from 39.5 percent in December 2020 to 33.0 percent end 2021 (Figure 13).

FIGURE 13: INSURED TO INSURABLE DEPOSITS



DATA TABLE: INSURED TO INSURABLE DEPOSITS

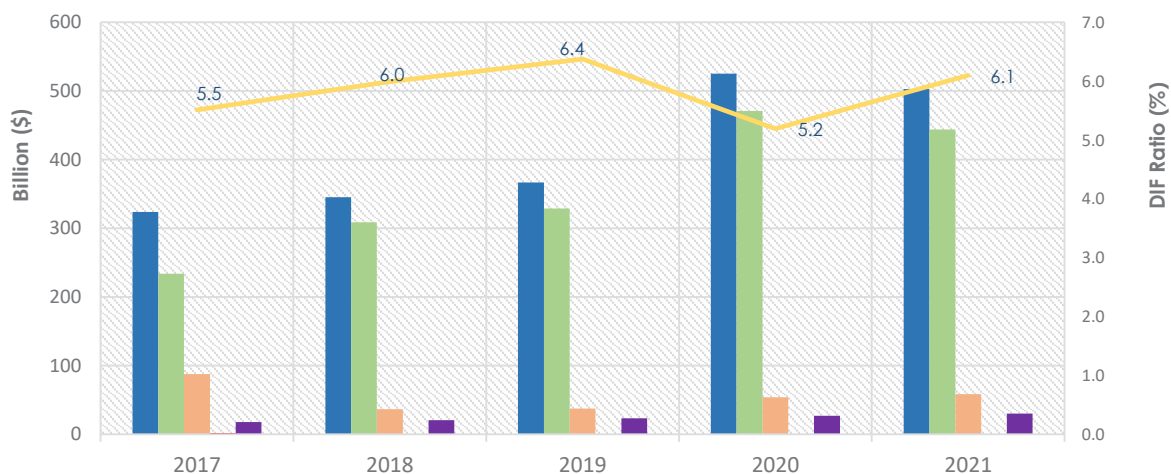
	2016	2017	2018	2019	2020	2021
Insurable Deposits	826.5	902.2	999.4	1,131.3	1,331.7	1,523.1
Insured Deposits (\$Bn) @ \$600,000 coverage limit	306.2	324.0	345.7	366.9		
Insured Deposits (\$Bn) @ \$1,200,000 coverage limit					525.4	502.8
Insured to Insurable (%)	37.0	35.9	34.6	32.4	39.5	33.0

Commercial banks accounted for the largest percentage share of the total estimated insured deposits (88.3 percent), followed by building societies and merchant banks with 11.7 percent and 0.05 percent, respectively (Table 8).

	Dec'20 (\$'000)	Dec'20 (%)	Dec'21 (\$Bn)	Dec'21 (%)
Commercial Banks	471.1	89.7	443.9	88.3
Building Societies	54.1	10.3	58.7	11.7
Merchant Banks	0.2	0.0	0.2	0.0
Total	525.4	100.0	502.8	100.0%

The DIF balance increased by 11.7 percent to \$30.5 billion at the end December of 2021 compared to \$27.3 billion at the end of 2020. The DIF reserve ratio, which is the Fund balance as a percentage of total estimated insured deposits was 6.1 percent at end of 2021, a 0.9 percentage point increase relative to 5.2 percent at the end of 2020 (Figure 14). The Corporation's target the DIF reserve ratio is between 8 - 10 percent.

FIGURE 14: ESTIMATED INSURED DEPOSITS BY SUB- SECTOR



	2017	2018	2019	2020	2021
	\$600,000 coverage limit			\$1,200,000 coverage limit	
Total Estimated Deposits (\$Bn.)	322.96	345.5	366.9	525.4	502.8
Commercial Banks (\$Bn.)	234.0	308.7	328.9	471.1	443.9
Building Societies (\$Bn.)	87.9	36.9	37.9	54.1	58.7
Merchant Bank (\$Bn.)	2.0	0.2	0.1	0.2	0.2
Deposit Insurance Fund (\$Bn.)	17.86	20.7	23.4	27.3	30.5
DIF Ratio (%)	5.5	6.0	6.4	5.2	6.1

PROFILE OF NUMBER OF FULLY INSURED DEPOSIT ACCOUNTS

The percentage of insurable deposit accounts fully covered at end December 2021 was 96.8 percent. This level of coverage underscores JDIC’s mandate of protecting the majority of retail depositors and is in line with the International Association of Deposit Insurers’ (IADI)⁶ best practice recommendation of fully insuring upwards of 90 – 95 percent of deposit accounts. The number of fully covered accounts represents 20.6 percent⁷ (\$313.4 billion) of the value of total insurable deposits (**Table 9**).

TABLE 9: 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	%
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
2021	313,369,898	1,523,102,973	20.6	4,778,091	4,935,960	96.8

*Data at year ends 2017 - 2019 is under the 600,000-coverage limit

TABLE 10: FULLY COVERED ACCOUNTS AS AT DECEMBER 31, 2021

Sub-sector	Total No. of Accounts Insurable	Total No. of Accounts Fully Insured	% of Accounts Fully Insured per Sector
Commercial Banks	4,023,098	3,882,491	96.5
Building Societies	912,271	895,129	98.1
Merchant Banks	591	471	79.7
Total	4,935,960	4,778,091	96.5

Of the total number of insurable accounts held in building societies, 98.1 percent were fully covered; in the commercial banking sector, 96.5 percent of insurable accounts were fully covered, while 79.7 percent of deposit accounts in merchant banks were fully covered (**Table 10**). The Corporation has, therefore, continued to meet its public policy objective of protecting the greater percentage of small depositors.

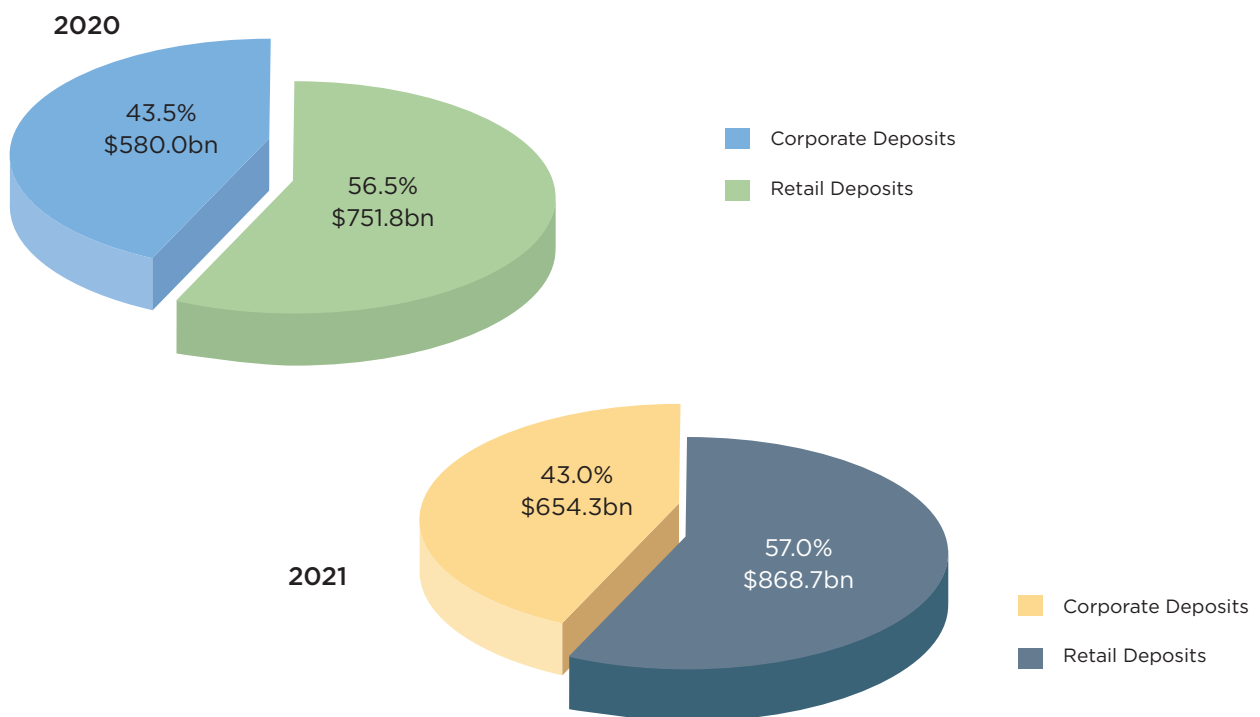
6 IADI is a forum for deposit insurers from around the world to gather and to share knowledge and expertise.

7 This remains relevant in keeping with the International Association of Deposit Insurers’ guidance on the need to balance depositor protection and market discipline by covering only 20-30 percent of the value of deposits. See International Association of Deposit Insurers (IADI) (2013, March). Enhanced Guidance for Effective Deposit Insurance Systems: Deposit Insurance Coverage.

GLANCE AT RETAIL AND CORPORATE DEPOSITS

The annual survey of insurable deposits as at December 31, 2021 revealed increases in corporate and retail insurable deposits of 12.8 percent and 15.6 percent, respectively. Corporate insurable deposits accounted for 43.0 percent or \$654.3 billion relative to 43.5 percent (\$580.0 billion) in 2020 of total insurable deposits while retail insurable deposits accounted for 57.0 percent or \$868.7 billion relative to 56.5 percent, of the total insurable deposits (**Figure 15**).

FIGURE 15: SHARE OF THE RETAIL AND CORPORATE DEPOSITS IN THE SYSTEM



The average balance in corporate deposit accounts was \$3.7 million compared to retail deposits with average balance of \$183,185.

The vast majority of corporate deposits remain uninsured due to their size, with just about 8.7 percent being insured, while insured retail deposits accounted for approximately 51.3 percent of the total insurable retail deposits. Fully insured corporate deposits were valued at \$25.1 billion, while fully insured retail deposits valued \$288.3 billion.



MONITORING AND RISK ASSESSMENT SECTION
 Standing (L-R) : Camielle Frazer, Desmarie Brooks, Shavalee Johnson, Dawn Marie Brown (seated)



CORPORATE PLANNING AND COMMUNICATIONS BRANCH AND LEGAL AND CORPORATE SECRETARIAT BRANCH
 (L-R) Kadisha Sharp, Latoya Nicholson, Brianna Gibson Majorie McGrath (seated);



FINANCE AND CORPORATE SERVICES BRANCH
 Front (L-R): Delgado Williamson, Randia Scott, Glorious Segree, Shikara Lloyd
 2nd Row (L-R): Kenrick Robinson, Patrice McQueen, Pavielle Griffiths Pearzie Reid, Vanessa Long, Dorraine Wright
 3rd Row (L-R): Tashay Strachan, Lorraine Broderick, Mickel Brown
 4th Row (L-R): Pamela Lawrence, Nerissa McKenzie-Harris, Carlon Warner
 Back (L-R) Louis McFarlane, Ronald Edwards



INTERVENTION, RESOLUTION AND INTERNATIONAL RELATIONS SECTION
 Front (L-R) Eloise Williams-Dunkley and Jhanelle Smith; Back (L-R) Priesnell Warren and Stephanie Williams.



REVIEW OF OPERATIONS

FINANCIAL PERFORMANCE

The Corporation's outturns were consistent with the performance of the economy and ended the financial year commensurately meeting the projected targets. The Overall Balance Targets⁸ were met as agreed with the MoFPS and is used to monitor the performance of the Corporation. Total assets at March 31, 2022 was \$32.4 billion, an increase of 9.8 percent or \$2.9 billion over the previous year. The increase was due primarily to a 20 percent increase in Investments to \$30.6 billion (\$25.5 billion - March 31, 2021), which comprises Government of Jamaica (GOJ) and Bank of Jamaica (BOJ) assets.

The Corporation's total income was \$3.7 billion which surpassed the budgeted amount of \$3.5

billion as summarized in **Table 11**. The components of the total income include:

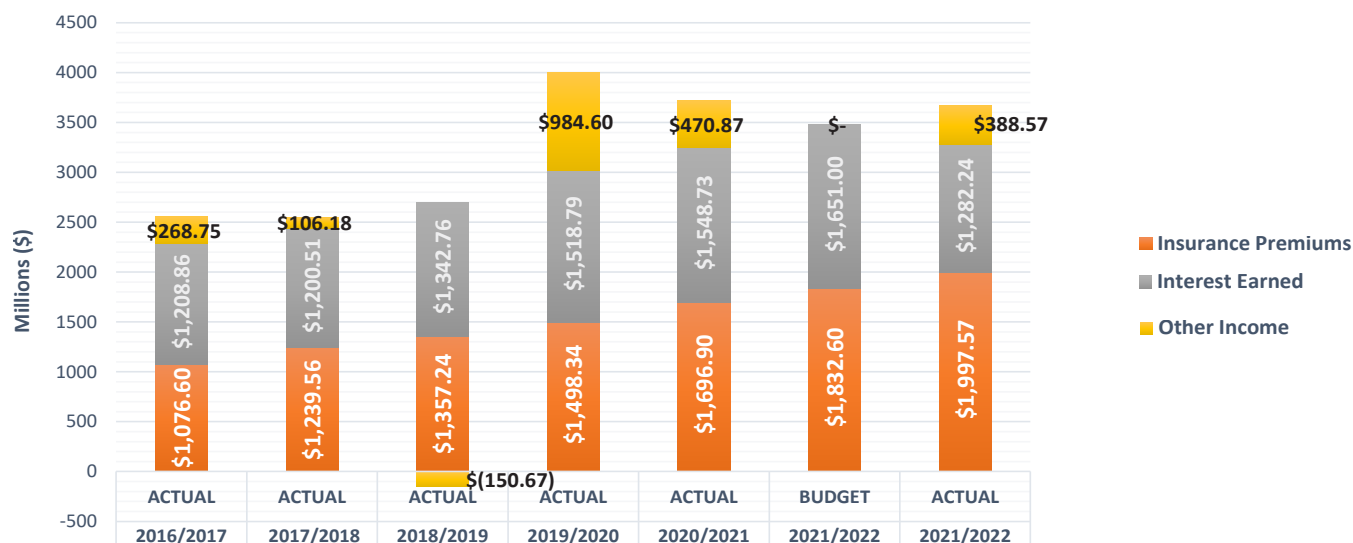
- Insurance premiums of \$1,997.6 million, which increased by 17.7 percent over the previous year arising from an increase in insurable deposits held by Policyholders.
- Interest earned of \$1,282.2 million, a decrease of 17.2 percent compared with the previous year and 22.3 percent below budget, in a low interest rate environment.
- A decrease in other income of 17.5 percent compared with the previous year, resulting mainly from the lower foreign exchange conversion gains resulting from the depreciation of the Jamaica dollar.

TABLE 11: TOTAL INCOME TOTAL INCOME

TOTAL INCOME	FY2019/20 ACTUAL \$M	FY2020/21 ACTUAL \$M	FY2021/22 ACTUAL \$M	FY2021/22 BUDGET \$M
Insurance Premiums	1,498.3	1,696.9	1,997.6	1,832.6
Interest Earned	1,518.4	1,548.7	1,282.2	1,651.0
Other Income	984.6	470.9	388.6	-
Total Income	4,001.3	3,716.5	3,668.4	3,483.6

⁸ The Overall Balance is the difference between revenue and expenditure, net receivables and payables, adjusting for capital expenditure and net lending (above the line). From below the line, a deficit in the overall balance is financed by a drawdown in cash assets (cash from operations) and use of other financial assets acquired for liquidity purposes and by an increase in the debt liabilities through borrowing.

TOTAL INCOME FY2016/17 to FY2021/22



ADMINISTRATIVE EXPENSES

ACTUAL - Administrative expenses, including the impairment gain on financial assets, were \$394.9 million, which increased by 12.3 percent when compared with the previous year expenses of \$351.6 million. The increase is due mainly to increases in depreciation resulting from the capitalization of software developed, the increase in repairs and maintenance resulting from additional repairs and maintenance jobs completed, and the increase in professional fees arising from projects undertaken.

COMPARED TO BUDGET - For FY2021/22, administrative expenses were 42 percent lower when compared with the budget, mainly due to staff cost not incurred consequent to the delayed approval

from the MoFPS for implementation of recommendations from the organizational review, job evaluation and reclassification exercise submitted in August 2018. Additionally, budgeted professional fees were lower due mainly to the deferral of projects during the COVID-19 pandemic and the general reduction in other operational activities.

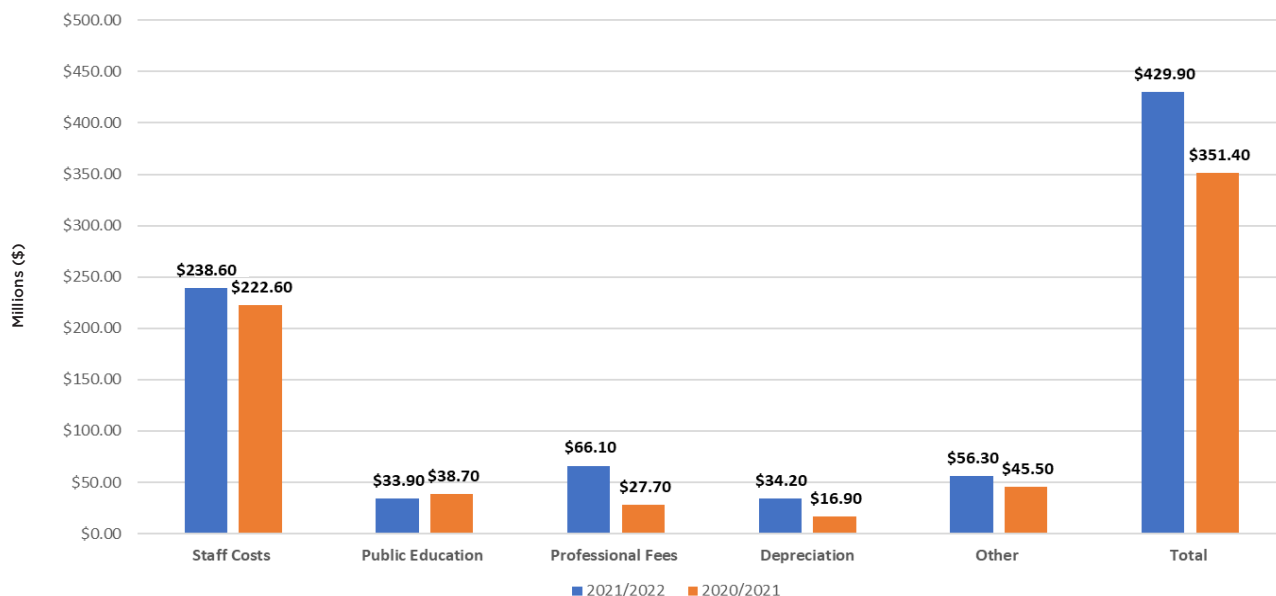
ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF THE DIF AND TOTAL ASSETS

Administrative Expenses for the year to March 31, 2022, was 1.3 percent (2021: 1.2 percent) of the DIF and 10.8 percent (2021: 8.0 percent) of total income. The distribution of administrative expenses is shown in **Table 12**.

TABLE 12: SUMMARY OF ADMINISTRATIVE EXPENSES DISTRIBUTION

ADMINISTRATIVE EXPENSES	FY2019/20 ACTUAL		FY2020/21 ACTUAL		FY2021/22 ACTUAL		FY2021/22 BUDGET	
	\$M	%	\$M	%	\$M	%	\$M	%
Staff Costs	196.7	67.4	222.6	63.3	238.6	60.4	361.5	53.1
Public Education	16.4	5.6	38.7	11.0	33.9	8.6	58.8	8.7
Professional Fees	22.4	7.7	27.7	7.9	66.1	16.7	119.9	17.6
Depreciation	6.5	2.2	16.9	4.8	34.2	8.7	17.2	2.5
Impairment (gain)/loss on financial assets	3.4	1.2	0.2	0.1	(35.0)	(8.9)	-	-
Other	46.3	15.9	45.5	12.9	57.1	14.5	123.2	18.1
TOTAL	291.7	100.0	351.6	100.0	394.9	100.0	680.6	100.0

ADMINISTRATIVE EXPENSES



After taking into account the administrative expenses and the impairment gain on financial assets of \$35 million (2021 Loss: \$0.2 million) the Corporation achieved a surplus on operations of \$3,273.5 million as at March 31, 2022, lower by 2.7 percent when compared with the previous financial year.

TABLE 13: STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME	FY2019/20 ACTUAL \$M	FY2020/21 ACTUAL \$M	FY2021/22 ACTUAL \$M	FY2021/22 BUDGET \$M
Insurance Premiums	1,498.3	1,696.9	1,997.6	1,832.7
Surplus from Investment and Administrative Operations:				
Interest Earned	1,518.4	1,548.7	1,282.2	1,650.9
Other Income	984.5	1,139.4	388.6	-
Administrative Expenses	(288.3)	(351.4)	(429.9)	(680.6)
Impairment Gain/(Loss) on Financial Assets	(3.4)	(0.2)	35.0	-
Surplus from Investment and Administrative Operations	2,211.2	2,336.5	1,275.9	970.3
Surplus from Operations	3,709.5	4,033.4	3,273.5	2,803.0

OVERALL BALANCE TARGET (OBT) AGREED WITH THE MoFPS

The Overall Balance Target (OBT), which shows the cash generated from operations for the year as agreed with the MoFPS, are quarterly financial targets to assess the performance of the Corporation. The budgeted OBT for the year was \$2,680.88 million and the actual out-turn was \$3,707.26 million, which was \$1,026.38 million higher than projected. This is due mainly to the Corporation's better overall cash management performance, compared to the actual outturn with that budgeted.

In achieving the targets, the Corporation ended the

year with total assets of \$32.4 billion, which was an increase of 9.8 percent over the previous year's total assets of \$29.5 billion. This increase is due mainly to the 7.5 percent increase in investment securities and cash and cash equivalents.

DEPOSIT INSURANCE FUND (DIF) MANAGEMENT

During FY2021/22 the DIF grew by 11.7 percent to \$31.4 billion, when compared to the balance of \$28.1 billion in the previous year. Over the five-year period since April 1, 2017, the DIF increased by 66.5 percent. The growth of the DIF over the last five years is as follows

TABLE 14: FIVE-YEAR FUND GROWTH

FUND GROWTH DETAILS	FY2017/18 \$M	FY2018/19 \$M	FY2019/20 \$M	FY2020/21 \$M	FY2021/22 \$M
Insurance Premiums	1,239.6	1,353.4	1,498.3	1,696.9	1,997.6
Surplus from Investment and Administrative Operations	1,062.2	901.6	2,214.6	1,668.2	1,240.9
Impairment Gain/(Loss) on Securities	-	(7.1)	(3.4)	(0.2)	35.0
Previous Year Deposit Insurance Fund	16,542.2	18,844.0	21,027.6	24,737.1	28,102.0
Initial Application of IFRS 9	-	(64.3)	-	-	-
Deposit Insurance Fund	18,844.0	21,027.6	24,737.1	28,102.0	31,375.5

Investment decisions were undertaken in accordance with the provisions of the Deposit Insurance Act; the Corporation's Investment Policy; the annual Investment Guidelines and recommendations arising from the DIF Adequacy Evaluation relating to projected liquidity requirements. The financial year was characterized by relative inactivity of GOJ primary issues due to decided fiscal policy, and reduced market trades and lower interest rates for the first half of the year. In the latter part of the year with the increase in the BOJ's policy rate, resulting

in increasing market interest rates, the Corporation continued to participate in the weekly BOJ CD Auctions.

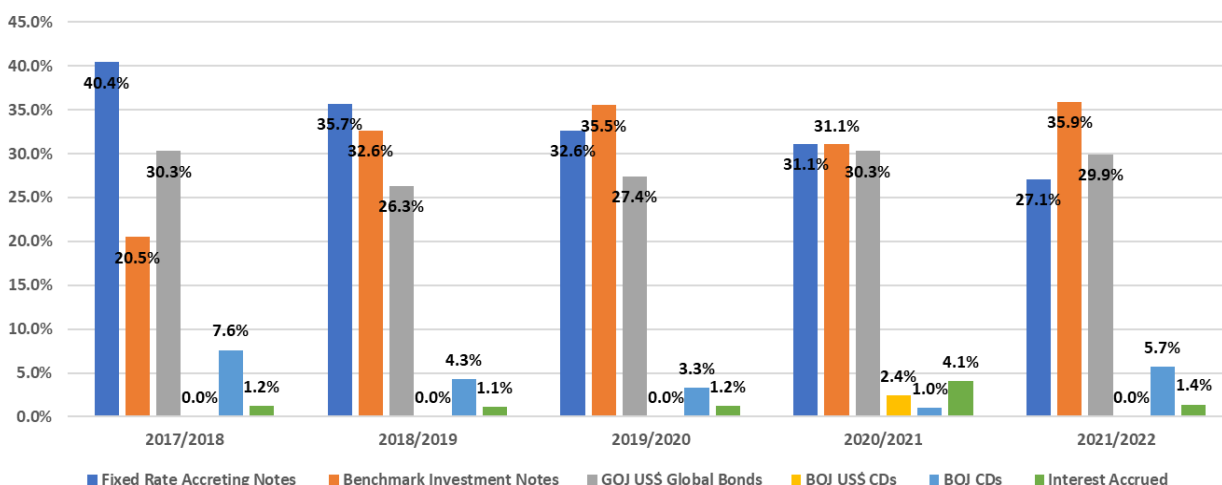
The Corporation maintained the DIF Adequacy Evaluation recommendation to have liquid assets of not less than \$3 billion. The investment portfolio maturity profile at the end of the financial year compared with previous years are outlined in **Table 15** as follows:

TABLE 15: INVESTMENT PORTFOLIO MATURITY PROFILE					
TENOR OF INVESTMENT SECURITIES	FY2018/19 %	FY2019/20 %	FY2020/21 %	FY2021/22 %	FY2021/22 \$
Up to 12 months	7.3	4.7	7.5	14.3	4,243.2
1 - 3 Years	16.3	17.7	11.7	3.7	1,107.9
3- 5 Years	12.8	23.6	40.5	42.3	12,545.8
Over 5 Years	63.6	54.0	40.3	39.7	11,786.1
TOTAL	100.0	100.0	100.0	100.00	29,683.0

The reduction in the ratio of longer-term instruments was achieved to maintain the liquidity position and ended the year with 39.7 percent of the securities with tenor of five years and over compared with 40.3 percent in the previous year. **Table 16** shows the investment securities portfolio distribution and comparison with the three previous years.

TABLE 16: INVESTMENT SECURITIES PORTFOLIO DISTRIBUTION				
INVESTMENT SECURITIES	FY2018/19 DISTRIBUTION %	FY2019/20 DISTRIBUTION %	FY2020/21 DISTRIBUTION %	FY2021/22 DISTRIBUTION %
Fixed Rate Accreting Notes	35.7	32.6	31.1	27.1
Benchmark Investment Notes	32.6	35.5	31.1	35.9
GOJ US\$ Global Bonds	26.3	27.4	30.3	29.9
BOJ US\$ CDs	-	-	2.4	-
BOJ CDs	4.3	3.3	1.0	5.7
Interest Accrued	1.1	1.2	4.1	1.4
TOTAL	100.0	100.0	100.0	100.0

SUMMARY OF INVESTMENT SECURITIES PORTFOLIO DISTRIBUTION



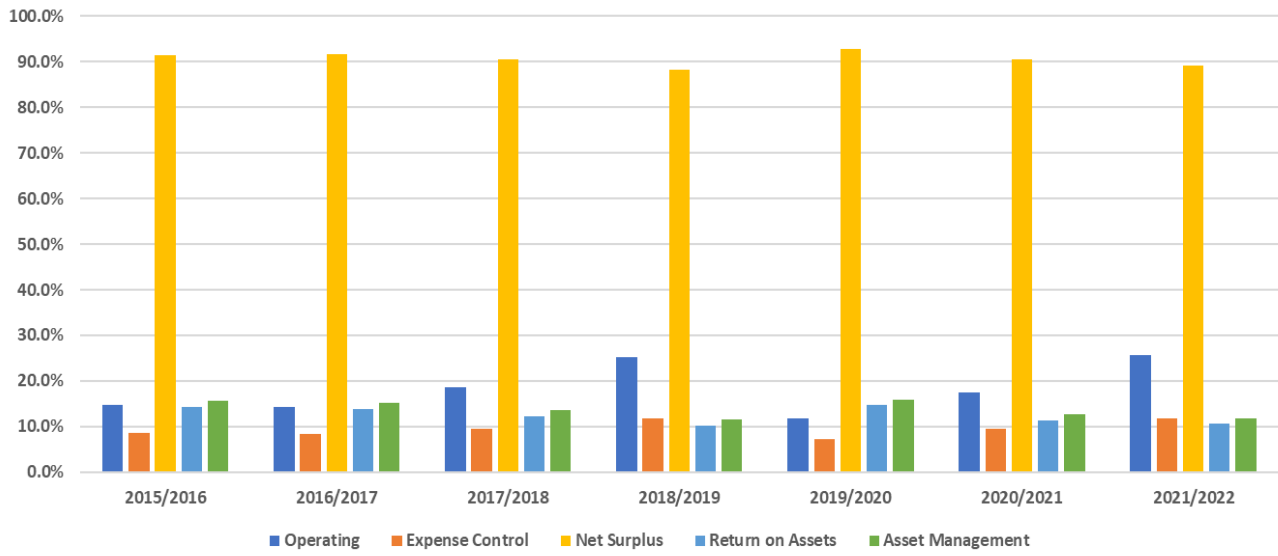
KEY PERFORMANCE RATIOS

The outturn of Key Performance Ratios (Table 17) remained at acceptable levels taking into account the economic and operating environment.

TABLE 17: SUMMARY OF KEY PERFORMANCE RATIOS

KEY PERFORMANCE RATIOS	DEFINITION	FY2019/20 ACTUAL %	FY2020/21 ACTUAL %	FY2021/22 ACTUAL %	FY2021/22 BUDGET %
Operating	Total Expenses /Interest Earned and Other Income	25.2	11.7	41.2	25.7
Expense Control	Total Expenses/Total Income	11.8	7.3	11.7	19.5
Total Expenses	Total Expenses/Surplus from Operations	13.4	7.9	13.1	24.3
Total Expenses to DIF	Total Expenses/Deposit Insurance Fund	1.4	1.2	1.4	2.2
Net Surplus	Surplus from Operations/ Total Income	88.2	92.7	89.2	80.5
Return On Assets	Surplus from Operations/ Total Average Assets	10.8	15.7	10.7	9.2
Asset Management	Total Income/Total Assets	12.3	16.9	11.5	11.1
Insurance Premiums to Total Income	Insurance Premiums/ Total Income	53.1	37.4	54.5	52.6

SUMMARY OF KEY PERFORMANCE RATIOS



SUMMARY FINANCIAL PROJECTIONS FOR YEAR ENDING MARCH 31,2023

DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME	YEAR ENDING MARCH 31, 2023 \$'000
Total Income	4,114,451
Total Expenses	(915,059)
Surplus from Operations	3,199,392
Surplus from Operations - Balance at Beginning of the Year	31,592,710
Deposit Insurance Fund - Balance at End of the Year	34,792,102
CASH AND CASH EQUIVALENTS	YEAR ENDING MARCH 31, 2023 \$'000
Total Inflow	16,138,370
Total Outflow before Investments	(1,394,866)
Investments	(15,197,733)
Net Inflow/Outflow	(454,229)
Balance at Beginning of the Year	962,845
Balance at End of the Year	508,616
DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION	MARCH 31, 2023 \$'000
Property, Plant and Equipment	304,565
Investment Securities	34,507,271
Current Assets	902,163
Total Assets	35,713,999
Current Liabilities	89,320
Unearned Premium Income	-
Share Capital	1,000
Capital Reserves	158,145
Fair Value Reserves	673,591
Deposit Insurance Fund	34,791,943
Total Liabilities	35,713,999

MONITORING AND RISK ASSESSMENT

The Corporation maintained its strategy of enhanced monitoring and risk assessment of Member Institutions (MIs) despite the developments where some risks in the economy moderated with the removal of restrictions to stem the protracted impact of the COVID-19 pandemic. This ensured the Corporation remained proactive in identifying any deterioration in the financial condition and performance of MIs or any other potential risk to the Deposit Insurance Fund.

The enhanced monitoring of MIs included more frequent exchange of information with, and reporting among, the other members of the FSSN to ensure the JDIC was able to give due consideration and analysis to all developments regarding supervisory enforcement actions in respect of MIs. With the enhanced ability to assess risk JDIC would be sufficiently prepared in terms of the liquidity needs and the adequacy of the Fund to facilitate any potential resolution event. The Corporation, in support of its monitoring and risk assessment function also worked with the MIs to ensure full compliance with their reporting obligations under the Policy of Deposit Insurance.

As the uncertainties persisted the Corporation ensured that its technical officers became more au fait with the applications for more advanced monitoring and risk assessment techniques thus ensuring that all risk assessment of MIs were timely and conducted in accordance with the Corporation's Policyholders Risk Assessment Framework (PRAF) taking into consideration the BOJ's prudential requirements and the CAMELS⁹ matrix. Additionally, team members continued to improve on their technical competencies by serving on technical working groups of: (i) the Financial Regulatory Committee (FRC); (ii) the Financial System Stability Committee (FSSC); and (iii) the International Association of Deposit Insurers (IADI).

Deposit Insurance Fund Adequacy Evaluation

The Deposit Insurance Fund was evaluated to be adequate for FY2021/22 based on the assessed

risk of the MIs. In keeping with Section 17(4) of the DIA, the Corporation is required from time to time, but not less than once per year to review the size of the Fund having regard to its liabilities and potential liabilities including its operating and capital expenditures. The Corporation completed the development of an enhanced model to assess the DIF, with the technical support of a consultant¹⁰. The model incorporated the impact of more granular risk variables affecting the adequacy of the Fund and also specific parameters to account for the no failure history since the establishment of the JDIC. Due to timing challenges the training of the JDIC team in the use of the model was not finalized until the third quarter of the financial year, which was outside of the statutory timeline required to complete the evaluation of the DIF. The model will be applied in FY2022/23. Consequently, the evaluation for the reporting period was conducted using the original model.

The Corporation conducted two assessments regarding the adequacy of the Fund, taking into consideration additional stress testing in light of the protracted uncertainties and macroeconomic developments. This was done to ensure that the Fund remained adequate to meet its objective of protecting the most vulnerable depositors. This process included an assessment of each MI's financial performance based on the Corporation's PRAF. Coupled with the exposure to the MIs' insured deposits, the assessment was used to ascertain the Corporation's liquidity needs in keeping with the assessed risk of the MIs to ensure prompt response in the event of the resolution of a non-viable MI.

From the evaluations conducted it was determined that the Fund was adequate to cover existing and potential liabilities for the ensuing 12-month period, as the MIs were deemed to pose a low level of risk to the DIF and no resolution was anticipated for the period under review. The findings were reported to the JDIC Board and the Bank of Jamaica.

⁹ The CAMELS is a composite rating and assessment standard which test the adequacy of an institution's capital, quality of assets, capability of management, quality and level of earnings, adequacy of liquidity, and sensitivity to market risk and ranked from "1" (strongest) to "5" (weakest).

¹⁰ This initiative was funded by the Inter-American Development Bank (IDB), as a part of their Technical Cooperation Financial System Reform Support Programme to further strengthen Jamaica's financial system.

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 2021, which revealed that the Corporation is fully covering approximately 96.8 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. In depth details of the findings of the Survey can be found in the 'Profile of Deposits' under the 'Policyholders' Profile and Performance' section.

In keeping with the Deposit Insurance Act, MIs are required to submit to the Corporation, by the end of January of each year, details of their insurable deposit base as at December 31st of the prior year. This Survey provides 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 system stability. From the data received, the JDIC is able to estimate its insured deposit liabilities exposure, which plays a part in determining the adequacy of the Fund and resolution planning, should it be necessary. The Survey data also helps to inform the efficacy of the design features as well as the average account deposit balance and test the credibility of the coverage limit of the DIS.

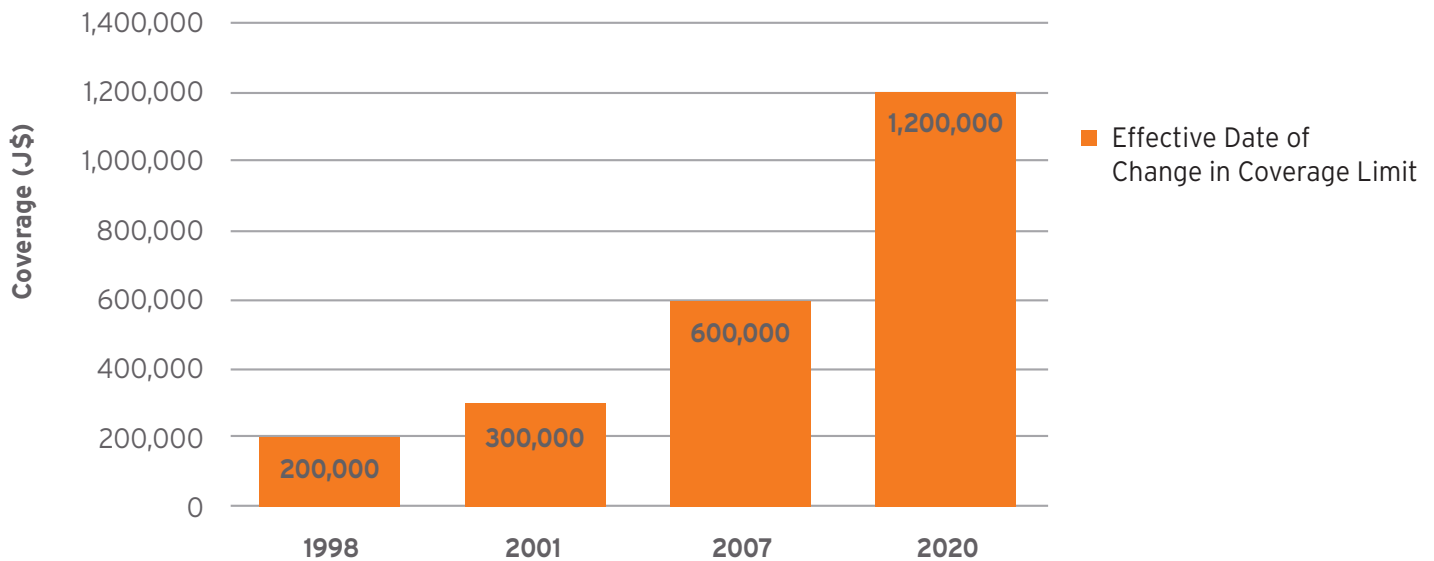
The Corporation also commenced an extensive review of its scope of coverage and conducted a survey of the deposit products offered by MIs. Additional research will be conducted in FY2022/23 and the findings and recommendations finalized.

Deposit Insurance Coverage Limit

The Deposit Insurance Coverage Limit continues to cover the large majority of depositors and remains relevant. The Survey of Insurable Deposits revealed an average account deposit balance of \$308,573.00 in MIs, relative to the current coverage limit of \$1,200,000.00. The IADI Core principle refers, "Coverage should be limited, credible and cover the large majority of depositors but leave a substantial amount of deposits exposed to market discipline". Maintaining a credible coverage limit is therefore critical to the maintenance of confidence and stability in the financial system.

For that reason, the Corporation conducts on-going analysis and tests the credibility of the coverage limit each year through the SID. Other assessments are done incorporating the impact of inflation and exchange rate movements on deposits and the coverage limit. These on-going tests are supported by a comprehensive review of the coverage limit, which is recommended to be done at least every five years. The last coverage limit review was completed and the increase brought into effect on August 31, 2020. See **Figure 16** for the increases in the coverage limit since the JDIC was established in 1998.

Figure 16: JDIC's Coverage Limit Changes



Update on the Preparation for Credit Union Admission to the DIS

At end December 2021, there were 25 Credit Unions in operation. The Corporation continued to work with the sector through the JCCUL and the Bank of Jamaica in preparation for the admission of the sector to the DIS. This involved the sharing of relevant data on the sector, hosting of meetings with the JCCUL and review of the sector's performance, to assist the Corporation in its strategic and operational decisions.

During the review period, the Corporation conducted its annual survey referred to as the Survey of Potential Insurable Deposits (SPID), on deposit data of the credit unions as at December 31, 2021. The

survey provides information on the potential value of the sector's insurable deposits, the potential insured deposits, as well as information on their product types. The SPID revealed that at the current coverage limit, approximately 99 percent of deposit/share accounts within the credit union sector would be fully covered when admitted to the DIS.

The Bill, Credit Unions (Special Provisions) Act (CUSPA) is being drafted, which on promulgation will bring credit unions under the regulatory ambit of the Bank of Jamaica. Once the credit unions are licensed by the BOJ, they will be required to apply to the JDIC for deposit insurance, which will result in an expansion of the Corporation's mandate and institutions covered.

INTERVENTION AND RESOLUTIONS

The Corporation remains resolute in building its institutional capacity in support of its business strategy "Proactive Readiness and Resolution Management". For the review period priority was placed on enhancing the depositor reimbursement capabilities; building out the framework for JDIC to act as receiver and liquidator to resolve a non-viable Member Institution, its holding company or subsidiary; and strengthening the crisis preparedness and management structures at the agency and the FSSN inter agency levels. Activities conducted under other functional areas namely, research and policy, monitoring and risk assessment, public education and awareness, staff training and development as well as regular simulation exercises, inter alia, are also integral in supporting these initiatives.

Enhancing Depositor Reimbursement Capabilities

Pursuant to the Deposit Insurance Act, section 18 (1), the JDIC is obligated to make payments from the DIF in respect of an insured deposit up to the maximum coverage limit where the Member Institution is deemed to be non-viable and unable to make payment in respect of the deposits. During the

period the JDIC continued to implement measures to strengthen its depositor reimbursement capabilities. This is to ensure depositors are provided with prompt, accurate and easy access to their insured deposits regardless of the resolution strategy. These activities focused on ensuring the adequacy of the legal framework, reviewing and testing the operating policies, procedures and information systems to ensure alignment with recent legal reforms, changes in banking practices and technology, as well as the expectations of depositors and other key stakeholders. A tabletop simulation was conducted to review and test the provisions in the DIA that underpin the deposit insurance coverage rules and other provisions that inform making reimbursements to depositors. Action plans have been developed to strengthen specific provisions in the DIA to allow for better clarity and alignment with stakeholder expectations. Additionally, preliminary research was conducted to assess how the provisions in the existing legal and operating framework that governs the National Payment System will support the Corporation's expansion of its range of payment disbursement options when making a payout consequent to liquidation. This is particularly within the context that in support of its digital

transformation strategy, the Corporation continues to pursue initiatives to leverage the opportunities provided by the evolutions in financial technology as well as the BOJ's thrust to drive innovation in payment services. The scope of the assessment included a review of the Financial Market Infrastructures that operate in Jamaica's National Payment System and the Payment Clearing and Settlement Act taking into consideration the proposed legislative amendments. The assessment has informed the analysis and requirements gathering process that will guide the implementation of additional payment disbursement options particularly to facilitate the JDIC making bulk payments electronically in a swift, accessible and secure manner. The analysis and requirements gathering process is scheduled to be completed in FY2022/23 as well as the development of implementation plans.

Scenario analyses were also conducted to review the factors, terms and conditions that must be considered when making insured depositor reimbursements consequent to a purchase and assumption transaction or the establishment of a bridge bank. In such instances where the resolution strategy includes the acquisition/transfer of the insured deposit portion of the failed Member Institution's deposit liabilities, there are specific conditions that must be considered and agreed by the acquiring institution to ensure the objectives of reimbursing depositors are met. Revisions in regard to the specific considerations and terms will be incorporated in pre-drafted agreements and contracts that comprise the Corporation's resolution tool kit.

Standardizing Policyholders Recordkeeping Requirements

Member Institutions are required to maintain specific information in a standard prescribed format as detailed in the "Recordkeeping Guidelines for all JDIC Policyholders/Member Institutions" (Guidelines) and conduct an annual self-assessment indicating areas of non-compliance and action plans. The capability of each Policyholder to maintain and generate current and accurate customer and account records in the required format are critical factors that have implications for the prompt reimbursement of insured deposits by the Corporation.

An important aspect of this initiative for the Corporation is working with each Policyholder to assess and improve the levels of compliance. This includes responding to queries; analyzing annual submissions of the level of compliance and providing feedback; assessing the feasibility of action plans and monitoring progress.

In addition to these activities, during the period the Corporation commenced the second phase of its Policyholders Recordkeeping Standardization Project. Phase two focuses on completing the review and updates to the Recordkeeping Guidelines; finalizing the Recordkeeping Guidelines Compliance Framework to augment the current self-assessment process; delivering industry sensitization sessions and providing other support for the subsequent implementation of the revised Guidelines and the Compliance Framework by Policyholders.

The review process conducted during the year took into consideration the results of Policyholders' annual compliance assessments, other feedback received from Policyholders, practices of DIOs in other jurisdictions, and changes in the legal and operating environment. Additional revisions will be made to address the feedback from the pilot exercise conducted with a selected Policyholder to test the proposed Recordkeeping Guidelines Compliance Framework. The scope of the Policyholder pilot exercise includes conducting several iterations of the data extraction and transfer procedures utilizing the compliance module of the Payout Management Information System¹¹. As at year end this collaborative initiative was near completion. The pilot exercise provided an opportunity for the officers of the respective entities to develop a comprehensive understanding and appreciation of the procedures and make suggestions for enhancements. Additional operational matters for consideration to improve the data transfer processes were also highlighted and these will be further assessed and the required strategies implemented. This phase of the Policyholder Recordkeeping Standardization Project will continue in FY2022/23 and upon its completion the final phase will focus on JDIC putting forward policy proposals for the drafting of regulations to standardize member institutions recordkeeping requirements for deposit insurance purposes.

¹¹ The Payout Management Information System is a custom-built software designed to automate the key payout business processes. Development and implementation was completed in the previous period.

Updating the Framework for JDIC to act as Receiver and Liquidator

Under the DIA, section 5 (2) the Corporation may act as receiver or liquidator of any Policyholder or of its holding company or subsidiary, which becomes insolvent or appoint any person to act as such. In acting in this capacity, the Corporation may arrange for the restructuring of a Policyholder whether by merger with or acquisition by another financial institution or otherwise.

Building on previous work conducted in this area, the drafting of the rules and the supporting operational procedures was carried out with the technical support of a consulting firm. This initiative seeks to provide guidance to the JDIC Officers and its agents in carrying out its functions in liquidating and winding up insolvent financial institutions efficiently. This will be based on the country's principal governing legislation for the winding up of companies and insolvencies, as the case might require, while clearly recognizing the roles of safety net institution parent legislation impacting winding up and insolvencies of financial institutions. The initiative also served to identify legislative gaps that will form the subject of proposals for amendment to the respective parent legislation. The consultant also designed and led a training and simulation exercise on the winding up of an insolvent member institution that was attended by all senior officers of the Corporation.

Proactive Crisis Management Preparedness

Enhancing the level of staff preparedness at the agency and inter-agency levels to deal with crises continued to be an important aspect of the Corporation's work during the year. This initiative primarily focused on staff training and conducting simulation exercises in the specialized technical areas of resolution, reimbursement of depositors and crisis management. Staff participation in a wide range of virtual learning and development programmes in the respective areas was facilitated and included in-house and external training; attendance at conferences and access to e-learning portals. Additionally, simulation exercises remained a key learning tool to develop and maintain staff knowledge and skills under the currency of newer legislation and changes in the operating environment and promote a culture of proactive crisis management preparedness.

Among the several staff training and simulation exercises conducted during the period, these included the execution of quarterly payout scenarios utilizing the Payout Management Information System (PMIS). This is to ensure staff remain knowledgeable of the functionality of the PMIS in normal times as well as to identify system enhancements and execute necessary development work. An inter-agency crisis training and simulation exercise was also conducted during the year. This was organized by the JDIC and delivered by the Toronto Centre under its Virtual Supervisory Programme. Participants included officers from the BOJ, FSC, MoFPS and the JDIC representing each agencies' crisis management team and their senior technical support staff. *(Refer section on Collaboration with other Financial System Safety Net Partners for additional details.)*

PUBLIC EDUCATION AND AWARENESS

During the financial year the Corporation continued to leverage its affiliation with FSSN partners, member institutions and other stakeholders, as well as the use of strategic initiatives and messages to educate its targeted demographics. This approach is aligned with the public awareness standard included in the IADI core principles for effective deposit insurance systems, which states that a structured public awareness programme is essential as it ensures depositors and the general public are educated on a consistent basis about the benefits guaranteed by deposit insurance. In recognition of the rapidly evolving nature of communication, information consumption and the associated digital media channels, the Corporation engaged a public relations company to assist with enhancing its capacity to increase awareness levels among depositors, its key stakeholders and the general public, while keeping in step with emerging trends. This was achieved through the use of integrated marketing and communication strategies designed to heighten awareness and engagement, such as new advertisements, development of sponsored and boosted posts targeting online users, production of a new radio jingle and a corporate video; some of which are to be completed early in the new financial year.

Additionally, notwithstanding the challenges presented by the ongoing COVID-19 pandemic in delivering some of the programme initiatives the Corporation was proactive and strategic in its response; adapting quickly to the opportunities afforded by online platforms to ensure continuity in the engagement of stakeholders while maintaining a multi-pronged approach to the public education programme.

Advertising and Promotion

Traditional and new media remained key channels in the Corporation's efforts to deepen awareness of the JDIC and the DIS among its key stakeholders. Owing to the fact that, traditional media has maintained its credibility as a vehicle through which organizations engage a wider cross-section of the public through messaging placed in print and electronic media.

The Corporation, therefore, continued its use of targeted radio and television programmes to educate and reinforce the value of an explicit deposit protection scheme and the guarantees under the DIS.

The Corporation also maintained its quarterly publication listing of member institutions in local and overseas newspapers. Other advertisements over the period emphasized the use of more simplified messages to promote fulsome understanding of the DIS, deposit products covered and ownership categories, while underscoring the deposit insurance coverage limit of \$1.2M per depositor, per institution. Additional advertising channels included mobile and stationary billboards, webinars, podcasts and publications such as business magazines, community newspapers and service club newsletters.

The enhanced utilization of social media platforms through the period under review has also vastly improved stakeholder awareness of the JDIC and the DIS across all demographics. This manifested in increased content engagement, steady growth in followers across platforms and the total number of unique views and click-through to the Corporation's website.

Corporate Website

As part of the Corporation's efforts to increase its online visibility and engagement of its stakeholders and the general public, a new website was launched on August 31, 2021. The redesigned webpage provides users with enhanced functionality including a deposit insurance calculator, modern aesthetics, and an improved user interface that facilitates real-time communication with visitors through its live chat feature. This platform further aids the reach and access to information from and about the JDIC as it is also connected to the Corporation's new media interactive channels, resulting in expanded public education and awareness among its stakeholders.

Policyholder Engagement

During the period the Corporation hosted a series of virtual training workshops which sought the participation of over 350 Policyholders' team members. The workshops were aimed at deepening

their knowledge of the JDIC and 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. An online training platform is to be developed to complement the present training methodology.

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.

Collaboration with FSSN Partners and other Stakeholders

The engagement of employees of public and private organizations, as well as other stakeholders by way of sensitization seminars are valuable channels of communication in the dissemination of deposit insurance information to reinforce key messages and bolster awareness of the JDIC and the DIS. As such, collaboration with FSSN partners remained

a significant aspect of the Corporation's thrust to increase public awareness. Participation continued in programmes under the National Financial Inclusion Strategy spearheaded by the BOJ, such as its public education content and a Baseline Financial Literacy Survey targeting secondary school-age youths, as well as involvement in the Jamaica Stock Exchange's National Investor Education Week and initiatives led by the Financial Services Commission.

Public Awareness Survey

Measuring the level of awareness about the role and purpose of the JDIC and understanding of the DIS is important in determining the effectiveness of its public education and awareness programme and any changes that may be required. The last survey, conducted in 2017, found that while 81% of respondents had heard about the JDIC, only 47% were knowledgeable about details of the DIS. With these gaps in mind, the Corporation moved to modernise its communications strategies, messages and channels to increase awareness levels across the board with particular focus on the younger demographics and the unbanked. A market research firm was also engaged towards the end of the year to conduct the public awareness survey to gauge the impact of the 'You've Been Upgraded Campaign' and the overhaul of the public education programme. This survey will be completed in the second quarter of the new financial year. The results will be used to inform the Corporation regarding its target audiences, most effective messages, medium, and the level of public confidence in the system consequent to deposit insurance; and importantly, to determine any adjustments to the programme going forward.

CORPORATE SOCIAL RESPONSIBILITY

The ongoing COVID-19 pandemic continued to affect the execution of planned corporate social responsibility (CSR) projects. However, assistance was provided to the McLeod Basic School in the form of sanitization products and the Lloyd’s Gospel Assembly ‘Educate to Elevate’ programme in St. Thomas by way of a laptop and 8 tablets along with promotional items including exercise books and stationery to ensure that students from the immediate environs were not left behind during and in the aftermath of the ongoing pandemic.

During the review period, the Corporation updated and finalized its CSR Policy which was approved by the Corporate Governance Committee, and a CSR Committee, prescribed to identify, recommend and execute targeted initiatives, was established.

In keeping with the CSR Policy the main areas of focus are: financial education, providing work experience for students, community outreach and development, and environmental management.

COLLABORATION WITH FINANCIAL SYSTEM SAFETY NET PARTNERS

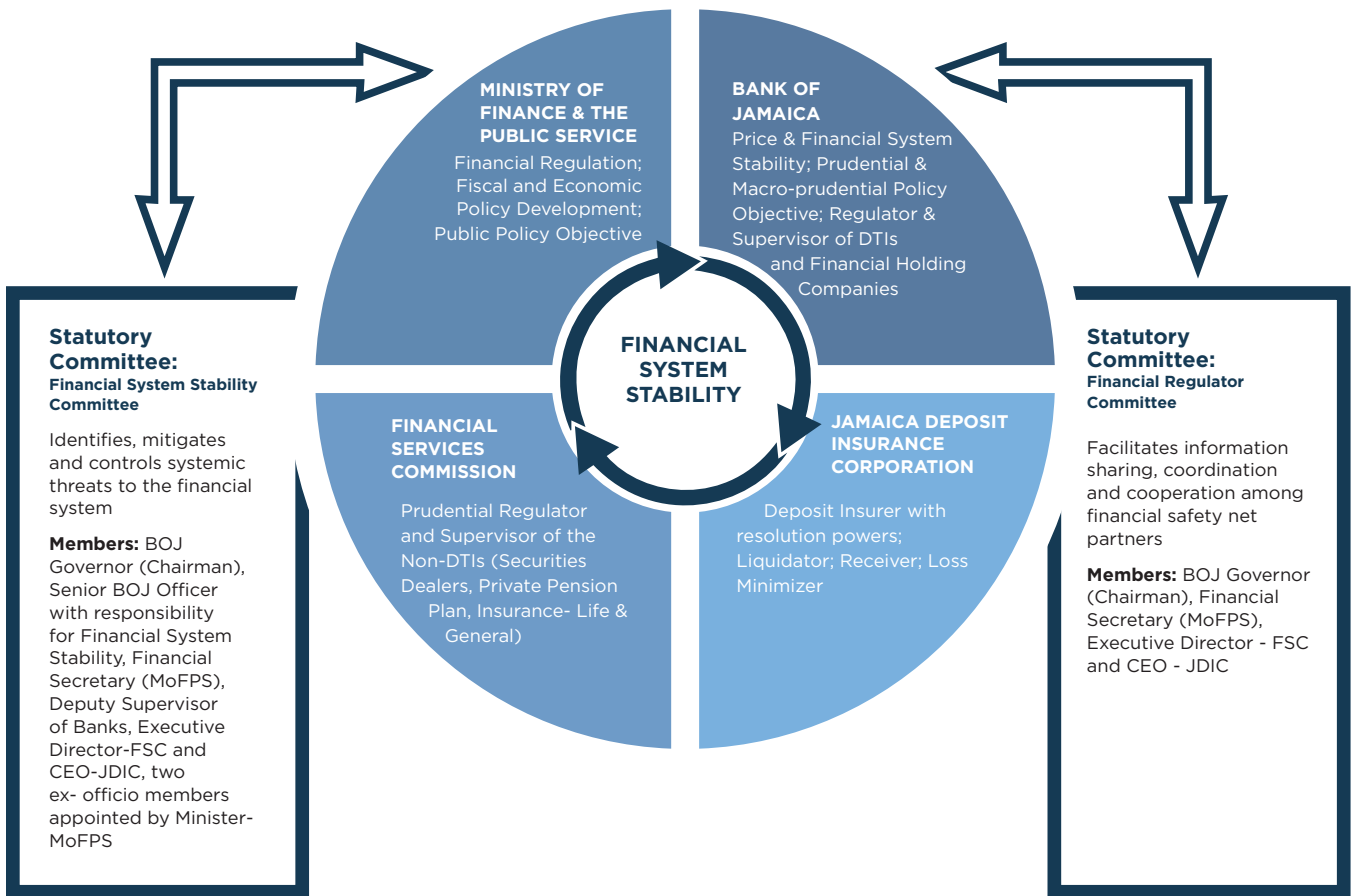


Figure 17: Structure and Members of Jamaica’s Financial System Safety Net

Jamaica's FSSN comprises of the Ministry of Finance and the Public Service, Bank of Jamaica, the Financial Services Commission and the Jamaica Deposit Insurance Corporation. The structure of the FSSN and the legal and operating framework governing each member facilitates effective information sharing and close coordination between the JDIC and other FSSN partners in normal times and crisis periods. These systems and processes for information sharing and coordination are facilitated by way of: inter-agency interactions conducted in the day to day execution of each agency's mandate and functions; FSSN inter-agency statutory committees, namely the Financial Regulatory Committee and the Financial System Stability Committee. Of the FSSN partners, the BOJ with the mandate for bank supervision and financial system stability, is a primary source of information for the JDIC. FSSN inter-agency technical working groups and other special purpose/ad-hoc committees are also established to support the work of respective agencies and committees.

Maintaining and strengthening the mechanisms that buttress the inter-agency relationships and engagements are key to the effective execution of the functions of the JDIC in normal times. These functions include: ongoing assessment of Member Institution's compliance with the Policy of Deposit Insurance; ensuring the efficacy of the design elements of the DIS; enhanced monitoring of member institutions potential risk to the DIF; and developing policies, procedures and systems to support the Corporation's depositor reimbursement framework and its role in the resolution regime. This is also vital to ensuring the Corporation is able to respond quickly and decisively in an informed and coordinated manner in circumstances where a financial institution is showing signs of or determined to be non-viable. During the review period, the JDIC participated in several inter-agency initiatives in fulfillment of its mandate as well as in executing its role and functions as a member of the respective inter-agency committees and ultimately contributing to financial system stability.

Financial Regulatory Committee

The Financial Regulatory Committee is an inter-agency committee created in 2014 pursuant to an amendment to the Bank of Jamaica Act (Section 34 BB) and replaces the Financial Regulatory Council established in 2000. The membership of the FRC comprises the heads of all the FSSN agencies, namely, 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. During calendar year 2021, eight (8) meetings of the committee were held.¹²

The FRC statutory functions are to facilitate information-sharing, coordination and cooperation among the members of the financial safety net. Members of the FRC are also signatories to a Memorandum of Understanding (MOU)¹³ that seeks to operationalize the Committee's statutory functions. In fulfillment of its functions, the FRC inter alia: conducts the review and implementation of financial sector reforms; develops rules and guidance to strengthen the regulation of the financial system; facilitates the sharing of information on each member's respective areas of operations; and monitors and analyzes the performance of DTIs and Non-DTIs and developments in the legal, regulatory and operating environment.

The FRC is also responsible for planning and executing the resolution of non-viable financial institutions and crisis preparedness and management strategies. In this regard, the following FRC inter-agency initiatives are being pursued.

Special Resolution Regime (SRR)

During the review period, the FRC inter-agency Special Resolution Regime Technical Working Group continued the review of the draft bill entitled the 'Financial Institutions Resolution Act' (FIRA). The FIRA Bill seeks to create the legal framework to establish a Special Resolution Regime to make feasible the resolution of non-viable financial institu-

12 The FRC is statutorily required to meet at least seven (7) times each year.

13 The FRC Memorandum of Understanding was executed in March 2018.

tions operating in Jamaica without severe systemic disruption and exposing taxpayers to undue losses, while protecting vital economic functions. These enhancements to the legal framework will provide for better alignment with the international standards, the FSB Key Attributes, make available the application of a broader range of resolution tools and powers and allow for better clarity of the roles of the authorities in resolution. Under the FIRA, the BOJ is the Resolution Authority and the JDIC the Resolution Administrator, consistent with its existing powers under the DIA.

National Financial Crisis Preparedness and Management Plan

The National Financial Crisis Preparedness and Management Plan (the Plan) provides operational guidance for the respective inter-agency activities, information sharing and cooperation among the member agencies of the FRC in times of crisis in the financial sector. The Plan complements the FRC MoU among its members and their respective agency's crisis management and contingency plans. The FRC is required to conduct regular updates of the Plan to keep pace with developments in the financial sector and changes in the relevant legal framework. The FRC Inter-Agency Technical Working Group (TWG) established in 2020 to update the Plan completed its scope of work during the year. This included the delivery of a training and simulation session in May 2021, organized by the JDIC as lead of the TWG. The session was successfully delivered by the Toronto Centre under their Virtual Supervisory Guidance Programme and was attended by 39 participants representing members of the crisis management teams and support staff of FRC member agencies. The scope of work of the TWG has reinforced/highlighted several areas where improvements are required to further strengthen the crisis management framework and structures. The JDIC on behalf of the TWG having completed the planned review, training and simulation activities, prepared and submitted to the FRC a comprehensive Report of its findings highlighting the areas for improvement and making recommendations to enhance the crisis management framework. Further work to address these recommendations is planned to commence in FY2022/23 and will continue to be a coordinated effort of all the FSSN agencies. Consequent to recommendations made and agreed by

the FRC, the BOJ, having responsibility for financial system stability will assume the lead role for this initiative supported by a standing inter-agency crisis management team.

Financial System Stability Committee

The Financial System Stability Committee (FSSC), established under the Bank of Jamaica Act, section 34BB, comprises eight members, six ex-officio members and two members appointed by the Minister of Finance and the Public Service on the recommendation of the Governor. The ex-officio members of the Committee are the Governor, the senior officer of the BOJ with assigned responsibility for the BOJ's financial system stability mandate, the Financial Secretary, the Deputy Supervisor, the Executive Director of the Financial Services Commission and the Chief Executive Officer of the Jamaica Deposit Insurance Corporation.

The FSSC responsibilities include: conducting macro prudential assessments in relation to developments in domestic and international financial markets and impacts to the financial system and other sectors of the Jamaican and global economy; and providing oversight of the design and conduct of periodic stress tests regarding systemic threats to the stability of Jamaica's financial system. Additionally, the FSSC contributes to the development of rules, standards and codes for financial institutions to specifically address gaps that could threaten the stability of the financial system and the real economy and makes recommendations to the BOJ in discharging its financial stability mandate. In executing all these functions, the FSSC met five (5) times during the calendar year. Consequent to the amendments to the BOJ Act in 2020, to establish the Financial Policy Committee (FPC), the FSSC began to make its recommendations to the BOJ through the FPC in respect of policies related to BOJ's financial system stability mandate¹⁴.

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 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

¹⁴ The Financial Policy Committee established by the 2020 amendment to the Bank of Jamaica Act, became effective on 16 April 2021.

and the Financial Inclusion Steering Committee (FISC) of which JDIC's CEO is a member. Chaired by the Governor, the FISC 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; Financial Resilience; Financing for Growth and Responsible Finance/Consumer Protection and Financial Capability.

During the review period the Corporation continued to contribute to the work being done to support the NFIS, by way of its own public education programme (refer Public Education and Awareness Programme); as well as its collaboration with the BOJ, FSC and JSE, in initiatives under the NFIS sub-Committee for Consumer Protection and Financial Capability which includes financial education for consumers, enhanced disclosure and adequate business practices. During 2021 the BOJ led the charge to enhance the data collection, monitoring and evaluation processes for measuring financial inclusion and in this regard, work advanced

on the development of a monitoring and evaluation programme which, inter alia, included a Financial Literacy Survey. The objective of the Financial Literacy Survey (Youth) was to measure the levels of financial literacy and capability competencies among youth aged 12 – 18 years old. The Corporation actively participated in the development of the survey instrument which was later administered among the target group and was almost completed at the end of the financial year. It is anticipated that the final report will provide data and recommendations to facilitate the enhancement of financial literacy interventions by the BOJ, CAC, FSC, JDIC and the Ministry of Education, in keeping with the National Financial Literacy Action Plan. As part of its public education strategy, the Corporation is presently developing a financial education book for primary schools, which also supports the NFIS and is scheduled for completion in FY2022/23.

As lead for the NFIS, the BOJ notes that aspects of the strategy have been revised to support the creation of a digital economy that allows households and firms to better utilize banking services and digital services with robust financial literacy and consumer protection mechanisms¹⁵.

INTERNATIONAL RELATIONS

The JDIC continues to be integrally involved in promoting and supporting the development of deposit insurance regionally and globally through its membership in the International Association of Deposit Insurers (IADI) and the CARICOM Secretariat's Technical Working Group to develop a "Model Deposit Insurance Policy for the Caribbean Community". Additionally, the Corporation facilitates the sharing of its technical expertise and experiences with organizations from other jurisdictions that are considering implementing or enhancing their deposit insurance scheme.

The Corporation's international relations activities contribute to enhancing its institutional capacity including the honing of staff expertise and ensuring compliance with international best practice standards, namely the IADI Core Principles for Effective Deposit Insurance Systems and the FSB Key Attri-

butes of Effective Resolution Regimes for Financial Institutions. This is facilitated by leveraging the opportunities provided for staff to participate in training sessions, other knowledge events and research projects, sharing of expertise and building relationships. Additionally, the Corporation has access to a wide pool of information on emerging trends and developments, international best practice standards and the practices, experiences and policy responses of organizations in other jurisdictions. This is particularly in the areas relating to deposit insurance, other investor compensation schemes, crisis management and resolution of financial institutions.

International Association of Deposit Insurers¹⁶

During the review period JDIC senior officers provided significant technical input in contributing to the work of the IADI by serving in various capac-

¹⁵ Bank of Jamaica Annual Report 2021, pg. 77

¹⁶ The IADI founded in 2002, is a non-profit global standard-setting body for deposit insurance systems. As at March 2022 its membership

comprised of 90 Members, nine Associates and 17 Partners, representing deposit insurance organisations and other safety-net organisations, among others.

ities¹⁷. A senior officer of the JDIC is designated representative to the IADI's Executive Council that provides oversight and an advisory role to support the advancement and implementation of the Association's mandate and strategic objectives¹⁸. The Executive Council comprises of 25 elected members. The designated representative also chairs the Caribbean Regional Committee (CRC) and JDIC team members provide Secretariat support. The CRC is one of eight regional committees of the IADI and as Chair, the JDIC is responsible for promoting regional interests and common issues among members, through the exchange of information and ideas. In addition, a senior JDIC executive officer chairs the Member Relations Council Committee Task Force (Task Force), established to evaluate and make recommendations to assess the IADI's current engagement processes.

JDIC team members were also a part of two technical committees of the IADI Core Principles and Research Council Committee. The technical committees in keeping with their respective work plans, completed and published in December 2021, a Guidance Paper, "Ways to Resolve a Financial Cooperative While Keeping the Cooperative Structure" and a Research Paper, "Deposit Insurance Coverage Level and Scope"¹⁹. Effective March 29, 2022, a senior JDIC officer was appointed the Chair of the IADI's Audit and Risk Council Committee (ARCC). The ARCC is one of four Council Committees of the Association, and its mandate includes monitoring the financial reporting process and reviewing the effectiveness of the Association's internal controls and risk management systems, in furtherance of the Association's objectives and financial operations. Other IADI activities conducted during the year by the JDIC Officers included making presentations at knowledge events and contributing to the development of the IADI 2022-2026 Strategic Plan.

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

During the year the Caribbean Community (CARICOM) Secretariat approved the 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. The Policy also encourages market confidence and support financial stability in the Community. Consequent upon the approval, Member States have been invited to align their Deposit Insurance framework with the agreed provisions of the Policy.

The JDIC was pleased to have contributed to this important regional initiative and having also assumed the role as chairperson of the technical working group established in 2015 to draft the Policy. The technical working group in collaboration with the Secretariat was tasked with conducting research and providing technical inputs to inform minimum harmonized key design features of an effective deposit insurance system, giving due consideration to the nuances faced by small and developing economies within the region. The JDIC remains committed to continue playing a leading role in promoting and collaborating on initiatives to establish DIOs in the region as well as enhance depositor protection. Of the 15 Member States of CARICOM, six (6) members have established an explicit DIS.

¹⁷ The JDIC's membership in the IADI dates back to 2002 being one of its founding members.

¹⁸ As stipulated in its Statutes and By-laws, the supreme authority in all matters of the Association is the General Meeting of its Members.

¹⁹ These and other IADI Guidance and Research Papers may be accessed from the IADI website at: www.iadi.org

MANAGEMENT OF STRATEGIC RESOURCES

HUMAN RESOURCE

The corporate strategy for “Building Sustainable Human Resource Capacity” and its supporting initiatives were central to the Corporation’s operations during the review period. The full scope of HR processes to attract, onboard, develop, motivate and retain high-performing employees was aimed at improving business performance. Knowledge strengthening initiatives were also key during the year and included targeted training, conferences, and workshops with local and international partners and other organizations. The greatest use of the virtual work environment was deployed for these purposes in the context of the COVID-19 pandemic restrictions.

Further to Corporation’s organization review proposals of 2018, the MoFPS approved a new organization structure for the Corporation effective October 19, 2021. This structure was instituted in compliance with the Staff Orders for the Public Service, Government of Jamaica, 2004. Aspects of compensation recommendation by JDIC remain to be addressed. The approved establishment for FY2021/22 was 44 persons and the Corporation started and ended the year with a complement of 28 and 25 persons, respectively. Vacancies will be filled in the new financial year.

STAFF 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 technical training programmes continued to be key to building and maintaining an effective team with the required professional and technical skills. During the review period, staff skills and competencies were upgraded through participation in external and in-house training programmes and conferences including: Executive Leadership, Risk Management, Strategic Planning, Financial Analysis & Forecasting, Treasury Management, Digital Regulatory Reporting, Anti-Fraud, Bank

Resolution, Procurement & Strategic Supply Chain Management, Managing Data Privacy, Corporate Governance and Professional and Legal Training. The training facilitators involved international, regional and local providers including: International Association of Deposit Insurance (IADI), Federal Deposit Insurance Corporation (FDIC), Financial Stability Institute, CariCris, Jamaica Institute of Financial Services (JIFS), General Legal Counsel, International Business & Economic Forum, The Jamaica Stock Exchange, Human Resource Association of Jamaica (HRMAJ), and Management Institute for National Development (MIND).

Team members also participated in Banking Supervision, Innovation & Operational Resilience and Climate Risk Resolution training hosted by Toronto Centre Global Leadership in Financial Supervision. Quarterly Crisis Management and Resolution Training and Simulation Exercises were also conducted by senior staff members as well as external subject matter experts lead by PWC and Toronto Centre.

OCCUPATIONAL HEALTH AND SAFETY

The Corporation remained committed to promoting an environment of good occupational health and safety practices. In response to the COVID-19 pandemic these measures were heightened to contain the spread. Some of these administrative controls and practices included, work from home arrangement, implementation of safe work practices and issuance of personal protective equipment (PPE) to mitigate employee exposure.

Additionally, the Corporation also ensured compliance with the Disaster Risk Management Act (DRMA) and other protocols recommended by the Ministry of Health and Wellness. Staff were kept informed of notices on infection prevention control measures, vaccination programme, updates on community spread of the virus and available testing facilities.

-Business Continuity Amid Covid-19 Pandemic

In the review period the JDIC commenced work with PWC Jamaica to bolster the Disaster Preparedness, Recovery and Business Continuity Management Plans to deal effectively with disasters/emergencies; ensure as far as possible the safety of its staff; take any necessary corrective measures; and re-establish normal business operations, at the least cost and in the shortest possible time frame. The Corporation remained alert and adaptive to unforeseen events which posed immediate threat to the Corporation's performance and viability. One such being the COVID-19 pandemic which necessitated a shift to remote working while providing solutions to challenges and implications arising across the operations.

The Corporation mitigated the effects of COVID-19 by assisting the workforce to cope with and adjust to their newly altered work environment to ensure

business continuity. This strategy focused on resilience, ensuring that employees had the requisite information and resources to maintain personal safety, access to business tools while meeting business needs unique to this period. Preserving value in the "new normal" by adapting to business environments and continuation of COVID-19 risk-mitigation restrictions remained important. The Corporation's response included:

- i. Keeping staff up to date with relevant information;
- ii. Purchasing and distributing appropriate sanitization products;
- iii. Granting remote access to employees allowing them to work from home with robust data security and operational protocols;
- iv. Sponsoring COVID-19 test for all staff; and
- v. Strategizing the scheduling of staff attendance to ensure appropriate social distancing.

INFORMATION AND COMMUNICATION TECHNOLOGY

The Corporation continues to pursue the key strategic initiative of "Leveraging Information and Communication Technology (ICT) for Operational Efficiency" by utilizing current technologies to enhance the Corporation's performance, in conformance with confidentiality requirements, redundancy needs and the highest level of data security. During the reporting period, the Corporation executed projects to strengthen its Management Information System (MIS) governance strategy and the supporting infrastructure. These projects were initiated to continue improving business processes, and disaster preparedness and recovery readiness.















Implementation of the PMIS ICT Infrastructure support framework and commencement of system enhancements and upgrades; software upgrades to achieve improved analysis and reporting on financial outturns and payroll operations were some of the business processes that were improved through the MIS initiatives. To test for the sufficiency of redundancies including the Corporation's ICT readiness,

periodic disaster preparedness and recovery simulation exercises were conducted. The simulations yielded successful results and areas for improvements identified were remedied and successfully tested in subsequent simulations.

The comprehensive updating of JDIC's ICT security infrastructure and the supporting policies and procedures commenced to ensure appropriate MIS security controls are in place. The Corporation commissioned an independent vulnerability assessment and penetration test of its MIS environment. This was to determine the adequacy of the framework in meeting the required industry standards for maintaining confidentiality and integrity of information assets and identify any gaps. Mitigating strategies will be implemented during FY2022/23.

For FY2022/23 the Corporation will continue to improve its value chain with the buildout of its Digital Transformation Strategy.

SUMMARY PERFORMANCE SCORECARD

BUSINESS STRATEGY/ KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES FY2022/23
1. PROACTIVE READINESS AND RESOLUTIONS MANAGEMENT		
1.1 Continue the Phased Implementation of Standard Recordkeeping Guidelines and Compliance Framework for Policyholders/Member Institutions		Complete outstanding implementation activities for the Policyholders Recordkeeping Guidelines & Compliance Framework and conduct sensitization sessions for member Institutions (Policyholders).
1.2 Engage Member Institutions, Professional Intermediaries, Nominees and Trustees to Increase Awareness of the Recordkeeping and Disclosure Requirements for Separate DI Coverage for Beneficiaries		Develop operating procedures and host stakeholders fora for Member Institutions and Professional Intermediaries/Nominees and Trustees.
1.3 Strengthen the Resolution Management Framework:		
1.3.1 Simulate the JDIC's Role as Receiver and Liquidator in the Winding Up of an Insolvent Member Institution		Completed.
1.3.2 Conduct Multi-agency Financial Crisis Simulation with other FSSN Partners		Completed.
1.4 Strengthen the Resolution Management Framework		
1.4.1 Make Proposals for Legislative Amendments to Ensure the Corporation has the Necessary Powers to Act in Resolution Consequential to the Financial Institution Resolution , Bill		Finalise the JDIC's proposal for legislative amendments to the DIA to align with the Financial Institutions Resolution, Bill for promulgation.
1.4.2 Provide Technical Input in Collaboration with the MoFPS, BOJ and the FSC to Table and Implement the Financial Institution Resolution Bill		Continue to provide policy advice and technical input to finalise the Financial Institution Resolution, Bill for promulgation.
1.5 Finalize Framework for Establishing Advisory Panel		Completed.
1.6 Credit Union Admission to the Deposit Insurance Scheme		Continue research as well as collaboration with the BOJ and JCCUL to finalize the framework for the admission of Credit Unions to the DIS upon the passing of the CUSPA.
1.7 Update the Monitoring and Risk Assessment Policies and Procedures		Completed.
1.8 Implementation of Member Institutions' Business Intelligence Software (MIBIS)		Engage Business Analyst/Project Manager to assist with the procurement and implementation of the MIBIS to commence in FY2023/24.
1.9 Annual Deposit Insurance Fund Adequacy Evaluation (DIFAE)		Completed.
1.10 Review of Coverage Limit and Scope of Coverage		The findings to inform the Scope of Coverage Survey will be examined to inform decision making regarding the Corporation's scope of coverage.
1.11 Update the Contingency Funding Plan for Resolution		Continue collaboration with the BOJ and the MoFPS to establish contingency funding arrangements and update the Contingency Funding Plan .
2. STRONG PARTNERSHIPS		
2.1 Establish the Service Level Agreement (SLA) for Information Sharing with the Central Bank		Review and resubmit proposals to establish SLA with the BOJ.

3. LEVERAGING INFORMATION AND COMMUNICATION TECHNOLOGY FOR OPERATIONAL EFFICIENCY

3.1	Maintain Payout Management Information System		Continue post implementation activities.
3.2	Implement Range of Deposit Insurance Payment Disbursement Methods		Continue activities to implement online deposit insurance payment disbursement methods.
3.3	Implementation of Investment Software		Continue research to identify and implement investment software.
3.4	Upgrade Human Resource Management Software		Engage with MoFPS under the Strategic Public Sector Transformation Programme to implement MyHR+
3.5	Implement Records and Information Management System (RIMS)		Finalise implementation of the manual RIMS policy and procedures.
3.6	Review, Update and Simulate ICT Business Continuity Plan and Infrastructure		Complete review and update of the ICT Business Continuity Plan.
3.7	ICT Security Policy Programme		Finalise the upgrading of the ICT security infrastructure.

4. BUILDING SUSTAINABLE HUMAN RESOURCE CAPACITY

4.1	Implement Organization Review, Job Evaluation and Reclassification		Upgraded organisation structure approved by the MoFPS. Salaries to be adjusted in keeping with the GOJ Compensation Review and Implementation timeline.
4.2	Strengthen the Human Resource Policies, Guidelines and Procedures Framework		Engage consultant to conduct independent review and update of the Human Resource Policies, Guidelines and Procedures Framework.
4.3	Review Performance Management and Development Documentation		Complete review of the Performance Management Appraisal process.
4.4	Implement JDIC Staff Pension Scheme		Completed.

5. PUBLIC EDUCATION AND AWARENESS

5.1	Increased Social Media Marketing and Advertising		Continue to utilize digital media solutions to augment the Corporation's public education and awareness programme.
5.2	Produce New Radio, Television, Billboard (Mobile and Stationary) Advertisements		Finalize the production and placement of new electronic and print advertisements.
5.3	Design Corporate Website (Dark Website)		Develop content for upload to website during a crisis.
5.4	Produce Corporate Video		Finalize production of Corporate Video.
5.5	Schools' Programme - Distribute Book on Financial Systems' for Primary Schools		Launch and promote financial education book.
5.6	Conduct Policyholders Training and Develop Complementary Online Programme		Finalise terms of reference to facilitate the engagement of a consultant to develop the online training platform.
5.7	Host Public and Stakeholders Fora to Engage Member Institutions, Professional Intermediaries, Nominees and Trustees to Increase Awareness on the Rules for Separate Deposit Insurance Coverage for Beneficiaries		Host Stakeholders' Forum on Joint, Trust and Nominee Accounts.
5.8	Public Education and Awareness Survey		Present survey findings to the COM and Board of Directors and amend -public education programme as necessary.



On Track/Completed



Delayed/Rescheduled



No Expectation

APPENDIX

DIGITIZATION OF FINANCIAL SERVICES: POLICY OBJECTIVES AND DEVELOPMENTS IN JAMAICA'S REGULATORY AND OPERATING FRAMEWORK

INTRODUCTION

The world's economies are becoming increasingly digital, and this has extended to reshaping financial services as evidenced by a declining use of cash for transactions and in its place, the rise of digital banking and mobile payments. Additionally, outside the traditional financial sector, non-bank entities are also developing and providing innovative financial products and services. These developments have been further accelerated since the onset of the COVID-19 pandemic as it became necessary for more individuals and businesses to move from using physical cash to digital and contactless transactions.

Similarly, in Jamaica, significant digital transformation is taking place in the financial sector and the COVID-19 pandemic was a catalyst and fast-tracked a number of digital transformation processes that were already under way. Jamaica has embraced the digital financial transformation illustrated by enhancements to the supporting legal and regu-

latory framework, changes in the strategic focus of financial institutions, increased thrust to expand financial inclusion and strengthened financial consumer protection, as well as the development of government policies to facilitate and encourage financial innovation and the introduction of a central bank digital currency. This paper seeks to summarize some policy objectives to support digitization of financial services, initiatives of key stakeholders and developments in Jamaica's regulatory and operating framework.

Digitization of Financial Services

- Changes in Deposit Taking Institutions Business Strategy and Operating Model

Digitization is having a significant impact on the design of business models and services in the financial sector. To keep pace of the emerging developments, remain competitive and meet customer expectations, JDIC Member Institutions

(Policyholders) have been realigning their business strategies to include an increased focus on digitization as well as adjusting operations to deliver and improve customer access to a wider scope of digital financial products and services. Additionally, member institutions have been closing some of their physical bank branches and replacing them with a digital operating model. Online banking features have been expanded, digital wallets developed and the use of cash as a means of transacting business reduced. Member Institutions have also expanded advertisement campaigns and public education programmes to encourage increased usage and help customers to navigate the digital banking space.

- Introduction of Jamaica's Central Bank Digital Currency, "JAM-DEX"

Central banks, in response to the rapidly changing digitization of payment services are leveraging the developments to advance and carry out their public policy objectives. One such way is the introduction of central bank digital currencies (CBDC), essentially central bank money generally notes and coins ordinarily issued into the economy under the authority of central banks, now issued by them in a digitized format. According to the BIS' 2020 CPMI CBDC Survey, nearly 90 percent of central banks were doing some sort of work on the topic with some central banks moving into more advanced stages, progressing from conceptual research to experimentation. The Caribbean has become the global leader in CBDC with the Bahamas launching the world's first CBDC, the "sand dollar," in 2020, followed by Eastern Caribbean Central Bank launching DCash in 2021.

In 2020, the Bank of Jamaica began exploring CBDC with research and launched their pilot programme in 2021. Following the pilot, as at year end the tabling of amendments to the Bank of Jamaica Act were advanced to expressly designate the BOJ as the sole authority to issue CBDC and to replace all references in the Act to "notes and coins" with, "notes, coins and central bank digital currency". Jamaica's CBDC, "JAM-DEX" is therefore money issued by the BOJ in digital form, holds the same value as bank notes and coins and can be exchanged one - for - one. CBDC is held in a digital wallet that can be provided to customers for use on their electronic devices by a licensed deposit taking institution or an

authorised payment service provider approved by the BOJ. Like cash in the possession of its holder, the wallet can only be accessed and used for payments by using the customer's unique wallet identifier. The CBDC is not held in a deposit account in the deposit-taking financial institution. CBDC is fully backed by the BOJ.

- Supporting Government Initiatives

The Government of Jamaica (GOJ) is taking steps to transform Jamaica into a truly digital economy. The GOJ's, National Financial Inclusion Strategy (NFIS) includes a pillar for financial access and usage which supports reforms that will facilitate increased usage of electronic payments, expansion of innovative distribution channels, digitization of government payments; and development of financial products that channel remittance proceeds into accounts/ cards. In addition, the White Paper on the National Identification System Policy (NIDS) published in 2016, outlines as a benefit, support for financial institutions in managing secure transactions, by authenticating users and generating roll back transactions. In this regard, the implementation of NIDS will support the growth and development of e-government and e-commerce and increase the use of electronic financial transactions.

- Legislative Changes and Regulatory Developments

An integral part of supporting the digitalization of financial services is the enhancement of the legal and regulatory framework for the financial sector. The Central Bank (Bank of Jamaica/BOJ) as the oversight authority for Financial Market Infrastructures has been introducing regulatory reforms to strengthen the framework to drive innovation in the payments sector and promote financial inclusion while simultaneously seeking to reduce risks to protect financial consumers and financial system stability.

Banking Services Act (BSA) now recognizes electronic retail payment services as financial services. In 2020, the BOJ issued for consultation amendments to the Payment Clearing and Settlements Act (PCSA) aimed at enhancing its supervisory powers over entities which provide electronic retail payment services (Deposit Taking Institutions and

Payment Service Providers). The legislative process for the amendment of the PCSA is ongoing.

Further, pursuant to the proposed amendments to the PCSA, in March 2020 the BOJ's FinTech Regulatory Sandbox became effective. The Sandbox provides for the testing of innovative financial products, services and businesses in a live market environment and the subsequent deployment and seeks to ensure that appropriate safeguards are in place. The Sandbox also provides for the BOJ's understanding of the FinTech products, services and business models currently available and informs the relevant framing of new regulations or amendment of existing regulations (Sandbox Guidelines, 2021). With the proliferation of digital financial products, the protection of financial consumers' data has become more important. The legal and regulatory framework has also been strengthened in this regard with the recent passing of the Data Protection Act, 2020. Additionally, initiatives continue by the Central Bank regarding the enablement of data portability that will provide consumers with easier access to their financial and non-financial data.

Deposit Insurance

The principal public policy objectives for deposit insurance systems are to protect depositors and contribute to financial stability. The digitization of financial services creates several opportunities for deposit insurers, including improvements in business efficiencies and the expansion of the scope of protection and access to financial consumers, contributing to fulfilling its objects. Digital payments can be leveraged by deposit insurers as they "enable integrated, immediate, and end-to-end payment and settlement transfers" (Shabsigh et al., 2020).

Conclusion

The Bank of Jamaica anticipates that in 2022, digitization within the financial sector will increase in light of the growth in the platforms for digital payments, the planned enablement of data portability and the launch of JAM-DEX. Against the background of a variety of new products and services that in some cases interact with traditional deposit products, the JDIC has a responsibility to ensure that depositors are aware of what is covered

Using digital payments for the payout of depositors upon the failure and insolvency of a member institution would allow depositors to access their funds much more quickly with less chance of error than traditional payment methods. The IADI Core Principles for Effective Deposit Insurance Systems Core Principle 15 – Reimbursing Depositors requires that deposit insurers pursue initiatives to ensure depositors have prompt access to their deposits and have in place a range of payout options.

The Jamaica Deposit Insurance Corporation (JDIC), to ensure the effective execution of its statutory objects, is pursuing initiatives to expand its range of payout disbursement options by leveraging the developments in financial technology. This includes implementing an online payment disbursement system, that would also achieve full compliance with the international standards of best practice. The scope of deposit insurance coverage is also extended to Payment Service Providers (PSPs)²⁰ that are required as part of the licensing regime to maintain custodian accounts with a member institution. PSPs are eligible for deposit insurance coverage and are required to comply with the recordkeeping and disclosure requirements as stated in the Deposit Insurance (Trust, Nominee and Joint Account) Regulations²¹. 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.

under the Deposit Insurance Scheme so that they can make more informed financial decisions. Collaborative initiatives among the JDIC and other members of the financial system safety net as well as the necessary public private sector partnerships with the key stakeholders remain a priority and will be ongoing in order to encourage and leverage the benefits of digitization of financial services.

²⁰ Entities that are eligible to become a payment service provider (PSP) include: regulated entities, cambios, remittance service providers,

securities dealers, credit unions and FinTech companies

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21 With the pass-through approach, the funds collected by the payment service provider from their customers are placed in a custodian account held at a Member Institution allowing for deposit insurance coverage to be extended to customers of the PSPs indirectly as these

customers are the owners of the funds held in the custodian account. Pass-through deposit insurance coverage is only applicable in the event of the failure of the DTI that maintains the custodian account and not the failure of the payment service provider.

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 (\$)
Ms Myrtle Halsall Chairman	245,500	-	-	-	245,500
Ms Aisha Wright Director	120,000	-	-	-	120,000
Ms Lisa Lewis Director	176,500	-	-	-	176,500
Mr Herbert Hylton Director	184,200	-	-	-	184,200
Mr Vernon McLeod Director	198,300	-	-	-	198,300
Mr Jide Lewis Director	80,900	-	-	-	80,900
Ms Antoinette McKain Director / CEO	-	-	-	-	-
TOTAL	1,005,400				1,005,400

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 (\$)	VACATION LEAVE PAYMENT (\$)	OTHER ALLOWANCES /BENEFITS (\$)	RETROACTIVE PAYMENTS (\$)	TOTAL (\$)
MS ANTOINETTE MCKAIN CHIEF EXECUTIVE OFFICER	FY2021/22	10,796,381	7,443,639	2,875,703	4,385,341	1,991,122	14,395,629	41,887,815
MR RONALD EDWARDS CHIEF FINANCE AND CORPORATE SERVICES OFFICER (appointed October 19, 2021; previously Director Finance, Funds and Asset Management)	FY2021/22	6,280,113	1,827,041	1,697,148	686,568	1,161,474	161,124	11,813,468
MRS ELOISE WILLIAMS DUNKLEY CHIEF MONITORING AND RESOLUTION OFFICER (Appointed February 21, 2022; previously Director, Intervention, Resolution and International Relations)	FY2021/22	6,306,447	2,030,619	1,697,148	1,919,631	1,351,397	216,244	13,521,486
MS DAWN MARIE BROWN DIRECTOR, MONITORING AND RISK ASSESSMENT	FY2021/22	5,927,422	1,985,184	1,697,148	1,688,285	1,356,276	356,415	13,010,730
MS MARJORIE MCGRATH DIRECTOR, CORPORATE PLANNING AND COMMUNICATIONS (Appointed October 19, 2021)	FY2021/22	2,647,340	1,493,641	581,166	397,967	465,953	630,690	6,216,757
MS DORRAINE WRIGHT DIRECTOR, HUMAN RESOURCE AND ADMINISTRATION (Appointed October 19, 2021)	FY2021/22	1,914,214	659,856	744,092	408,270	764,153	549,153	5,039,738
TOTAL	FY2021/22	33,871,917	15,439,980	9,292,405	9,486,062	7,090,375	16,309,255	91,489,994

Note:

1. Other Allowances/Benefits include medical and group life premiums, vacation leave payments, COVID-19 Assistance payments, merit payments, lunch subsidy, interest rate subsidy.
2. The positions of Director Intervention, Resolutions and International Relations and Director Finance and Investment (previously Director Finance, Funds and Asset Management) were vacant as at March 31, 2022.

AUDITED FINANCIAL STATEMENTS

FY2021/2022



SUMMARY BY CATEGORY

Category	Budget	Actual	Difference
Other	213,000.00	213,000.00	2,661.52
Travel	220,000.00	210,000.00	(10,000.00)
Medical	230,000.00	210,000.00	2,000.00
Food	220,000.00	230,000.00	2,120.00
Fuel	230,000.00	230,000.00	230.00
Total	2,123,000.00	2,119,000.00	21,661.52

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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 84 to 125, which comprise the Deposit Insurance Fund statement of financial position as at March 31, 2022, 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, 2022, 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.




Chartered Accountants
Kingston, Jamaica

July 29, 2022

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2022

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
ASSETS			
Cash and cash equivalents	3(a)	1,305,671	3,738,388
Investment securities	5	30,599,780	25,487,747
Trade and other receivables	6	191,401	25,618
Property, plant and equipment	7	<u>268,917</u>	<u>283,367</u>
TOTAL ASSETS		<u>32,365,769</u>	<u>29,535,120</u>
LIABILITIES, EQUITY, RESERVES AND FUND			
LIABILITIES			
Unearned premium income	8	357,122	427,237
Trade and other payables		<u>37,617</u>	<u>53,223</u>
		<u>394,739</u>	<u>480,460</u>
EQUITY, RESERVES AND FUND			
Share capital	9	1,000	1,000
Capital reserves	10	158,145	158,145
Fair value reserves	11	436,381	793,517
Deposit insurance fund	12	<u>31,375,504</u>	<u>28,101,998</u>
		<u>31,971,030</u>	<u>29,054,660</u>
TOTAL LIABILITIES, EQUITY, RESERVES AND FUND		<u>32,365,769</u>	<u>29,535,120</u>

The financial statements on pages 84 to 125 were approved for issue by the Board of Directors on July 27, 2022 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.

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME
YEAR ENDED MARCH 31, 2022

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
Income:			
Insurance premiums	3(e)	1,997,573	1,696,898
Interest earned	3(e)	1,282,238	1,548,725
Foreign exchange gain		382,893	470,871
Other income		<u>5,679</u>	<u>-</u>
		3,668,383	3,716,494
Expenses:			
Administration expenses	13	(429,919)	(351,395)
Impairment gain/(loss) on financial assets	16(b)(iv)	<u>35,042</u>	<u>(220)</u>
Surplus from operations		<u>3,273,506</u>	<u>3,364,879</u>
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Unrealised (loss)/gain on securities measured at fair value through other comprehensive income (FVOCI)		(340,358)	547,414
Expected credit loss on securities measured at FVOCI		<u>(16,778)</u>	<u>4,224</u>
		<u>(357,136)</u>	<u>551,638</u>
Other comprehensive (loss)/income		<u>(357,136)</u>	<u>551,638</u>
Total comprehensive income		<u>2,916,370</u>	<u>3,916,517</u>

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

STATEMENT OF CHANGES IN EQUITY, RESERVES AND FUND
YEAR ENDED MARCH 31, 2022

	<u>Share Capital</u> \$'000 (Note 9)	<u>Capital reserves</u> \$'000 (Note 10)	<u>Fair value reserves</u> \$'000 (Note 11)	<u>Deposit insurance fund</u> \$'000 (Note 12)	<u>Total</u> \$'000
Balances at March 31, 2020	<u>1,000</u>	<u>158,145</u>	<u>241,879</u>	<u>24,737,119</u>	<u>25,138,143</u>
Surplus from operations	-	-	-	3,364,879	3,364,879
Other comprehensive income:					
Unrealised loss on securities measured at FVOCI	-	-	547,414	-	547,414
Surplus on revaluation of land and building					
Realised gain on securities measured at FVOCI					
Expected credit loss on securities measured at FVOCI	<u>-</u>	<u>-</u>	<u>4,224</u>	<u>-</u>	<u>4,224</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>551,638</u>	<u>3,364,879</u>	<u>3,916,517</u>
Balances at March 31, 2021	<u>1,000</u>	<u>158,145</u>	<u>793,517</u>	<u>28,101,998</u>	<u>29,054,660</u>
Surplus from operations	-	-	-	3,273,506	3,273,506
Other comprehensive income:					
Unrealised loss on securities measured at FVOCI	-	-	(340,358)	-	(340,358)
Expected credit loss on securities measured at FVOCI	<u>-</u>	<u>-</u>	<u>(16,778)</u>	<u>-</u>	<u>(16,778)</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(357,136)</u>	<u>3,273,506</u>	<u>2,916,370</u>
Balances at March 31, 2022	<u>1,000</u>	<u>158,145</u>	<u>436,381</u>	<u>31,375,504</u>	<u>31,971,030</u>

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

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2022

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
Cash flows from operating activities:			
Surplus for the year		3,273,506	3,364,879
Adjustments for:			
Depreciation	7	34,163	16,856
Interest income		(1,282,238)	(1,548,725)
Unearned premium income		(70,115)	424,295
Foreign exchange gain		382,893	(470,871)
Impairment loss on financial assets	16(b)(iv)	(35,042)	220
Operating profit before changes in working capital		<u>2,303,167</u>	<u>1,786,654</u>
Changes in:			
Trade and other receivables		(165,783)	2,742
Trade and other payables		(15,607)	(5,614)
		<u>(181,390)</u>	<u>(2,872)</u>
Net cash provided by operations		<u>2,121,777</u>	<u>1,783,782</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Addition to property, plant and equipment	7	(19,713)	(23,303)
Investment securities, net		(6,469,864)	367,968
Interest received		<u>1,935,083</u>	<u>746,459</u>
Net cash (used in)/provided by investing activities		<u>(4,554,494)</u>	<u>1,091,124</u>
Increase in cash balance at end of year		(2,432,717)	2,874,906
Cash balance at the beginning of the year		<u>3,738,388</u>	<u>863,482</u>
Cash balance at the end of the year		<u>1,305,671</u>	<u>3,738,388</u>

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 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 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 revised 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.

- 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.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual period beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures

The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

2. Basis of Preparation (continued)

(a) Statement of compliance (continued):

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

- Amendments to IAS 1 *Presentation of Financial Statements* (continued)

The key amendments to IAS 1 include (continued):

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those 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.

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.

- Annual Improvements to IFRS Standards 2018-2021 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.

2. Basis of Preparation (continued)

(a) Statement of compliance (continued):

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

- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The Corporation is assessing the impact that these amendments 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.

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.

2. Basis of Preparation (continued)

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

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 valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment are measured at historical cost less depreciation.

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

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

Building	2.5%
Freehold improvement	2.5%
Furniture and fixtures	10%
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 paid annually on April. Premium income is recognised on an accrual basis. The corporation recognises revenue overtime as its performance obligations are satisfied.

(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

	<u>2022</u> \$'000	<u>2021</u> \$'000
(a) Amortised Cost:		
Government of Jamaica	10,441,894	9,458,276
Impairment [note 16(b)(iv)]	(12,912)	(31,176)
Interest accrued	<u>102,639</u>	<u>509,928</u>
	<u>10,531,621</u>	<u>9,937,028</u>
(b) Fair Value through Other Comprehensive Income:		
Government of Jamaica	19,741,475	14,978,479
Interest accrued	<u>326,684</u>	<u>572,240</u>
	<u>20,068,159</u>	<u>15,550,719</u>
	<u>30,599,780</u>	<u>25,487,747</u>
(c) Remaining term to contractual maturity		

	<u>2022</u>			
	<u>Under 1</u> <u>year</u> \$'000	<u>1 to 5</u> <u>years</u> \$'000	<u>Over 5</u> <u>years</u> \$'000	<u>Carrying</u> <u>value</u> \$'000
Amortised Cost:				
Government of Jamaica-				
Fixed rate accreting notes	-	-	8,172,240	8,172,240
Benchmark investment note	83,769	474,150	-	557,919
BOJ FR JMD CD	1,711,735	-	-	1,711,735
Interest accrued	102,639	-	-	102,639
Impairment loss	(125)	(160)	(12,627)	(12,912)
	<u>1,898,018</u>	<u>473,990</u>	<u>8,159,613</u>	<u>10,531,621</u>
Fair Value through Other				
Comprehensive Income:				
Government of Jamaica-				
Benchmark investment note	2,420,944	6,989,801	839,486	10,250,231
GOJ Global Bond	310,780	5,881,964	3,298,500	9,491,244
Interest accrued	<u>326,684</u>	<u>-</u>	<u>-</u>	<u>326,684</u>
	<u>3,058,408</u>	<u>12,871,766</u>	<u>4,137,986</u>	<u>20,068,159</u>
	<u>4,956,426</u>	<u>13,345,756</u>	<u>12,297,599</u>	<u>30,599,780</u>

5. Investment securities (continued)

(c) Remaining term to contractual maturity (continued)

	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)
	<u>1,396,832</u>	<u>540,976</u>	<u>7,999,220</u>	<u>9,937,028</u>
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
	<u>2,613,248</u>	<u>7,546,892</u>	<u>5,390,579</u>	<u>15,550,719</u>
	<u>4,010,080</u>	<u>8,087,868</u>	<u>13,389,799</u>	<u>25,487,747</u>

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

	2022			
	Under 1 year %	1 to 5 years %	over 5 years %	carrying value %
Fixed rate accreting notes	-	-	10.00	10.00
Benchmark investment notes	5.29	6.39	6.71	6.13
GOJ Global bond	<u>3.00</u>	<u>3.09</u>	<u>3.00</u>	<u>3.03</u>
	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	<u>7.63</u>	<u>7.86</u>	<u>6.19</u>	<u>7.23</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2022

6. Trade and other receivables

	<u>2022</u> \$'000	<u>2021</u> \$'000
Withholding tax recoverable	163,083	-
Prepayments	3,379	1,323
GCT input tax	23,096	17,895
Other recoverable	<u>1,843</u>	<u>6,400</u>
	<u>191,401</u>	<u>25,618</u>

7. Property, plant and equipment

	<u>Land</u> \$'000	<u>Building & freehold improvement</u> \$'000	<u>Furniture & fixtures</u> \$'000	<u>Work- in- progress</u> \$'000	<u>Computers machines & equipment</u> \$'000	<u>Total</u> \$'000
At cost:						
March 31, 2020	79,000	101,000	15,300	83,171	53,371	331,842
Transfer	-	-	-	(83,171)	83,171	-
Additions	<u>-</u>	<u>-</u>	<u>1,868</u>	<u>-</u>	<u>21,435</u>	<u>23,303</u>
March 31, 2021	79,000	101,000	17,168	-	157,977	355,145
Transfer						
Additions	<u>-</u>	<u>-</u>	<u>679</u>	<u>2,715</u>	<u>16,319</u>	<u>19,713</u>
March 31, 2022	<u>79,000</u>	<u>101,000</u>	<u>17,847</u>	<u>2,715</u>	<u>174,296</u>	<u>374,858</u>
Depreciation:						
March 31, 2020	-	596	11,496	-	42,830	54,922
Charge for the year	<u>-</u>	<u>2,845</u>	<u>403</u>	<u>-</u>	<u>13,608</u>	<u>16,856</u>
March 31, 2021	-	3,441	11,899	-	56,438	71,778
Charge for the year	<u>-</u>	<u>555</u>	<u>5,947</u>	<u>-</u>	<u>27,661</u>	<u>34,163</u>
March 31, 2022	<u>-</u>	<u>3,996</u>	<u>17,846</u>	<u>-</u>	<u>84,099</u>	<u>105,941</u>
Net book values:						
March 31, 2022	<u>79,000</u>	<u>97,004</u>	<u>1</u>	<u>2,715</u>	<u>90,198</u>	<u>268,917</u>
March 31, 2021	<u>79,000</u>	<u>97,559</u>	<u>5,269</u>	<u>-</u>	<u>101,539</u>	<u>283,367</u>

The Corporation's land, buildings & freehold improvement were revalued on the basis of open market value by Allison, Pitter & Corporation, independent qualified valuers, carried out in November 2020. The revaluation surplus arising on revaluation was credited to capital reserves in shareholders' equity.

Management has determined that the valuation carried in the financial statements on the basis of the last external valuation do not need further adjustments as at March 31, 2022.

7. Property, plant & equipment (continued)

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

	<u>2022</u> \$'000	<u>2021</u> \$'000
Cost	36,591	36,591
Accumulated depreciation	(16,839)	(15,925)
Net book value	<u>19,752</u>	<u>20,666</u>

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
<i>Market comparable approach:</i>		
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Details of the sales of comparable properties Conditions influencing the sale of the comparable properties. Comparability adjustment. 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> Sale value of comparable properties were higher/(lower). Comparability adjustment were higher/(lower).

8. Unearned premium income

The unearned premium income balance of \$357,121,665 (2021: \$427,236,565) 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).

	<u>2022</u> \$'000	<u>2021</u> \$'000
Balance as at April 1	28,101,998	24,737,119
Surplus from operations:		
Surplus from insurance operations	1,997,573	1,696,898
Surplus from investment and administration operation	<u>1,275,933</u>	<u>1,667,981</u>
Deposit insurance fund at year end	<u>31,375,504</u>	<u>28,101,998</u>

(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

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Auditors' remuneration	4,479	3,830
Depreciation (note 7)	34,163	16,856
Directors' emoluments –		
Fees	1,005	359
Management remuneration	41,978	18,268
Printing and stationery	1,087	1,613
Professional fees	66,048	27,729
Public education	33,948	38,712
Repairs and maintenance	5,573	1,571
Staff costs (excluding directors' management remuneration)	195,659	204,309
Utilities	12,754	10,637
Other expenses	<u>33,225</u>	<u>27,511</u>
	<u>429,919</u>	<u>351,395</u>

14. Staff costs

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Wages and salaries	135,089	98,199
Statutory contributions	12,404	10,917
Others	<u>49,166</u>	<u>95,193</u>
	196,659	204,309
Management remuneration	<u>41,978</u>	<u>18,268</u>
	<u>238,637</u>	<u>222,577</u>

The number of persons employed by the Corporation at the end of the year was 25 (2021: 28).

15. Related party transactions

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

- (i) Representation on the Board of Directors;
(ii) Transactions with the Government of Jamaica for the year are as follows:

	<u>2022</u> \$'000	<u>2021</u> \$'000
Investment balance	<u>26,670,008</u>	<u>24,615,511</u>

- (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:

	<u>2022</u> \$'000	<u>2021</u> \$'000
Investment balance, net of impairment	1,728,006	903,413
Cash balance	<u>1,305,487</u>	<u>3,737,520</u>
	<u>3,033,493</u>	<u>4,640,933</u>

- (c) Transactions and balances with key management:

	<u>2022</u> \$'000	<u>2021</u> \$'000
Wages and salaries	24,301	32,232
Statutory contributions	1,286	1,818
Other staff benefits	<u>12,014</u>	<u>11,965</u>
	<u>37,601</u>	<u>46,015</u>

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, 2022. The Corporation has no foreign currency liabilities.

16. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	<u>2022</u> \$'000	<u>2021</u> \$'000
J\$ equivalent		
Financial assets		
Investment securities	9,172,311	8,532,207
Cash at bank	<u>3,111</u>	<u>19,453</u>
	<u>9,175,422</u>	<u>8,551,660</u>

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.

	<u>% change in</u> <u>Currency rate</u> 2022	Effect on surplus and <u>deposit fund</u> 2022 \$'000	<u>% change in</u> <u>currency</u> 2021	Effect on surplus and <u>deposit fund</u> 2021 \$'000
US\$ against the J\$-				
Revaluation	(2)	(183,508)	(2)	(171,033)
Devaluation	<u>8</u>	<u>734,033</u>	<u>6</u>	<u>513,100</u>

(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.

	<u>2022</u>		
	US\$ denominated \$'000	J\$ denominated \$'000	Total \$'000
J\$ Equivalent			
Fixed rate	8,999,734	10,347,880	19,347,614
Variable rate	<u>-</u>	<u>557,200</u>	<u>557,200</u>
	<u>8,999,374</u>	<u>10,905,080</u>	<u>19,904,814</u>

16. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

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

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 <u>equity</u> <u>2022</u> \$'000	Effect on <u>equity</u> <u>2021</u> \$'000
<u>Jamaica dollar instruments</u>		
Change in basis points:		
(2022: - 100) (2021: - 100)	(103,478)	(76,385)
(2022: + 100) (2021: + 100)	<u>103,478</u>	<u>76,385</u>
<u>US dollar instruments</u>		
Change in basis points:		
(2022: - 100) (2021: - 100)	(89,994)	(82,292)
(2022: + 100) (2021: + 100)	<u>89,994</u>	<u>82,292</u>

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 (2021: +/-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 2021.

	<u>2022</u>		<u>2021</u>	
	<u>Effect on surplus from operations</u>	<u>Effect on surplus from operations</u>	<u>Effect on surplus from operations</u>	<u>Effect on surplus from operations</u>
	100bp	100bp	100bp	100bp
	Increase	decrease	increase	decrease
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash flow				
sensitivity	<u>5,572</u>	<u>(5,572)</u>	<u>5,429</u>	<u>(5,429)</u>

(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	
	2022	2021
	Stage 1 12-month ECL	Total
	\$'000	\$'000
Credit grade Non- investment grade [note 5(b)]	<u>19,741,475</u>	<u>14,978,479</u>
Loss allowance	<u>27,137</u>	<u>43,916</u>
	Debt securities - Amortised	
	2022	2021
	Stage 1 12-month ECL	Total
	\$'000	\$'000
Credit grade Non- investment grade [note 5(b)]	<u>10,441,894</u>	<u>9,458,276</u>
Loss allowance	<u>12,912</u>	<u>31,176</u>

(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, 2021 and March 31, 2022, 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, 2021	43,916
Net remeasurement of loss allowance	(16,778)
Balance as at March 31, 2022	<u>27,138</u>
Debt securities –Amortised Cost:	Stage 1 12-month ECL
	\$'000
Balance as at April 1, 2021	31,176
Net remeasurement of loss allowance	(18,264)
Balance as at March 31, 2022	<u>12,912</u>
Impairment recovery on financial assets	<u>(35,042)</u>

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

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

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

16. Financial risk management (continued)

(c) Liquidity risk

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

Liquidity risk management process

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

- (i) Monitoring future cash flows and liquidity on a regular basis;
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- (iii) Optimising cash returns on investment.

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

Financial liabilities cash flows

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

(d) Adequacy of the Deposit Insurance Fund

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

The Corporation's principal objective is to protect depositors up to a specific limit and contribute to financial system stability. This is achieved through the management of a Deposit Insurance Fund under the mandate of the Deposit Insurance Act (DIA) which 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 Member Institutions. The data gathered through this survey determines the amount of premium paid into the Deposit Insurance Fund by each Member Institution. It also provides an estimate of the insured deposits in the banking system at a point in time. It provides a basis for determining the adequacy of the Fund with regard to the Corporation's potential liabilities.

16. Financial risk management (continued)

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

As at December 31, 2021, there were 11 (2020: 11) Member Institutions with total insured deposits estimated at \$502.8 billion (2020: \$525.4 billion), of which the DIF covered 6.1% (2020: 5.2%). The adequacy of the DIF is based primarily on the assessed risks posed by Member Institutions. The target reserve ratio is presently 8 – 10 per cent of insured deposits, which is estimated to be sufficient to cover the insured deposit liabilities of the Corporation, in keeping with its public policy objectives and international best practice standard. 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.

If the Supervisor of Banks determines that a Policyholder's future viability or solvency is at risk, or the Policyholder becomes insolvent, then the Corporation may be required to exercise its resolution powers under the DIA. One of its resolution powers is the reimbursement of depositors. If 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-observable 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:

		2022		
		<u>Carrying value</u>		<u>Fair value</u>
	<u>Notes</u>	<u>FVOCI</u> \$'000	<u>Total</u> \$'000	<u>Level 2</u> \$'000
Financial assets measured at fair value:				
Government of Jamaica securities	5	<u>20,068,159</u>	<u>20,068,159</u>	<u>20,068,159</u>
		2021		
		<u>Carrying value</u>		<u>Fair value</u>
	<u>Notes</u>	<u>FVOCI</u> \$'000	<u>Total</u> \$'000	<u>Level 2</u> \$'000
Financial assets measured at fair value:				
Government of Jamaica securities	5	<u>15,550,719</u>	<u>15,550,719</u>	<u>15,550,719</u>

18. Capital commitment

As at March 31, 2022 the Corporation had capital commitment in relation to the development of the Payout Management Information System (PMIS) at the budgeted cost of \$30 million (2021: \$30 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 Corporation engaged a consultant to review the Disaster, Preparedness, Recoveries and Business Continuity Plans. The emergency and evacuation plan was updated and implemented.
- (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.

CORPORATE INFORMATION

OFFICE

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

BANKERS

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

AUDITORS

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



JAMAICA DEPOSIT INSURANCE CORPORATION

JDIC...Protecting Deposits for You and Me

30 Grenada Crescent, Kingston 5, Jamaica **Toll Free:** Jamaica: 1-888-991-5342
Tel: 876-926-5225; 876-968-7398 USA & CAN: 1-877-801-6793
Fax: 876-920-9393 UK: 1-800-917-6601

✉ Email: jdic@jdic.org ▶ Jamaica Deposit 🌐 www.jdic.org 📺 📷 📱 @jdicjam