



**JAMAICA DEPOSIT  
INSURANCE CORPORATION**

# **ANNUAL REPORT** FY2022/2023

Securing a **Strong Financial  
Foundation** for Generations







July 31, 2023

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 2022/2023 and a copy of the Corporation's Accounts as at March 31, 2023, duly certified by its Auditors. This is in compliance with the Deposit Insurance Act, subsection 11(1) and the Public Bodies Management and Accountability Act, subsection 3(2).

Your sincerely,

Myrtle Hasall, OD

Chairman





## VISION



To contribute to the highest levels of financial consumer protection and financial system confidence and stability in Jamaica and support financial stability of the Caribbean region by leveraging Financial System Safety Net partnerships.



## 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
- Supports the enhancement of financial consumer protection initiatives
- Manages the Deposit Insurance Fund

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



## CORE VALUES



**ACCOUNTABILITY** - We accept the mission, our role and responsibilities and carry them out compliant with applicable laws and agreed policies, strategies and priorities and do so in a transparent manner.

**INTEGRITY** - We adhere to strong moral and ethical principles in furtherance of the mission and in carrying out our role and responsibilities.

**PROFESSIONALISM** - We exercise due skill, good judgement and adopt to appropriate standards and practices, communicating effectively to ensure 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 expertise, skills and talents.

**ADAPTABILITY** - We proactively pursue the objectives of the Corporation giving timely and appropriate identification of and responses to changes in the operating environment and monitor productivity to improve our operations in pursuit of ensuring value to the financial system safety net for the benefit of depositors and other customers of the financial services.

# ACRONYMS

<b>BOJ</b>	Bank of Jamaica	<b>IADI</b>	International Association of Deposit Insurers
<b>BSA</b>	Banking Services Act	<b>ICT</b>	Information and Communication Technology
<b>CEO</b>	Chief Executive Officer	<b>IMF</b>	International Monetary Fund
<b>COM</b>	Committee of Management	<b>MoFPS</b>	Ministry of Finance and the Public Service
<b>DIA</b>	Deposit Insurance Act	<b>NFCPMP</b>	National Financial Crisis Preparedness and Management Plan
<b>DIF</b>	Deposit Insurance Fund	<b>NFIC</b>	National Financial Inclusion Council
<b>DIS</b>	Deposit Insurance Scheme	<b>NFIS</b>	National Financial Inclusion Strategy
<b>DTIs</b>	Deposit Taking Institutions	<b>NIR</b>	Net International Reserves
<b>ERM</b>	Enterprise Risk Management	<b>OSHA</b>	Occupational Safety and Health Act
<b>FAAA</b>	Financial Administration and Audit Act	<b>PBMA</b>	Public Bodies Management and Accountability Act
<b>FISC</b>	Financial Inclusion Steering Committee	<b>PIOJ</b>	Planning Institute of Jamaica
<b>FRC</b>	Financial Regulatory Committee	<b>PMIS</b>	Payout Management Information System
<b>FSB</b>	Financial Stability Board	<b>PSTM</b>	Public Sector Transformation and Modernization Programme
<b>FSC</b>	Financial Services Commission	<b>SRR</b>	Special Resolution Regime
<b>FSSC</b>	Financial System Stability Committee	<b>TWG</b>	Technical Working Group
<b>FSSN</b>	Financial System Safety Net		
<b>GOJ</b>	Government of Jamaica		
<b>GDP</b>	Gross Domestic Product		
<b>HRIS</b>	Human Resources Information System		

# GLOSSARY OF TERMS

## **Banking Services Act**

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

## **Banking System**

The deposit-taking financial institutions (DTIs), comprising Commercial Banks, Merchant Banks and Building Societies, 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 placed with an insured financial institution for credit to a customer's account 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 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) held by JDIC Member 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 a 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 is part of the 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 which are not deposits from another Policyholder; or from a statutory body or authority or government company.

### **Insured Deposit**

That portion of Insurable Deposits that is within the Coverage Limit prescribed under the 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 Financial System Safety Net authorities empowered to apply them in respect of a failing or failed financial institution, and which are designed to treat with a financial institution before it is balance sheet insolvent by way of bail-in; purchase and assumption; merger and acquisition; bridge-bank or temporary public ownership, with a view to maintaining financial system stability while minimizing the resort to public funds. Resolution may also involve the reimbursement of insured deposits to depositors and the winding up of a failed bank with a view to maximizing recoveries.

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# CHAIRMAN'S REMARKS



Myrtle Halsall, OD - Chairman

Technological innovations, digitalization, increased consumer expectations, global macroeconomic risks, and governments' ameliorative responses continued to characterize the economic and financial markets environment during the financial year 2022/23. With this paradigm, Jamaica's economy experienced increased activity and steady recovery across its major industries during the review period. By year-end, Jamaica's macroeconomic performance had returned to pre-Covid levels.

Consistent with global trends, elevated inflation levels prompted monetary policy tightening by the Bank of Jamaica at the beginning of the fiscal year with increases in the policy rate, which towards the end of the year was 7.00 percent. Jamaica's real GDP was estimated to have grown by 4.3 percent, compared to global GDP growth of 2.8 percent. The outlook for the financial year 2023/24 remains favourable, as growth is projected to be in the range of 1.0 to 3.0 percent, largely reflecting a faster-than-expected pace of recovery driven by increased output in all industries.

Cognizant of the economic and monetary policy impacts, the Bank of Jamaica (BOJ) supervisor of JDIC Member Institutions (Policyholders) carried out commensurate

micro-prudential oversight and macroprudential analyses to ensure the financial system remained resilient. JDIC Member institutions performed within the prudential benchmarks and with no Member Institution failure during the year. With prudent management and steady growth of the Deposit Insurance Fund (DIF/the Fund) at year-end, the Fund balance was \$35.1 billion, bringing the DIF ratio at the end of the year to 6.4 percent compared to the internal medium-term target ratio range of 8 - 10 percent. Notably, over the last five years, the DIF has increased by 67 percent, reflective of the increases in Member Institutions' deposits which moved from \$1,095 billion to \$1,723 billion during the same period. Although the number of Member Institutions remained at eleven, the Corporation is preparing for the admission of Credit Unions (presently 25) to the Deposit Insurance Scheme (DIS), on the passing of the Credit Unions (Special Provisions) Act (CUSPA) which will bring the sector under the supervision of the Bank of Jamaica (BOJ) and make these institutions eligible for membership in the Deposit Insurance Scheme (DIS).

During the period the Board focused on its oversight responsibilities regarding the policy and general administration of the Corporation and the management of the DIF. It

carried out its work through its three standing committees: Audit Committee, Investment Committee, and Corporate Governance Committee. It continued to ensure compliance with its statutory reporting obligations, including the JDIC meeting financial targets agreed with the Ministry of Finance and the Public Service. Additionally, the Board reviewed and approved the Corporation's 4-year Corporate Plans FY2023/24 - FY2026/27; and Annual Report and Audited Financial Statements for financial year 2021/22 for submission to the said Ministry.

Under the Corporation's Enterprise Risk Management programme compliant with its ERM Policies and Framework, the Board, aided by its Audit Committee, gave due focus on those risks identified by the Risk Manager and Risk Management Committee that could have a significant impact on the Corporation's operations, and made the required recommendations to ensure these were mitigated to acceptable levels consistent with the Corporation's risk appetite.

Acknowledging the imperatives of technological improvement, the Board supported Management's commitment to ensuring that the appropriate framework was in place for continued digital transformation to optimize operational efficiency. This was so particularly against the background that timely information sharing with key stakeholders such as Member Institutions, FSSN partners, depositors, and the public, as well as data security, is mission-critical and sustainable for the continued achievement of the Corporation's mandate. The Corporation's Digital Transformation Strategy developed during the period is scheduled for roll out in the financial year 2023/24. This is also consistent with the declared and actual move by Member Institutions towards the digitization of products and services to meet consumer demands and the need to strengthen their systems against cyber-attacks and other technological vulnerabilities.

Against the need to ensure it maintained the institutional capacity to aid the FSSN regulatory authorities in implementing the most effective resolution

options to deal with non-viable Member Institutions and mitigating and managing financial crises, the Corporation continued its collaborative work with the FSSN partners. This was in relation to strengthening the existing legal and operating framework for resolving non-viable financial institutions through decided contributions to legislative reform proposals through reviewing and analyzing appropriate standards of best practice relating to governance and other effective institutional frameworks for financial system regulatory agencies.

The Board also remained focused on ensuring that strategies for maintaining adequate human resource capacity were given due attention. In this regard, it considered the Management's analysis regarding the implications of implementing the GOJ's compensation review due retroactively on April 1, 2022. The GOJ compensation review's objective was to address current and emerging issues relating to the structure of compensation in the public sector and create an equitable pay and job evaluation system. As Chairman, I am also very proud to report that on April 1, 2022, the Corporation established a defined benefit Staff Pension Scheme for all permanent employees.

Quarterly and Half-Yearly Reports, as required under the Public Bodies Management and Accountability Act (PBMA), and other standing and ad hoc reports submitted for Board review and approvals showed that the performance output of the Corporation was consistent with its Corporate Plans and Budgets for the period, subject to the internal and external constraints that characterized the year. The Corporation also remained compliant with all its statutory reporting and other obligations.

The Board also undertook the required performance assessment of the Chief Executive Officer for the financial year 2021/22, in accordance with the Public Bodies Management and Accountability Act, the GOJ Corporate Governance Framework, and GOJ Accountability Framework.

## CLOSING REMARKS

In closing, I take this opportunity to welcome our new Board Members, Mrs. Blondel Walker and Mrs. Linda Wright Ashley, who joined the Board at the beginning of the financial year. They replaced Ms. Lisa Lewis and Mr. Vernon McLeod whose respective terms expired. I must extend our thanks and gratitude for the time they served on the Board and their tremendous contributions during their terms, which inured to benefit the Corporation over the approximate six years of their tenure.

I thank the current Board members for aiding the due conduct of the Board's corporate governance mandate with diligence, experience, and eminently valuable contributions.

Finally, on behalf of my fellow Board Members, I commend the Corporation's CEO, Management, and Staff for steadfastly fulfilling their responsibilities, even during challenging times, and ensuring that the Corporation continued to meet its statutory objectives. As Chairman, I am honoured to serve this important public sector institution, an integral part of Jamaica's financial system safety net. I therefore remain committed to ensuring that the Board of Directors continues to provide the required strategic oversight to support the CEO and senior executives as the Corporation seeks to meet the demands and expectations of depositors and other financial services consumers, thereby contributing to Jamaica's 'Vision 2030' and beyond.



Myrtle Halsall, OD, Chairman

# CEO'S REPORT ON OPERATIONS



**Antoinette McKain - CEO**

## Overview

The Corporation's mandate for protecting depositor funds and contributing to sustained financial system stability continued to underpin its operations for the 2022/23 financial year. The Corporation continued to focus on: enhanced monitoring and risk assessment of the financial condition and performance of JDIC Policyholders, and more specifically, the financial system and the implications for the Deposit Insurance Scheme; Deposit Insurance Fund management operations strategies to preserve the capital of the DIF and optimize earnings; and proactive financial system crisis preparedness and management activities including review of proposed legislation to allow for enhancement of the legislative framework for dealing with failing financial institutions in a manner that aids in preserving financial system stability and minimize the potential for resort to the public purse.

Given the uncertainties that characterized the global and domestic operating environment, surveillance of macroeconomic conditions remained vital to the JDIC's operations. Global economies grappled with rising inflation, contractionary monetary policy, declining growth, and fluctuating consumer confidence emerging from the lingering economic impacts of the prior

years' COVID-19 global pandemic and the geopolitical conflict with the Russia/Ukraine war. A series of mid-sized bank failures fueled by falling bond prices in the United States also exacerbated uncertainty in several countries where contractionary monetary policy caused lower bond prices in financial markets. On the other hand, the Jamaican economy demonstrated signs of strong recovery, with economic activity estimated to have returned to pre-COVID-19 levels by year-end with real GDP growing by an estimated 4.3 percent, the inflation outlook improving and moderation of the policy rate towards the end of the fiscal year. JDIC Policyholders remained resilient with adequate capital, liquidity, and profitability amidst the developments in the domestic and global economies. Additionally, the Corporation's effective management of the DIS was achieved and all business objectives determined as priority for the period under review were satisfactorily realized.

## Policyholders (Member Institutions) Performance

During FY2022/23, Member Institutions maintained strong performance underpinned by the maintenance of capital adequacy ratios (CAR) that were above the regula-

tory benchmark, sufficient liquidity and sustained-profitability. Membership in the Deposit Insurance Scheme remained at eleven (11). Market share across all three (3) sub-sector categories remained relatively unchanged, with commercial banks accounting for 92.0 percent of total assets within the banking system. Building Societies and the Trust and Merchant Bank licensees held assets of 7.7 percent and 0.3 percent, respectively. The total asset base of Member Institutions grew by 6.9 percent or \$160.5 billion at year-end totaling \$2,477.8 billion, relative to 11.2 percent or \$223.6 billion for the corresponding period of 2021/22. Increased loans and advances largely drove asset growth during the year.

Total insurable deposits for the period increased by 7.1 percent to \$1,630.7 billion at end December 2022 in keeping with the annual Survey of Insurable Deposits relative to \$1,552.8 billion at the end of the corresponding period in 2021. The number of insurable deposit accounts increased from approximately 4.9 million accounts to 5.1 million accounts at the end of 2022. The average insurable deposit balance was \$317,169 increasing 2.8 percent at the end of 2022, from the \$308,573 recorded at the end of 2021.

## CORE OPERATIONS

### - *Financial Crisis Management Preparedness*

Strengthening the Corporation's financial crisis management framework for deployment in resolving non-viable Member Institutions in collaboration with the regulatory authorities continued to remain a focus throughout the reporting period. Given the continued rise in fintech and digitization of financial services, the Corporation sought to expand its range of payment reimbursement options to include online methods. Online reimbursement has increasingly become the expectation and preference of the users of financial services as it is designed to allow depositors the promptest access to their insured deposits in the event of Member Institution failure and the resolution option is liquidation requiring the direct payout of insured depositors. Work to strengthen the existing legal and operating framework for resolving failing or failed institutions also continued with other FSSN partners through collaborative discussions

and robust analysis and review of best practices and proposals for the structure of legislation to support an enhanced framework.

The Corporation also embarked on a comprehensive review of its Financial Crisis Management Plan, placing priority on ensuring the adequacy of the necessary structures for seamless inter-agency information sharing and coordination. This is necessary to support the JDIC's proactive approach to its mandate for protecting insured depositors and its contribution to maintaining financial system stability. Work is also advanced on preparing what is described as an operational 'Playbook' in furtherance of the FRC-led initiative to have members of the FSSN convert relevant elements of their agency-specific financial crisis management plans into a standardized "Financial Crisis Management Operational Playbook" (Playbook) which will subsequently form the review and update of the National Financial Crisis and Preparedness Plan to mirror the most updated legal and regulatory frameworks.

### - *Building Sustainable Human Resource Capacity*

Consistent with the international best practices of organizations in the financial regulatory sector, maintaining an expert knowledge and experience driven environment; and commensurately an appropriate regulatory culture remained central to the sustained achievement of the Corporation's mandate. To ensure this, the training and learning focus of JDIC team members remained targeted, among others, in the areas of deposit insurance and other financial consumer protection schemes; evolving financial institution regulation and risk assessment frameworks including increasingly emerging climate change risk for economies and financial institutions; financial system crisis preparedness and management operations; resolution frameworks for dealing with non-viable financial institutions; financial innovation and technology; financial consumer public education and awareness and financial inclusion strategies.

In its thrust to improve efficiency in the delivery of HR services to team members, the Corporation sought the assistance of the Transformation Implementation

Unit of the Ministry of Finance and the Public Sector (TIU) to fast-track a project to facilitate the implementation of the GOJ's MyHR+ Human Resources Information System software. The period also saw the long-planned implementation of the JDIC Staff Pension Scheme, a defined benefit pension scheme for all permanent employees. This is a milestone initiative to seek to bolster the retention capabilities critical to the sustained ability of the Corporation. The plan which took effect on April 1, 2022, was pre-funded in line with actuarial recommendations with an initial injection of \$59.6M which grew to \$89M by the end of March 2023.

Work also continued toward implementing the revised organization structure that the MoFPS approved in October 2021. While the competitive nature of the labour market and the evolving expectations of the target workforce with the expertise required by JDIC slowed full implementation, it is anticipated that the new compensation arrangements under the much-anticipated GOJ Public Sector Transformation and Modernization Programme which took effect April 1, 2023, will allow some roles to become more attractive for hiring and retention.

### **Digital Transformation Strategy**

During the reporting period, the Corporation completed four of the five milestones to develop a digital transformation strategy roadmap. In the coming year, the Corporation will contract a subject matter expert to lead the phased implementation of its Digital Transformation Strategy.

The Corporation also continued to leverage information and communication technology through the utilization of current technologies to enhance its performance in conformity with requirements for confidentiality, meet redundancy needs and maintain the highest levels of data security and integrity.

#### **- Deposit Insurance Fund Adequacy Evaluation**

As is statutorily required, a comprehensive evaluation of the adequacy of the DIF was conducted during the financial year. Considering the protracted uncertain-

ties and macroeconomic developments within the operating environment two evaluations were completed, including one at the half-year interval to determine the adequacy of the Fund, including additional stress testing scenarios. In conclusion of evaluations, the Fund was determined to be adequate, as risks posed by the Member Institutions were deemed sufficiently contained and no resolution activities were anticipated.

### **Deposit Insurance Coverage Limit**

The deposit insurance coverage limit of \$1,200,000.00, the existing maximum amount a depositor will be reimbursed for each legal category of depositor in the event of a bank failure, was determined to remain credible and continues to cover over approximately 97 percent of depositors whose accounts are held by our Member Institutions. This coverage remained consistent with international best practice standards that the DIS covers at least between 90 -95 percent of deposit accounts.

### **Public Education and Awareness**

With the rapid evolution of the financial landscape and the resulting increase in product and service innovation within the sector, the Corporation maintained its mix of integrated marketing communication strategies with the objective of securing heightened awareness and understanding of the DIS and protection of the funds of the financial consumers.

In furtherance of this objective, strategies employed throughout the period included digital, print, and electronic advertising and maximizing sponsorship opportunities that best aligned with the Corporation's brand ethos.

Social media as an engagement tool also continued with the injection of simplified content in the #JDIC-Explained Video Series and interactive posts, greatly enhancing stakeholder awareness.

A Public Education and Attitude Awareness Survey was commissioned to assess the effectiveness of the Corporation's existing public education and awareness

programme. Awareness of the Corporation increased to 74 per cent in 2022, up from 67 percent in 2017; while awareness levels of the coverage limit and the scope of the protection remained relatively stable at 46 percent. These results will guide the development of public education and awareness strategies for the coming financial year.

Ongoing partnerships with FSSN Partners and other stakeholders were also maintained to ensure that the important response linkages among the FSSN agencies are clearly understood and optimized for the benefit of depositors, other consumers of financial services, and more generally that they remain supportive of engendering public confidence and financial system stability.

**Financial Performance**

At year end, the DIF balance was \$35.1 billion, an increase of 11.8 percent compared to the previous year. The DIF grew by 66.9 percent within the last five years with the Corporation's total assets reaching \$36.52 billion at March 31, 2023, an increase of 10.6 percent or \$3.4 billion over the previous year. The increase was due primarily to a 5.8 percent increase in investment securities to \$32.4 billion compared to \$30.6 billion at the end of March 2022, comprising the Government of Jamaica and Bank of Jamaica investment securities.

The Corporation's total income for the period was \$4.2 billion, surpassing the budgeted \$4.1 billion. Premium income totaled \$2,284.2 million, a 14.3 percent increase over the previous year. Administrative expenses amounted to \$635.90 million, increasing by 61.0 percent compared to the previous year, attributable to increases in professional fees from projects undertaken during the review period in fulfillment of the Corporation's business objectives.

The Overall Balance Target agreed with the MoFPS as a measure of the management of the Corporation's cash position was \$2,069.16 million. The actual outturn for the period was \$5,462.88 million, which was \$3,393.72 million higher than projected due mainly to the reprioritization of the timing of

some key initiatives as a result of human resource capacity constraints. The outturn of key performance ratios continued to be credible when factoring in the economic and operating environment and implementation of initiatives.

**LOOKING AHEAD**

As we look forward to the year ahead, the Corporation will continue to direct its focus on the enhancement of its crisis management and resolution management framework. This will include bolstering its technical competencies for depositor protection and facilitating supportive structures for financial system stability through continued targeted staff training and simulation activities; strengthening information and communication technology infrastructure through the implementation of a strategic digital transformation strategy; and expanding its public education and awareness strategies in pursuit of heightened depositor awareness while also seeking to evolve its operations to be adequately responsive to the changing regulatory and operating environment.

**CLOSING REMARKS**

In closing, I would like to thank our Chairman and Board of Directors for their steadfast stewardship and the senior management team and the team in general for their support and dedication toward the Corporation's achievement of its targeted objectives over the past year. We also thank our FSSN partners and international partners for their collaborations and support as we pursue the common objectives by maximizing the capacity of each member organization to guarantee delivery on the expectations of the public and the country, in keeping with our respective mandates.

The JDIC commits to the continued effective discharge of its mandate in furtherance of depositor protection and financial system stability.



Antoinette McKain - CEO

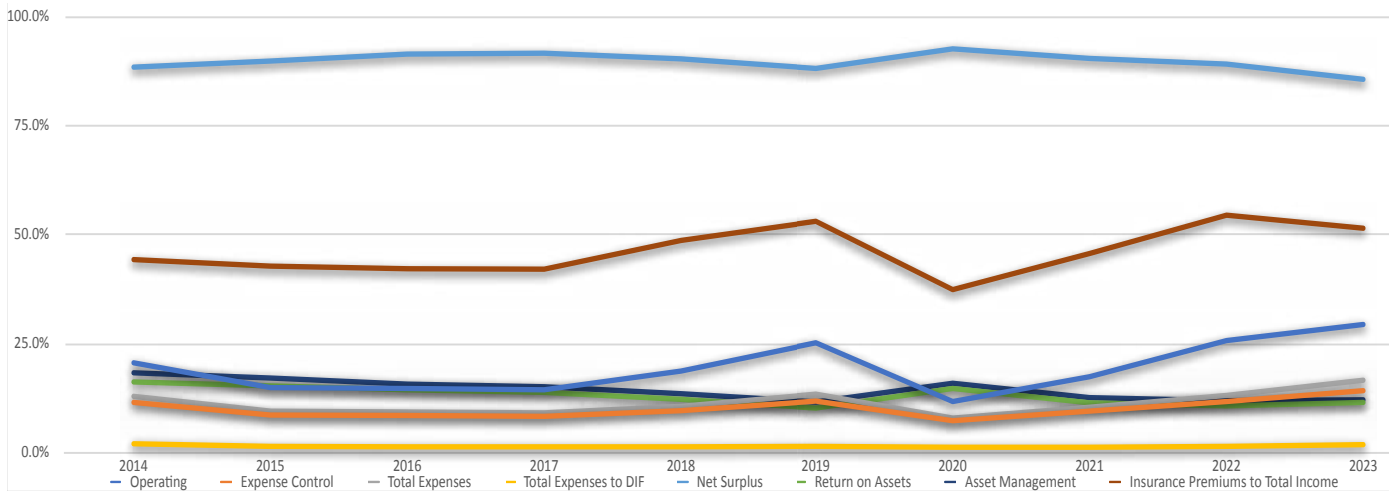
# 10-YEAR FINANCIAL PERFORMANCE HIGHLIGHTS

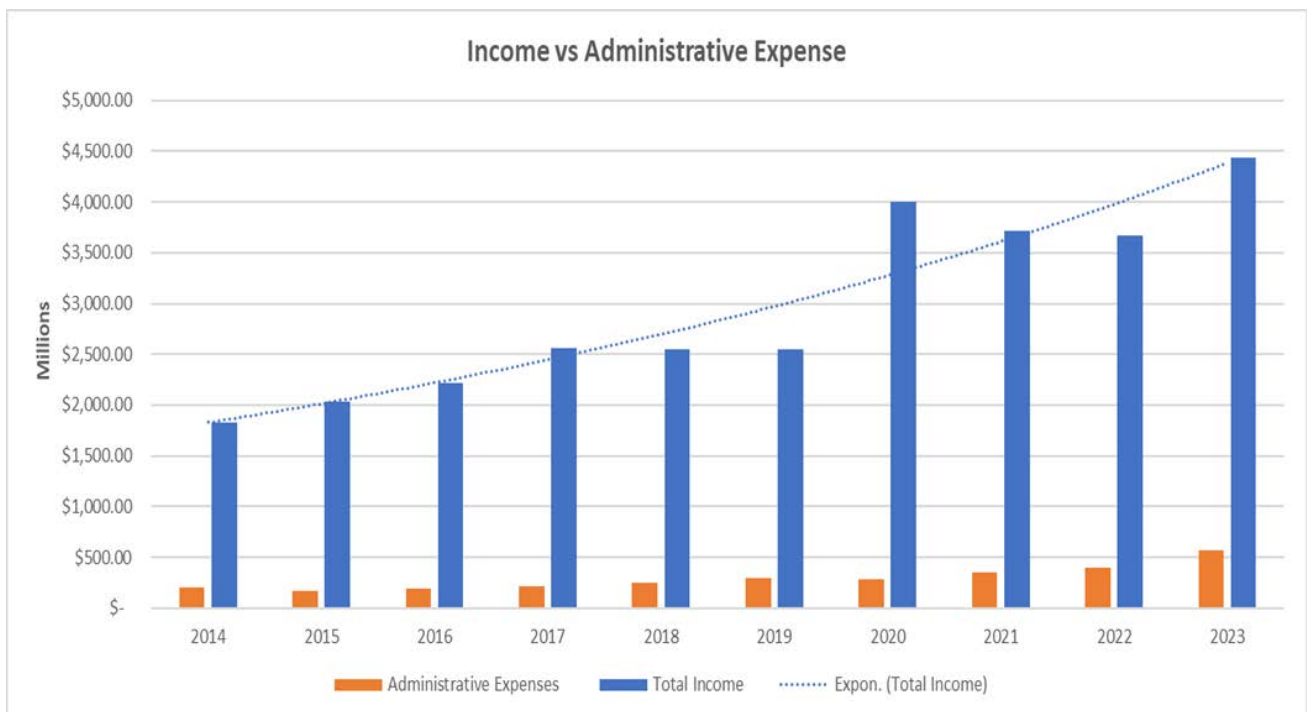
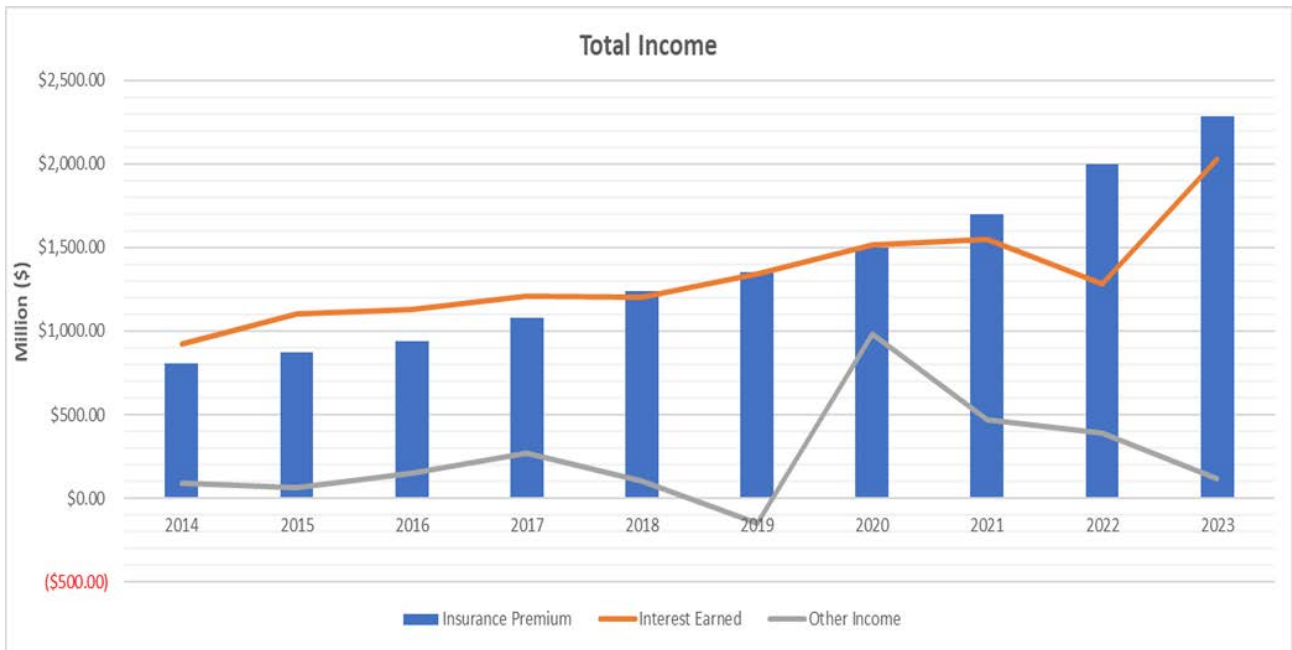
FINANCIAL YEAR	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>STATEMENT OF DEPOSIT INSURANCE FUND STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME</b>										
Insurance Premiums	2,284,194	1,997,573	1,696,898	1,498,335	1,357,236	1,239,560	1,076,597	937,283	870,050	809,250
Interest Earned	2,028,915	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
Other Income	119,098	5,679	470,870	528,540	150,665	106,177	268,754	153,542	64,382	93,621
Total Income	4,432,207	3,285,490	3,716,493	4,001,290	2,549,333	2,546,245	2,554,209	2,218,423	2,034,461	1,825,771
Impairment Loss on Securities	4,913	35,042	220	3,437	7,086	-	-	-	32,091	-
Administrative Expenses	631,043	429,919	351,395	288,312	294,325	244,462	212,111	188,187	173,987	209,280
Surplus from Operations	3,796,251	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
<b>DEPOSIT INSURANCE FUND STATEMENT OF FINANCIAL POSITION</b>										
Deposit Insurance Fund	35,100,261	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
Investment Securities	33,077,634	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
Total Assets	36,519,318	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
Property, Plant and Equipment (NBV)	333,160	268,917	283,367	276,920	194,645	189,404	178,501	110,722	110,038	95,630
<b>OTHER SELECTED DATA</b>										
Persons employed at the end of the year	29	25	28	29	28	24	21	21	25	26
Operating Ratio (%)	29.4	25.7	17.4	11.7	25.2	18.7	14.4	14.7	14.9	20.6
Expense Control Ratio (%)	14.2	11.7	9.5	7.3	11.8	9.6	8.3	8.5	8.6	11.5
Administrative Expenses Ratio (%)	16.6	13.1	10.4	7.9	13.4	10.6	9.1	9.3	9.5	12.9
Administrative Expenses to DIF Ratio (%)	1.8	1.4	1.2	1.2	1.4	1.3	1.3	1.3	1.4	2.0
Net Surplus (%)	85.7	89.2	90.5	92.7	88.2	90.4	91.7	91.5	89.9	88.5
Asset Management Ratio (%)	12.1	11.9	11.6	16.9	12.3	13.5	15.1	15.7	17.1	18.3
Return on Assets Ratio (%)	11.5	10.7	11.4	15.7	10.8	12.2	13.8	14.4	15.3	16.2
Insurance Premium/Total Income (%)	51.5	54.5	45.7	37.4	53.2	48.7	42.1	42.2	42.8	44.3

### DEPOSIT INSURANCE FUND



### Summary of Key Performance Ratios





# BOARD OF DIRECTORS



**Myrtle Halsall, OD - Chairman**

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

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

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

published Quarterly Monetary Policy Report.

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

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

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



**Antoinette McKain - CEO**

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

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

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-one (21) years, Ms Wright is currently the Divisional Director of the Financial Regulations Division which has responsibility for ensuring that policies are in place to effectively regulate the financial sector.



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

Dr Jide Lewis currently holds the position of Deputy Governor, Financial Institutions Supervisory Division at the Bank of Jamaica. He is also the Deputy Supervisor of Banks, Financial Holding Companies and Other Specified Financial Institutions ("Deputy Supervisor").

In these capacities, he has responsibility for ensuring the relevance and adequacy of the legislative and regulatory framework and operational infrastructure to satisfy the statutory and supervisory responsibilities necessary to support the Bank's financial system stability mandate and ensure the effective supervision and regulation of deposit taking institutions and specified institutions.

Dr Lewis holds a Ph.D. in Economic Development Policy, from the University of the West Indies and a M.Sc. in Economics and Finance from the University of York. He is also a Chartered Financial Analyst and holds the professional designation of Financial Risk Manager.

Dr Lewis is married and enjoys playing table tennis.



**Herbert Asquith Hylton - Director**

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

Upon graduating from the University of the West Indies, Mr Hylton's entire working life was spent with the Bank of Jamaica. While at the Bank, he benefited from the institution's comprehensive training opportunities, notably at the Bank of England, the International Monetary Fund and the Center for Latin American Monetary Studies (CEMLA).

At retirement in August 2013, Mr Hylton was the Bank's Financial Controller, a position he occupied since 2005. As Financial Controller he was responsible for the discharge of the Bank's accounting and finance functions, in addition to that of the Information Systems Department.

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



**Linda Wright Ashley - Director**

Linda Michelle Wright-Ashley, Attorney-at-Law, was called to the Jamaican Bar in 1993. She is a Member of the Jamaica Bar Association and an executive member of the Advocate's Association of Jamaica. She is also a past member of the Bar Council.

Between the years 1986 and 1995 she worked at the Ministry of Justice prosecuting in the Resident Magistrate's Criminal Court now Parish Court. With her mastery of legal matters, she was transferred to the Office of the Director of Public Prosecution where she appeared in the Supreme Court, Court of Appeal and various Circuit Courts throughout the Island.

She started her private practice in 2000 as a sole practitioner specializing in matrimonial law, civil and criminal matters.

Mrs Wright Ashley is currently Senior Counsel at Linda Wright & Associates supervising two Associates and a Legal Secretary. Her main areas of practice are Conveyancing, Family, Criminal, Insurance Litigation and Estate Management.



**Blondell Walker, Director**

Blondell Walker has been with the Musson Group of Companies for over 20 years and is currently the CIO & ICT Director, a position she has held since 2000. She is a member of the Board for several Companies within the Musson Group of Companies including Stanley Motta Limited where she holds the position of chairman for the Audit Committee. She is also the Chairman for the Western United Basic School.

She studied Accounting and Systems Analysis at the University of the West Indies, Jamaica Institute of Management and the Heriot Watt University of Edinburgh, Scotland. Additionally, she has completed programmes in the field of Information Technology and advanced Management Studies.

Ms Walker has a wealth of knowledge garnered from her over thirty-five (35) years of experience in the Information, Communication and Technology field which has led to several invitations to join technology groups across the world including the Visions Solution CIO group based in the USA.



## CORPORATE GOVERNANCE

The Jamaica Deposit Insurance Corporation (JDIC) is an independent statutory corporation established in 1998 and operates the Deposit Insurance Scheme (DIS) within the legal framework set out in its governing statute, the Deposit Insurance Act (DIA). The DIA is interpreted in pari materia with the Bank of Jamaica Act (BOJ Act) and the Banking Services Act (BSA).

The JDIC is accountable to the Parliament, through the Minister responsible for Finance. As a statutory corporation, the JDIC is also subject to 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 this event, in conjunction with the other FSSN partners, the Corporation aids in the resolution of financial institutions and/or pay out depositors where the institution is insolvent. The JDIC carries out other financial crisis management and financial crisis management activities with its FSSN partners. In carrying out

its mandate the Corporation contributes to the broader public policy objective for maintaining depositor confidence and supporting financial system stability in Jamaica. To aid its mandate, the Corporation manages a Deposit Insurance Fund (DIF/the Fund) established under the DIA and has the power to act as a liquidator/trustee of its Member Institutions, their holding companies, and subsidiaries, and acting in that capacity may arrange for the restructuring of a Member Institution its holding company and subsidiaries and has the power to secure the proceeds of liquidation into the DIF.

Given its role, the JDIC is committed to maintaining the highest standards of corporate governance and accountability through the oversight of its Board of Directors (Board).

### BOARD OF DIRECTORS COMPOSITION AND MANDATE

The DIA provides that the policy and general administration of the JDIC and the management of the DIF 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 and the other applicable standards of best practice.

The Board is statutorily 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 independent directors, including the Chairman of the Board, appointed by the Minister of Finance and the Public Service.

The Board met six (6) times during the calendar year, thereby fulfilling the statutory requirement for not less than six (6) meetings.

BOARD OF DIRECTORS		Number of Meetings Attended (CY)
Myrtle Halsall, OD	<i>Chairman</i>	6/6
Dr. Jide Lewis	<i>Nominee of the Governor, Bank of Jamaica</i>	3/6
Aisha Wright	<i>Nominee of the Financial Secretary</i>	5/6
Antoinette McKain	<i>Chief Executive Officer</i>	6/6
Herbert Hylton	<i>Board Member</i>	5/6
Linda Wright Ashley	<i>Board Member</i>	5/6
Blondell Walker	<i>Board Member</i>	3/6

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 FY2023/24 - FY2026/27;
- The Annual Report, and the Audited Financial Statements for FY2021/22; 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.

### 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 and internal control infrastructure 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 is guided by the GOJ Audit Committee Policy, Corporate Governance Framework, the PBMA and the FAAA.

The Audit Committee is comprised of three (3) independent Board Members and a co-opted member with knowledge of public sector financial management. The Committee met four (4) times for the financial year and effectively carried out its mandate by reviewing and making recommendations on all Quarterly and Half-Yearly Reports, FY2021/22 Annual Report and

Audited Financial Statements and the FY2023/24-FY2026/27 Corporate Plan, Operating and Capital Budgets in compliance with the PBMA requirements.

The Committee also reviewed, monitored and made appropriate recommendations in relation to the Enterprise Risk Management (ERM) Framework and Reports prepared by the ERM Manager. Additionally, the Committee reviewed and made recommendations in relation to the Internal Auditor's Work Plans and received and assessed the periodic Reports.

AUDIT COMMITTEE		Number of Meetings Attended (FY)
Herbert Hylton	<i>Chairman</i>	4/4
*Dr. Jide Lewis	<i>Nominee of the Governor, Bank of Jamaica</i>	3/4
Blondell Walker	<i>Board Member</i>	3/4
Michael Martell	<i>Co-opted Member</i>	3/4
*Interim member		

## INVESTMENT COMMITTEE

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

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

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

The Committee met two (2) times for the financial

year and submitted the required reports to the Board.

In its oversight of the investment function of the Corporation, the Committee gave due consideration to the developments in the global and domestic economies and the potential impact on the performance of the JDIC's investment portfolio and the implications for the DIF.

During the period the Committee approved enhancement of policies geared towards strengthening the management of the investment portfolio in such areas as: reduction of the potential for conflict of interest among members of the Committee and to improve broker relationships to promote greater transparency in making investment placements.

INVESTMENT COMMITTEE		Number of Meetings Attended (FY)
Dr. Jide Lewis	<i>Chairman</i>	2/2
Antoinette McKain	<i>Board Member</i>	2/2
Ronald Edwards	<i>Chief Financial and Corporate Services Officer</i>	2/2
Dawn Marie Brown	<i>Director, Monitoring and Risk Assessment</i>	2/2

## CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is charged with the responsibility to direct the implementation of and compliance with sound corporate governance policies, principles and practices by the Board of Directors.

The principal objectives of the Committee are to assist with Board oversight of effective corporate governance principles and practises; evaluate and assess the functioning of the Board, Board Committees and Management, as well as the key human resource and succession planning requirements.

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 two (2) times.

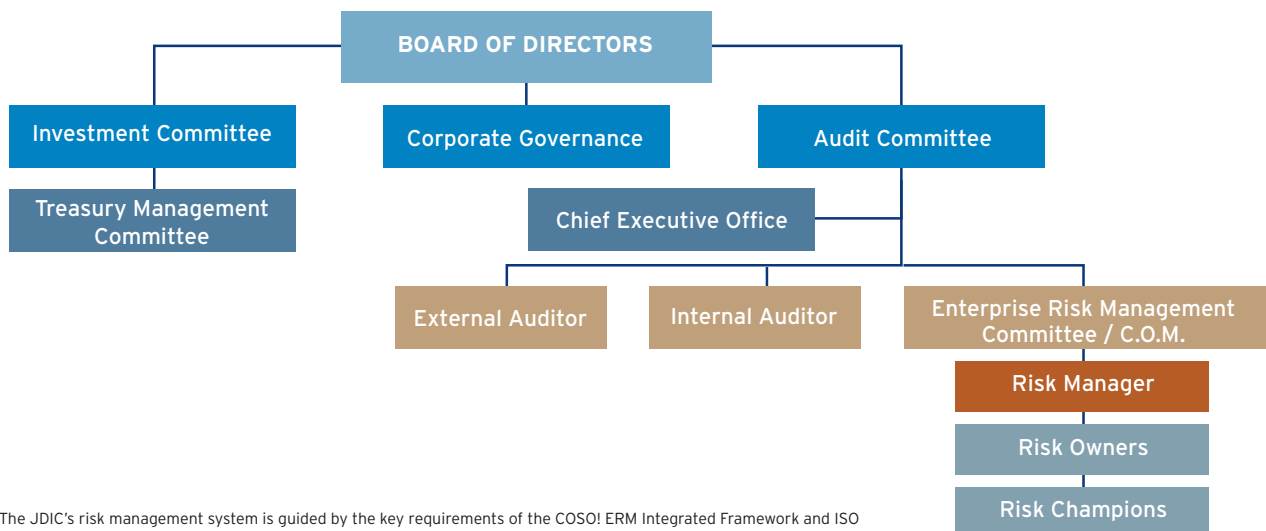
In keeping with its obligations, the Committee monitored the Corporation's compliance with the PBMA and conducted the annual evaluation of the Chief Executive Officer's performance, with a 360-degree approach, guided by the Corporate Governance Framework, the GOJ Accountability Framework and the JDIC's Human Resource Policy.

CORPORATE GOVERNANCE COMMITTEE		Number of Meetings Attended (FY)
Myrtle Halsall, OD	<i>Interim Chairman</i>	2/2
Aisha Wright	<i>Board Member</i>	2/2
Herbert Hylton	<i>Board Member</i>	2/2
Antoinette McKain	<i>Board Member</i>	2/2

## ENTERPRISE RISK MANAGEMENT

To ensure the Corporation identifies, assesses, and manages the range of internal and external risks that can impact the execution of its mandate and functions, it maintains a robust Enterprise Risk Management (ERM) Framework<sup>1</sup>. The ERM Framework provides a structured approach as to how risk management is implemented, reported and monitored within the JDIC. The Framework complements the Corporation's governance structure as it establishes the authority and accountabilities of the Board of Directors, Auditors, Enterprise Risk Management Committee, Risk Managers, Risk Owners, Risk Champions and all other staff, in the risk management process.

### JDIC RISK GOVERNANCE OPERATIONAL STRUCTURE



<sup>1</sup> The JDIC's risk management system is guided by the key requirements of the COSO! ERM Integrated Framework and ISO 31000 risk management standard

## ERM PROCESS

The ERM Governance and Operational Structure supports a risk centric approach to delivering on its strategic objectives in pursuit of its mandate and ensures that this is embedded in the Corporation's culture. Risk management metrics are included as an integral part of

the Corporation's strategic decision making, and the day-to-day execution, monitoring, evaluation, reporting and oversight of all business functions. Risks are categorized into five (5) areas: strategic, reputational, operational, compliance, and finance.

## JDIC RISK CATEGORIES

### Financial Risks

Risk that arise from a possible future change in one or more financial variable (interest rate, FX rate, liquidity, etc.) that may pose adverse impacts to the Corporation's financial position.

### Compliance Risks

Risk / threats posed to the Corporation's financial, organizational or reputational standing resulting from violations of laws, regulations or organizational standards of best practice.



### Strategic Risks

Current and prospective impact on the earnings or capital of the Corporation arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes.

### Reputational Risks

Risks posed to the earnings and capital arising from adverse perception of the image of the Corporation on the part of customers, counterparties, or regulators.

### Operational Risks

Risk of loss as a result of ineffective or failed internal process, people, systems or external events which can disrupt the flow of the Corporation's business operations.

During FY2022/23, risks within these categories relating to each functional area were identified, assessed, monitored, validated and reported to the Enterprise Risk Management Committee and the Audit Committee on a quarterly basis. This involved assessing the likelihood and impact of each risk, monitoring the direction of each risk (i.e., whether the risk rating is trending upwards or downwards) and the progress of implementing responses to mitigate risks that are outside of the Corporation's risk appetite.

***"JDIC has a low-risk appetite for strategic, reputational, financial (market, liquidity, credit), insurance and compliance risks, and a low to moderate appetite for operational risks".***

Validation of risks was also performed through initiatives to verify and test controls or risk responses and to ensure fair assessments and ratings. The results of the validation and testing of risk controls supported by a detailed SWOT Analysis also informed the development of the annual four-year Corporate Plan, Operating and Capital Budgets and specifically, the formulation of key initiatives and risk mitigants. All these risk management activities are underpinned by the ongoing review of detailed risk registers at least quarterly for all sections and branches by the assigned Risk Owners and supporting Risk Champions.

**Risk Profile**

The Corporation's risk profile continued to be impacted primarily by developments in its external operating environment. Against this background, priority remained the execution of key business strategies and initiatives to enhance specific areas of the Corporation's core business functions, namely, monitoring Member Institutions' risk, depositor reimbursement; resolution and crisis management; and also, building sustainable human resource capacity. Optimal mitigating business solutions are influenced by the rapidly emerging developments in the financial markets and the wider economy, financial technology and trends and expectations in the work force. Additional details regarding the strategies being pursued to mitigate these evolving risks are presented under the "Review of Operations" section.

The Corporation's Management remains vigilant in monitoring risks to determine when the risks have been mitigated to an acceptable level consistent with its risk appetite. Risk responses continued to be pri-

oritized based on ratings to inform decision making and optimize allocation of resources. The Corporation will also be carrying out initiatives to identify areas to strengthen its ERM Framework with focus on the ongoing training and sensitization of staff. These initiatives will be geared towards ensuring effective ERM practices continue to be embedded at the strategic and operational levels of the Corporation and that roles and responsibilities are clearly understood and executed by all officers, to support the risk centric culture. This is also within the context of the phased implementation of the Corporation's revised Organization Structure that involves the recruitment and filling of several staff vacancies. The implementation of the Corporation's Digital Transformation Strategy, scheduled to commence in FY2023/24, inter alia, will also improve operational efficiency and reduce the likelihood of certain risk caused by a variety of factors, including people-based risks such as human error, and systems and processes-based risks.

## STATUTORY COMPLIANCE REPORT

NAME OF REPORT	NATURE OF REPORT	STATUTORY AGENCY	GOVERNING LEGISLATION	REPORTING PERIOD	COMPLIANCE ACHIEVED
<b>Access to Information Act (2002) - Monthly and Quarterly Reports</b>	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	✓
<b>Annual Report and Audited Financial Statements FY2021/22</b>	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.	MoFPS	PBMA, 2001 Deposit Insurance Act, 1998	Annually	✓
<b>Corporate Plan, Operating &amp; Capital Budgets FY2023/24-2026/27</b>	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, 2001	Annually	✓
<b>Corruption Prevention - Statutory Declaration</b>	Statutory declaration to be made by public servants of assets and liabilities and income.	Integrity Commission	Integrity Commission Act, 2017	Annually	✓
<b>Monthly Financial Statements -(Statements A and B)</b>	The Monthly Financial Statements show the monthly and accumulated financial position of the Corporation.	MoFPS	-	Monthly	✓
<b>Net Credit Report (Statement)</b>	This report shows the month-end balances on investment categories and bank balances.	MoFPS	-	Monthly	✓
<b>Public Bodies Management and Accountability Report (PBMA)</b>	The report gives the quarterly and half yearly outturns 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	✓
<b>Public Sector Report System (PRS-1)</b>	Report of all goods/services procured in any given month	MoFPS	Contractor General Act, 1983	Monthly	✓
<b>Quarterly Contract Awards (QCA) Report</b>	This report shows the award of contracts \$500,000 and over during each Quarter.	Integrity Commission	Contractor General Act, 1983	Quarterly	✓

# EXECUTIVE MANAGEMENT



**Antoinette McKain** - Chief Executive Officer



**Ronald Edwards** - Chief Finance  
& Corporate Services Officer



**Eloise Williams Dunkley** - Chief Monitoring  
& Resolution Officer



**Leah Bobb Semple** - General Counsel/  
Corporate Secretary



**Dawn Marie Brown** - Director  
Monitoring & Risk Assessment



**Marjorie McGrath** - Director  
Corporate Planning & Communications



**Camielle Frazer** - Director  
Intervention, Resolution & International Relations



**Michael Allen** - Director Finance &  
Investment



**Dorraine Wright** - Director Human Resource &  
Administration



**Clover Edwards** - Senior Legal Officer

Under the Deposit Insurance Act, 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 under the Bank of Jamaica Act as a member of two (2) statutory inter-agency committees 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 National 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 Branch/Sections of the Corporation namely: Monitoring and Risk Assessment, Intervention, Resolutions and International Relations, Legal and Corporate Secretariat, 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

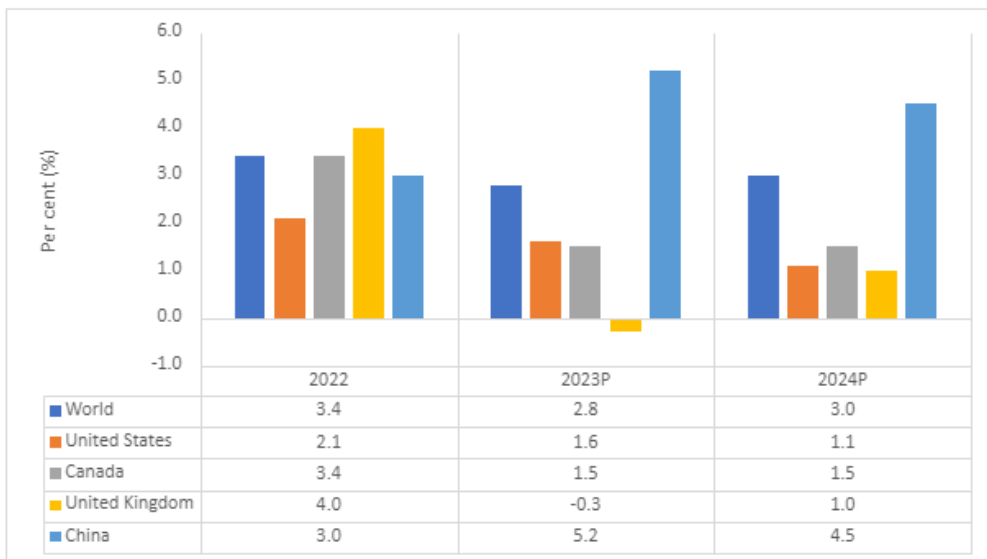
The ongoing monitoring of macroeconomic developments at the global, regional, and domestic levels is integral to the Corporation's operations and to inform policy formation and implementation. Macroeconomic developments have implications for the management of the Deposit Insurance Fund (DIF) and the investment portfolio, the performance of Member Institutions, the stability of the financial system and consequently the Corporation's operational readiness to protect depositors and to aid in resolution of non-viable financial institutions.

ized by a slow-paced and uneven recovery. The global economy, which was expected to grow steadily with moderated inflation levels faced severe commodity and energy price shocks and trade disruptions. At the end of the financial year, growth was slow and inflation, while declining, remained high. Additionally, existing uncertainty was exacerbated by a series of mid-sized bank failures in the United States. Against this background, the global real GDP growth was revised to 2.8 percent for 2023 from an estimated 3.4 percent in 2022. **Figure 1** below highlights the economic performance and projections of Jamaica's major trading partners.<sup>2</sup>

## GLOBAL DEVELOPMENTS

During FY2022/23, the key economic indicators in the global macroeconomic environment were character-

**FIGURE 1: Economic Performance And Projections (% Change) Of Jamaica's Main Trading Partners**



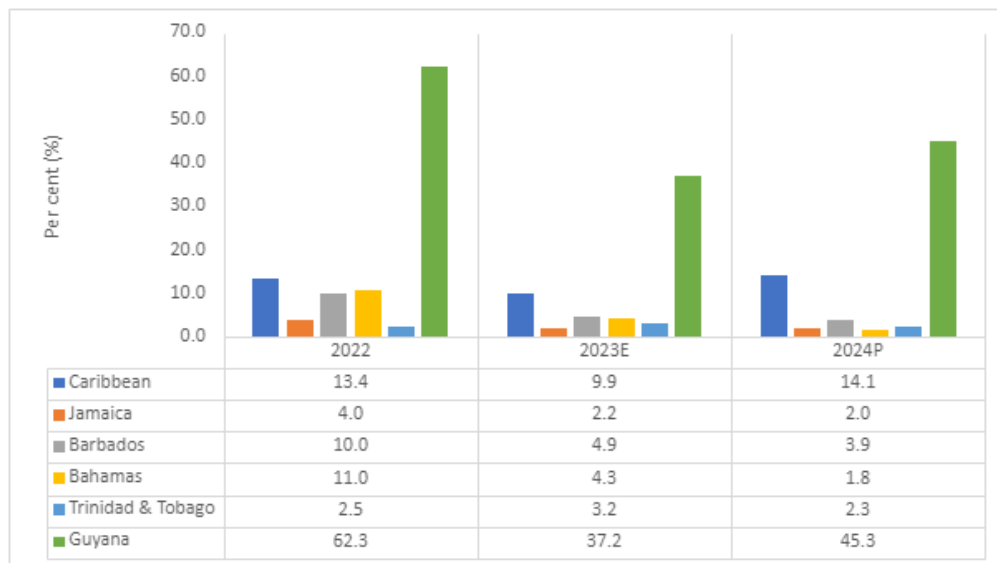
<sup>2</sup> IMF World Economic Outlook - April 2023

## REGIONAL ECONOMIC DEVELOPMENTS

During FY2022/23, despite the slowdown in global growth, the Caribbean region continued to steadily recover. Over the period, economic activity in the Caribbean was stimulated by increased energy production in Guyana and Trinidad and Tobago, higher international oil prices in commodity-exporting countries and economic growth in tourism-dependent

countries.<sup>3</sup> According to the IMF, the Caribbean region is estimated to have expanded 13.4 percent in 2022 and is projected to grow 9.9 percent in 2023. **Figure 2** below highlights the economic performance and projections of Jamaica's regional trading partners. Of note, Guyana's economic growth is projected at 37.2 percent for 2023.

**FIGURE 2: Economic Performance And Projections (% Change) Of Jamaica's Regional Trading Partners**



## DOMESTIC ECONOMIC DEVELOPMENTS

During fiscal year 2022/23, the Jamaican economy continued to recover with increased economic activity across industries. Real GDP is estimated to have grown by 4.3 percent during the period bolstered by improved performances in most industries. Consistent with global trends, elevated inflation levels continued to prompt monetary policy tightening by the Central Bank at the

beginning of the fiscal year with moderation of the policy rate towards the end of the period. During FY2022/23, the policy rate increased by 250 basis points from 4.50 percent in March 2022 to 7.00 percent by March 2023. **Table 1** summarizes the key macroeconomic outturns at the end of FY2022/23.

<sup>3</sup> Caribbean Development Bank, 2023

**TABLE 1: PERFORMANCE OF KEY MACROECONOMIC INDICATORS**

Indicators	March 2020	March 2021	March 2022	March 2023
GDP Growth (%)	-2.4	-6.6	6.5	4.3
Inflation (Y-o-Y)	4.8	5.2	11.3	5.8 <sup>4</sup>
NIR (US\$Million)	3,237.67	3,319.33	3,675.8	4,152.4 <sup>5</sup>
Unemployment Rate (%)	7.3	8.9	6.2	6.6*
180 Day T-bill Rate (%)	1.80	1.52	6.37	8.31
FY Exchange Rate (J\$=US\$1)	135.39	146.58	153.78	150.91

\*As at July 2022

Sources: Statistical Institute of Jamaica & Bank of Jamaica

## OUTLOOK FOR FY2023/24

The global economic outlook continues to be characterized by significant uncertainty owing to residual impacts from *inter alia* the elevated inflation levels, monetary policy tightening, and geopolitical fragmentation with the Russia/Ukraine war combined with recent financial system stability concerns. While there is uncertainty in the economic prospects for Jamaica consistent with the global outlook, local recovery is expected to continue, albeit at a slow pace. Notably, in March 2023, Fitch Rating agency revised the rating outlook on Jamaica's Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) to Positive from Stable and affirmed the IDRs at 'B+'.

According to Fitch Rating Agency the outlook reflects the country's significant progress with debt reduction, its institutional framework focused on stability as well as new IMF facilities. The outlook is tempered mainly by the high crime rate and low productivity in some sectors. The Planning Institute of Jamaica projects that growth for FY2023/24 will range between 1.0 percent to 3.0 percent largely reflecting a faster than expected pace of recovery in FY2022/23 driven by increased output in all industries. Projections for macroeconomic indicators based on the GOJ Fiscal Policy Paper FY2023/24 are presented in **Table 2** below:

**TABLE 2: MEDIUM TERM KEY MACROECONOMIC INDICATORS (ACTUALS AND PROJECTIONS)**

Indicators	FY2020/21 (A)	FY2021/22 (A)	FY2022/23 (E)	FY2023/24 (P)	FY2024/25 (P)
Real GDP Growth (%)	-11.1	8.2	5.1	1.6	1.1
Inflation (Annual Pt to Pt, %)	5.2	11.3	7.1	5.2	5.0
NIR (US \$Million)	3,319.3	3,675.9	3,987.4	3,898.8	4,209.5
Fiscal Balance (% of GDP)	-3.1	0.9	0.3	0.3	0.3
Primary Balance (% of GDP)	3.5	6.8	5.8	5.5	5.1
Total Public Debt (% of GDP)	109.7	94.2	79.7	74.2	68.2

A - Actuals E - Estimate P - Projections

Source: Ministry of Finance - Government of Jamaica Fiscal Policy Paper FY2023/24

<sup>4</sup> The Bank of Jamaica's inflation target range is 4% - 6%.

<sup>5</sup> At this level, net international reserves represented 26.1 weeks of goods and services imports relative to the benchmark of 12 weeks. (Source: BOJ website)

## DEVELOPMENTS IN THE LEGISLATIVE AND REGULATORY ENVIRONMENT

During the FY2022/23, legislative developments in the financial sector that had a direct impact on the operations of JDIC were specifically, the passing of: The Public Bodies Management and Accountability (Nomination, Selection, and Appointment to Boards) Regulations, 2021; Bank of Jamaica (Amendment) Act, 2022; and The Financial Administration and Audit (Amendment) Act, 2023.

While these legislative enactments were passed, there remained four (4) pending Laws, namely: The Cooperative Societies Amendment Bill; The Credit Unions (Special Provisions) Bill; The Financial Institutions Resolution Bill; and the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) and Proliferation of Weapons of Mass Destruction Rules, that will also bear an impact on the Corporation's work. Consequently, the technical working groups within the Corporation continued to conduct research as well as collaborated with the relevant FSSN partners and provided feedback throughout the drafting and legislative review process as required.

### **The Public Bodies Management and Accountability (Nomination, Selection, and Appointment to Boards) Regulations, 2021**

The Public Bodies Management and Accountability (Nomination, Selection, and Appointment to Boards) Regulations, 2021 (the PBMA Regulations, 2021) which came into effect on January 20, 2023, seeks to improve the corporate governance and compliance framework within public bodies. This enhanced framework includes enabling a 'fit and proper' selection process to be utilised for prospective directors as it details the respective board competencies to serve on public body boards and outlines the various considerations before an appointment can be accepted. This screening process is further bolstered by the establishment of a public body database for prospective directors to apply. The database is managed by the MoFPS.

Going forward, a prospective Board member of the JDIC would be subject to the PBMA Regulations 2021. There are new restrictions on who can Chair the Board (a person cannot chair more than three boards simul-

taneously; a chairman may not serve in that capacity for more than two consecutive terms and guidance on gender makeup of a board. A Board member's re-appointment will be subject to new conditions such as tenure served consecutively. Of note are the guidelines for revocation of members. The PBMA Regulations 2021 also offers wide guidance on board restrictions and actions during the transition period of one board to another.

### **Enacted Legislation:**

#### **The Bank of Jamaica (Amendment) Act, 2022**

The Bank of Jamaica (Amendment) Act was passed on June 3, 2022, and came into effect on June 13, 2022. The Act was amended to expand the definition of Currency/ Legal Tender to now include Central Bank Digital Currency (CBDC) and give BOJ the legal authority to issue CBDC.

#### **The Financial Administration and Audit (Amendment) Act, 2023**

The Financial Administration and Audit (Amendment) Act, 2023 which came into effect on March 31, 2023, repeals section 48C(1)(c), which formed part of the fiscal responsibility framework. The amendment serves to further enhance fiscal discipline and ensure that there are improvements in public financial management that was first enacted through amendments to the FAA Act in 2010.

### **Other Enacted Legislation:**

#### **The Companies (Amendment) Act 2023**

The Companies (Amendment) Act 2023 was passed on March 31, 2023. The amendments concern companies limited by shares and specifically changes the requirement for those companies to report beneficial ownership of at least 25% (the threshold was previously 50%).

The amendments were developed to bring Jamaica in conformity with the international standards for beneficial ownership by The Financial Action Task Force (FATF) regulations to prevent organized crime, corrup-

tion and terrorism through the Anti-Money Laundering and Combatting the Financing of Terrorism (AML) framework.

It also seeks to give the Registrar new regulatory powers to verify the beneficial ownership of companies; and introduces the Beneficial Ownership Return. The Return is to be filed by each company annually; allow the Registrar to request more information; and make such declarations as to the controlling interest and issue sanctions where companies fail to comply.

**PENDING LEGISLATION:**

**The Cooperative Societies Amendment Bill**

The Bill will amend the Cooperative Societies Act, to facilitate the licensing and supervision of credit unions and thereby in effect bringing credit unions under the regulatory ambit of the Bank of Jamaica. As such, the Bill will restrict the deposit-taking activities of co-operative societies to those co-operative societies which operate as credit unions. It is anticipated that this Bill will be presented to Parliament jointly with the proposed Credit Unions (Special Provisions) Act, (CUSPA).

**The Credit Unions (Special Provisions) Bill**

Upon the promulgation of the CUSPA, credit unions that apply to be licensed will be brought under the prudential supervisory regime of the Bank of Jamaica. The CUSPA provides for, licensing, capital, reserves, prohibited business, remedial and intervention processes, and the role of specially authorized credit unions.

Once the CUSPA is passed, and credit unions are licensed by the BOJ, as licensed deposit taking institutions, they must apply to the Corporation for membership in the deposit insurance scheme consistent with the Deposit Insurance Act.

**The Financial Institutions Resolution Bill**

The purpose of the Bill, is to establish:

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

This Bill seeks to enhance the resolution regime for non-viable financial institutions, whose distress or failure could cause significant impact on the financial sector.

The draft Bill addresses three components of an enhanced SRR framework, that is, the (i) administrative mechanisms to deal with non-viable FIs before they are balance sheet insolvent, for the preservation of critical financial services and financial stability; (ii) options for funding arrangements, where necessary; and (iii) the modified winding-up framework for financial institution. Of note, is that this Act will seek to cure the lacuna that currently exists in the Company's Act and Insolvency Act with regards to the treatment of financial institutions which are insolvent or likely to become insolvent and clarify JDIC's role in aiding and supporting the resolution authority and process.

**Pending BOJ Supervisory Rules:**

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

This Rule will provide for measures by which the BOJ may prevent or mitigate money laundering or terrorist financing. As such, the rules will outline the risk-based examinations and oversight processes relative to BOJ's AML oversight functions. The rules will expressly mandate compliance with the following areas of the BOJ's AML 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 and awareness; and
- Compliance monitoring, which include, transaction monitoring and reporting and record keeping.

## MEMBER INSTITUTIONS' PROFILE AND PERFORMANCE

### PROFILE OF POLICYHOLDERS

There were eleven (11) Member Institutions<sup>6</sup> of the Deposit Insurance Scheme as at March 31, 2023. The number and composition remained unchanged from 2022 with 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

<sup>6</sup> Member Institutions refer to JDIC "Policyholders" which are deposit-taking financial institutions to which a Policy of Deposit Insurance has been issued pursuant to Section 14 of the Deposit Insurance Act.



## MEMBER INSTITUTIONS' PERFORMANCE

Member Institutions maintained strong performance underpinned by the maintenance of capital adequacy ratios (CAR) that were above the regulatory benchmark, sufficient liquidity and sustained profitability. Despite their resilience, there was deceleration of Member Institutions' asset growth relative to the previous year. This was largely influenced by challenges in the domestic and global economic environment, namely: high inflation and the contractionary monetary policy initiatives taken to combat it; Russia/Ukraine war; supply chain disruptions; and foreign exchange volatility. **Table 3** below shows a summary of the key financial indicators for the banking system at March 31, 2023.

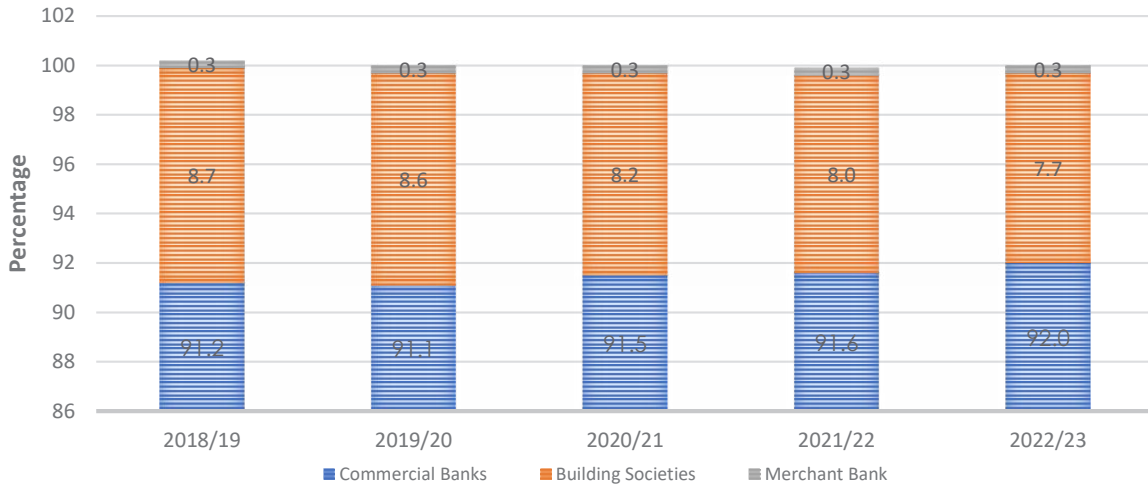
**TABLE 3: SUMMARY OF FINANCIAL PERFORMANCE OF THE BANKING SYSTEM  
AS AT MARCH 31 (\$ BILLIONS)**

Key Financial Indicators	2019	2020	2021	2022	2023	22/23 ( $\Delta\%$ )
Total Assets	1,691.02	1,859.98	2,083.65	2,317.24	2,477.78	6.9
Cash and Bank	311.10	346.18	365.75	400.41	414.18	3.4
Investments	412.98	392.89	492.57	583.11	584.77	0.3
Regulator Capital Base	160.20	198.45	219.01	236.29	255.01	7.9
Total Deposits	1,094.89	1,236.22	1,409.42	1,583.03	1,722.70	8.8
Loans & Advances(gross)	825.00	959.03	1,055.42	1,163.39	1,309.41	12.6
Non-performing Loans	19.61	23.24	30.55	32.59	31.92	(2.1)
Provision for Loan Loss	24.16	24.01	32.16	35.92	39.73	10.6
Interest income	99.28	108.85	109.17	116.74	140.30	20.2
Non-interest income	85.42	86.85	83.63	106.34	100.23	(5.7)
Pre-tax Profit	48.66	47.32	27.73	48.87	43.47	(11.0)
Capital Adequacy Ratio	14.7	14.2	14.3	14.3	14.2	(0.1)

## MEMBER INSTITUTIONS' MARKET SHARE

Market share across all three sub-sectors, in terms of total assets, remained relatively unchanged at end FY2022/23. The Commercial Banking sub-sector remained dominant in the banking system, accounting for 92.0 percent of total assets. The Building Society and Trust & Merchant Bank sub-sectors accounted for 7.7 percent and 0.3 percent of market share, respectively (**Figure 3**).

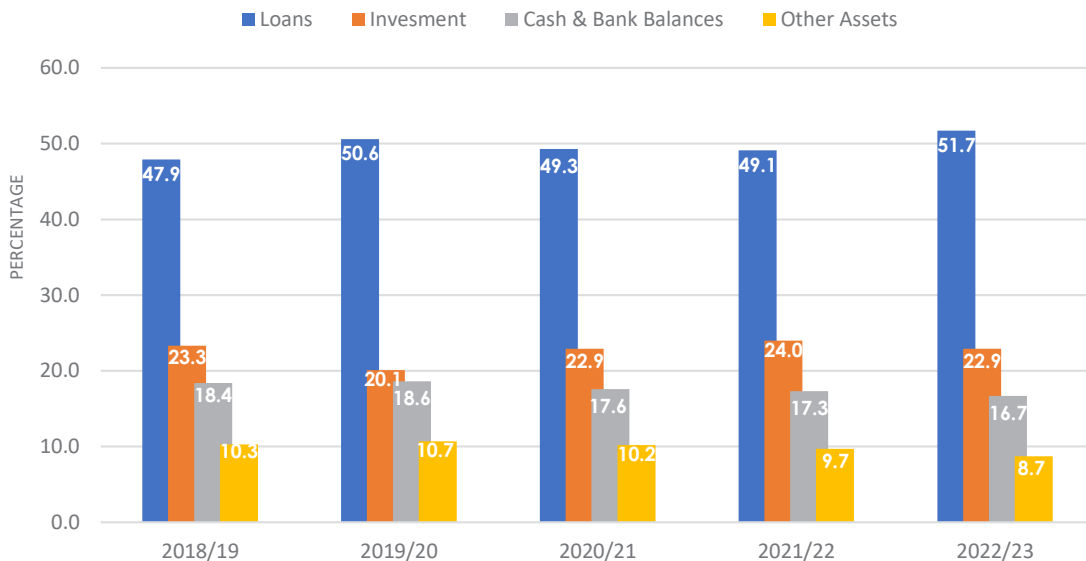
**FIGURE 3: Member Institutions' Market Share (%) Per Sector**



**TOTAL ASSETS GROWTH, COMPOSITION AND QUALITY**

The total asset base of Member Institutions was \$2,477.8 billion at end FY2022/23, an increase of \$160.5 billion or 6.9 percent year on year. This is lower than the annual growth of 11.2 percent or \$233.6 billion for the corresponding period of FY2021/22. Asset growth during the year was mainly driven by the increase in loans and advances (12.6 percent). The composition of assets remained largely unchanged with loans remaining the largest asset class accounting for 51.7 percent of total assets and was the only component to record an increase in its share for the review period. (Figure 4).

**FIGURE 4: Share of Banking System Assets**

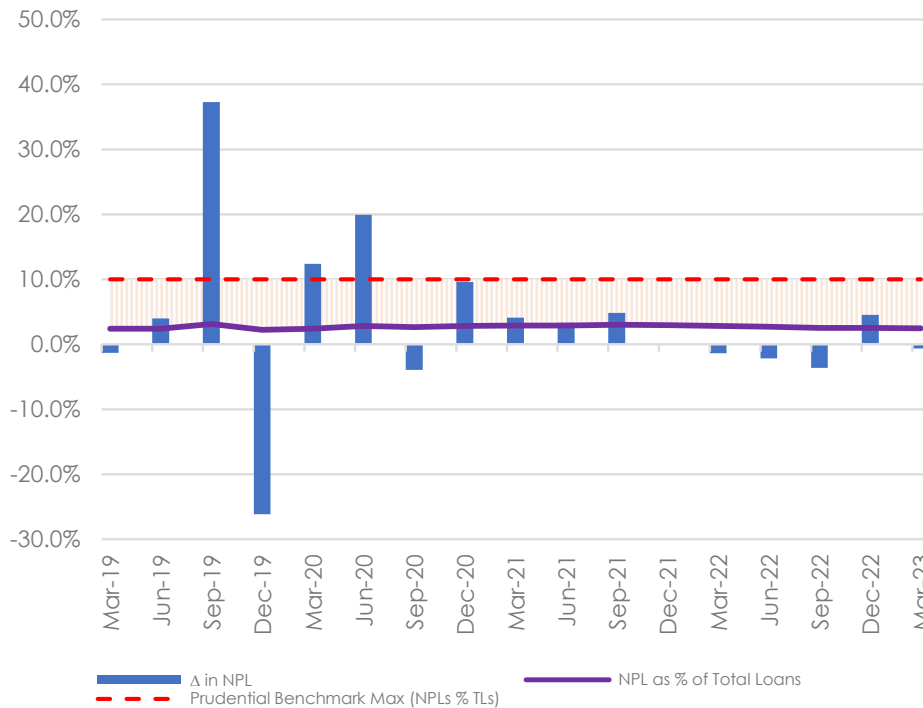


Total loans net of provisions for losses increased by 12.6 percent to \$1,309.41 billion compared to the 10.2 percent growth for the corresponding period in FY2021/22. Growth in total loans for the financial year was largely attributed to an expansion in domestic currency loans of 14.3 percent or \$133.8 billion relative to the previous year's increase of 13.0 percent (\$107.4 billion). Additionally, there was growth in foreign currency loans of 5.3 percent or \$12.2 billion, relative to growth of 0.3 percent (\$607.1 million) in 2022. Investment growth moderated to 2.2 percent or \$12.3 billion for the review period, down from 16.5 percent (\$78.8 billion) at

end of the previous financial year. The slowdown in investment growth follows an 18.5 percent falloff in foreign currency investment. Cash and bank balances registered growth of 3.4 percent.

There was improvement in Member Institutions' asset quality for the FY2022/23 as the main indicator, non-performing loan (NPL) ratio lowered to 2.4 percent from 2.8 percent in 2022. This compares favourably with the prudential maximum of 10.0 percent (See **Figure 5**).

**FIGURE 5: NPLs in the Banking System**



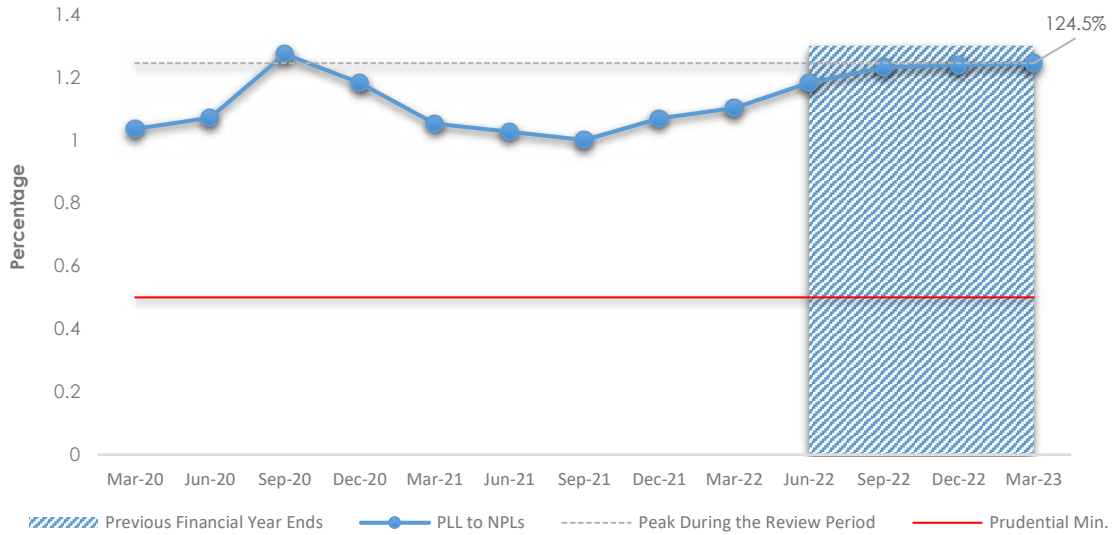
Outturns were partly attributed to a reduction in the stock of NPLs (past due 3 months and over) by 2.1 percent or \$671.0 million, relative to a 6.7 percent growth in NPLs in 2022.

Member Institutions continued to bolster loan loss provisioning in the wake of high inflation and the Central Bank's monetary policy tightening which increased inflation rates ultimately impacting the ability of borrowers to honour loan obligations. Loan loss provisions

increased 10.6 percent (\$3.7 billion) to \$39.7 billion, compared to the prior year's growth of 11.7 percent. Nonetheless, despite the downward trend in NPLs, provisioning growth was sustained. This is indicative of Member Institutions implementing a conservative loan loss stance. The NPL coverage, as measured by the ratio of loan-loss provisions to NPLs, expanded to 124.5 percent by end March 2023 from 110.2 percent as at end March 2022 (See **Figure 6**).

The ratio of NPL to capital plus provisioning for the banking system decreased 1.1 percentage points to 10.8 percent during the fiscal year. All three sub-sectors satisfied the prudential maximum of 20.0 percent.

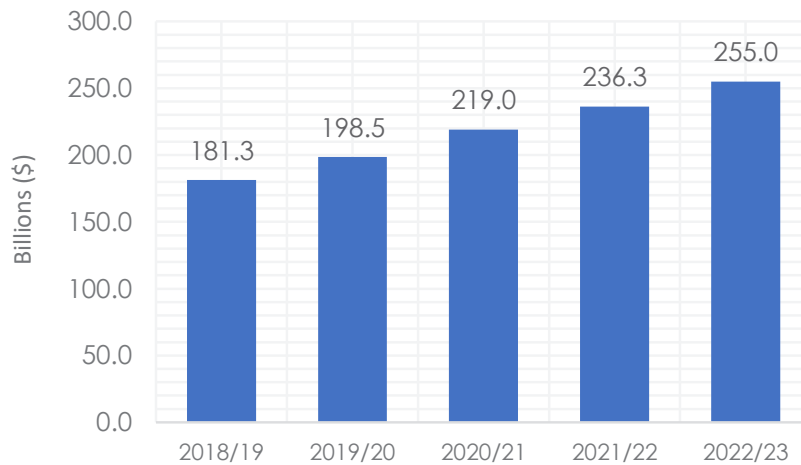
**FIGURE 6: Ratio of Loan Loss Provision to Non-performing Loans**



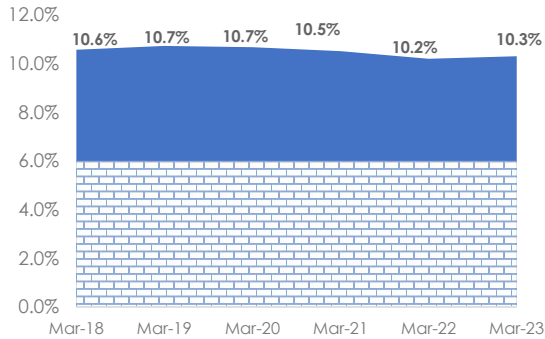
**REGULATORY CAPITAL**

Member Institutions maintained adequate capital positions, operating above relevant prudential benchmarks and securing their ability to absorb losses. Regulatory capital increased by 7.9 percent to \$255.0 billion (**Figure 7**). The primary ratio was 10.3 percent, remaining comfortably above the statutory minima of 6.0 percent (**Figure 8**). The system’s risk-weighted capital adequacy ratio was 14.2 percent, 4.2 percentage points above the minimum regulatory threshold of 10.0 percent (**Figure 9**).

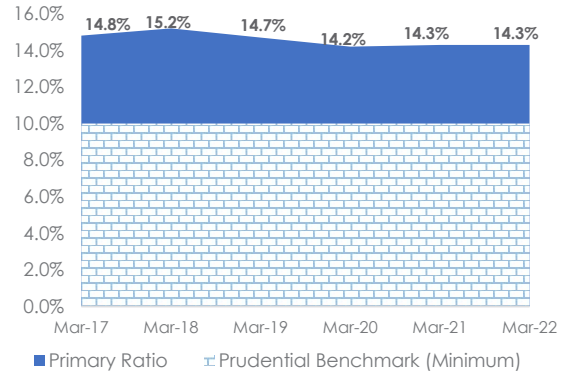
**FIGURE 7: Regulatory Capital Base**



**FIGURE 8: Primary Ratios**



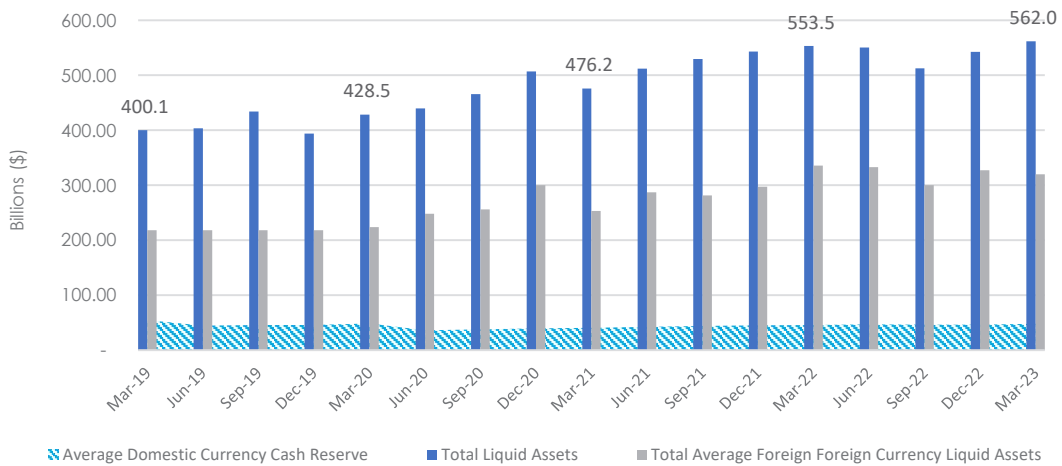
**FIGURE 9: Risk Weighted Capital Adequacy Ratio**



## LIQUIDITY

During the review period, liquidity levels remained sufficient to meet the obligations of Member Institutions, despite the significant falloff in the growth of the system’s liquid asset base relative to the previous financial year. It is worth noting that when monetary policy is tight, DTIs typically shrink their balance sheets, and the overall supply of liquidity. Total liquid assets increased 1.5 percent to \$562.0 billion. This compares to growth of 16.2 percent at the end of the previous financial year when total liquid assets amounted to \$553.5 billion. Total foreign currency liquid assets decreased by 4.8 percent to \$319.7 billion, while total average domestic currency cash reserve increased by 4.9 percent to \$47.9 billion (**Figure 10**).

**FIGURE 10: Banking System Average Liquid Assets**



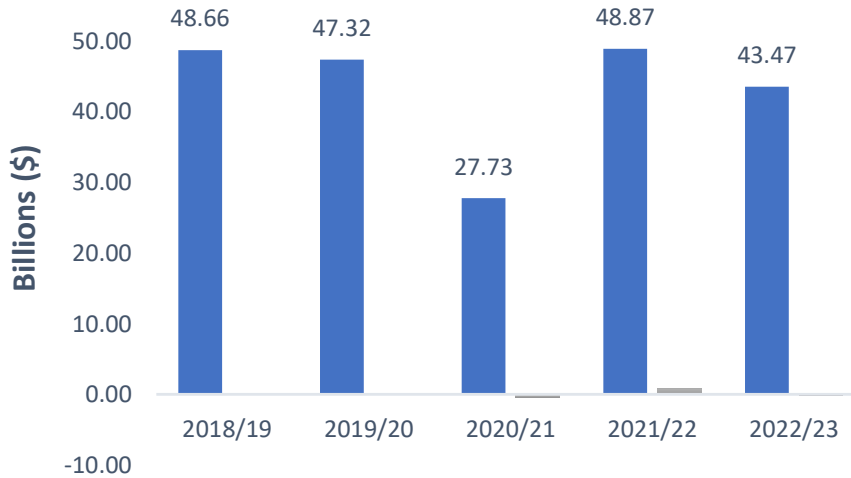
The ratio of liquid assets to total assets declined 1.3 percentage points to 23.0 per cent. This is reflective of weak liquid assets growth relative to growth in total assets. Similarly, the ratio of liquid assets to deposits decreased 2.3 percentage points to 32.6 per cent, from 35.0 per cent at the end of FY2021/22.

**PROFITABILITY**

There was moderation in Member Institutions' profitability relative to the previous financial year, due to significant growth in expenditure relative to revenue. The system registered pre-tax profits of \$43.47 billion,

an 11.0 percent decline when compared to outturns of \$48.87 billion end FY2021/22 (**Figure 11**). As a result, the profit margin decreased to 18.1 percent at the end of March 2023 from 21.9 percent at end-March 2022.

**FIGURE 11: Pre-Tax Profits**



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The deterioration in profit performance for the financial year was largely reflected in interest expense which increased by 43.8 percent (\$18.8 billion) to \$175.5 billion reflecting an increase in their borrowing cost consistent with rising interest rates. This compares to growth of 1.4 percent or \$2.2 billion for the previous financial year.

20.2 percent (\$23.5 billion) in interest income, non-interest income declined of 5.7 percent (-\$6.1 billion), relative to an expansion of 26.3 percent (\$22.0 billion) reported in the previous year. The contraction in non-interest income was driven by a decline of 77.1 percent (\$12.8 billion) in dividend income.

Outturns for the financial year were further weakened by increased operating expenses (12.0 percent) and lower non-interest income. Whilst there was growth of

The banking system's efficiency ratio, reflecting its operating expenses relative to revenue, worsened 1.6 percentage points to 85.6 percent relative to 84.1 percent end FY2021/22.

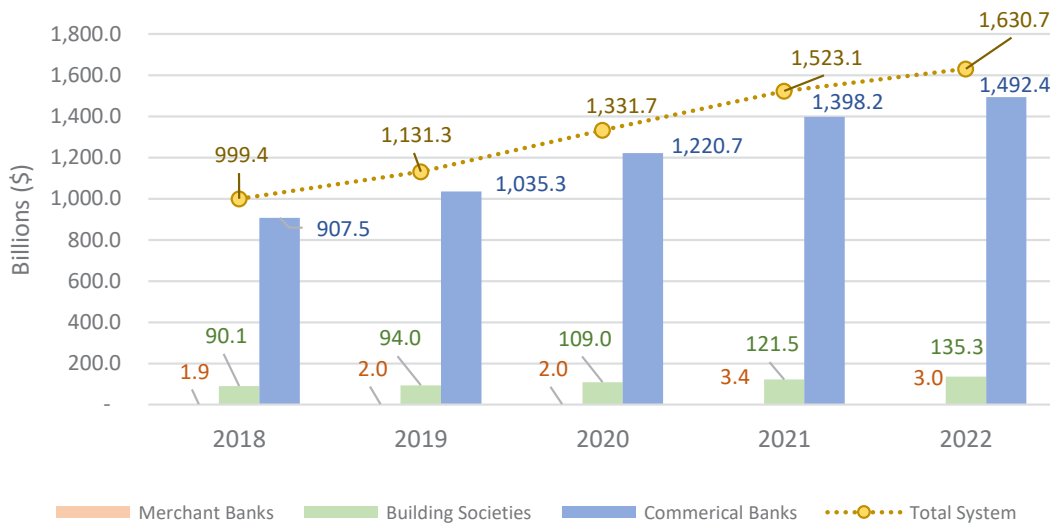
## PROFILE OF DEPOSITS

### PROFILE OF DEPOSITS ELIGIBLE FOR DEPOSIT INSURANCE COVERAGE

#### -INSURABLE DEPOSITS

As at December 31, 2022<sup>7</sup>, total insurable deposits was \$1,630.7 billion, up 7.1 percent relative to \$1,522.8 billion at the end of the corresponding period in 2021 (**Figure 12, Table 4**). The number of insurable deposit accounts increased from approximately 4.9 million accounts at the end of 2021 to 5.1 million accounts at the end of 2022. The average insurable deposit balance was \$317,169 increasing 2.8 percent at the end of 2022, from the \$308,573 recorded at the end of 2021.

**FIGURE 12: Total Estimated Insurable Deposits**



The Commercial Bank and Building Society sub-sectors, respectively, recorded growth in insurable deposits of 6.8 percent and 11.1 percent, whilst the Merchant Bank sub-sector recorded an 11.3 percent decline. Commercial Banks, Building Societies and Merchant Banks accounted for approximately 91.5 percent, 8.3 percent and 0.2 percent, respectively, of total insurable deposits (**See Table 4**)

**Table 4: Total Insurable Deposits as at December 31, 2021 & December 31, 2022**

Sub-sectors	Dec'21 (\$'bn)	Dec'21 (% share)	Dec'22 (\$'bn)	Dec'22 (% share)
Commercial Banks	1,398.2	91.8	1,492.4	91.5
Building Societies	121.5	8.0	135.3	8.3
Merchant Bank	3.4	0.2	3.0	0.2
<b>Total</b>	<b>1,523.1</b>	<b>100.0</b>	<b>1,630.7</b>	<b>100.0</b>

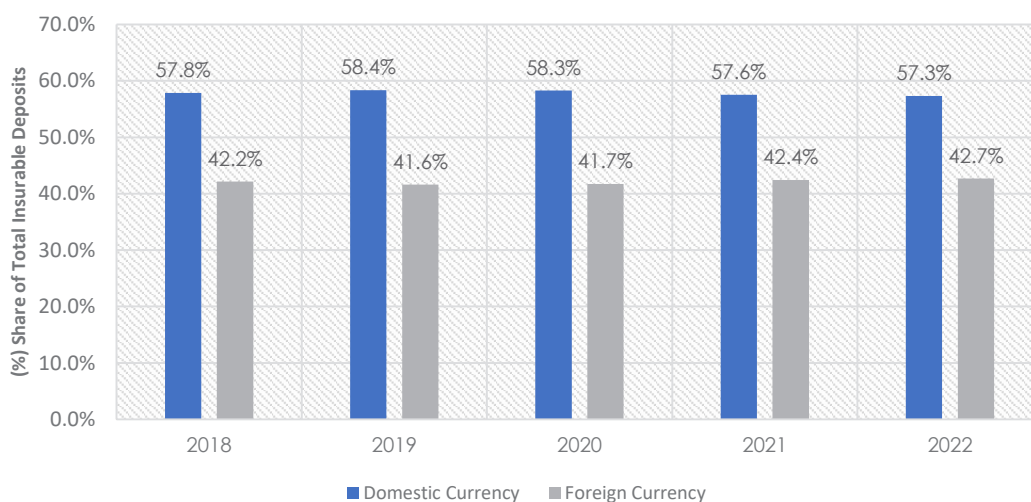
<sup>7</sup> The date on which total insurable deposits are calculated for premium purposes and when insured deposits are calculated, which forms part of the Corporation's potential liabilities.

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

### INSURABLE DEPOSITS HELD IN DOMESTIC AND FOREIGN CURRENCIES

As at end December 2022, both domestic currency and foreign currency accounts recorded an increase. Insurable deposits held in domestic currency increased by 6.6 percent to \$934.5 billion year over year and accounted for 57.3 percent of total insurable deposits. Whereas foreign currency insurable deposits grew by 7.7 percent to \$696.2 billion and represented 42.7 percent of total insurable deposits (**Figure 13, Table 5**).

**FIGURE 13: Currency Distribution of Insurable Deposits**



**Table 5: Change in Domestic and Foreign Currency as at Dec'22**

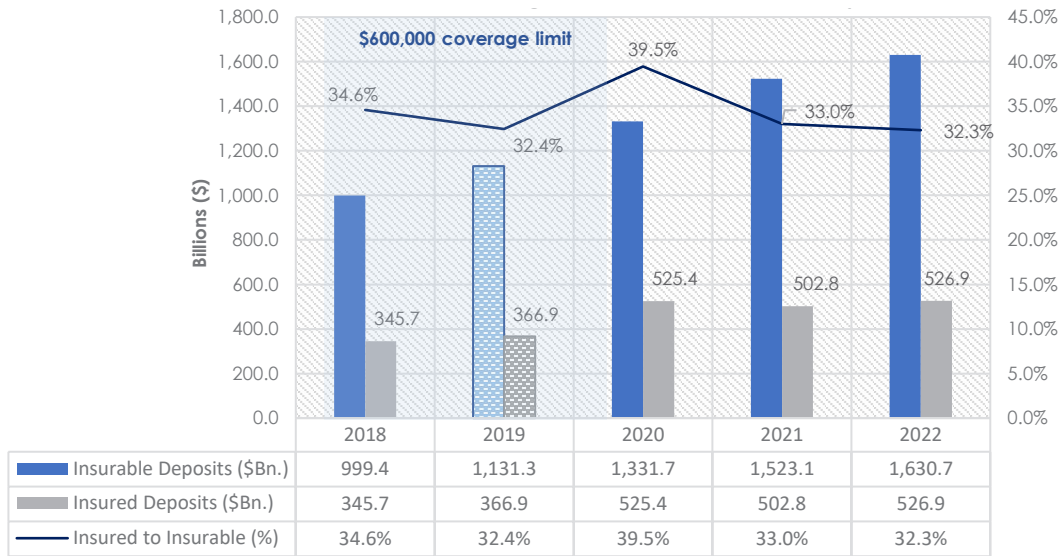
	Dec'21 (\$Bn)	Dec'22 (\$Bn)	(%Δ)
Domestic Currency	876.6	934.5	6.6
Foreign Currency	646.5	696.2	7.7
<b>Total</b>	<b>1,523.1</b>	<b>1,630.7</b>	

**PROFILE OF DEPOSITS WITHIN THE DEPOSIT INSURANCE COVERAGE LIMIT**

**- ESTIMATED INSURED DEPOSITS**

At end December 2022, the coverage limit was \$1,200,000. This coverage limit is applicable to each ownership category of account (individual, joint, business, trust and nominee) held at each Member Institution. Estimated insured deposits totalled \$526.9 billion, a 4.8 per cent increase when compared to the \$502.8 billion recorded for 2021. In this regard, the ratio of insured deposits to total insurable deposits decreased from 33.0 per cent in December 2021 to 32.3 per cent end 2022 **(Figure 14)**.

**FIGURE 14: Insured to Insurable Deposits**



**Calculate Your Coverage**

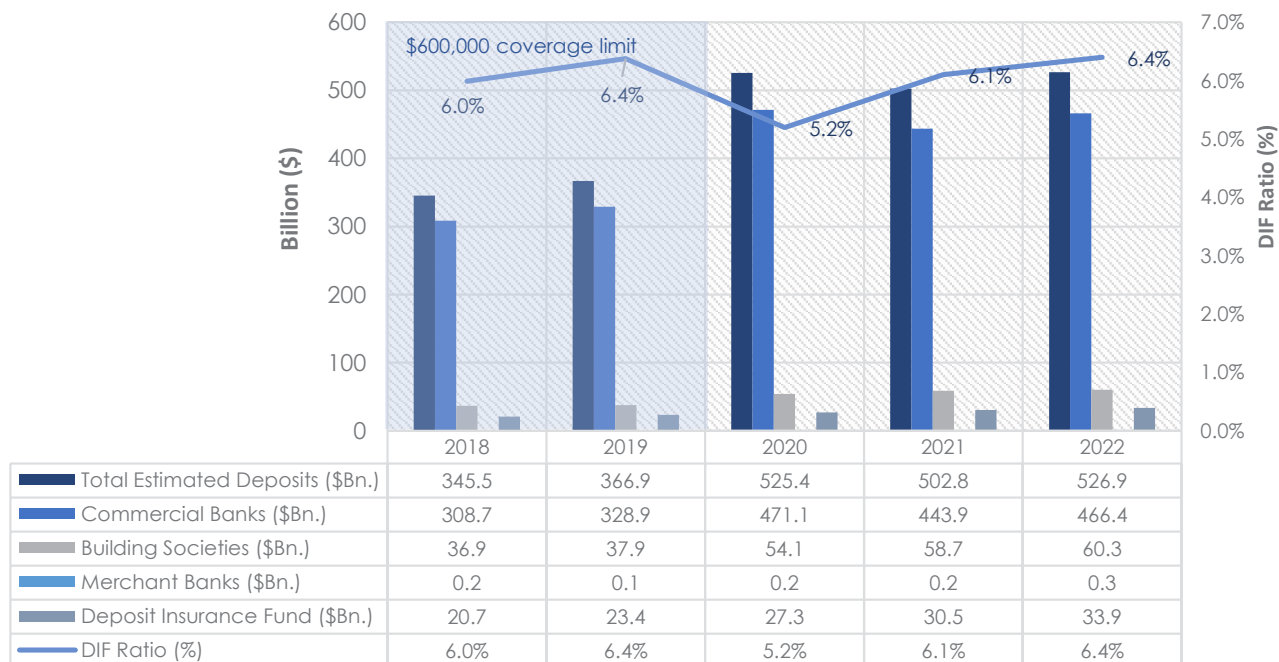


Commercial Banks accounted for the largest percentage share of the total estimated insured deposits (88.5 percent), followed by Building Societies and Merchant Bank with 11.4 percent and 0.01 percent, respectively (**Table 6**).

Table 6: Total Estimated Insured Deposits as at December 31, 2021 & December 31, 2022				
	Dec'21 (\$Bn)	Dec'21 (%)	Dec'22 (\$Bn)	Dec'22 (%)
Commercial Banks	443.9	88.3	466.4	88.5
Building Societies	58.7	11.7	60.3	11.4
Merchant Bank	0.2	0.1	0.3	0.1
<b>Total</b>	<b>502.8</b>	<b>100.0%</b>	<b>526.9</b>	<b>100.0%</b>

The Deposit Insurance Fund (DIF) balance was \$33.9 billion at the end 2022. The DIF reserve ratio, which is the Fund balance as a percentage of total estimated insured deposits was 6.4 percent at end of 2022, a 0.3 percentage point increase relative to 6.1 percent at the end of 2021 (**Figure 15**). The Corporation's target DIF reserve ratio is set at 8 - 10 percent.

FIGURE 15: Estimated Insured Deposits by Sub- Sector



## PROFILE OF NUMBER OF FULLY INSURED DEPOSIT ACCOUNTS

At the current coverage limit of \$1,200,000, 96.8 percent of insurable deposits accounts are fully covered, therefore, the Corporation continued to meet its public policy objective of protecting the most vulnerable depositors. This coverage level is in line with the International Association of Deposit Insurers' (IADI)<sup>8</sup> standard of best practice recommendation of fully insuring upwards of 90 - 95 percent of deposit accounts. The value of fully insured deposits amounted to \$327.0 billion which represents 20.1 percent<sup>9</sup> of the value of total insurable deposits at the end of the year **(Table 7)**.

TABLE 7: PROFILE OF FULLY 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	%
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
2022	326,965,069	1,630,664,602	20.1	4,974,698	5,141,316	96.8

\*Data at year ends 2018 - 2019 is under the 600,000-coverage limit

Table 8: Fully Covered Accounts as at December 31, 2022			
Subsector	Total No. of Insurable Deposit Accounts	Total No. of Fully Insured Deposit Accounts (up to \$1,200,000)	Percentage of Fully Insured Deposit Accounts
Commercial Banks	4,302,092	4,153,472	96.5
Building Societies	838,505	820,641	97.9
Merchant Bank	719	588	81.9
<b>Total</b>	<b>5,141,316</b>	<b>4,974,701</b>	<b>96.8</b>

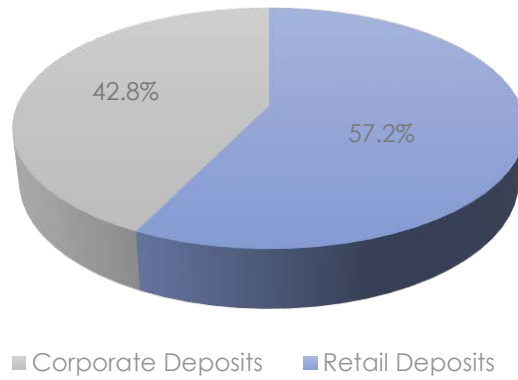
## GLANCE AT RETAIL AND CORPORATE DEPOSITS

Both corporate and retail insurable deposits increased 6.6 per cent and 7.5 percent, respectively. Corporate insurable deposits accounted for 42.8 percent or \$697.2 billion of total insurable deposits while retail insurable deposits accounted for 57.2 percent or \$933.5 billion of the total insurable deposits **(Figure 16)**.

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

9 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 per cent of the value of deposits. See International Association of Deposit Insurers (IADI) (2013, March). Enhanced Guidance for Effective Deposit Insurance Systems: Deposit Insurance Coverage.

**FIGURE 16: Share of the Retail and Corporate Deposits in the System**

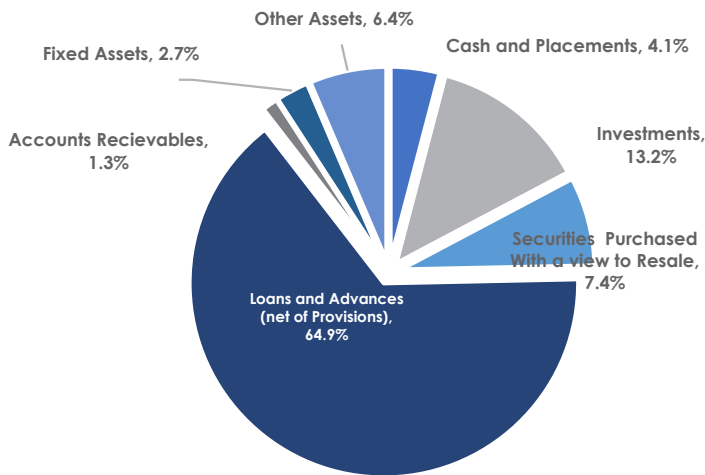


**Update on JDIC’s Preparatory Initiative for the Admission of the Credit Union Sector to the DIS**

The JCCUL and the Corporation have partnered in the sharing of information that has allowed the JDIC to carry out preparatory activities for the admission of credit unions to the DIS.

At end December 2022, the number of credit unions within the sector remained at 25 with a total asset base of \$161.2 billion. This is up \$11.1 billion (7.4 percent) from end December 2021. Loans and Advances (net of Provisions) constituted the largest proportion of total assets at 64.9 percent **(See Figure 17)**.

**FIGURE 17: Composition of Credit Union Sector Total Assets at end December 2022**



Gross loans and advances increased 8.1 per cent or \$7.8 billion to \$108.7 billion. Consumer loans and mortgage loans accounted for 86.9 percent and 13.1 percent respectively, of the total loan portfolio. The investment component of the sector’s asset base was 13.2 percent of total assets. Notably, there was a 10.1 percent decline in total investments relative to December 2021.

On the liability side, the funding mix of credit unions remains dominated by member savings/ deposits, which at the end of the review period represented 77.7 percent of total liabilities. Total deposits amounted to \$125.3 billion **(See Table 9)**. This is up from \$116.4 billion recorded at end December 2021, bringing annualized growth for the sector’s potential insurable deposit base to 7.6 percent for 2022.

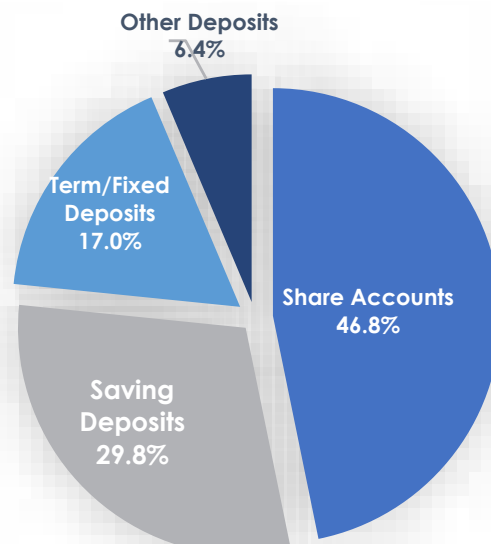
Table 9: Credit Union Sector Findings		2021	2022	Δ%
	(\$)'000	(\$)'000		
Potential Insurable Deposits	116,432,361	125,260,295		7.6
Number of Potential Insurable A/Cs	2,544,828	2,590,655		1.8
Potential Estimated Insured Dep.	97,375,689	102,836,305		5.6
% of Potential Estimated Deposits To Potential Insurable Deposits	83.63	82.10		-1.8
Potential Fully Insured	81,269,289	84,224,305		3.6
% of Potential Fully Insured Deposits To Insurable Deposits	69.8	67.2		-3.7
# of Potential Fully Insured Accounts	2,531,406	2,575,145		1.7
% of Potential Fully Insured Accounts To Potential Insurable Accounts	99.47	99.40		-0.1
Average Bal. In Accounts	45,752.55	48,350.82		5.7

At end December 2022, the number of potential insurable deposit accounts grew 1.8 percent to approximately 2.6 million in 2022 compared with 2.5 million for 2021. The average balance in a deposit account increased to \$48,350.82 at the end of 2022 from \$45,752.55 the previous year (See Table 9).

The percentage of potential fully covered accounts in the credit union sector stood at 99.4 percent with a value of \$84.2 billion. The value of potential fully covered accounts as a percentage of total potential insurable deposits decreased by 3.7 percent from 69.8 percent in 2021 to 67.2 percent at the end of 2022.

Total potential estimated insured deposits grew by 5.6 percent to close at \$102.8 billion relative to \$97.4 billion in 2021, representing an increase in the potential liabilities of the Corporation. This represents 82.1 percent of total potential insurable deposits, relative to 83.6 percent for 2021. In terms of information received on deposit product types, withdrawable share accounts continue to represent the largest portion of total insured deposits (46.8 percent) as at December 2022 (See Figure 18).

FIGURE 18: Total Estimated Insured Deposits



■ Share Accounts ■ Saving Deposits ■ Term/Fixed Deposits ■ Other Deposits

# SUMMARY PERFORMANCE SCORECARD

	BUSINESS STRATEGIES/ KEY INITIATIVES	PERFORMANCE AGAINST TARGETS	FOLLOW THROUGH ACTIVITIES/ NEXT STEPS FY2023/24
<b>1</b>	<b>PROACTIVE READINESS AND RESOLUTION MANAGEMENT</b>		
1.1	Finalize the Phased Implementation of Standard Recordkeeping Guidelines and Compliance Framework for JDIC Policyholders		Finalize revisions to the Recordkeeping Guidelines and Compliance Framework and conduct Policyholders sensitization sessions and agree implementation schedule.
1.2	Test Contingency Planning and Crisis Preparedness		
	1.2.1 Conduct Two Agency Specific Contingency Planning and Financial Crisis Management Simulations and Training Exercises		Completed.
	1.2.2 Provide Technical Input in the review and Testing of the National Financial Crisis Management Framework with other FSSN Partners- BOJ, FSC and MoFPS, led by the BOJ and subject to the FRC Schedule. (Preliminary work includes the development of Financial Crisis Management Operational Playbooks by the respective Agencies.)		Complete the drafting of JDIC's Financial Crisis Management Operational Playbook.
	1.2.3 Conduct Crisis Communication Training		Deferred to FY2023/24.
1.3	Strengthen the Resolution Management Framework		
	1.3.1 Provide Technical Input in Collaboration with the MoFPS, BOJ and the FSC to Table and Implement the Financial Institutions Resolution Act (FIRA)		Continue to provide technical input during the policy proposal, consultative, drafting and enactment stages of the FIRA.
	1.3.2 Codify the rules for JDIC to act as Trustee/Liquidator to Wind Up Financial Institutions (Pursuant to Section 5 (2) (c) of the Deposit Insurance Act)		Continue to codify the Rules for JDIC to wind up Financial Institutions consistent with provisions in the draft FIRA Bill.
1.4	Admission of Credit Unions to the Deposit Insurance Scheme		
	1.4.1 Prepare Consequential Amendments to the DIA further to the Credit Union Special Provisions Act (CUSPA)		Continue to provide technical input to support the drafting and tabling of the Credit Union Special Provisions Act (CUSPA) including consequential amendments to the DIA.
	1.4.2 Develop Credit Union Specific Accounting Policies for Management of Premium from the Sector		(Contingent on finalization of the Credit Union Special Provision Act).
1.5	Update the Monitoring and Risk Assessment Policies and Procedures for Policyholder to include the Credit Union Sector in the DIS		Continue to update policies and procedures documents, as appropriate.
1.6	Proposed Implementation of Compensation Schemes for Non-DTIs		Deferred subject to policy decision of the MoFPS.
1.7	Conduct Deposit Insurance Fund Adequacy Evaluation		Completed.
1.8	Review Scope of Coverage		Finalize findings from Deposit Product Survey for Policyholders and Credit Unions and make recommendations to enhance the Scope of Coverage as appropriate.

1.9	Update the Deposit Insurance Fund Contingency Funding Plan for Resolution Management Activities		Finalize the draft MOU to establish arrangements for the BOJ to provide liquidity as part of JDIC's Contingency Funding Plan.
1.10	Establish and Implement a Data Protection Framework		Gap assessment was completed; Data Protection Framework to be developed and implemented.
<b>2 STRONG PARTNERSHIPS</b>			
2.1	Implement Service Level Agreement for Information Sharing with the Central Bank		SLA deferred pending the finalization of new supervisory standards to be implemented by the BOJ. In the interim, bi-annual counterparty meetings will be held between the BOJ and JDIC to supplement existing information-sharing arrangements.
<b>3 LEVERAGING INFORMATION AND COMMUNICATION TECHNOLOGY FOR OPERATIONAL EFFICIENCY</b>			
3.1	Maintain Payout Management Information System (PMIS)		Continue maintenance and enhancement of version 2.0 of PMIS.
3.2	Implement Online Deposit Insurance Payment Disbursement System		Draft the functional requirements and procure ICT Firm to develop and implement online system.
3.3	Develop the Resolution Database Module of the Member Institutions' Business Intelligence Software - MIBIS		Phased implementation activities will commence as per the Digital Transformation Strategy FY2023/24 - FY2026/27.
3.4	Implement Standardized Records and Information Management (RIM) System Consistent with GOJ Standards- Preparatory to the Implementation of an Electronic Records and Information Management System		Continue manual implementation of the RIMS consistent with the GOJ RIM Standards.
3.5	Review, Update and Simulate ICT Infrastructure, Disaster Preparedness, Recovery and Business Continuity Management Plans		Finalize updating of the Plan and conduct training and simulation.
3.6	ICT Governance - Develop a Strategic Digital Transformation Plan		Completed. Commence implementation of the Strategic Digital Transformation Plan scheduled for FY2023/24- FY2026/27.
3.7	ICT Security Posture Assurance - Implement the Updated ICT Security Policy		Implement updated ICT Security Policy.
<b>4 BUILDING SUSTAINABLE HUMAN RESOURCE CAPACITY</b>			
4.1	Implement Human Resource Management Information System - GOJ MyHR+		Upload staff data to the GOJ MyHR+ platform and commence use.
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 and Update the Performance Management and Development Policy and Framework (360 Degree Appraisal Policy)		Complete review of the Performance Management and Development Policy (refer 4.2).
<b>5 PUBLIC EDUCATION AND AWARENESS</b>			
5.1	Schools' Programme - Finalize and Distribute Financial Education Book for Primary Schools		Launch and distribute financial education book.
5.2	Develop Online Policyholders (Member Institutions) Training Programme		TOR was completed and a consultant is to be engaged to develop the online training platform.
5.3	Develop Content for DIS Feature, Time Signals and Programme Sponsorships		Finalize production of "Deposit Insurance in a Minute" feature.
5.4	Increase Awareness on the Rules for Separate Deposit Insurance Coverage for Beneficiaries of Nominee and Trustee Accounts Maintained with Member Institutions		Deferred to FY2023/24.
5.5	Develop Action Plan for JDIC 25th Anniversary Activities		Execute the 25th Anniversary activities.

## REVIEW OF OPERATIONS

### FINANCIAL PERFORMANCE

Total assets at March 31, 2023, was \$36.52 billion, an increase of 10.6 percent or \$3.4 billion over the previous year. The increase was due primarily to a 5.8 percent increase in Investment Securities to \$32.4 billion compared to \$30.6 billion in March 31, 2022, which comprises Government of Jamaica (GOJ) and Bank of Jamaica (BOJ) investment securities.

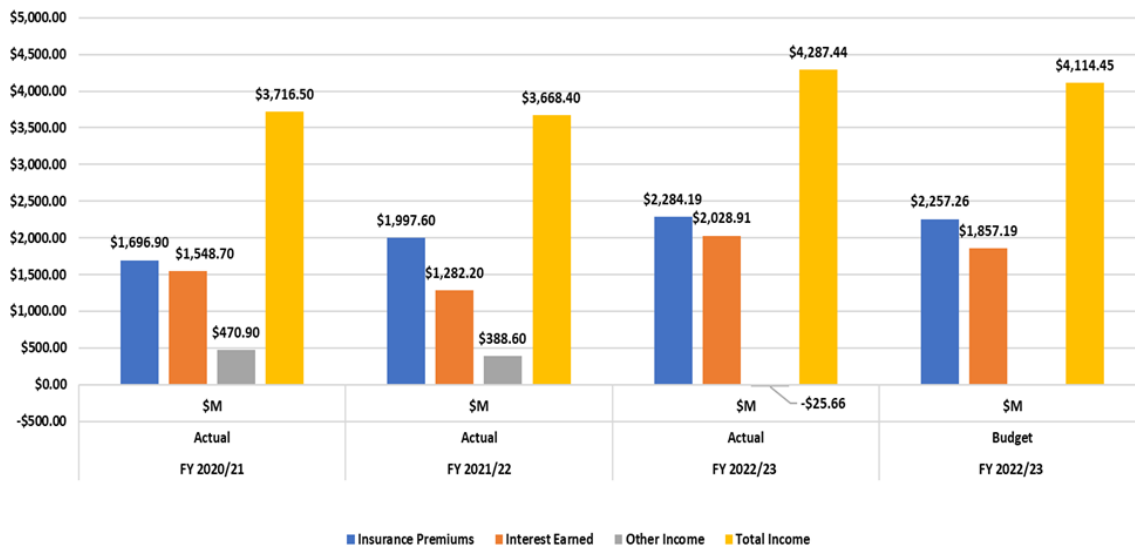
The Corporation’s total income was \$4.2 billion, which surpassed the budgeted amount of \$4.1 billion as summarized in Table 10. The components of the total income include:

- Insurance premiums of \$2,284.2 million, which increased by 14.3 per cent over the previous year arising from an increase in insurable deposits held by Policyholders.
- Interest earned of \$2,028.91 million, an increase of 58.2 per cent compared with the previous year and 9.2 percent above budget, in a higher interest rate environment.
- A decrease in other income of 93.4 percent compared with the previous year, resulting mainly from the lower foreign exchange conversion gains resulting with the appreciation of the Jamaica dollar.

**TABLE 10: TOTAL INCOME**

TOTAL INCOME	FY2020/21 ACTUAL \$M	FY2021/22 ACTUAL \$M	FY2022/23 ACTUAL \$M	FY2022/23 BUDGET \$M
Insurance Premiums	1,696.90	1,997.60	2,284.19	2,257.26
Interest Earned	1,548.70	1,282.20	2,028.91	1,857.19
Other Income	470.90	388.60	(25.66)	-
<b>Total Income</b>	<b>3,716.50</b>	<b>3,668.40</b>	<b>4,287.44</b>	<b>4,114.45</b>

**TOTAL INCOME FY 2020/21 to FY 2022/23**



## ADMINISTRATIVE EXPENSES

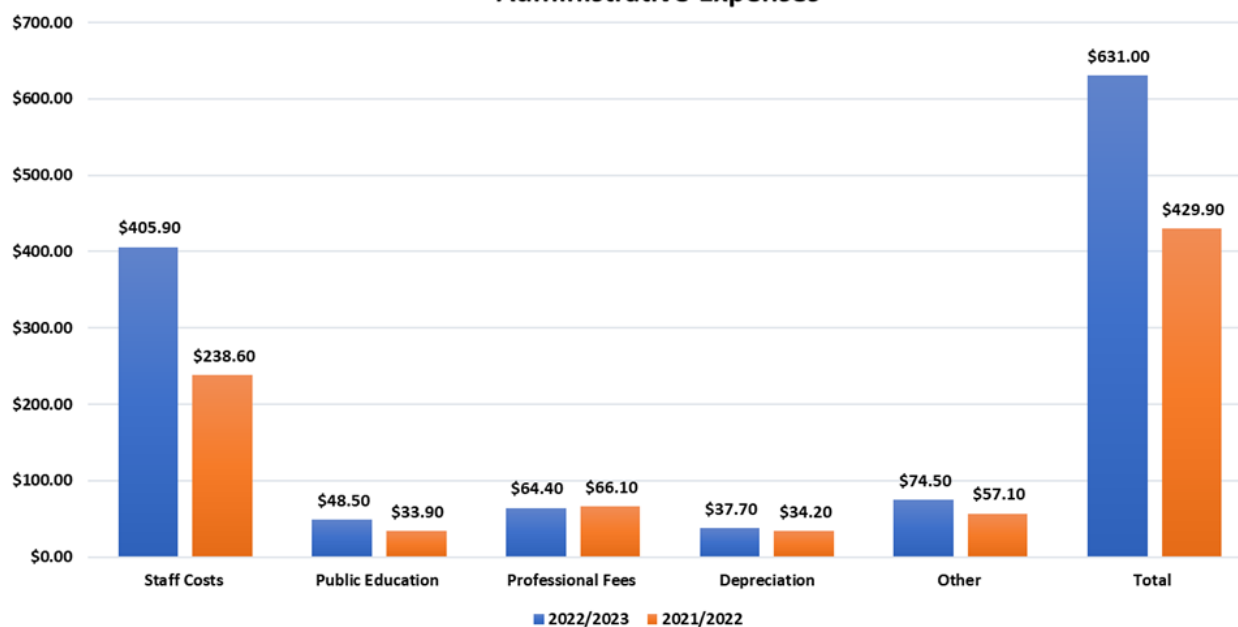
Administrative expenses, including the impairment gain on financial assets, were \$635.90 million, which increased by 61.0 percent when compared with the previous year's expenses of \$394.90 million. The increase is due mainly to an increase in professional fees arising from projects undertaken. For FY2022/23, administrative expenses were 26.10 percent lower compared with the budget, largely due to professional fees not incurred consequent to the deferral of projects.

Administrative Expenses for the year to March 31, 2023, was 1.8 percent (2022: 1.3 per cent) of the DIF and 14.8 percent (2022: 10.8 percent) of total income. The distribution of administrative expenses is shown in **Table 11**.

**TABLE 11: SUMMARY OF ADMINISTRATIVE EXPENSES DISTRIBUTION**

ADMINISTRATIVE EXPENSES	FY2020/21 ACTUAL		FY2021/22 ACTUAL		FY2022/23 ACTUAL		FY2022/23 BUDGET	
	\$M	%	\$M	%	\$M	%	\$M	%
Staff Cost	222.60	63.30	238.60	60.40	405.90	58.00	306.30	35.60
Public Education	38.70	11.00	33.90	8.60	48.50	8.50	58.60	6.81
Professional Fees	27.70	7.90	66.10	16.70	64.40	11.30	237.40	27.59
Depreciation	16.90	4.80	34.20	8.70	37.70	6.60	44.70	5.19
Impairment (gain)/ loss on financial assets	0.20	0.10	(35.00)	(8.90)	4.90	0.90	-	-
Other	45.50	12.90	57.10	14.50	74.50	14.70	213.50	24.81
<b>TOTAL</b>	<b>351.60</b>	<b>100.00</b>	<b>394.90</b>	<b>100.00</b>	<b>635.90</b>	<b>100.00</b>	<b>860.50</b>	<b>100.00</b>

### Administrative Expenses



After taking into account the administrative expenses and the impairment gain on financial assets of \$4.90 million (2022 Gain: \$35 million) the Corporation achieved a surplus on operations of \$3,651.49 million as at March 31, 2023, higher by 11.5 percent when compared with the previous financial year.

<b>TABLE 12: STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME</b>				
<b>STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME</b>	<b>FY2020/21 ACTUAL \$M</b>	<b>FY2021/22 ACTUAL \$M</b>	<b>FY2022/23 ACTUAL \$M</b>	<b>FY2022/23 BUDGET \$M</b>
Insurance Premiums	1,696.90	1,997.60	2,284.20	1,997.57
Surplus from Investment and Administrative Operations:				
Interest Earned	1,548.70	1,282.20	2,028.91	1,857.19
Other Income	1,139.40	388.60	(25.66)	-
Administrative Expenses	(351.40)	(429.90)	(631.00)	(902.00)
Impairment Gain/(Loss) on Financial Assets	(0.20)	35.00	(4.90)	-
Surplus from Investment and Administrative Operations	2,336.50	1,275.90	1,367.35	955.19
Surplus from Operations	4,033.40	3,273.50	3,651.55	2,952.76

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### 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, is a quarterly financial target to assess the cash management performance of the Corporation. The budgeted OBT for the year was \$2,069.16 million and the actual out-turn was \$5,462.88 million, which was \$3,393.72 million higher than projected due to the reprioritization of some key initiatives because of human capacity constraints.

### DEPOSIT INSURANCE FUND (DIF) MANAGEMENT

During FY2022/23 the DIF grew by 11.8 percent to \$35.1 billion, when compared to the balance of \$31.4 billion in the previous year. Over the five-year period since April 1, 2018, the DIF increased by 66.9 percent. The growth of the DIF over the last five years is as follows:

<b>TABLE 13: FIVE-YEAR FUND GROWTH</b>					
<b>FUND GROWTH DETAILS</b>	<b>FY2018/19 \$M</b>	<b>FY2019/20 \$M</b>	<b>FY2020/21 \$M</b>	<b>FY2021/22 \$M</b>	<b>FY2022/23 \$M</b>
Insurance Premiums	1,353.40	1,498.30	1,696.90	1,997.60	2,284.20
Surplus from Investment and Administrative Operations	901.60	2,214.60	1,668.20	1,240.90	1,445.46
Impairment Gain/(Loss) on Securities	(7.10)	(3.40)	(0.20)	35.00	(4.90)
Previous Year Deposit Insurance Fund	18,844.00	21,027.60	24,737.10	28,102.00	31,375.50
Initial Application of IFRS 9	(64.30)	-	-	-	-
<b>TOTAL</b>	<b>21,027.60</b>	<b>24,737.10</b>	<b>28,102.00</b>	<b>31,375.50</b>	<b>35,100.26</b>

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 increases in the BOJ's policy rate to aid in curbing inflationary pressures, resulting in increased market interest rates. With a paucity of GoJ debt issuance to improve its fiscal position, the Corporation continued to participate in the weekly BOJ CD auctions to seek to maximize returns on the JDIC portfolio.

The Corporation maintained the DIF Adequacy Evaluation recommendation to seek to hold liquid assets of not less than \$2.5 billion. The investment portfolio maturity profile at the end of the financial year compared with previous years are outlined in **Table 14** as follows:

**TABLE 14: INVESTMENT PORTFOLIO MATURITY PROFILE**

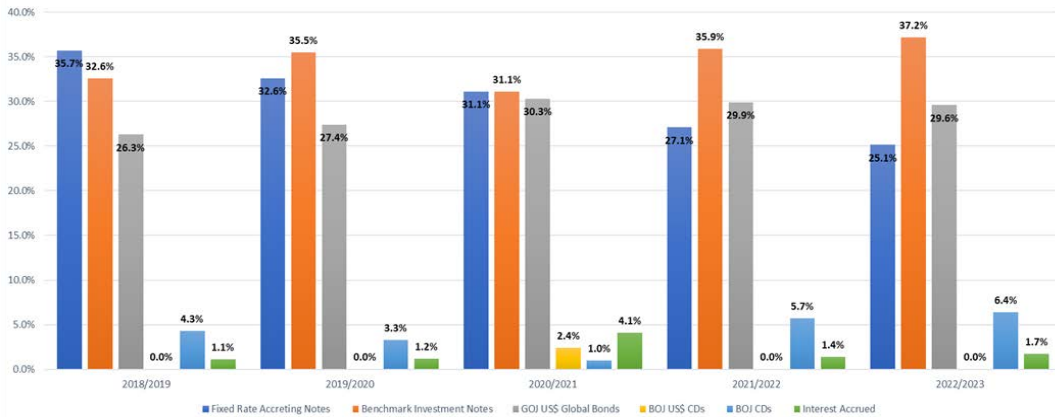
TENOR OF INVESTMENT SECURITIES	FY2019/20 %	FY2020/21 %	FY2021/22 %	FY2022/23 %	FY2021/22 \$
Up to 12 months	4.70	7.50	14.30	3.32	1,059.04
1 - 3 Years	17.70	11.70	3.70	6.41	2,040.07
3- 5 Years	23.60	40.50	42.30	41.64	15,858.55
Over 5 Years	54.00	40.30	39.70	48.63	14,119.34
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>33,077.00</b>

There was an increase in the ratio of longer-term instruments which ended the year with 48.63 percent of the securities with tenor of five years and over compared with 39.70 percent in the previous year. **Table 15** shows the investment securities portfolio distribution and comparison with the three previous years.

**TABLE 15: INVESTMENT SECURITIES PORTFOLIO DISTRIBUTION**

INVESTMENT SECURITIES	FY2018/19 DISTRIBUTION %	FY2019/201 DISTRIBUTION %	FY2020/21 DISTRIBUTION %	FY2021/22 DISTRIBUTION %	FY2022/23 DISTRIBUTION %
Fixed Rate Accreting Notes	35.7	32.6	31.1	27.1	25.1
Benchmark Investment Notes	32.6	35.5	31.1	35.9	37.2
GOJ US\$ Global Bonds	26.3	27.4	30.3	29.9	29.6
BOJ US\$ CDs	-	-	2.4	-	-
BOJ CDs	4.3	3.3	1.0	5.7	6.4
Interest Accrued	1.1	1.2	4.1	1.4	1.7
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Summary of Investment Securities Portfolio Distribution



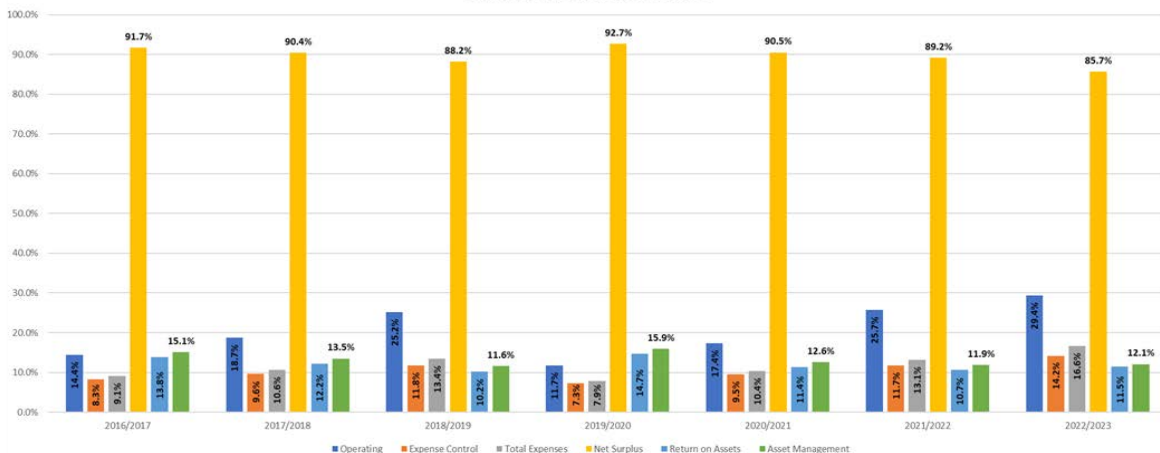
## KEY PERFORMANCE RATIOS

The outturn of Key Performance Ratios (**Table 16**) remained at acceptable levels taking into account the economic and operating environment.

TABLE 16: SUMMARY OF KEY PERFORMANCE RATIOS

KEY PERFORMANCE RATIOS	DEFINITION	FY2020/21 ACTUAL %	FY2021/22 ACTUAL %	FY2022/23 ACTUAL %	FY2022/23 ACTUAL %
Operating	Total Expenses /Interest Earned and Other Income	17.40	25.70	29.40	49.00
Expense Control	Total Expenses/ Total Income	9.50	11.70	14.20	22.00
Total Expenses	Total Expenses/Surplus from Operations	10.40	13.10	16.60	29.00
Total Expenses to DIF	Total Expenses/Deposit Insurance Fund	1.20	1.40	1.80	3.00
Net Surplus	Surplus from Operations/Total Income	90.50	89.20	85.70	78.00
Return On Assets	Surplus from Operations/ Total Average Assets	11.40	10.70	11.50	9.80
Asset Management	Total Income/Total Assets	11.60	11.90	12.10	11.40
Insurance Premiums to Total Income	Insurance Premiums/ Total Income	45.70	54.50	51.50	55.00

Summary of Key Performance Ratios



**SUMMARY FINANCIAL PROJECTIONS FOR  
YEAR ENDING MARCH 31,2024**

**DEPOSIT INSURANCE FUND STATEMENT OF  
SURPLUS OR DEFICIT AND OTHER  
COMPREHENSIVE INCOME** **YEAR ENDING  
MARCH 31, 2024  
\$'000**

Total Income	4,468,564
Total Expenses	-1,056,427
Surplus from Operations	3,412,137
Surplus from Operations - Balance at Beginning of the Year	34,969,309
<b>Deposit Insurance Fund - Balance at End of the Year</b>	<b>38,381,446</b>

**CASH AND CASH EQUIVALENTS** **YEAR ENDING  
MARCH 31, 2024  
\$'000**

Total Inflow	21,906,723
Total Outflow before Investments	1,579,226
Investments	22,546,000
Net Inflow/Outflow	(2,218,503)
Balance at Beginning of the Year	2,369,264
<b>Balance at End of the Year</b>	<b>150,761</b>

**DEPOSIT INSURANCE FUND STATEMENT OF  
FINANCIAL POSITION** **MARCH 31, 2024  
\$'000**

Property, Plant and Equipment	409,105
Right of Use Asset	40,855
Investment Securities	38,280,107
Long Term Pension Asset	78,526
Current Assets	416,080
<b>Total Assets</b>	<b>39,224,674</b>
Current Liabilities	99,645
Unearned Premium Income	-
Share Capital	1,000
Capital Reserves	158,145
Fair Value Reserves	556,162
Deposit Insurance Fund	38,381,446
Non-Current Liabilities	
Lease Liabilities	28,276

<b>Total Liabilities</b>	<b>39,224,674</b>
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## MONITORING AND RISK ASSESSMENT

During the review period, the Corporation continued its robust monitoring and risk assessment of Member Institutions (MIs) and its surveillance of the macro-economic conditions of the global and local operating environment to identify and proactively address potential risk to the Deposit Insurance Scheme (DIS). This was particularly necessary given the uncertainty that prevailed in the operating environment over the period. Monitoring of MIs was enhanced during the period through greater collaboration, information sharing and the commencement of counterparty meetings with the Financial Institution Supervisory Division of the Bank of Jamaica. These meetings provide for more focused updates and discussions to detect and address any regulatory concerns in regard to the performance of MIs. The enhanced collaboration with the BOJ is in keeping with the performance of JDIC's functions of doing all that is required in carrying out its objectives and mandate, to provide the highest level of deposit insurance protection to the most vulnerable depositors and to contribute to the confidence and the maintenance of stability, in Jamaica's financial system. Based on the monitoring and risk assessment of the MIs, all were determined to be adequately capitalized, liquid and solvent, and presented no threat to the Deposit Insurance Scheme.

Other key initiatives conducted during the period focused on enhancing the legal and operational structures that supports the monitoring and risk assessment function:

### Membership Admission Framework

The Corporation continued to maintain its effective communication and strong partnership with Member Institutions (Policyholders) to ensure compliance with the Policy of Deposit Insurance. Membership in the DIS remains at eleven (11) regulated Deposit Taking Institutions (DTIs) comprising eight commercial banks, two building societies and one merchant bank. It is critical that the MIs be compliant with the Policy of Deposit Insurance, consistent with the provisions of the DIA and the Policyholders Membership Admission Framework of the Corporation. Compliance being another critical component of the monitoring and risk assessment function to assess and identify any implications for the DIS, the Corporation continued its close collaboration with the MIs.

The Corporation also continued its preparation for the admission of credit unions to the Deposit Insurance Scheme (DIS). This included the ongoing surveillance and monitoring of the Credit Union Sector. This was done through collaboration, sharing of information, and meetings with the Jamaica Cooperative Credit Union League. Additionally, in collaboration with the MoFPS, the Corporation conducted on-going reviews of the draft Bill to bring the sector under the ambit of the BOJ. These on-going collaborations are assisting the Corporation in its operational and strategic decisions relating to the sector as the Corporation prepare for their admission to the DIS. This involved the mutual sharing of relevant information and data on the Sector, to ensure that the proposal for the design features of the DIS relevant to the Credit Unions remains relevant and reflects any emerging trends and or changes in their operations with specific focus on scope of coverage, coverage limit, premium assessment and fund management to ensure that the Corporation continue to meet its Public Policy Objectives.

The Corporation through the MoFPS provided technical input in the review of the draft Bill, Credit Unions (Special Provisions) Act (CUSPA), which will bring the Credit Union Sector under the ambit of the Bank of Jamaica. On promulgation, all credit unions, licensed by the BOJ, will be required to apply to the Jamaica Deposit Insurance Corporation for Deposit Insurance which will result in an expansion of the Corporation's Scope of Coverage with an increase in the number of institutions covered under the DIS. As at March 2023, there were twenty-five (25) credit unions in operation.

### Deposit Insurance Fund Adequacy Evaluation

The Deposit Insurance Fund was evaluated to be adequate for the FY2022/23 based on the assessed risk of the Member Institutions and there being no call on the DIF. In keeping with s.17(4) of the DIA, the Corporation is required to conduct periodic evaluation of the DIF, taking into consideration the size of the DIF, its liabilities and potential liabilities including its operating and capital expenditures. In this regard, the Corporation conducted two assessments to determine the adequacy of the Fund, that included additional stress testing scenarios in light of the protracted uncertainties and macroeconomic developments. This was to ensure that the Fund remained adequate to

meet the objective of protecting the most vulnerable depositors. The process is quite extensive and involves an assessment of each MI's financial performance which is ranked based on CAMELS and the Corporation's Policyholder Risk Assessment Framework (PRAF). Based on this assessment, a determination was made of the Fund's exposure to their insured deposits to ascertain the Corporation's liquidity needs to ensure prompt reimbursement of depositors in the event there was a need to aid in the resolution of a failed MI.

Given the assessed risk profile of Member Institutions, no MI showed any sign of distress which would require the Corporation to make resources available to aid in resolution. The evaluation of the DIF also took into consideration the Corporation's other liabilities such as its operating and capital expenditure to inform its liquidity requirements. The findings were shared with the Committee of Management, Bank of Jamaica and the Ministry of Finance in keeping with the reporting requirements and framework for the FSSN Inter-Agency collaboration and information sharing. See section on *Financial Performance* for further details on the Deposit Insurance Fund.

### Survey of Insurable Deposits (SID)

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 2022. The survey results revealed that at the existing coverage limit of \$1,200,000.00, approximately 96.8 per cent of deposit accounts in the system are fully covered. This is consistent with the International Association of Deposit Insurers' (IADI) recommendation for Deposit Insurers to cover at least 90-95 per cent of deposit accounts in the system.

In keeping with the Deposit Insurance Act, MIs are required to submit details of their insurable deposit base as at December 31 of each year to the Corporation, by the end of January of the following 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 can

estimate its insured deposit liabilities. The Survey data also helps to inform the design features (includes the deposit products which are covered as well as the coverage limit) of the Deposit Insurance Scheme (DIS). Details of the findings of the Survey can be found in the 'Profile of Deposits' under the '*Policyholders' Profile and Performance*' section.

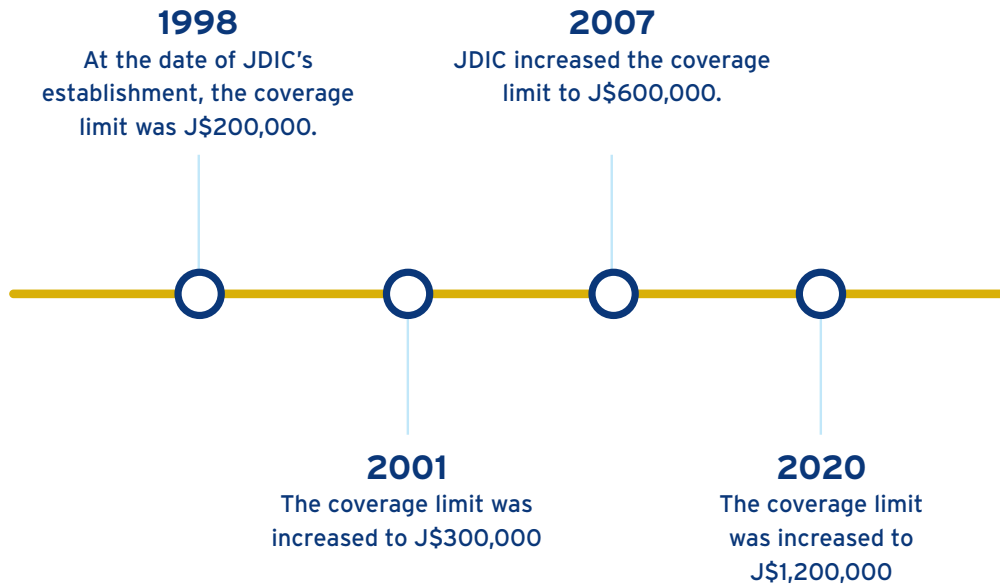
Further, as the Corporation continue to prepare for the admission of the Credit Union Sector to the DIS, the Corporation conducted a survey referred to as the Survey of Potential Insurable Deposits (SPID), which provides information on the potential value of the Sector's insurable deposits, the potential liability the Corporation will have to the sector on their admission to the DIS, as well as information on the sector's product types.

The SPID was conducted on deposit data of the credit unions as at December 31, 2022. From the data and the resultant SPID, it was revealed that on admission of the sector to the DIS, the Corporation will cover approximately 99.4 percent of deposit/withdrawable share accounts within the credit union sector.

### Deposit Insurance Coverage Limit

The present Coverage Limit of \$1,200,000.00 to protect insured depositors of a failed MI was determined to be credible. Based on the Survey of Insurable Deposit conducted using data from MIs as at December 31, 2022, the Coverage Limit of \$1,200,000.00 remains credible, this is in the context that the data also indicated that the average account deposit balance was \$317,169.00. Maintaining a credible Coverage Limit is critical to the maintenance of confidence and stability in the financial system. Therefore, the Corporation tests the credibility of the Coverage Limit each year through the SID supported by a periodic comprehensive review of the Coverage Limit. The International Association of Deposit Insurers recommends that a comprehensive review is conducted at least every five years. The last comprehensive Coverage Limit review conducted by the Corporation resulted in an increase in the limit which was effected on August 31, 2020. See **(Figure 19)** for the increases in the Coverage Limit since the JDIC was established in 1998.

**Figure 19: JDIC'S COVERAGE LIMIT CHANGES**



**INTERVENTION AND RESOLUTION**

The Corporation's intervention and resolution initiatives, during the review period, continued to focus on strengthening its institutional capacity to ensure that it maintains a state of readiness where, in collaboration with its other financial system safety net partners (BOJ, FSC and MoFPS), it protects insured depositors and contributes to financial system stability. These initiatives support a proactive approach to aid the authorities in the execution of the range of resolution options to deal with non-viable Member Institutions and the mitigation and management of financial crises.

Against this background, work during the year focused on supporting JDIC's strategic objective of "Proactive Readiness and Resolution Management". Activities included: development of the framework to make depositor reimbursements using electronic funds transfer; conducting simulation exercises to test and bolster JDIC's capacity to respond promptly and effectively in the event of a failing or failed DTI; finalization of the pilot exercise with a Member Institution to test the compliance framework for JDIC's Standard Recordkeeping Guidelines for all its Member Institutions; and making policy proposals to advance the drafting of the legislation for the Special Resolution Regime (SRR) for dealing with non-viable

financial institutions. The Corporation also continued to monitor emerging trends and developments, both locally and globally, that impact deposit insurance, resolution and crisis management in support of the following initiatives.

**Expanding Insured Depositor Reimbursement Options**

During the review period, with increasing fintech and digitization of financial services, the JDIC sought to expand its range of payment disbursement options that will be available to provide insured depositors with prompt access to their insured deposits in the event their DTI is no longer viable and unable to pay depositors.

The business process for the "Disbursement of Deposit Insurance Payments using Electronic Funds Transfer" was developed to leverage technology as part of the ongoing improvement and modernization of JDIC's Insured Depositor Reimbursement System. The scope of electronic funds transfer (EFTs) refers to making payments via the JamClear®-Real Time Gross Settlement System (RTGS) through a participating Deposit Taking Institution (DTI); or Central Bank Digital Currency (CBDC), JAM-DEX.

To inform the planned automation of the “*Disbursement of Deposit Insurance Payments using Electronic Funds Transfer*” using the JDIC’s Payout Management Information System (PMIS, System), and development of functional requirements, the business process was tested manually as one of the simulation exercises conducted during the year. Automation is scheduled for FY2023/24 as part of the Corporation’s digital transformation strategy.

### ***Strengthening the Resolution Capacity through Simulation Exercises***

Simulation exercises remained a useful tool in assessing JDIC’s readiness to deal with a Member Institution that is non-viable and the JDIC is required to aid in the resolution. The JDIC conducted simulations which focused on technical ICT support and usability of the PMIS, to ensure it remains operational in meeting the payout objectives and business needs; identify functional gaps; and improve usability and end-user knowledge for its use in times of crisis. The PMIS is an in-house application developed to automate the several payout processes to accurately compute and disburse insured deposit payments in a timely manner, in the event a Member Institution fails. The PMIS reporting and communication module also allows for the generation of letters and deposit insurance statements to customers as well as management of customer queries.

The simulations involved sensitizing and reinforcing the knowledge of new and existing ICT staff on the technical administration of the PMIS including version control of the software and deployments, which are key elements to assist in guaranteeing the reliability of the System.

The JDIC also conducted a simulation exercise to test its current capacity to disburse insured deposit payments using two options, namely electronic funds transfer and cheque payments. The scope of the simulation included testing the necessary interface with the Corporation’s accounting system and its online banking portal. Staff members executed assigned roles to carry out extraction of payment records from the

PMIS, loading them into the accounting system and transforming these records into a specific format for upload to the Corporation’s online banking platform. The simulation exercise assessed the performance time for generating bulk cheques<sup>10</sup>, to ensure that this critical activity can be executed within acceptable performance timelines for prompt disbursements. The training and simulation exercises informed the review of the policies, procedures and systems including the necessary internal controls for the disbursement of insured deposits using the Payout Management Information System (PMIS) and accounting system.

The JDIC completed its pilot simulation activities with a Member Institution to test the “JDIC’s Recordkeeping Guidelines for all its Member Institutions” (Guidelines) and the supporting “Compliance Framework”. The Guidelines provides details on the requirements for Member Institutions to maintain specific customer and account data in a standard specified format to allow for the speedy determination and computation of deposit insurance payments by JDIC. The results of the simulation activities highlighted certain areas within the Guidelines and Compliance Framework that requires amplification and will be addressed in the ensuing year.

### ***FSSN Work towards Strengthening the Framework for the Resolution of Financial Institutions***

In collaboration with the other FSSN partners, work to strengthen the existing legal and operating framework for the resolution of failing or failed financial institutions was ongoing. This is being done through the drafting of legislation now titled, Bill, Financial Institution Resolution Act. The JDIC conducted research that focused on the: institutional arrangements for resolution appropriate for Jamaica; use of the DIF to aid in financing resolution options; and required consequential amendments to the DIA. The research has reinforced the need for further development of the Corporation’s operating framework to act in the liquidation of a DTI and also drafting of appropriate and supportive rules for the use of the DIF in resolution activities.

<sup>10</sup> The Corporation is cognizant that with the proliferation of electronic payment transactions, cheques are becoming a less used payment option and, as such in a payout, will not be the primary payment disbursement option. Payment disbursement options will include making payments to insured depositors: through a viable Member Institution under an insured deposit portfolio transfer agreement; or using a third-party payment service providers regulated by the BOJ; or by way of an electronic funds transfer via online banking platforms.

The JDIC commenced a comprehensive review of its Financial Crisis Management Plan with a focus on ensuring the necessary structures are in place for the FSSN inter-agency coordination and information sharing. This initiative coincided with the FRC initiative to have each agency convert relevant elements of their agency specific crisis management plans into a standardized “Financial Crisis Management Operational

Playbook” (Playbook) which will form the basis for the review and update of the National Financial Crisis and Preparedness Plan to reflect current legal and regulatory frameworks. As part of the work, the JDIC began preparing its Playbook, which is a step-by-step guide for operating during a crisis. (Refer *JDIC’s Collaboration with Financial System Safety Net Partners*).

## PUBLIC EDUCATION AND AWARENESS

As the financial landscape evolves, driven in large part by digitization, the Corporation continued its use of integrated marketing and communication strategies with the objective of increasing awareness and understanding of the DIS and fostering higher levels of engagement with depositors and other financial consumers. The strategies employed throughout the reporting period included: electronic and print advertisements such as the use of television, radio and billboard advertising, sponsored and boosted posts targeting online users, Google and YouTube advertisements, direct messaging through the Corporation’s website and maximizing sponsorship opportunities that aligned with the Corporation’s brand ethos.

Administration Jamaica locations, select quick-service restaurants and supermarkets, among others. Messages were also placed on mobile billboards, through use of the government’s public transportation service (the Jamaica Urban Transit Company), across three bus zones; and on stationary billboards strategically positioned island wide.

Other advertising channels such as webinars, podcasts, and other forms of print publications, including local and overseas newspapers, community newspapers business magazines, and service club newsletters were used by the Corporation to disseminate its messages to the public.

Use of social media platforms also continued during the year. This included #JDICExplained videos, which significantly enhanced stakeholder awareness of the JDIC and the DIS across all demographic groups throughout the reporting period. This was evidenced by the increased engagement with content and steady growth in followers across multiple platforms. For the period, content developed for the respective social media platforms along with laser targeted online digital advertising campaigns on Facebook, Instagram, Google Search & Display and YouTube produced a notable 4.3M impressions (**the amount of time ads were seen**); 685,000 unique people were reached (**total number of the target audience who saw the ads**), 508,000 video views, 19,000 link clicks (number of persons who clicked our ads) and 5000 unique visitors to the Corporation’s website.

### Advertising and Promotion

Based on the *Public Education and Attitude Awareness Survey* (refer below) conducted during FY2022/23, television remains the primary medium through which persons are informed about the JDIC and the DIS (78%). For this reason, the Corporation maintained strategic use of television, complemented by radio, in the deployment of its public education and awareness messages. This included the use of time signals and sponsorships on targeted programmes. New television and radio ads were developed during the reporting period, however recognizing the need for simplified DIS content in the form of bite-sized information, the Corporation commenced work with a production house to develop its “Deposit Insurance in a Minute” feature, to be aired on select radio programmes in the new financial year.

### Corporate Website

The website serves as a valuable resource point for accessing information from and about the JDIC and is seamlessly integrated with the Corporation’s new

Additional advertising channels included the utilization of LED boards, and multimedia screens at Tax

media interactive channels to bolster cross channel engagement. During the period, the website registered 44,363 page views, more than half (85%) of which were first time visitors.

Increased usage of the website has greatly contributed to the expansion of deposit insurance knowledge among stakeholders who also have ready access to the website Chatbot which facilitates real time response to questions relating to deposit insurance. 48 persons engaged with the Chatbot for the reporting period and their queries were immediately addressed to their satisfaction.

### Online Policyholder Training Platform

The Corporation is in the preliminary stages of developing an online training platform to complement the existing face-to-face training methodology used for Policyholder Training.

The main objective of the Policyholder training is to ensure accurate and reliable deposit insurance information is being passed on to depositors by Member Institutions who remain the primary point of contact for depositors.

Policyholder training sessions are held periodically for employees of Member Institutions in keeping with our continued thrust to enhance stakeholder understanding of the benefits and limitations of the DIS.

### Financial Literacy in Schools

A primary objective of the Corporation's public education and awareness programme is to promote financial literacy, particularly among school-aged children, with the goal of empowering them from an early age to secure their financial independence. In this regard, the Corporation has undertaken the development of a financial education book specifically tailored for primary school children. In very simple and easily understood terms the book, titled *Justin, Justina and the Money Master*, focuses on saving, investment, and general money management with quizzes at the end of each chapter. The manuscript for the book is currently in its final stages of completion, with the printing, launch and distribution scheduled for

FY2023/24. To enhance engagement and accessibility, an electronic version of the book will also be created.

### Collaboration with FSSN Partners and other Stakeholders

Collaboration with FSSN partners remained a significant focus in the Corporation's efforts to increase public awareness. To this end, the Corporation continued its promotion of financial literacy through the FSC's school programme and sponsorship and ad placement on the JSE's Caribbean Business Exchange (CBX) cable TV channel.

The engagement of employees from public and private organizations, as well as other stakeholders, through sensitization seminars, are valuable channels of communication for the dissemination of deposit insurance information. These seminars continue to play a crucial role in reinforcing key messages and strengthening awareness of the JDIC and the DIS. During the financial year, the Corporation conducted three (3) virtual deposit insurance presentations for private sector organizations.

### Public Awareness Survey

To evaluate the effectiveness of its existing public education and awareness programme, the Corporation conducted a *Public Education and Attitude Awareness Survey* in FY2022/23. The survey findings revealed that awareness of the JDIC has increased to 74% in 2022, compared to 67% in 2017. In contrast, awareness levels of the DIS have remained relatively stable at 46%. Notably, persons in the older demographics and individuals in the ABC1 (upper-middle and upper-class socio-economic group) exhibited the highest levels of awareness of the DIS, with a rate of 76%. However, the C2 (middle socio-economic group) and DE (low, lower middle income) displayed comparatively lower awareness at 48% and 42% respectively. These results will guide the Corporation's public education strategy for the new financial year, with particular attention given to utilizing communication tools and channels that effectively reach and engage the younger demographic, while simultaneously enhancing the programme for the already engaged demographics.

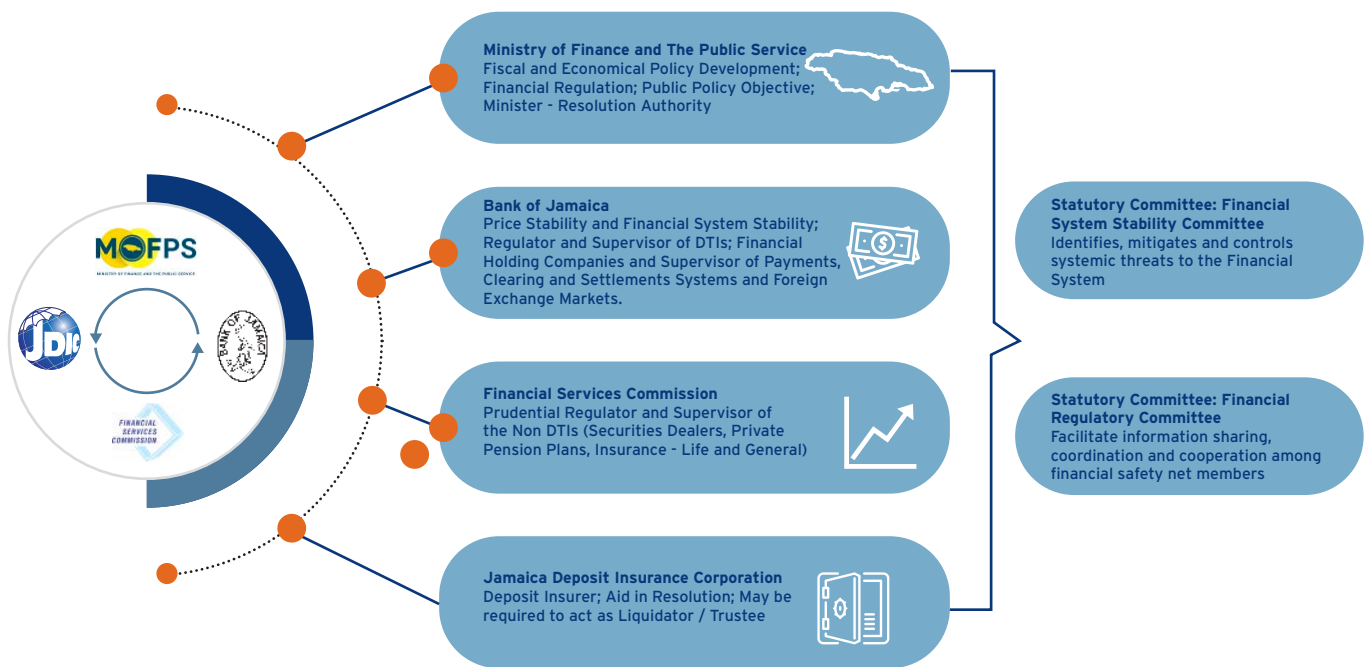
## CORPORATE SOCIAL RESPONSIBILITY

The Corporation's Corporate Social Responsibility (CSR) Policy highlights the key areas of focus as: financial education, work experience programmes, community outreach and development, national development, and environmental management. During the review period the Corporation undertook three initiatives, under community outreach and financial education, respectively. These included providing goods and services to two Basic schools and sponsoring the printing of 630 copies of a *Mathematics Notebook* for

distribution to the three (3) lowest-ranked performing secondary schools in Mathematics, at the parish level. Branded as a 'super' notebook, it contains a condensed mathematics syllabus, formula sheets and graph sheets to help students prepare for their exams. The inside, front and back covers of the book are branded with deposit insurance information and some basic facts on financial literacy. The notebooks will be distributed to the selected schools in the upcoming school year.

## JDIC's INTER-AGENCY COLLABORATION WITH FINANCIAL SYSTEM SAFETY NET PARTNERS

FIGURE 20: Members of Jamaica's Financial System Safety Net



The JDIC is one of four government organizations that together form Jamaica's "Financial System Safety Net". The financial safety net agencies are:

- Bank of Jamaica;
- Financial Services Commission;
- Ministry of Finance and the Public Service; and
- Jamaica Deposit Insurance Corporation

The collaboration and information sharing between JDIC and the other FSSN partners are also carried out through two inter-agency statutory committees, namely, the Financial Regulatory Committee and the Financial System Stability Committee. Supporting technical working groups and special purpose/ad-hoc committees are also established to carry out the work of respective agencies and statutory committees as required.

These arrangements provide a formal and comprehensive inter-agency framework for close collaboration and information sharing on an ongoing basis, between JDIC and its FSSN partners. This is necessary to support the JDIC's proactive approach to its mandate for the protection of insured depositors, and its contribution to financial system stability. The following JDIC functions were supported by the robust inter-agency partnership: assessment of Member Institutions' performance and implications for the DIF; review of the efficacy of the design features of the DIS; and review of the JDIC's legal and operating framework, policies and procedures for depositor reimbursement, resolution of DTIs and preparation for the admission of credit unions to the DIS.

### **Financial Regulatory Committee**

The Financial Regulatory Committee (FRC) was established in 2014, pursuant to an amendment to BOJA s.34BB, to enhance information-sharing, coordination and cooperation among the members of the FSSN. The FRC is administered by a duly signed Memorandum of Understanding. Its membership comprises the heads of all the FSSN agencies: 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.

In fulfillment of its mandate, the FRC: 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; reviews rules and guidance and the implementation of financial sector reforms to strengthen the regulation of the financial system; and oversees the formulation and execution of crisis preparedness and management strategies.

During the review period the JDIC participated in several FRC inter-agency initiatives with focus on strengthening the structures and framework for the resolution of financial institutions and financial crisis preparedness and management.

### **Special Resolution Regime (SRR)**

The FRC Inter-Agency Special Resolution Regime Technical Working Group continued the review of the draft Bill, the 'Financial Institutions Resolution Act' (FIRA).

Submission for the introduction of legislation for a special resolution regime (SRR) framework, for non-viable financial institutions was approved by Cabinet in 2017. This culminated in the draft Bill, Financial Institutions Resolution Act. The draft Bill addresses three components of an enhanced SRR framework, that is, the (i) administrative mechanisms to deal with non-viable FIs before they are balance sheet insolvent, for the preservation of critical financial services and financial stability; (ii) options for funding arrangements, where necessary; and (iii) the modified winding-up framework for financial institutions<sup>11</sup>.

The FIRA Bill seeks to enhance the existing legal and operating framework for the resolution of failing or failed financial institutions, without severe systemic disruption and exposing taxpayers to undue losses, while protecting vital economic functions. The proposed enhancements to the legal framework will address gaps that exist in the current resolution framework for financial institutions and better align with international standards, Financial Stability Board "Key Attributes of Effective Resolution Regimes for Financial Institutions". The FIRA will: give better clarity of roles of the authorities for speedier resolution of failing financial institutions; allow for a broader range of resolution tools and powers; and provide for a modified winding up framework for insolvent financial institutions. Under the FIRA, it will be proposed that the BOJ will be the Resolution Authority for regulated financial institutions and the JDIC could act as a Resolution Administrator. It is projected that the FIRA Bill will be tabled in Parliament by the end of March 2024.

### **National Financial Crisis Preparedness and Management Plan**

The National Financial Crisis Preparedness and Management Plan (NFCCPM Plan) provides operational guidance for the respective inter-agency activities,

<sup>11</sup> The modified winding-up framework previously referred to as the 'Specialized Insolvency Framework' component was renamed in 2023 to reflect the change in policy direction.

information sharing and cooperation among the member agencies of the FRC, in times of crisis in the financial sector, towards ensuring a coordinated and timely response.

The FRC is required to conduct regular updates and ongoing testing of the NFCPM Plan to ensure it remains relevant and responsive and reflects developments in the financial sector and changes in the legal and operating framework. The BOJ, having responsibility for financial system stability, assumes the role of lead agency for this initiative<sup>12</sup>. The BOJ is supported by a standing FRC Inter-Agency Financial Crisis Management Technical Working Group, reconstituted in 2022, of which the JDIC is a member.

During the review period, each agency was tasked with converting the relevant elements of their Crisis Management Plans into a standardized agency specific *“Financial Crisis Management Operational Playbook”*. This work will allow for a more seamless updating of the National Financial Crisis Management Plan. Work by the JDIC, in this regard, is advanced with the finalization of its Playbook scheduled for completion in FY2023/24.

The drafting of the Playbook provides for an agreed structured approach by each agency in documenting, maintaining and testing on an ongoing basis the key step-by-step operational procedures for carrying out their respective role and functions in preparing for and managing financial crises.

A key element of the Playbook approach is to allow identification and assurance that the operating structures are readily in place to support the necessary inter-agency collaboration and information sharing and to ensure supervisory and regulatory gaps are minimized. Against this background, the Playbooks also allow for elaboration on the procedures detailed in FRC *“Guide to Intervention for Financial Institutions”*.

### **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 Deputy Supervisor, the Executive Director of the FSC, the Chief Executive Officer of the JDIC, and the Financial Secretary.

The FSSC is charged with the responsibility of: mitigating and preventing excessive credit growth and leverage; mitigating and preventing excessive maturity mismatches and market illiquidity; limiting direct and indirect exposure concentrations & misaligned incentives; limiting the impact of interconnectedness and systemic importance; and strengthening the resilience of the financial system. The FSSC also makes policy recommendations with regards to any adverse stress testing result which might impact the stability of the financial system.

In carrying out its objective, the FSSC continuously conducts reviews of BOJ’s macroprudential assessments taking into consideration developments, both globally and locally, that could have a systemic impact on the financial system. The assessments conducted inform decisions regarding the most appropriate macroprudential tool(s) to be used to control and mitigate likely systemic risks, as well as aid in monitoring the effectiveness of the tool(s) used.

The JDIC, as a member of the FSSC Technical Working Group (TWG), continued to contribute to financial system stability assessments by participating in stress testing macroprudential developments on the system. Stress testing exercises detect potential macroprudential impact risk to the system and inform recommendations for the enhancement of policy changes that will mitigate macroprudential risks. The TWG informs policy recommendations to the FSSC to address any identified risks.

### **Climate Related Risk in the Jamaican Financial System**

During 2022 a project team comprising officers from the BOJ, FSC and JDIC was established to develop a

<sup>12</sup> Prior period initiatives were being led by the JDIC.

framework to integrate climate risk into supervisory activities. This initiative is led by BOJ with technical support from the Agence Française de Développement (AFD) under the Greening of The Financial System Initiative. The project is expected to be completed over a one-year period, commencing in Q3 2022 and ending Q4 2023. The integration of climate risks into supervisory activities and macroprudential policy formulation is expected to take place over 3-4 years.

This programme is expected to enhance the regulatory agencies' understanding and management of climate-related risks, promote financial institutions' understanding of these risks and strengthen the management of long-term risks and opportunities. The financial institutions to be covered under this programme of work include deposit taking institutions (DTIs), insurance companies and securities dealers.

During the review period, work commenced and included the commissioning of a survey to determine the financial institutions' level of knowledge on climate related risks and the extent to which mitigation of these risks is incorporated in their operations. The BOJ will publish a climate risk assessment and issue a timeline for a climate related risk mitigation framework to be developed and incorporated into supervisory activities.

### **National Financial Inclusion Council**

Established in 2017, the National Financial Inclusion Council (NFIC, the Council) is chaired by the Minister of Finance and Public Service. Its membership includes the BOJ, the FSC, the JDIC, and a stakeholder advisory group to facilitate consultation with representatives of the private sector and civil society. The NFIC is responsible for setting the overall policy direction for the development and implementation of the National Financial Inclusion Strategy (NFIS). The overriding goal of the NFIS is that: *“Jamaica would create an inclusive financial system in which every adult and enterprise has access to, and is able to make full use of a range of adequate, quality and affordable financial services through the implementation of different strategies, including increasing the level of knowledge and understanding about the financial services sector.”*

In support of this goal, during the review period the

Corporation continued to support the NFIS through initiatives carried out under its public education programme (refer Public Education and Awareness). This support is consistent with the Financial Protection and Financial Capability working group, of which the JDIC is a member, tasked with carrying out the objectives under the “Responsible Finance” pillar of the NFIS which includes the development of a comprehensive National Financial Literacy Action Plan. Of note, the other pillars are Financial Resilience; Financial Access and Usage; and Financing for Growth.

## **INTERNATIONAL RELATIONS**

### ***International Association of Deposit Insurers***

The JDIC remained active in the work of the International Association of Deposit Insurers<sup>13</sup> (IADI) through its membership on the Executive Council<sup>14</sup>, regional and technical committees. Membership in the IADI promotes adherence to best practice standards for effective deposit insurance systems and financial system stability in general, facilitates the exchange and strengthening of technical expertise; and provides access to training, development and educational programmes in the areas of deposit insurance, bank resolution and financial system crisis management. These activities serve to strengthen the human capacity of the JDIC and its operational efficiency.

JDIC continued its tenure as chair of the IADI Caribbean Regional Committee (CRC). The CRC promotes cooperation in the field of deposit insurance with focus on regional interests and common issues. Through various fora, members of the CRC coordinated and shared information on emerging developments and trends in financial systems, regionally and internationally, and implications for the design and structure of their DIS, policy responses and legislative reforms. The CRC with the support of the IADI Secretariat also pursued initiatives to facilitate collaboration with Central Banks within the region to encourage the establishment of deposit insurance systems in their jurisdictions.

A JDIC senior officer chairs the IADI Audit and Risk Council Committee, and other officers serve on three IADI technical committees, namely: (i) Member Relations Council Committee Task Force - Chairperson;

<sup>13</sup> The International Association of Deposit Insurers (IADI, Association) is a global standard setting body established in 2002 to enhance the effectiveness of deposit insurance systems.

<sup>14</sup> Executive Council provides oversight to support the IADI's advancement and implementation of its mandate and strategic objectives. The Executive Council comprises of 25 elected members.

(ii) Financial Cooperatives Technical Committee; and  
 (iii) IADI Steering Committee for the Review and Updating of the Core Principles.

**Additional Collaboration with IADI and Other International Organizations**

During the reporting period, JDIC officers also participated at IADI members knowledge events. These collaborations contributed to the furtherance of the JDIC’s business strategies “*Strong Partnerships*” and “*Building Sustainable Human Resource Capacity*”.

The JDIC’s international participation and activities are highlighted below:

Contributing Winner in the Toronto Centre 2022 Essay Competition - Ms. Desmarie Brooks, Analyst in the Monitoring and Risk Assessment Section submitted an entry for the Toronto Centre 2022 Essay Competition, where participants were asked to describe how climate-related risks can be integrated into risk-based supervision. Desmarie’s essay titled “How Climate Risks can be Incorporated into Risk-Based Supervision”<sup>15</sup> was selected and included as an Annex to the Toronto Centre Note published on the Toronto Centre Website. Below is an excerpt from the essay:

**Excerpt from essay: “How Climate Risks can be Incorporated into Risk-Based Supervision”**

“Climate change can have an impact on the financial system through different channels, whether from damage to property and infrastructure or from changes in policy, technology, and consumer behaviour. Financial system supervisors must therefore implement policies to mitigate climate-related risks. This is particularly true in the Jamaican context. Jamaica has experienced severe weather events that have disrupted activities, particularly in the country’s main revenue-earning sectors such as tourism and agriculture and had an adverse impact on the country’s economic growth and development.”

- **2nd IADI-APRC Study Visit and IDIC International Seminar 2022** - The JDIC was also represented at the 2nd IADI-Asia-Pacific Regional Committee Study Visit and Indonesia Deposit Insurance Corporation International Seminar 2022 hosted by the Indonesia Deposit Insurance Corporation with a presentation on “How can Climate Risks be Incorporated into Risk-Based Supervision: Considerations & Implications for Deposit Insurers”. The theme of the seminar was “Climate Change, Decarbonization, Stability and Green Economy”.
- **FSI - IADI Joint Webinar - One Size Does Not Fit All - Tailoring failure resolution frameworks for all bank failures.** This session was jointly organized by the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) and International Association of Deposit Insurers (IADI). The JDIC’s CEO, Ms. Antoinette McKain was a member of the panel discussion on “Beyond G-SIBs: Proportionality and Implementation Challenges in Designing Resolution Frameworks”.
- **6th Americas Deposit Insurance Forum - Enhancing Effective Deposit Insurance Systems: Lessons Learned and the Way Forward** - JDIC’s officers participated in the Forum in various capacities, including as member of the panel discussion on “Effective Cooperation and Information Sharing among DIOs and other Financial Safety Net Participants”; and as the moderator for the two-day Forum.

<sup>15</sup> [https://www.torontocentre.org//videos/How\\_Can\\_Climate\\_Related\\_Risks\\_Be\\_Integrated\\_Into\\_Risk\\_Based\\_Supervision\\_Essay\\_Competition\\_Winners\\_2022\\_FINAL-sh\\_1688182127.pdf](https://www.torontocentre.org//videos/How_Can_Climate_Related_Risks_Be_Integrated_Into_Risk_Based_Supervision_Essay_Competition_Winners_2022_FINAL-sh_1688182127.pdf)

## MANAGEMENT OF STRATEGIC RESOURCES

### HUMAN RESOURCE

During the year, the Corporation pursued several initiatives in support of its strategy for “*Building Sustainable Human Resource Capacity*”. Work continued on the implementation of the revised organization structure that was approved by the MoFPS in October 2021. The implementation exercise involving recruitment was not advanced as planned, primarily due to the competitive nature of the labour market and the evolving expectations of the target workforce with the expertise required by JDIC.

It is anticipated that the April 1, 2023<sup>16</sup> implementation of the new compensation arrangements, under the much-anticipated GOJ Public Sector Transformation and Modernization Programme (PSTM), will allow some roles to become more attractive for hiring and retention. However, it remains critical that the review of a full-scale recommendation of the 2018 JDIC Job Evaluation and Reclassification Exercise<sup>17</sup> be undertaken, updated and resubmitted to the MoFPS for approval and implemented to stem the on-going attrition rates and increase the attractiveness of key roles. Additionally, as the year progressed, the Corporation conducted renovations to its leased office space to accommodate the increase in staff for Monitoring and Resolution and Legal and Corporate Secretariat Branches. The approved establishment for FY2022/23 remained at 44 positions, with the complement being 29 at year end, compared to 25 at end FY2021/22.

To improve efficiency in its delivery of HR services to team members, the Corporation in collaboration with the Transformation Implementation Unit (TIU), commenced preparation for the project to implement the GOJ MyHR+ Human Resources Information System (HRIS) software, with full implementation scheduled for FY2023/24. The system is being implemented on a phased basis by the GOJ to facilitate efficiency in HR management and administration and to enable MDAs to plan more effectively for their needs and that of their employees. Having undertaken the development of an enterprise-wide Digital Transformation Strategy, the team will be well prepared for an accelerated

configuration, which will allow JDIC to have a seamless implementation of the MyHR+ self-service HRIS.

Of note, on April 1, 2022 the Corporation implemented its Pension Fund, a defined benefit pension scheme for all permanent employees. The plan was pre-funded in line with actuarial recommendations with an initial injection of \$59.6M and grew to \$89M by the end of the first year ended March 31, 2023. The set-up activities, including the election of member Trustees, have been actioned on time, and the administrative and investment compliance requirements have been met fully by the Trustees. The Corporation takes this opportunity to put on record our sincere gratitude for the invaluable contribution of our late Trustee Mr Clinton Lewis who, sadly, passed in March of this year.

### STAFF TRAINING AND DEVELOPMENT

The Corporation’s mandate requires that, for sustainability of its human capacity, it maintains an on-going knowledge-based and learning environment. This is consistent with the practice of organizations in a financial regulatory environment, locally and globally. Learning focus remained targeted on the areas of: deposit insurance and other financial consumer protection schemes; financial institution risk assessment; resolution of non-viable financial institutions; financial crisis management and preparedness; financial innovation and technology; strategic communication; and financial inclusion, among others. As the market and regulatory environment continue to be rapidly transformed, and with much more access to on-line training content (especially post-COVID), the team met the corporate challenge to pursue training at a self-managed pace and to keep abreast of new topics in the industry. This approach was key to developing a thought-leadership and performance mindset which is a key capability for professional development and advancement of the Corporation’s mandate.

Key people development investments were continued during the year with the following stakeholder organizations: Jamaica Institute of Financial Services;

<sup>16</sup> PSTM is a 3-year phased implementation Programme made retroactive to April 1, 2022

<sup>17</sup> Submitted to MoFPS in August 2018 but advised to await the completion of GOJ’s PSTM

Jamaica Stock Exchange; Management Institute for National Development; CariCris; Sagicor Cavehill School of Business and Management; the International Association of Deposit Insurers; Bank for International Settlement, Toronto Centre and FSI Connect. In addition, subscriptions were maintained with the following: Central Banking; Euromoney Learning; International Financial Law Review; the Warwick University/ Bank of England - Monetary Policy Analysis and Harvard Business Review.

The investment in capacity building will continue in earnest in the coming year towards building our understanding of the emerging industry and regulatory innovations, growing our bench strength in core functions and developing skills and leveraging the Corporation's Digital Transformation strategy, including information security.

#### OCCUPATIONAL HEALTH AND SAFETY

Mindful of the proposed Occupational Safety and Health Act (the "OSHA"), the Corporation continues to implement workplace best practices to support an environment that seeks to eliminate or minimize risks to the safety and health of its employees. This does not only ensure the anticipated legal compliance, but also serves to promote a positive work culture, improve productivity, and reduce the risk of any costs associated with accidents and injuries. During the period, the Corporation conducted an evacuation drill to test the effectiveness of its emergency plans and to improve employee preparedness and commenced projects to refresh the Disaster Preparedness and Business Continuity Plans.

#### RECORDS AND INFORMATION MANAGEMENT

In alignment with the Government of Jamaica's (GOJ) vision for digital transformation and records and information management (RIM) policy implementation, Jamaica Deposit Insurance Corporation (JDIC) recognizes the crucial role of efficient information management in achieving good governance, accountability, transparency, and effective service delivery. JDIC is fully committed to adopting the GOJ's Vision and implementing the RIM project, consistent with JDIC's digital transformation plan.

JDIC recognizes that with a robust RIM system that facilitates ready access to relevant and historical documents, it can genuinely adhere to good governance,

sound policy development, efficient services, and accountability. In the digital age, every small unit within JDIC operates its own de facto registry, resulting in the unstructured storage of official records, such as emails and documents. JDIC has prioritized GOJ's RIM project to address these challenges and improve performance.

JDIC's adoption of the GOJ's RIM vision is aligned with Jamaica's economic growth priorities as articulated in Vision 2030 - National Development Plan. By improving the quality of government data and strengthening information sharing, JDIC aims to contribute to national development goals and foster a conducive environment for economic growth, ease of doing business, research, investment attraction, and preservation of national and cultural identity.

As part of JDIC's commitment to the RIM project, the Corporation has actively participated in Cohort 4 of the GOJ RIM Implementation Project led by the Jamaica Archives and Records Department (JARD) through the Office of the Prime Minister and the Office of the Cabinet. Activities for JDIC's RIM implementation commenced on September 1, 2022, with a comprehensive survey of all records within three branches: Finance and Corporate Services, Corporate Planning and Communications and Monitoring and Resolution Branch. JDIC is committed to completing its manual RIM system by March 2024, in preparation for the subsequent implementation of an Electronic Records and Information Management System (eRIM). This phased approach ensures that JDIC complies with the GOJ's RIM standards while aligning with its digital transformation plan.

JDIC's strategic adoption of the GOJ's vision for digital transformation and commitment to implementing the RIM project demonstrates its dedication to embracing best practices, enhancing data governance and improving organizational efficiency. By aligning its RIM practices with the GOJ standards, JDIC aims to contribute to the broader national agenda and strengthen its operations, service delivery, and transparency.

Overall, the JDIC's active participation in the GOJ RIM Implementation Project and its efforts towards implementing a standardized RIM system underscore its commitment to digital transformation, good governance and achieving national development goals outlined in the vision.

## MANAGEMENT INFORMATION SYSTEMS

The Corporation continued 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 conformity with requirements for confidentiality, and to meet redundancy needs and maintaining the highest levels of data security.

During the reporting period, the Corporation completed 4 of the 5 milestones towards the development of the roadmap for a digital transformation strategy. The contracting of the SMEs will begin in FY2023/24 to lead the phased implementation of the JDIC Digital Transformation Strategy.



External consultants were contracted to review and update the organization’s Information Security Policy as well as the Disaster Recovery Policy (DRP). The Information Security Policy is almost complete, with the JDIC now required to approve the final submission that has been presented for review. The DRP is still in progress.

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 are being implemented and are to be completed by September 2023. Implementation of the Payout Management Information System (PMIS) ICT Infrastructure support framework, system enhancements and upgrades are ongoing. A software upgrade was implemented to the Corporation’s accounting system to achieve improved analysis and reporting on financial outturns. To test for the sufficiency of redundancies, including the Corporation’s ICT readiness, at least one disaster preparedness and recovery simulation exercise was conducted. The simulations yielded successful results and areas for improvements identified were remedied and successfully tested in subsequent simulations.



# APPENDIX

## IMPLICATIONS OF BANK FAILURES ON DEPOSIT INSURANCE SYSTEMS

### Lessons Learnt From Us Bank Failures In 2023

#### Introduction

The financial system plays a vital role in the economy by providing for the efficient reallocation of financial resources between investors/savers, borrowers, and lenders. Therefore, a resilient, well-regulated and adequately supervised financial system that engenders confidence is essential for economic and financial system stability. The members of a country's financial system safety net, namely the central bank, a department of government such as the ministry of finance or the treasury, prudential regulator, supervisor, resolution authority, deposit insurer and other compensation schemes and arrangements for the protection of depositors, insurance policy holders and retail investors (i.e. regulatory authorities), all play a role to promote and foster confidence in, and stability of, the financial system based on their respective mandates.

Since the start of 2023, the United States (US) financial system has seen two banks failing in quick succession in March and one bank failure in May. These events have highlighted the vulnerabilities of financial systems and reinforced the importance of sound prudential regulation, robust supervision, effective resolution and deposit insurance systems and the prompt and coordinated response of regulatory authorities in times of crisis to maintain confidence in, and stability of, the financial system. The bank failures were also a reminder that banks can and will fail from time to time, despite the increasing introduction of a series of reforms and regulatory measures, and therefore financial crisis preparedness and management must remain a priority for regulators.

This research paper explores recent bank failures in the US and discusses the lessons learnt, with focus on the implications for and considerations to enhance deposit insurance systems.

#### US Bank Failures

Bank failures are not uncommon, as for decades banks have failed within jurisdictions and across borders due to reasons ranging from poor management and weak policies to deterioration in the value of the bank's assets resulting from macroeconomic factors. In the case of the US, the country has chronicled numerous bank failures, which have declined in number significantly over the years from nearly 10,000 failures during the Great Depression (1929 - 1939); to over 450 following the Global Financial Crisis (2008 - 2012). Thereafter (2013 -2020)<sup>18</sup>, there were a total of 71 bank failures, and none reported for 2021 and 2022. The US recorded two bank failures in March 2023 which occurred within a relatively short period of time and one in May 2023. Recent policy reforms such as the Dodd-Frank Wall Street Reform Act (2010) and Basel III requirements to improve capital buffers along with recapitalization of the financial system have contributed to the reduction in bank failures.

#### Recent Bank Failures

Despite the policy reforms, the failures of US banks in the first two quarters of 2023 highlight the vulnerability of banking systems. The US Regulators<sup>19</sup> indicated that the announcement by Silvergate Bank<sup>20</sup> on March 8, 2023, that it would wind down operations and voluntarily liquidate, signalled the possibility of a contagion effect on other banks. On March 10, the Regulator announced the failure of Silicon Valley Bank (SVB), and just two days after on March 12, the failure of Signature Bank, and First Republic Bank on May 1. The Regulators reported that the failed US banks faced severe financial distress due to a combination of mismanagement, lack of diversification, aggressive growth, risky lending practices - maturity mismatch and lack of stress-testing. They have also acknowledged areas where the regulators' efforts could have been

<sup>18</sup> There was no bank failure reported in 2018. <sup>19</sup> The Department of the Treasury, Federal Reserve, and the Federal Deposit Insurance Corporation

<sup>20</sup> Silvergate Bank had a business model focused almost exclusively on providing services to digital asset firms. Consequent to the collapse of the digital assets exchange FTX in 2022, Silvergate Bank experienced an outflow of deposits from digital asset customers. On March 8, 2023, Silvergate Bank announced that it would self-liquidate.

more timely, forward looking, and forceful. Specifically relating to Signature Bank, it was reported that, due to staffing challenges, the communication of examination results in some instances was not timely. These factors, coupled with the high interest rate environment being used to curb the rising inflation, negatively impacted banks as non-performing loans increased, asset values declined, and capital levels fell.

The tightening of monetary policy led to a depletion of the bond portfolio at SVB and overall higher cost of capital for all banks. Signature Bank also had a high level of participation in digital assets-related products and services, which was impacted by the collapse of the digital asset exchange FTX. Despite efforts by the owners to rescue the banks, SVB and Signature Bank eventually succumbed to insolvency and was unable to honour its obligations to depositors. The failure sent

shockwaves throughout the financial sector, causing panic among depositors and highlighting vulnerabilities in the existing safeguards. First Republic Bank, on the other hand, was undiversified with its lending portfolio, mainly lending to high-net-worth individuals as well as technology companies, which began to pull large amounts of deposits. The Federal Deposit Insurance Corporation (FDIC)<sup>21</sup> was promptly appointed receiver, for all three banks, upon their closure. The appointment meant that in addition to its role as deposit insurer, FDIC was responsible for handling all the affairs of the failed banks until all the banks' assets are sold and all claims against the banks are resolved. Below is a chronological summary of the developments relating to the failure of three US Banks in 2023:

### US Bank Failures Timeline - 2023

March 10, 2023

#### Silicon Valley Bank Santa Clara, CA

- Closed by Regulator
- FDIC (deposit insurer) appointed Receiver.

#### Resolution Actions

- Silicon Valley Bridge Bank formed and operated by FDIC.
- **March 13, 2023**, FDIC transfers all deposits and mostly all assets to bridge bank.
- **March 26, 2023**, FDIC enters purchase and assumption agreement for all deposits, excluding Cede & Co. deposits and loans of the bridge bank.
- FDIC enters loss-share transaction on the commercial loans with acquirer.
- Silicon Valley Bridge Bank, NA., placed into receivership.
- **March 27, 2023**, Former SVB branches open as First Citizens Bank & Trust Company



March 12, 2023

#### Signature Bank New York, NY

- Closed by Regulator
- FDIC (deposit insurer) appointed Receiver.

#### Resolution Actions

- Signature Bridge Bank, formed and operated by FDIC.
- FDIC transfers all deposits and substantially all assets to bridge bank.
- **March 19, 2023**, FDIC enters into a purchase and assumption agreement for substantially all deposits and certain loans with Flagstar Bank, NA.
- Signature Bridge Bank placed into receivership.
- Depositors of Signature Bridge Bank, NA., other than the digital banking business depositors automatically become depositors of Flagstar Bank, N.A.



May 1, 2023

#### First Republic Bank San Francisco, CA

- Closed by Regulator
- FDIC (deposit insurer) appointed Receiver.

#### Resolution Actions

- FDIC enters into a purchase and assumption agreement for all deposits and substantially all of the assets.
- FDIC and JPMorgan Chase Bank, N.A. enter into loss-share transaction on single family, residential and commercial loans the acquirer purchased of First Republic Bank.



<sup>21</sup> FDIC is the independent agency created by the Congress to maintain stability and public confidence in the nation's financial system. The FDIC insures deposits; examines and supervises financial institutions for safety, soundness, and consumer protection; makes large and complex financial institutions resolvable; and manages receiverships.

## Response of the Authorities

The Regulators for the three failed banks worked swiftly with the FDIC (Deposit Insurer and Resolution Authority) and the Department of the Treasury in an effort to put a resolution strategy in place and mitigate any systemic risk that could occur. Shareholders lost their investments. Unsecured creditors incurred losses. The boards and the most senior executives were removed. Of note, the FDIC also has the authority to investigate and hold accountable the directors, officers, professional service providers and other affiliated parties of the banks, that may have contributed to the failure. Bridge banks<sup>22</sup> managed by the FDIC were established to take control of each bank until a suitable buyer was found. The FDIC was able to enter into purchase and assumption (P & A) agreements with successful bidders to acquire all three banks, subject to certain terms and agreements, (refer diagram above).

SVB and Signature Bank had a large number of uninsured depositors that were small and medium-sized businesses. The loss of access to their deposits would put them at risk of not being able to make payroll and pay suppliers and spillover to the wider financial system. In light of the high volume of uninsured deposits which were likely prompting deposit runs, the Boards of the FDIC and the Federal Reserve decisively recommended the FDIC could use emergency systemic risk exception, pursuant to the law<sup>23</sup>, in winding down SVB and Signature Bank. This was approved by the relevant authorities. The systemic risk exception offers full protection to all depositors of the failed banks, that is, there was a temporary blanket guarantee of all deposits, including uninsured deposits. This acted as a mitigant to limit deposit runs as well as stem any spillover effects. Barring the use of the systemic risk exception, opting to use the least cost resolution option would have significantly impaired the position of depositors and the wider financial system.

Notwithstanding the benefit of using the systemic risk exception, that option had a significant impact on the deposit insurance fund (DIF) of the FDIC, given the large volume of uninsured deposits now being covered.

In May 2023<sup>24</sup>, the FDIC's preliminary estimate was that the total losses to the DIF consequent to the failure of SVB and Signature bank was \$18.5 billion, of which approximately \$15.8 billion) was attributable to covering uninsured deposits pursuant to the systemic risk determination<sup>25</sup>. This loss to the DIF arising from the cost to protect uninsured depositors, must be recovered from other insured deposit taking institutions, pursuant to the law. In this regard, the FDIC issued for public comments, a notice of proposed rulemaking to levy a special assessment to recover the loss to the DIF. The FDIC is proposing to apply an annual special assessment rate of 12.5 basis points to an assessment base that would equal an insured deposit taking institution's estimated uninsured deposits reported as at December 31, 2022. The law requires that the FDIC considers the types of institutions that benefited from any action taken or assistance provided as well as economic conditions, the effects on the industry, and any other factors deemed appropriate and relevant. Against this background, the large banks with large uninsured deposits benefitted the most from the systemic risk determination. Institutions with total assets under US\$5 billion would not be required to pay the special assessment.

It is also important to note that the FDIC, upon identifying inadequacies within its examination team as one of the contributing factors for the Signature Bank failure, reported it has taken steps to address the staffing challenges, however, more work is needed and this and other causes of the Banks' failure remain the urgent focus of attention and action by the FDIC.

## Lessons Learned

The recent bank failures in the US revealed several takeaways for regulators, supervisors, resolution authorities and deposit insurers, not only in the US, but jurisdictions worldwide to foster confidence in, and stability of, the financial system. Some of the lessons learned or key points reiterated are:

<sup>22</sup> An entity that is established to temporarily take over and maintain certain assets, liabilities and operations of a failed Bank as part of the Resolution process.

<sup>23</sup> Federal Deposit Insurance Corporation Improvement Act of 1991.

<sup>24</sup> Remarks by Chairman Martin J. Gruenberg on "Oversight of Financial Regulators: Financial Stability, Supervision, and Consumer Protection in the Wake of Recent Bank Failures" before the Committee on Banking, Housing, and Urban Affairs, United States Senate, updated May 18, 2023.

<sup>25</sup> The estimate will be periodically adjusted as assets are sold and liabilities are satisfied, and receivership expenses are incurred. Therefore, the exact number of losses incurred will be determined by FDIC.

**Robust Supervision**

**Regulators & Supervisors Must:**

- Maintain a proactive approach to monitoring financial institutions; and ensure timely reporting to all parties of findings and implementation of corrective actions.
- Monitor closely the performance, risk exposures and prudential indicators of rapidly growing banks.
- Maintain a cadre of adequate and skilled staff

**Early Warning Systems**

- Regulators & supervisors need to develop effective early warning systems and triggers to identify signs of potential bank failures.
- Timely intervention can prevent systemic risks.

**Importance of Collaboration between Financial Safety Net Partners**

- Deposit insurers must be promptly apprised of early warning signals of non-viability.
- Financial safety net partners must coordinate and collaborate promptly.
- Deposit insurers must be involved in the decision and application of resolution options for non-viable banks.

**Risk Management**

- Importance of robust risk management practices within financial institutions.
- Regular stress testing and mark to market valuation of assets should be conducted.

**Diversification of Funding Sources**

- More diversified funding sources reduces the chances of all depositors withdrawing at once.
- Regulators must assess and monitor risks where banks have a heavy reliance on uninsured deposits, which are usually quickly withdrawn, leading to further liquidity problems in times of crisis.

**Effect of Technology**

- Widespread use of social media causes news of a bank in distress to spread faster ( whether real or fake news).
- Electronic transfer causes depositors to move funds faster.

**Implications for Deposit Insurance System**

The principal public policy objectives of a deposit insurance system (DIS) are to protect depositors and contribute to financial stability. By protecting retail and other small depositors in a bank failure, deposit insurance minimizes the risk of depositor runs and mitigates contagion risk. Deposit insurance schemes therefore play an important role in the framework for managing bank failures and against this background, the mandate of deposit insurers in jurisdictions has been expanding to include resolution powers in addition to depositor reimbursement. The design and practices of deposit insurers are guided by key international standards, namely, the International Association of Deposit Insurers Core Principles for Effective Deposit Insurance Systems and the Financial Stability Board Key Attributes of Effective Resolution Regimes.

The US bank failures in 2023 have brought to the fore

the importance of deposit insurance and raises the question about its role in promoting financial system stability and preventing bank runs; and whether the design of some deposit insurance systems as they currently are, aligns with the developments and trends in financial systems. In assessing the developments of the three bank failures in the US, the following are some key implications for deposit insurance systems.

**Deposit insurers should assess whether maintaining a limited coverage, providing unlimited coverage temporarily in a crisis, unlimited coverage permanently or providing different coverage for specific groups is appropriate for their jurisdiction.** Deposit insurance protects insured depositors up to a specific limit, in the event of a failure, with the aim of preserving financial stability. It is also important to note that deposit insurance is not meant to, or

designed to, stop systemic crises. However, to deal with the US bank failures, the FDIC had to make a decision to guarantee the payment of insured and uninsured deposits of the failed banks based on the systemic risk determination at the time of the failures. The failures have reiterated the systemic impact when banks heavily rely on uninsured deposits as a funding source and how fickle these are during a crisis, as banks with a high share of uninsured deposits may be more vulnerable to rapid deposit flight. Data collected by the International Association of Deposit Insurers<sup>26</sup> indicates that deposit insurers cover approximately 41 per cent of total eligible deposits globally. Conversely, 59 per cent of deposits are uninsured. In the recent US bank failure cases, the issuing of blanket guarantees, providing protection to all insured and uninsured depositors was used to maintain confidence and stability and avoid deposit runs which would negatively impact financial system stability. Given the policy responses that may be required in a crisis, specifically in regard to uninsured deposits, deposit insurers may need to review their current approach in determining scope of coverage. This includes determining whether maintaining a limited coverage, providing unlimited coverage temporarily in a crisis, unlimited coverage permanently or providing different coverage for specific groups is appropriate for their jurisdiction.

**Policy decisions to increase coverage levels or expand scope of coverage to include existing uninsured deposits should take into consideration potential higher moral hazard risks and adequate and equitable increase in deposit insurers' funding sources.** The approach of providing 100 per cent deposit insurance in a crisis, for systemic banks (albeit may be necessary) and or as a permanent approach, will lead to increased moral hazard. In such cases, depositors and other creditors would have no incentive to exercise market discipline; additionally, during normal times banks that are deemed to be systemic will benefit by attracting funding and at much lower costs, given the perception that a blanket guarantee exist as all insured and uninsured depositors will be protected if the bank fails. This approach also signals inequity in the treatment of depositors upon the failure of a systemic bank versus a non-systemic

bank. Increase in coverage levels or expansion of scope of coverage to include existing uninsured deposits should therefore account for higher moral hazard risks. This may be mitigated by determining who bears the cost during a failure. It is important that regulators identify the banks that are systemically important as part of the ongoing monitoring and risk assessment of the sector, and prior to a crisis, and ensure that premium rates levied for deposit insurance purposes are proportionate to risk posed to the financial system. Additionally, the premium assessment framework should allow for the levying of special assessments post crisis, to ensure the system bears the cost at all times, and to build up the deposit insurance fund.

**The use of social media during a financial crisis can also escalate the crisis, albeit this may be minimized where there is a high level of confidence and trust in the deposit insurance system.** This was evidenced in the case of SVB, where private investors posted warnings regarding the bank's financial position, triggering concerns by uninsured depositors. With boundless reach of social media and depositors having ready access to electronic banking platforms, information passes quickly, and it becomes easier to move deposits. It is therefore critical that deposit insurers maintain a robust and consistent public education programme to engender confidence and trust in the deposit insurance system to minimize potential runs. Recent research by Weinstein & Muradoglu (2023) in seven jurisdictions offers empirical evidence suggesting that awareness of deposit protection reduces the odds of a bank run by about 65 per cent. However, the literature also suggests that during periods of financial stress, the likelihood of a bank run by uninsured depositors is higher compared to insured depositors. The members of the financial safety net should also have a coordinated inter-agency crisis communication strategy and speak with one voice promptly to counter any negative impact social media could have on developments in the financial system.

**Legislation should provide for the use of the deposit insurance fund for resolution, other than the payout of depositors subject to safeguards and provide for levying special premiums on the banking system.**

The deposit insurer should have the power to use the deposit insurance fund other than for the payout of depositors (liquidation), and specifically, in the failure preventive phase and or to finance non-payout resolution options. The provisions for the use of the DIF in resolution, should be supported by express rules to safeguard the use of funds and to ensure equity and transparency. Where deposits may need to be fully covered, it is critical that the legal framework gives the deposit insurer the power to recover the cost to the deposit insurance fund from the system and build up the fund by levying special premiums.

**There are benefits when the deposit insurer is appointed liquidator/receiver of an insolvent bank.**

The failure of an insolvent bank will result in a formal liquidation under the auspices of an official. In some cases that role is assumed by a deposit insurer or some governmental body, while in other cases an independent outside party, for example, a licensed professional, is appointed. A liquidator usually is charged with turning the insolvent bank's assets into cash and distributing the proceeds among claimants

according to their ranking as determined by a country's statutory or decisional law. There are however benefits when the role of liquidator/receiver of a failed bank is assumed by the deposit insurer. This is against the background that in a bank failure and insolvency proceedings, the deposit insurer is the largest creditor and will have an incentive to expedite the liquidation process as soon as is possible. The deposit insurer's oversight and prompt termination of liquidation preserves value for the uninsured depositors and other claimants including the deposit insurer (subrogee), by reducing overhead and other holding costs. By quickly returning the assets of a failed institution to the private sector, the deposit insurer maximizes net recoveries and minimizes disruption to the financial system and the economy.

The Corporation will continue to monitor these and other emerging trends and developments as it proactively pursues the strengthening of its policies, procedures, and systems for the enhancement of its crisis management and resolution management framework.

# BOARD OF DIRECTORS AND SENIOR EXECUTIVES' COMPENSATION

## BOARD OF DIRECTORS

Name and Position of Director	Fees (\$)	Motor Vehicle Upkeep Travelling or Value of Assignment (\$)	Honoraria (\$) (\$))	All Other Compensation including Non-Cash Benefits as applicable (\$)	Total (\$)
Myrtle Halsall Chairman	95,900	-	-	-	95,900
Dr Jide Lewis, Director	58,400	-	-	-	58,400
Aisha Wright, Director	42,500	-	-	-	42,500
Herbert Hylton, Director	69,400	-	-	-	69,400
Linda Wright-Ashley Director	36,000	-	-	-	36,000
Blondell Walker, Director	-	-	-	-	-
Antoinette McKain Director/CEO	-	-	-	-	-
<b>TOTAL</b>	<b>302,200</b>				<b>302,200</b>

## SENIOR EXECUTIVE COMPENSATION

Name And Position Of Senior Executive	Year	Salary (\$)	Gratuity or Performance Incentive (\$)	Travelling Allowance or Value of Assignment of Motor Vehicle (\$)	Pension or Other Retirement Benefits (\$)	Other Allowances /Benefits (\$)	Non-Cash Benefits (\$)	Total (\$)
Antoinette McKain Chief Executive Officer	FY2022/23	12,420,903	267,099	3,439,800	1,749,144	1,754,118	-	19,631,064
Ronald Edwards Chief Finance and Corporate Services Officer	FY2022/23	7,858,444	-	1,697,148	912,947	641,443	-	11,109,981
Eloise Williams Dunkley Chief Monitoring and Resolution Officer	FY2022/23	9,118,859	578,113	1,697,148	1,129,633	918,983	-	13,442,736
Leah Bobb-Semple General Counsel / Corporate Secretary (Appointed January 2023)	FY2022/23	2,116,043	-	393,825	-	22,634	-	2,532,502
Dawn Marie Brown Director, Monitoring and Risk Assessment	FY2022/23	6,283,837	578,113	1,697,148	851,331	1,031,854	-	10,442,283
Marjorie McGrath Director, Corporate Planning and Communications	FY2022/23	6,283,837	234,660	1,697,148	761,856	524,866	-	9,502,367
Doraine Wright Director, Human Resource and Administration	FY2022/23	4,659,016	-	1,697,148	546,346	592,793	-	7,495,302
Michael Allen Director, Finance and Investment (Appointed July 4, 2022)	FY2022/23	4,325,794	-	1,272,861	382,242	399,107	-	6,380,004
Camille Frazer Director, Intervention Resolutions and International Relations (Appointed Sept. 1, 2022)	FY2022/23	3,191,665	391,259	990,003	649,351	531,159	-	5,753,438
Clover Edwards Senior Legal Officer (Appointed March 2023)	FY2022/23	425,126	-	130,550	-	-	-	555,676
<b>TOTAL</b>		<b>56,683,524</b>	<b>2,049,244</b>	<b>14,712,779</b>	<b>6,982,849</b>	<b>6,416,957</b>	<b>-</b>	<b>86,845,353</b>

### Notes

1. Other Allowances / Benefits include medical and group life premiums, vacation leave payments, COVID-19 Assistance payments, lunch subsidy, interest rate subsidy.
2. Where a non-cash benefit is received (e.g., government housing), the value of that benefit shall be quantified and stated in the appropriate column above.

# AUDITED FINANCIAL STATEMENTS



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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 91 to 139, which comprise the statement of position as at March 31, 2023, the statements of profit or loss 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 the 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, 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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 Standards 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

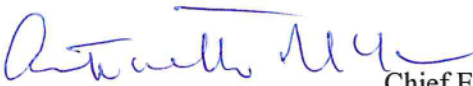
July 28, 2023

**Statement of Financial Position  
March 31, 2023**

	<u>Notes</u>	<u>2023</u> \$'000	<u>2022</u> \$'000
<b>ASSETS</b>			
Cash and cash equivalents	3(a)	3,009,493	1,305,671
Investment securities	5	33,077,634	30,599,780
Other receivables	6	42,353	191,401
Property, plant and equipment	7	333,160	268,917
Right-of-use-asset	13	41,410	-
Employee benefits asset	14	<u>15,268</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<b><u>36,519,318</u></b>	<b><u>32,365,769</u></b>
<b>LIABILITIES, EQUITY, RESERVES AND FUND</b>			
<b>LIABILITIES</b>			
Unearned premium income	8	1,433,951	357,122
Lease Liability	13	41,327	-
Trade and other payables		54,658	37,617
Employee benefits obligation	14	<u>46,106</u>	<u>-</u>
		<u>1,576,042</u>	<u>394,739</u>
<b>EQUITY, RESERVES AND FUND</b>			
Share capital	9	1,000	1,000
Capital reserves	10	231,938	158,145
Fair value reserves	11	( 389,923)	436,381
Deposit insurance fund	12	<u>35,100,261</u>	<u>31,375,504</u>
		<u>34,943,276</u>	<u>31,971,030</u>
<b>TOTAL LIABILITIES, EQUITY, RESERVES AND FUND</b>		<b><u>36,519,318</u></b>	<b><u>32,365,769</u></b>

The financial statement on pages 91 to 139 were approved for issue by the Board of Directors on July 27, 2023 and signed on its behalf by:

  
 Myrtle Halsall  
 Chairman

  
 Antoinette McKain  
 Chief Executive Officer

## Statement of Profit and Loss and Other Comprehensive Income Year ended March 31, 2023

	<u>Notes</u>	<u>2023</u> \$'000	<u>2022</u> \$'000
<b>Income:</b>			
Insurance premiums	3(e)	2,284,194	1,997,573
Interest earned			
calculated using the effective interest method	3(e)	2,028,915	1,282,238
Other income		<u>119,098</u>	<u>5,679</u>
		4,432,207	3,285,490
<b>Expenses:</b>			
Administration expenses	15	( 631,043)	( 429,919)
Impairment (loss)/gain on financial assets	18(b)(iv)	( 4,913)	<u>35,042</u>
Profit on operations before net finance cost/income		<u>3,796,251</u>	<u>2,890,613</u>
<b>Finance (cost)/income:</b>			
Foreign exchange (loss)/gain		( 144,757)	<u>382,893</u>
Profit from operations		<u>3,651,494</u>	<u>3,273,506</u>
<b>Other comprehensive loss:</b>			
Items that may be reclassified to profit or loss:			
Unrealised loss on securities measured at fair value through other comprehensive income (FVOCI)		( 831,024)	( 340,358)
Expected credit loss/(recovery) on securities measured at FVOCI		<u>4,720</u>	<u>( 16,778)</u>
		( 826,304)	( 357,136)
Items that may not be reclassified to profit or loss:			
Re-measurements of post-employment benefit		73,263	-
Revaluation of property, plant and equipment		<u>73,793</u>	<u>-</u>
Other comprehensive loss		( 679,248)	( 357,136)
Total comprehensive income		<u>2,972,246</u>	<u>2,916,370</u>

### Statement of Changes in Equity, Reserves and Fund Year ended March 31, 2023

	<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, 2021	<u>1,000</u>	<u>158,145</u>	<u>793,517</u>	<u>28,101,998</u>	<u>29,054,660</u>
Profit 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>
Profit from operations	-	-	-	3,651,494	3,651,494
Other comprehensive income:					
Revaluation gain on property plant and equipment	-	73,793	-	-	73,793
Remeasurement of post-employment benefit	-	-	-	73,263	73,263
Unrealised loss on securities measured at FVOCI	-	-	(831,024)	-	( 831,024)
Expected credit loss on securities measured at FVOCI	<u>-</u>	<u>-</u>	<u>4,720</u>	<u>-</u>	<u>4,720</u>
Total comprehensive income	<u>-</u>	<u>73,793</u>	<u>(826,304)</u>	<u>3,724,757</u>	<u>2,972,246</u>
Balances at March 31, 2023	<u>1,000</u>	<u>231,938</u>	<u>(389,923)</u>	<u>35,100,261</u>	<u>34,943,276</u>

## Statement of Cash Flows

### Year ended March 31, 2023

	<u>Notes</u>	<u>2023</u> \$'000	<u>2022</u> \$'000
Cash flows from operating activities:			
Profit for the year		3,651,494	3,273,506
Adjustments for:			
Depreciation	7,13	37,696	34,163
Interest income		( 2,028,915)	(1,282,238)
Interest expense on lease		1,677	
Employee benefit		104,101	-
Foreign exchange gain		144,757	382,893
Loss on disposal of asset		633	-
Impairment gain on financial assets	18(b)(iv)	<u>4,913</u>	<u>( 35,042)</u>
Operating profit before changes in working capital		<u>1,916,356</u>	<u>2,373,282</u>
Changes in:			
Trade and other receivables		149,048	( 165,783)
Trade and other payables		17,041	( 15,607)
Unearned premium income		<u>1,076,829</u>	<u>( 70,115)</u>
		<u>1,242,918</u>	<u>( 251,505)</u>
Net cash provided by operations		<u>3,159,274</u>	<u>2,121,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Addition to property, plant and equipment	7	( 20,707)	( 19,713)
Proceeds property, plant and equipment		210	-
Acquisition of investment securities		(24,091,656)	(19,713,739)
Proceeds from sales of investment securities		20,772,551	13,243,875
Interest received		<u>1,894,192</u>	<u>1,935,083</u>
Net cash used in investing activities		<u>( 1,445,410)</u>	<u>(4,554,494)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Lease repayment; being net cash used by financing activity		<u>( 10,042)</u>	<u>-</u>
Increased/(decrease) in cash balance at end of year		1,703,822	(2,432,717)
Cash balance at the beginning of the year		<u>1,305,671</u>	<u>3,738,388</u>
Cash balance at the end of the year		<u>3,009,493</u>	<u>1,305,671</u>

## Notes to the Financial Statements

### March 31, 2023

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

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 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 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 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.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.
- 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 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)

A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

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

The Corporation is assessing the impact that 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:

- Property, plant and equipment which are carried at revalued cost.
- 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 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.

Key assumption concerning the future of the sources of estimation uncertainty:

##### (1) Impairment of financial assets:

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

##### (2) 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 3. Significant Accounting Policies

##### (a) Cash and cash equivalents

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

##### (b) Other receivables

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 profit 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 3. Significant Accounting Policies (continued)

##### (d) Trade and other payables

Trade and other payables are measured in terms of 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 over time 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 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 Other Comprehensive Income (FVOCI):

- financial assets that are debt instruments;
- financial assets that are amortised cost;

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;

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 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*

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.

###### *Impairment of non-financial assets:*

At each reporting date, the Corporation reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists for any assets, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 3. Significant Accounting Policies (continued)

##### (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.

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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 3. Significant Accounting Policies (continued)

##### (j) Financial instruments (continued)

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

##### (a) Debt Instruments (continued)

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

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

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

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

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

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

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 3. Significant Accounting Policies (continued)

##### (j) Financial instruments (continued)

##### (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 profit 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.

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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 3. Significant Accounting Policies (continued)

##### (j) Financial instruments (continued)

##### (iv) Derecognition (continued)

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.

##### (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*.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 3. Significant Accounting Policies (continued)

##### (j) Financial instruments (continued)

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

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.

##### (k) Employee benefits:

Employee benefits comprising pensions assets included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Corporation's post-employment benefits assets as computed by the actuary.

##### (i) Pension assets:

The Corporation is a participating employer in a defined benefit pension scheme, the assets of which are held separately from those of the Corporation, and remain under the full control of the appointed trustees.

The Corporation's net obligation in respect of its defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any scheme assets is deducted. To the extent that the obligation is less than the fair value of scheme assets, the asset recognised is restricted to the discounted value of unconditional future benefits available to the Corporation in the form of any future refunds from the scheme or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. The discount rate applied is the yield at the reporting date on long-term government instruments that have maturity dates approximating the terms of the Corporation's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 3. Significant Accounting Policies (continued)

##### (k) Employee benefits (continued):

##### (i) Pension assets (continued):

Remeasurements of the net defined benefit (asset)/liability which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in profit or loss as incurred.

##### (ii) Other post-retirement health insurance benefits:

The Corporation provides post-retirement health insurance benefits, which are not entitlements, to certain of its retirees. These benefits are usually conditional upon the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans and the present value of future benefits at the reporting date is shown as an obligation on the statement of financial position.

Actuarial gains and losses are recognised in a manner similar to the defined benefit pension plan.

##### (l) Leases:

At inception of a contract, the Corporation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Corporation uses the definition of a lease in IFRS 16.

##### i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Corporation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Corporation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Corporation by the end of the lease term or the cost of the right-of-use asset reflects that the Corporation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 3. Significant Accounting Policies (continued)

##### (l) Leases (continued):

##### i. As a lessee (continued)

The lease liability is initially measured at the present value of the scheduled lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Corporation's incremental borrowing rate. Generally, the Corporation uses its incremental borrowing rate as the discount rate.

The Corporation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Corporation is reasonably certain to exercise, lease payments in an optional renewal period if the Corporation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Corporation is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Corporation's estimate of the amount expected to be payable under a residual value guarantee, if the Corporation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### *Short-term leases and leases of low-value assets*

The Corporation has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Corporation recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 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>2023</u> \$'000	<u>2022</u> \$'000
(a) Amortised Cost:		
Government of Jamaica	10,885,230	10,441,894
Impairment [note 18(b)(iv)]	( 13,105)	( 12,912)
Interest accrued	<u>115,419</u>	<u>102,639</u>
	<u>10,987,544</u>	<u>10,531,621</u>
(b) Fair Value through Other Comprehensive Income:		
Government of Jamaica	21,641,463	19,741,475
Interest accrued	<u>448,627</u>	<u>326,684</u>
	<u>22,090,090</u>	<u>20,068,159</u>
	<u>33,077,634</u>	<u>30,599,780</u>

#### (c) Remaining term to contractual maturity

	<u>2023</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	-	-	8,316,957	8,316,957
Benchmark investment note	-	459,257	-	459,257
BOJ FR JMD CD	989,710	1,119,306	-	2,109,016
Interest accrued	115,419	-	-	115,419
Impairment loss	<u>-</u>	<u>( 193)</u>	<u>( 12,912)</u>	<u>( 13,105)</u>
	1,105,129	1,578,370	8,304,045	10,987,544
Fair Value through Other Comprehensive Income:				
Government of Jamaica-				
Benchmark investment note	69,325	9,950,243	1,827,714	11,847,282
GOJ Global Bond	-	6,563,004	3,231,177	9,794,181
Interest accrued	<u>448,627</u>	<u>-</u>	<u>-</u>	<u>448,627</u>
	<u>517,952</u>	<u>16,513,247</u>	<u>5,058,891</u>	<u>22,090,090</u>
	<u>1,623,081</u>	<u>18,091,617</u>	<u>13,362,936</u>	<u>33,077,634</u>

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 5. Investment securities (continued)

##### (c) Remaining term to contractual maturity (continued)

	2022			
	Under 1 <u>year</u> \$'000	1 to 5 <u>years</u> \$'000	over 5 <u>years</u> \$'000	carrying <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	326,684	-	-	326,684
	<u>3,058,408</u>	<u>12,871,765</u>	<u>4,137,986</u>	<u>20,068,159</u>
	<u>4,956,426</u>	<u>13,345,755</u>	<u>12,297,599</u>	<u>30,599,780</u>

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

	2023			
	Under 1 <u>year</u> %	1 to 5 <u>years</u> %	over 5 <u>years</u> %	carrying <u>value</u> %
Fixed rate accreting notes	-	-	10.00	10.00
Benchmark investment notes	11.05	6.26	7.22	8.18
GOJ Global bond	-	<u>6.78</u>	<u>6.29</u>	<u>6.54</u>
	2022			
	Under 1 <u>year</u> %	1 to 5 <u>years</u> %	over 5 <u>years</u> %	carrying <u>value</u> %
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>

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 6. Other receivables

	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Withholding tax recoverable	5,712	163,083
Prepayments	5,999	3,379
GCT input tax	22,891	23,096
Other recoverable	<u>7,751</u>	<u>1,843</u>
	<u>42,353</u>	<u>191,401</u>

#### 7. Property, plant and equipment

	<u>Land</u>	<u>Building &amp; freehold improvement</u>	<u>Furniture &amp; fixtures</u>	<u>Work-in-progress</u>	<u>Computers machines &amp; equipment</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At cost:						
March 31, 2021	79,000	101,000	17,168	-	157,977	355,145
Additions	<u>-</u>	<u>-</u>	<u>679</u>	<u>2,715</u>	<u>16,319</u>	<u>19,713</u>
March 31, 2022	79,000	101,000	17,847	2,715	174,296	374,858
Disposal			-	-	( 2,139)	( 2,139)
Adjustments			( 1,313)		1,313	-
Revaluation	53,000	8,314	-	-	-	61,314
Additions	<u>-</u>	<u>-</u>	<u>124</u>	<u>15,899</u>	<u>4,684</u>	<u>20,707</u>
March 31, 2023	<u>132,000</u>	<u>109,314</u>	<u>16,658</u>	<u>18,614</u>	<u>178,154</u>	<u>454,740</u>
Depreciation:						
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	-	3,996	17,846	-	84,099	105,941
Revaluation	-	( 12,479)	-	-	-	( 12,479)
Adjustments		8,055	(5,607)	-	( 2,448)	-
Release on disposal	-	-	-	-	( 1,296)	( 1,296)
Charge for the year	<u>-</u>	<u>2,778</u>	<u>561</u>	<u>-</u>	<u>26,075</u>	<u>29,414</u>
March 31, 2023	<u>-</u>	<u>2,350</u>	<u>12,800</u>	<u>-</u>	<u>106,430</u>	<u>121,580</u>
Net book values:						
March 31, 2023	<u>132,000</u>	<u>106,964</u>	<u>3,858</u>	<u>18,614</u>	<u>71,724</u>	<u>333,160</u>
March 31, 2022	<u>79,000</u>	<u>97,004</u>	<u>1</u>	<u>2,715</u>	<u>90,197</u>	<u>268,917</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 January 2023. The revaluation surplus arising on revaluation was credited to capital reserves in shareholders' equity.

## Notes to the Financial Statements (Continued) March 31, 2023

### 7. Property, plant and equipment (continued)

Management has determined that the valuation carried in the financial statements on the basis of the last external valuation do not need further adjustments as at March 31, 2023.

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

	<u>2023</u> \$'000	<u>2022</u> \$'000
Cost	36,591	36,591
Accumulated depreciation	(17,753)	(16,839)
Net book value	<u>18,838</u>	<u>19,752</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"> <li>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.</li> <li>The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past.</li> <li>However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties</li> </ul>	<ul style="list-style-type: none"> <li>Details of the sales of comparable properties</li> <li>Conditions influencing the sale of the comparable properties.</li> <li>Comparability adjustment.</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>Sale value of comparable properties were higher/(lower).</li> <li>Comparability adjustment were higher/(lower).</li> </ul>

## Notes to the Financial Statements (Continued)

### March 31, 2023

8. Unearned premium income

The unearned premium income balance of \$1,433,951,000 (2022: \$357,122,000) 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 18 (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>2023</u> \$'000	<u>2022</u> \$'000
Balance as at April 1	31,375,504	28,101,998
Profit from operations:		
Profit from insurance operations	2,284,194	1,997,573
Re-measurements of post- employment benefits	73,263	-
Profit from investment and administration operation	<u>1,367,300</u>	<u>1,275,933</u>
Deposit insurance fund at year end	<u>35,100,261</u>	<u>31,375,504</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.

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).

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 13. Lease

The corporation leases office space to be used only for office accommodation and allotted four (4) parking spaces in the basement. The lease agreement for offices is three (3) years with an option to renew.

##### (i) Amounts recognised in the statement of financial position

	2023 \$'000	2022 \$'000
Cost:		
March 31, 2023	<u>49,692</u>	<u>-</u>
Depreciation:		
March 31, 2023	<u>8,282</u>	<u>-</u>
Net book value:		
March 31, 2023	<u>41,410</u>	<u>-</u>
Lease liability:		
Current	17,904	-
Non-current	<u>23,423</u>	<u>-</u>
Total liability	<u>41,327</u>	<u>-</u>
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	21,033	
One to three years	<u>30,462</u>	

##### (ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2023 \$'000	2022 \$'000
Depreciation charge of right-of-use asset`	<u>8,282</u>	<u>-</u>
Interest expense	<u>1,677</u>	<u>-</u>
The total cash outflow for leases	<u>10,042</u>	<u>-</u>

#### 14. Employee benefits

The Corporation participates in a defined benefit pension scheme effective April 1, 2022 which is fully funded. The scheme is open to all permanent employees of the Corporation and is administered by trustees. Under the scheme, retirement benefits are based on average earnings during the three years preceding retirement. The scheme is funded by employee contributions at 5% and employer contributions of 12.5% of salary, as recommended by independent actuaries. Members may also make voluntary contributions of up to 5% of their earnings.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 14. Employee benefits (continued)

The assets of the scheme are held independently of the Corporation's assets in a separate trustee-administered fund. The scheme is valued by independent actuaries annually using the projected unit credit method for the purposes of determining the amount to be recognised by the Corporation. The latest actuarial valuation was carried out as at 31 March 2023.

The amounts recognised are computed as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Pension benefits	(15,268)	-
Post-employment health and group life insurance benefit	<u>46,106</u>	<u>-</u>

#### (i) Pension benefits:

- (a) The defined benefit asset amounts relating to the Corporation and recognised in the statement of financial position are determined as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Present value of funded obligations	67,577	-
Fair value of plan assets	<u>( 82,845)</u>	<u>-</u>
Asset recognised in statement of financial position	<u>( 15,268)</u>	<u>-</u>

- (b) The movement in the retirement benefit asset recognised in the statement of financial position is as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Expenses recognised in net profit	(102,183)	-
Re-measurements recognised in other comprehensive income	44,753	-
Contributions paid	<u>72,698</u>	<u>-</u>
At end of year	<u>( 15,268)</u>	<u>-</u>

- (c) The movement in the present value of the funded obligation is as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Current service cost	10,231	-
Past service	94,362	-
Employee contributions paid	8,671	-
Remeasurement:		
Changes in financial assumptions	( 39,724)	-
Experience adjustments	<u>( 5,963)</u>	<u>-</u>
Present value of funded obligation as at March 31	<u>67,577</u>	<u>-</u>

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 14. Employee Benefits (continued)

(c) The movement in the fair value of plan assets for the year is as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Employee contributions	8,670	-
Employer contributions	72,699	-
Interest income on plan asset	2,631	-
Remeasurement of plans asset	( 934)	-
Admin fees	( 221)	-
Fair value of plan assets at March 31	<u>82,845</u>	<u>-</u>

The Corporation's share of plan assets consists of the following:

	2023		2022	
	\$'000	%	\$'000	%
Equity	9,973	12.04	-	-
Mortgage and real estate	17,235	20.80	-	-
Fixed income	8,333	10.06	-	-
Money market	5,252	6.34	-	-
Foreign currency investments	7,393	8.92	-	-
Consumer Price Index	<u>34,659</u>	<u>41.84</u>	-	-
	<u>82,845</u>	<u>100.00</u>	<u>-</u>	<u>-</u>

(d) The amounts recognised in net profit are as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Current service cost	( 10,231)	-
Interest cost on defined benefit obligations	( 94,583)	-
Interest income on plan assets	<u>2,631</u>	<u>-</u>
	<u>(102,183)</u>	<u>-</u>

(e) The amounts recognised in other comprehensive income are as follows:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Re-measurements:		
Change in financial assumptions	39,724	-
Experience adjustments	5,963	-
Loss on plan assets	( 934)	-
	<u>44,753</u>	<u>-</u>

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 14. Employee Benefits (continued)

(f) The principal actuarial assumptions used were as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	13.0	-
Future salary increases	6.5	-
Inflation	<u>5.5</u>	<u>-</u>

The expected return on plan assets was determined by considering the expected returns on the assets underlying the current investment policy. Expected yields on fixed-interest investments are based on gross redemption yields as at the date of the statement of financial position. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

The estimated pension contributions expected to be paid into the plan by the Corporation for the next financial year is \$13,890,000.

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	<u>Impact on post-employment obligations</u>		
	Increase in assumption	Change in assumption \$'000	Decrease in assumption \$'000
Discount rate	(4,808)	+1	5,630
Future salary increases	<u>1,386</u>	<u>-1</u>	<u>(1,226)</u>

At March 31, 2023, the weighted average duration of the defined benefit obligation was 8.7 years (2022: \$Nil).

Impact on the projected post-employment obligation of a one year increase in life expectancy is an increase of approximately \$680,000 (2022: \$Nil).

(ii) Post-employment health benefits:

(a) Liability recognised in the statement of financial position:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Present value of future obligations, being liability recognised in statement of financial position	<u>46,106</u>	<u>-</u>

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 14. Employee benefits (continued)

##### (ii) Post-employment health benefits (continued):

##### (b) Movements in the net liability recognised in the statement of financial position:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Income/(expense) recognised in the statement of profit or loss and other comprehensive income, being net liability at the end of the year	<u>46,106</u>	<u>-</u>

##### (c) Expense recognised in profit for the year:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Current service costs	2,745	-
Past service cost	<u>71,871</u>	<u>-</u>
	<u>74,616</u>	<u>-</u>

##### (d) Remeasurements recognised in other comprehensive income:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Remeasurement gain on obligation	<u>(28,510)</u>	<u>-</u>

##### (e) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2023</u> %	<u>2022</u> %
Discount rate	13.00	-
Annual increase in health-care cost	7.50	-

Actuarial assumptions regarding mortality, inflation, etc., follows the same basis on those outlined in note 14(i)(f).

##### (f) Sensitivity analysis of principal actuarial assumptions:

	<u>One percentage point increase</u>		<u>One percentage point decrease</u>	
	<u>2023</u> \$'000	<u>2022</u> \$'000	<u>2023</u> \$'000	<u>2022</u> \$'000
Discount rate	(5,274)	-	6,312	-
Health-care cost increases	<u>6,388</u>	<u>-</u>	<u>(5,408)</u>	<u>-</u>

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 14. Employee benefits (continued)

(ii) Post-employment health benefits (continued):

(f) Sensitivity analysis of principal actuarial assumptions (continued):

Impact on the projected post-employment obligation of a one year increase in life expectancy is an increase of approximately \$1,790,000 (2022: \$Nil)

#### ***Risks associated with pension plans and post-employment plans***

Through its defined benefit pension plan, the Corporation is exposed to a number of risks, the most significant of which are detailed below:

##### **Asset volatility**

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the Corporation intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds represent investments in Government of Jamaica securities.

The Corporation believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Corporation's long-term strategy to manage the plans efficiently. See below for more details on the Corporation's asset-liability matching strategy.

##### **Changes in bond yields**

A decrease in the Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

##### **Inflation risk**

Higher inflation will lead to higher liabilities. Most of the plan's assets are unaffected by fixed-interest bonds, meaning that an increase in inflation will reduce the surplus or create a deficit.

##### **Life expectancy**

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant where inflationary increases result in higher sensitivity to changes in life expectancy.

## Notes to the Financial Statements (Continued)

### March 31, 2023

15. <u>Expenses by nature</u>		
	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Auditors' remuneration	4,500	4,479
Depreciation (note 7 and 13)	37,696	34,163
Directors' emoluments –		
Fees	302	1,005
Management remuneration	20,563	41,978
Printing and stationery	1,281	1,087
Professional fees	64,445	66,048
Public education	48,493	33,948
Repairs and maintenance	3,918	5,573
Staff costs (excluding directors' management remuneration)	385,384	<u>195,659</u>
Utilities	15,095	12,754
Other expenses	<u>49,366</u>	<u>33,225</u>
	<u>631,043</u>	<u>429,919</u>
16. <u>Staff costs</u>		
	<u>2023</u>	<u>2022</u>
	\$'000	\$'000
Wages and salaries	176,093	135,089
Pension	178,096	-
Statutory contributions	10,402	12,404
Others	<u>20,793</u>	<u>49,166</u>
	385,384	196,659
Management remuneration	<u>20,563</u>	<u>41,978</u>
	<u>405,947</u>	<u>238,637</u>

The number of people employed by the Corporation at the end of the year was 29 (2022: 25).

## Notes to the Financial Statements (Continued)

### March 31, 2023

17. 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>2023</u> \$'000	<u>2022</u> \$'000
Investment balance	<u>24,268,433</u>	<u>26,670,008</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>2023</u> \$'000	<u>2022</u> \$'000
Investment balance, net of impairment	2,109,016	1,728,006
Cash balance	<u>3,009,493</u>	<u>1,305,487</u>
	<u>5,118,509</u>	<u>3,033,493</u>

(c) Transactions and balances with key management:

	<u>2023</u> \$'000	<u>2022</u> \$'000
Wages and salaries	73,417	24,301
Statutory contributions	6,375	1,286
Other staff benefits	<u>3,455</u>	<u>12,014</u>
	<u>83,247</u>	<u>37,601</u>

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. Financial risk management

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

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

The Corporation's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and 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 be approved by the Board of Directors from time to time.

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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. Financial risk management (continued)

##### (a) Market risk (continued)

##### (i) Currency risk (continued)

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, 2023. The Corporation has no foreign currency liabilities.

	<u>2023</u> \$'000	<u>2022</u> \$'000
J\$ equivalent		
Financial assets		
Investment securities	9,675,213	9,172,311
Cash at bank	<u>5,617</u>	<u>3,111</u>
	<u>9,680,830</u>	<u>9,175,422</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> 2023	Effect on profit and <u>deposit fund</u> 2023 \$'000	<u>% change in</u> <u>currency</u> 2022	Effect on profit and <u>deposit fund</u> 2022 \$'000
US\$ against the J\$-				
Revaluation	(1)	( 96,808)	(2)	(183,508)
Devaluation	<u>4</u>	<u>387,233</u>	<u>8</u>	<u>734,033</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 manages this risk by carefully monitoring interest rate movements.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. Financial risk management (continued)

##### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

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

	2023		
	US\$ denominated \$'000	J\$ denominated \$'000	Total \$'000
J\$ Equivalent			
Fixed-rate	9,674,182	22,278,058	32,072,240
Variable rate	<u>-</u>	<u>454,453</u>	<u>454,453</u>
	<u>9,674,182</u>	<u>22,732,511</u>	<u>32,526,693</u>
	2022		
	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>

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 profit 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. Financial risk management (continued)

##### (a) Market risk (continued)

##### (ii) Interest rate risk (continued)

##### *Fair value sensitivity for fixed rate instruments (continued):*

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>2023</u> \$'000	Effect on <u>equity</u> <u>2022</u> \$'000
<u>Jamaica dollar instruments</u>		
Change in basis points:		
(2023: - 50) (2022: - 100)	(111,390)	(103,478)
(2023: + 100) (2022: + 100)	<u>222,781</u>	<u>103,478</u>
<u>US dollar instruments</u>		
Change in basis points:		
(2023: - 50) (2022: - 100)	( 48,971)	(89,994)
(2023: + 100) (2022: + 100)	<u>97,942</u>	<u>89,994</u>

##### *Cash flow sensitivity analysis for variable rate instruments:*

A change of +100/-50 (2022: +/-100) basis points in interest rates at the reporting date would have increased/(decreased) profit 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 2022.

	<u>2023</u>		<u>2022</u>	
	<u>Effect on profit from operations</u>		<u>Effect on profit from operations</u>	
	100bp Increase <u>\$'000</u>	50bp decrease <u>\$'000</u>	100bp increase <u>\$'000</u>	100bp decrease <u>\$'000</u>
Cash flow sensitivity	<u>9,675</u>	<u>(9,675)</u>	<u>5,572</u>	<u>(5,572)</u>

##### (iii) Other price risks

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 risks.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. Financial risk management (continued)

##### (b) Credit risk

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

##### (i) Management of credit risk

Credit risk is the single largest risk for the Corporation's business; management, therefore carefully manages its exposure to credit risk. Credit risk management and controls are 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 the concentration of exposure to counterparties.

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

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

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

- Cash and cash equivalents

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

- 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. Financial risk management (continued)

##### (b) Credit risk (continued)

##### (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.

	Debt securities – FVOCI	
	2023	2022
	Stage 1	
	12-month	
	ECL	Total
	\$'000	\$'000
Credit grade		
Non- investment grade[note 5(b)]	<u>20,641,463</u>	<u>19,741,475</u>
Loss allowance	<u>31,858</u>	<u>27,137</u>
	Debt securities – Amortised	
	2023	2022
	Stage 1	
	12-month	
	ECL	Total
	\$'000	\$'000
Credit grade		
Non- investment grade[note 5(a)]	<u>10,885,230</u>	<u>10,441,894</u>
Loss allowance	<u>13,105</u>	<u>12,912</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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Impairment (continued)

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

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Please see below which includes an explanation of how the Corporation has incorporated this in its ECL models.
- 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. 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, 2022 and March 31, 2023, 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. Financial risk management (continued)

##### (b) Credit risk (continued)

##### (iv) Impairment (continued)

##### (d) *Loss allowance (continued)*

##### Debt securities –FVOCI:

	Stage 1 12-month ECL	
	2023	2022
	\$'000	\$'000
Balance as at April 1	27,138	43,916
Net remeasurement of loss allowance	<u>4,720</u>	<u>(16,778)</u>
Balance as at March 31	<u>31,858</u>	<u>27,138</u>

##### Debt securities –Amortised Cost:

	Stage 1 ECL	
	2023	2022
	\$'000	\$'000
Balance as at April 1	12,912	31,176
Net remeasurement of loss allowance	<u>193</u>	<u>(18,264)</u>
Balance as at March 31	<u>13,105</u>	<u>12,912</u>
Impairment loss on financial assets	<u>4,913</u>	<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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 18. Financial risk management (continued)

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

As at December 31, 2022, there were 11 (2021: 11) Member Institutions with total insured deposits estimated at \$526.9 billion (2021: \$502.8 billion), of which the DIF covered 6.4% (2021: 6.1%). 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 Member Institution, which was not readily estimated due to the unavailability of data on specific loss experience.

Where the Supervisor of Banks determines that a Member Institution's future viability or solvency is at risk, or the Member Institution becomes insolvent, the Corporation may be required to pay out depositors or aid in the financing the decided resolution strategy with the ultimate objective of protecting depositors and contribute to financial system confidence and stability, in keeping with the powers of the DIA. In the event 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 Member Institutions.

#### 19. 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.

## Notes to the Financial Statements (Continued)

### March 31, 2023

19. Fair values of financial instruments (continued)

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

Level 2

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

Level 3

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

(i) Valuation technique and significant un-observation inputs

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

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

## Notes to the Financial Statements (Continued)

### March 31, 2023

#### 19. 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:

	2023			
	<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>21,641,463</u>	<u>21,641,463</u>	<u>21,641,463</u>
	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>

#### 20. Capital commitment

As at March 31, 2023 the Corporation had capital commitment in relation to the development of the Payout Management Information System (PMIS) at the budgeted cost of \$Nil million (2022: \$30 million).



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✉ Email: [jdic@jdic.org](mailto:jdic@jdic.org) ▶ Jamaica Deposit 🌐 [www.jdic.org](http://www.jdic.org) 📺 @jdicjam