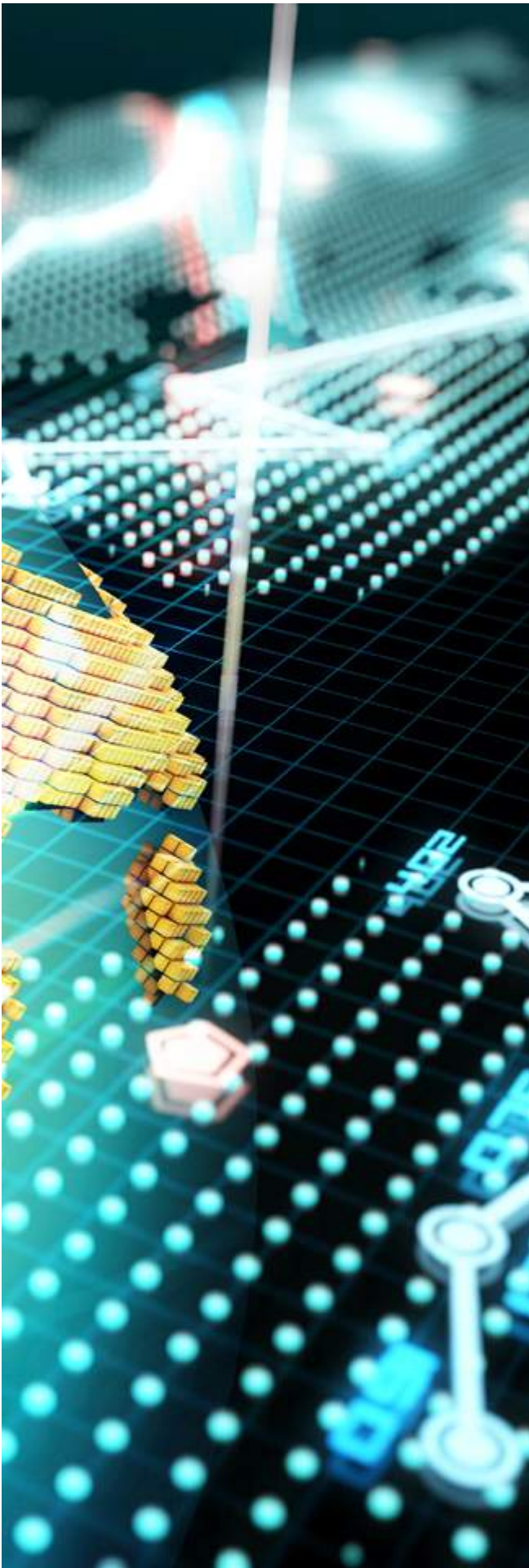




ESN

ANNUAL REPORT

ECSRC
EASTERN CARIBBEAN
SECURITIES
REGULATORY COMMISSION



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St Kitts and Nevis

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VISION

To be a competent and proactive regulator of a vibrant and competitive Eastern Caribbean Securities Market.

MISSION

To ensure integrity, probity, efficiency and transparency in the operations of the Eastern Caribbean Securities Market and its participants, to protect investors and facilitate market development.

CORE VALUES

Integrity: We are committed to demonstrating the highest ethical standards to inspire confidence and trust

Professionalism and Commitment: We shall perform our duties with the highest level of professionalism and commitment to the needs and expectations of the investing public and all other participants on the ECSM

Excellence and Innovation: We are dedicated to maintaining the highest standards of excellence and shall continually pursue knowledge and learning

Client-oriented: We shall meet and exceed the needs of all our stakeholders, fairly and in accordance with the law

Collaboration and Teamwork: We shall work together within the Commission and in collaboration with our stakeholders in the provision of our services

24 January 2020

Dear Sirs

In accordance with *Article 29(1)* of the Eastern Caribbean Securities Regulatory Commission Agreement 2000, I have the honour to transmit herewith the Eastern Caribbean Securities Regulatory Commission Annual Report on its activities for the year ended 31 March 2019.

Yours faithfully



Sir Errol N Allen
CHAIRMAN

The Honourable Victor F Banks
Premier
ANGUILLA

The Honourable Donaldson Romeo
Premier
MONTSERRAT

The Honourable Gaston Browne
Prime Minister
ANTIGUA AND BARBUDA

Dr the Honourable Timothy Harris
Prime Minister
ST KITTS AND NEVIS

The Honourable Roosevelt Skerritt
Prime Minister
COMMONWEALTH OF DOMINICA

The Honourable Allen Chastanet
Prime Minister
SAINT LUCIA

Dr The Right Honourable Keith C Mitchell
Prime Minister
GRENADA

The Honourable Camillo Gonsalves
Minister for Finance
SAINT VINCENT AND THE GRENADINES

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CHAIRMAN'S MESSAGE



The Eastern Caribbean Currency Union entered the realm of a formal Securities Market on 19 October 2001. This was also the date that marked the birth of the Eastern Caribbean Securities Regulatory Commission (ECSRC), a regional regulatory body charged with ensuring compliance with the Securities Legislation, so as to protect investors in securities. The Eastern Caribbean Securities Market (ECSM) is expected to contribute to the economic development of the sub region as it has the capacity to provide users of capital with a lower-cost source of funding and the owners of capital with more opportunities to manage wealth.

Securities Markets are a component of the wider financial market where instruments can be bought and sold between individuals in an economy on the basis of demand and supply. Primary markets are where Securities are first issued whereas secondary markets are where existing securities can be bought and sold. A Securities Market is used in an economy to attract new capital, transfer real assets into financial assets, determine the price which will balance demand and supply and provide a means to invest money both short and long term.

Consistent with this vision, over the 2019 financial year, the ECSRC continued its efforts and initiatives to promote an environment for the growth and development of the ECSM. These efforts have resulted in significant strides being made, most notably in the revision of the key ECSM legislation –

the Securities Act and Regulations. The revised legislation will continue to ensure that the ECSM operates within a robust regulatory framework which protects investors and is compliant with international standards.

We continue to partner with the Eastern Caribbean Central Bank (ECCB) annually on activities to promote Financial Information Month. During the financial year we facilitated presentations on the Regulation of the Securities Market for the ECCB Savings and Investment Programme. The ECSRC is also a member of the International Forum for Investor Education (IFIE) Caribbean Working Group. As part of this Group we participate in the activities planned by the Group to commemorate annual World Investor Week.

Financially, although the Commission continued to rely on the financial and administrative support of the ECCB, it has achieved some marginal improvement in its finances over the last five years. This was accomplished mainly through the management of expenses coupled with the receipt of financial and technical assistance from donor agencies, such as the Caribbean Regional Technical Assistance Centre.

Finally, the Commission's regulatory posture over the years has been to balance regulation with development and increased emphasis will be placed in the area of market development in the period ahead. However, regulatory reform is not the panacea for the development of the market. Going forward, there is need for greater education and awareness of the general public in order to establish a culture of investing, the number of product offerings on the market must increase and institutional investors must become active players in the market if the market is to develop to its full potential.

We will continue our efforts to ensure that the ECSM can develop into a vibrant and competitive market which provides opportunities for economic growth and development of the ECCU region and for wealth creation among the populace in the ECCU.

A handwritten signature in black ink, appearing to read 'Errol N Allen', written over a horizontal line.

Sir Errol N Allen
Chairman



**ECSRC
THROUGH THE
YEARS**

MEET THE INAUGURAL MEMBERS OF THE ECSRC



From left to right: Charles Brisbane OBE (2001 – 2007); Dunbar McIntyre (2001 – 2007); Crispin Sorhaindo - Chairman (2001 – 2009); Sir Errol N Allen – Deputy Chairman (2001 – Present) and Calvin Rodgers GCM (2001 - 2009)



The first meeting of the ECSRC was held on 18 October 2001 at the ECCB Headquarters in St Kitts and Nevis

ECSRC COMMISSIONERS MEETING CONVENED AT THE ECCB HEADQUARTERS IN ST KITTS



72nd Meeting of the ECSRC – ECCB Headquarters: 27 March 2019



ECCB Governor Timothy Antoine with Sir Errol N Allen, Chairman, ECSRC

ECSRC SECRETARIAT TEAM AND COMMISSIONERS



Back row (left to right): Lucia Livingston-Andall, Alousia Faisal, H.E Arthur G.B. Thomas, Dr. Vincent Richards
Front row (left to right): Avonis Daniel, Samantha Lewis, Errol N Allen (Chairman), Ashanda Lapsey, Issac Anthony




ECSRC Commissioners Luncheon with Officials from the ECCB and ECSE
Back row (left to right): Issac Anthony, Lucia Livingston-Andall, H.E Arthur G.B. Thomas, Timothy Antoine (ECCB Governor), Dr. Vincent Richards, Trevor Brathwaite.
Front row (left to right): Alousia Faisal, Suzy St Brice, Errol N Allen (Chairman), Ashanda Lapsey

MEET OUR COMMISSIONERS



From left to right: Front row: Sir Errol N Allen, Chairman, Lucia Livingston-Andall, Isaac Anthony;
Back row: Dr Vincent Richards, H E Ambassador Arthur G B Thomas, Deputy Chairman



Sir Errol N Allen, a citizen of St Vincent and the Grenadines, Sir Errol was nominated by the Eastern Caribbean Central Bank's (ECCB) in 2002, to serve on the Eastern Caribbean Securities Regulatory Commission. Sir Errol is the longest serving member of the ECSRC. He is a retiree from the ECCB where he held the position of Deputy Governor.

Sir Errol's academic and professional background is in Central Banking and Economics. He graduated from the University of Surrey with an MSc in International Economics and from the University of London with a BSc in Economics. He also has executive management training from the London Business School and special training in banking and finance from the Bank of England and the International Monetary Fund.

Sir Errol was first appointed to the Commission in October 2001 and was appointed as Chairman of the Commission on 5 March 2010.

His Excellency Ambassador Arthur Thomas, a citizen of Antigua and Barbuda, is a private sector nominee on the ECSRC. He is a lawyer by profession.

Ambassador Thomas holds a Masters in International Taxation from Regent University, Virginia; a Legal Education Certificate from the Norman Manley Law School, Kingston, Jamaica; and a Bachelor of Laws Degree from the University of the West Indies.

Ambassador Thomas was first appointed to the Commission in October 2007 for a term of three years. He was appointed as Deputy Chairman on 5 March 2010.

Dr Vincent Richards is a citizen of Antigua and Barbuda, is a public sector nominee for the Eastern Caribbean Securities Regulatory Commission. His academic and professional background is in Accounting and Economics. He is an Accountant by profession.

Dr Richards holds a Ph.D. in Economics, M.A. in Economics, and Graduate Studies Certificate from Cornell University; M.A in Economics, B.A. in Economics and History and Undergraduate and Graduate Studies from Carleton University, Ottawa, Canada. He is also a member of the Certified General Accountants Association of Canada and the recipient of the Inter-American Foundation Post-Doctoral Fellowship Award.

Dr Richards was first appointed to the Commission in 2010 for three years and is currently serving his fourth consecutive term on the Commission.

Mrs Lucia Livingston-Andall, a citizen of Grenada, is a private sector nominee for the Eastern Caribbean Securities Regulatory Commission. She is currently the Chief Executive Officer of Ariza Credit Union in Grenada.

Mrs Lucia Livingston-Andall's academic and professional background is primarily in Management. She graduated from the Memorial University, Newfoundland, Canada with a Master in Business Administration (MBA) and from the University of the West Indies with a BSc in Management. Mrs Livingston-Andall is also a member of the Certified General Accountants Association of Canada as well as the holder of a Project Management Professional Certificate.

Commissioner Livingston-Andall was first appointed to the Commission in 2010 for a term of three years and is currently serving her fourth consecutive term on the Commission.

Mr Isaac Anthony, a citizen of Saint Lucia, is a public sector nominee for the Eastern Caribbean Securities Regulatory Commission. Mr Anthony is the Chief Executive Officer of CCRIF SPC (formerly Caribbean Catastrophe Risk Insurance Facility) and a former Permanent Secretary in the Ministry of Economic Planning and National Development in the Government of Saint Lucia. During his over 20 years of service to the Government of Saint Lucia, Mr Anthony held several key senior positions in the Ministry of Finance, including Permanent Secretary, Director of Finance and Accountant General.

In 2013, Mr Anthony was appointed as Chief Executive Officer of CCRIF SPC (formerly Caribbean Catastrophe Risk Insurance Facility) where he led the restructuring of the Caribbean Catastrophe Risk Insurance Facility into a Segregated Portfolio Company and the expansion of CCRIF SPC into Central America.

Mr Anthony holds an MBA from the Centre for Management Development, University of the West Indies, Barbados and a Bachelor of Science Degree in Economics and Accounting (Hons) from the University of the West Indies, Cave Hill Campus in Barbados.

Commissioner Anthony was appointed to the Commission on 1 November 2017.

THE ECSRC SECRETARIAT

In September 2010, the ECCB recommended the establishment of an independent Secretariat reporting directly to the Chairman of the Commission. This recommendation was approved by the Commission and the independent Secretariat commenced operations on 1 October 2010, however all support services continued to be provided by the ECCB. Prior to September 2010, the ECSRC's operations were carried out by a specialized Unit in the Bank Supervision Department at the ECCB.

All the staff members of the ECSRC Secretariat are ECCB staff members who have been assigned to the ECSRC and are fully dedicated to the work of the Commission. The Secretary, who is recommended by the ECCB and approved by the Commission, is responsible for the day-to-day management of the ECSRC Secretariat with the assistance of an office administrator, one legal officer and two analysts.

The organizational structure of the Secretariat as at 31 March 2019 is shown in Figure 1.

ECCB AND ECSRC

The relationship between the Commission and ECCB is governed by a "Letter of Agreement for Provision of Advisory and Administrative Services". This Agreement is due for renewal every 5 years. The current Agreement expires in October 2016 and in light of revised arrangements following the establishment of the independent office of the ECSRC Secretariat, the Agreement was reviewed and revised to reflect the current operating arrangements between the ECCB and the ECSRC.

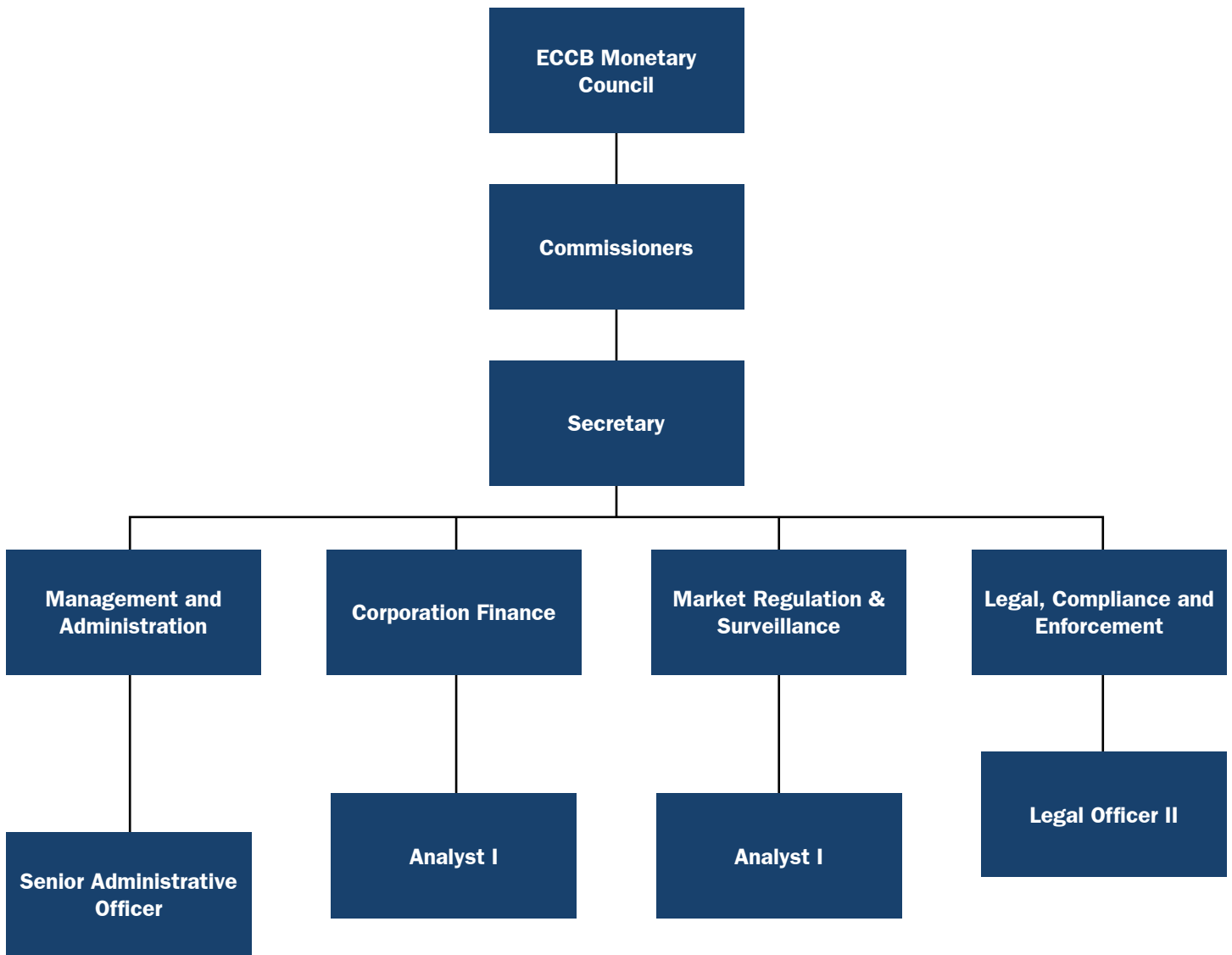
The responsibilities of the ECCB pursuant to this Letter of Agreement were revised as follows:

- (a) provide the Commission with research and administrative facilities to perform its duties and functions;
- (b) provide administrative services and Information Technology systems and services to facilitate the work of the Commission;
- (c) make its facilities available to the Commission for hosting of the Commission's meetings; such services to include assistance with making travel arrangements, reserving venues for meetings and any other services necessary for the efficient conduct of such meetings;

- (d) from time to time, provide legal and other advisory services to the Commission;
- (e) maintain an account to fund the financial operations of the Commission, and provide to the Commission financial assistance in accordance with the budget approved by the Monetary Council for this purpose;
- (f) prepare the accounts of the Commission as soon as practicable, or within one (1) month after the end of the financial year, in accordance with Article 27 of the ECSRC Agreement;
- (g) ensure that the Secretariat of the Commission is provided with the approved complement of suitably qualified staff to carry out the work of the Commission;
- (h) consult with the Chairman of the Commission on matters related to ECSRC Secretariat staff assignments and/or reassignments;
- (i) in carrying out the services specified in this agreement, take into consideration the provisions of Articles 4 and 6 of the ECSRC Agreement;
- (j) perform such other functions as may be agreed between the Central Bank and the Commission from time to time.

The revised Letter of Agreement was approved at the 60th Meeting of Commissioners on 22 February 2016 and executed in October 2016 for a 5-year period ending in October 2021.

Figure 1: Organisational Structure of the ECSRC Secretariat as at 31 March 2019





Alousia Faisal

Secretary

The Secretary manages the daily operations of the Commission. The Secretary coordinates all activities of the Commission including communicating with market participants, and allocating, reviewing and approving technical and administrative work performed on behalf of Commission.



Suzy St Brice

Legal Officer II – Legal, Compliance and Enforcement Division

The Legal, Compliance and Enforcement Division is responsible for the development of legislation, rules and regulations for the fair and orderly dealing in securities on the ECSM, advises the Commission and assists with the interpretation of and compliance with the laws and rules in force in the ECSM.



Samantha Lewis,

Analyst I – Corporation Finance

The Corporation Finance Division reviews and has general oversight of corporate disclosure of information to the public. Reporting issuers (public companies, other issuers of securities) are required to comply with public disclosure regulations. The disclosure by Reporting Issuers must be made initially on the sale of securities and then on a continuing and periodic basis. The Corporation Finance Division develops and promotes the financial reporting and disclosure standards for issuers in the ECSM.



Avonis Daniel

Analyst I – Market Regulation and Surveillance

The Market Regulation and Surveillance Division establishes and maintains appropriate standards for fair, orderly and efficient securities dealings in the ECSM. The division reviews applications for licences of all prospective market participants and makes recommendations to the Commission, conducts training and examinations of individual market intermediaries, and performs ongoing supervision and onsite examination of market participants



Ashanda Lapsey

Administrative Officer

The Administrative Officer is responsible for coordinating the administrative activities of the office of the ECSRC Secretariat. This includes overseeing administration and operating activities, assisting with the provision of staff related services; acting as liaison on administrative matters between the Secretariat, the ECCB and our external clients and stakeholders. The office administrator also supports the Secretary by assisting with arrangements for meetings, conferences and training, managing and tracking budget and correspondence management.



**MARKET
PARTICIPANTS**

Feb

Mar

Apr

May

Jun

MARKET PARTICIPANTS

LIST OF LICENSED MARKET PARTICIPANTS AS AT 31 MARCH 2019

Broker-Dealer	Principal	Representative
Bank of Saint Lucia Ltd	Charles: Cedric George Francis: Medford Jean: Lawrence	Lewis: Deesha Simeon: Mervin
Bank of St Vincent and the Grenadines Ltd	Hadley: Laurent Latham: Monifa	John: Patricia Quow: Chez
Citicorp Merchant Bank Ltd	Grell: Stephen	Basdeo: Anderson
Grenada Co-operative Bank Ltd	Logie: Aaron Joseph: Allana	Francis: Kishel Sylvester: Carla
FirstCaribbean International Bank (Barbados) Ltd	Titus: Heather	Mohammed: Nisha
First Citizens Investment Services Ltd	Burch-Smith: Omar Gabriel: Norlann Providence: Temelia Thomas: Stephen	Agiste: Samuel Ferreira: Greg Horne Jr: Maurice St Ange: Shaka
St Kitts-Nevis-Anguilla National Bank Ltd	Crooke: Petronella Galloway: A. Anthony	Lewis: Angelica Nisbett: Marlene
The Bank of Nevis Ltd	Carey: Brian Williams: Monique	Claxton: Judy Pemberton: Nikesia Small: Denicia

Securities Custodian

The Bank of Saint Lucia Ltd

Collective Investment Scheme (CIS)

Bank of Nevis Mutual Fund Ltd

Sagicor International Balanced Fund

CIS Management Company

Bank of Nevis Fund Managers Ltd

Sagicor Asset Management (Eastern Caribbean) Ltd

CIS Custodian

First Citizens Investment Services Ltd

FirstCaribbean International Bank (Barbados) Ltd

Securities Exchange

Eastern Caribbean Securities Exchange

Securities Clearing Agency

Eastern Caribbean Central Securities Depository

Securities Registry

Eastern Caribbean Central Securities Registry



LIST OF REPORTING ISSUERS AS AT 31 MARCH 2019

1st National Bank St Lucia Ltd	Grenada Breweries Limited
Anguilla Electricity Company Ltd	Grenada Co-operative Bank Ltd
Anguilla Mortgage Company Ltd	Grenada Electricity Services Ltd
Antigua Brewery Ltd	Grenreal Property Corporation Ltd
Antigua Commercial Bank Ltd	Jonas Browne & Hubbard Limited
Antigua Printing & Publishing Ltd	National Bank of Dominica Ltd
Bank of Montserrat Limited	National Investment Company of Anguilla Ltd
Bank of Saint Lucia Ltd	RBTT Bank (SKN) Limited
Bank of St Vincent and the Grenadines Ltd	RBTT Bank Grenada Ltd
Cable & Wireless St Kitts & Nevis Ltd	Republic Bank (Grenada) Ltd
Carib Brewery (St Kitts & Nevis) Limited	S L Horsford & Company Ltd
Dominica Brewery & Beverages Ltd	St Kitts-Nevis-Anguilla National Bank Ltd
Dominica Coconut Products Ltd	St Kitts-Nevis-Anguilla Trading & Development Company Ltd
Dominica Electricity Services Limited	St Lucia Electricity Services Limited
East Caribbean Financial Holding Company Ltd	St Vincent Brewery Limited
Eastern Caribbean Central Securities Depository Limited	The Bank of Nevis Limited
Eastern Caribbean Central Securities Registry Limited	Windward and Leeward Breweries Ltd
Eastern Caribbean Home Mortgage Bank Ltd	
Eastern Caribbean Securities Exchange Limited	
First Citizens Investment Services Ltd	
FirstCaribbean International Bank Ltd	

A hand is shown holding a smartphone. The phone's screen displays a data visualization with various charts and graphs. A white circle is drawn around the text, which is centered on the screen. The background is a blurred blue-toned image of a person's hand holding a smartphone, with a white circle highlighting the text.

**2018/2019 REVIEW
OF STRATEGIC GOALS
IMPLEMENTATION**

In 2016, the ECSRC adopted the following five strategic objectives to guide the delivery of the Commission's mandate over the next five years.

Strategic Goal 1: Establish and maintain an effective and responsive regulatory and supervisory framework

The Commission continued to work assiduously on the reform of the securities market regulatory framework. Strong and effective securities market legislation that complies with international best practices including the IOSCO principles of securities regulation, will facilitate market development and innovation and promote public confidence in the integrity of the market and that overall system stability is maintained.

Priority

Provide a modern and robust regulatory and supervisory framework which is conducive to market growth and development

Success Measures

Updated revised market legislation by December 2020

Membership in IOSCO by or before 31 March 2021

Supervision and regulation of market intermediaries conducted using risk-based supervisory framework

Implementation of market Guidelines

Progress

Completed: revisions to Securities Act (embodied in a new Securities Bill) and ECSRC Agreement and new ECCU Investment Funds legislation.

Ongoing: The Commission continues to liaise with the IOSCO Secretariat with regard to its eligibility for membership in the international organization and for signing on to the IOSCO Multilateral Memorandum of Understanding for Cooperation and Exchange of Information.

Completed: The Commission approved the Risk-based Supervisory Framework; however implementation of the Framework is to be undertaken on a phased basis.

Ongoing: The Commission continued work on the development of market guidelines to govern various activities in the securities market. During the financial year, work continued on the development of Guidelines on Corporate Governance and for the public offer of Repurchase Agreements.

During the year, the Securities (Electronic Filing of Documents) Guidance Note was issued to formalise the procedure for the submission of filings and other documents to the Commission.

Strategic Goal 2: Improve the operations of the ECSRC to enable the Commission to effectively deliver its mandate

The Commission’s vision to be a competent and proactive regulator is predicated on its ability to attract, retain and motivate the highest caliber of human resources at all levels and with diverse talent. We also continued to enhance our institutional capacity to keep pace with international market trends.

Critical areas for strengthening include human resource capacity, financial sustainability and internal systems and processes.

Priority

Enhance institutional capacity of the ECSRC

Success Measures

Increased staffing levels to promote the efficient operation of the Commission

Progress

Ongoing: We continue to work closely with the Eastern Caribbean Central Bank to achieve the optimum staffing level of the ECSRC Secretariat to ensure that the Commission can carry out its mandate to regulate and supervise the securities market.

Enhanced staff knowledge and capacity

Ongoing: Efforts continue to boost the Commission’s human resource capacity through the participation of staff and commissioners in internal and external training conferences and workshops on matters related to securities market regulation and supervision.

Increased efficiency and effectiveness of the Commission’s operations

Ongoing: The ECSRC Secretariat continued to seek opportunities to improve efficiencies and the effectiveness of the Commission’s operations. This has been accomplished through greater use of technology which has resulted in a significant reduction in response time to clients; enhanced delivery of our flagship training – the Eastern Caribbean Securities Market Certification and Examination Programme.

Documented policies and procedures to guide the operations of the Commission

Ongoing: The process of documenting the policies and procedures of the Commission is a work-in-progress.

Strategic Goal 3: Improve the Commission's finances to enhance financial sustainability

Work continued to improve the Commission's income and to seek avenues to diversify revenues.

Priority

Review current fee structure and assess funding sources to enhance financial sustainability

Success Measures

Gradual increase in the Commission's fee income

Progress

Completed: Since 2001, there has been no revisions to the Commission's fee structure. During the financial year, the Commission completed a review and revision of its fee structure. The new fees are set to be implemented following the enactment of the new Securities Bill. The market will be notified in advance of the expected implementation date of the Commission's new fee structure.

Strategic Goal 4: Promote investor education, awareness of the Commission and interest in the ECSM

Increasing financial literacy and financial capability is critical to investor empowerment, to propel market development and to changing the culture towards securities and investing in the ECCU. Low levels of financial literacy create higher risk for securities and investment fraud.

Priority

Develop robust public education program that would prepare investor to make informed investment decisions

Success Measures

High number of outreach and educational activities undertaken and targeted to population groups identified as high risk

Progress

Ongoing: Over the year, the Commission facilitated the module on the Regulation of the Securities Market in the ECCB Savings and Investment Course for candidates in St Kitts, Saint Lucia and Grenada. In October 2018, the Commission issued a public advisory on Virtual Currency Business in the ECSM.

Reduced incidents of investment fraud

During the financial year, the Secretariat participated in activities to mark Financial Information Month in St Kitts and Nevis.

Increase in the number of alliances and partnerships formed to promote investor education initiatives

The staff of the Secretariat also continued to participate in teleconferences of the International Forum for Investor Education Americas Working Group.

Strategic Goal 5: Improve the quality of market disclosures and facilitate investor access to information

Investors who are financially savvy and who have access to information are more likely to invest wisely and to choose professional intermediaries that will best meet their investing goals and objectives.

Priority

Enhance disclosure requirements for the benefit of investors including a reassessment of current core corporate disclosure requirements

Success Measures

Revised reporting forms for issuers

Reduction of errors in filings submitted to the Commission and improvement in reporting compliance by reporting issuers

Public access to information filed by reporting issuers through ECSIN

Progress

Ongoing: Reporting rules were reviewed and amended in 2018.

Ongoing: After convening meetings with reporting issuers in April 2018, the Commission has noted an improvement in the quality and timeliness of issuer filings.

Ongoing: Webinars were convened with reporting issuers on 17, 18 and 20 April 2018 to present the new ECSIN database developed by the Commission and on 10 September 2018, pilot testing commenced with five test users. At the conclusion of the testing, no systemic issues were identified and the general view is that the system is user-friendly and easy to work with.



**THE YEAR
IN REVIEW**

MANAGEMENT AND ADMINISTRATION

The ECSRC Secretariat continued to proficiently manage the affairs of the Commission to ensure that its directives were implemented and that the Secretariat’s work programme was aligned towards the achievement of the Commission’s strategic goals and to ensure that the ECSRC achieved its vision to be a pro-active, responsive, efficient and effective regulator.

Meetings of the Commission

During the financial year, the Secretariat arranged and facilitated four regular meetings and one Special Meeting of the Commission. The dates and attendance ratios of each meeting is shown in Table .

Table: Commissioners Meetings Held and Attendance (1 April 2018– 31 March 2019)

Meeting	Date of Meeting	Attendance
69th	4 July 2018	5/5
70th	28 August 2018	5/5
71st	27 November 2018	5/5
Special	5 March 2019	4/5
72nd	27 March 2019	5/5

Four of the meetings were held via video-conference from the ECCB Headquarters, while one (72nd Meeting) was a face-to-face meeting at the ECCB Headquarters. At that meeting, the Commissioners took the opportunity in March 2019 to meet with the ECCB Governor, Mr Timothy N. J. Antoine. The Chairman later hosted a luncheon with Governor Antoine, who is also the Chairman of the ECSE, Mr Trevor Brathwaite, ECCB Deputy Governor and Mr Trevor Blake, the Managing Director of the ECSE.

Strategic Planning 2020

As the regulator of the ECSM, the ECSRC must provide a facilitative regulatory environment that promote the effective and prudent operation and development of the ECSM. Accordingly, the Commission completed a review of its current five-year Strategic Plan as part of its plan to implement develop new strategic priorities for the next three years (2021 – 2024).

After more than 18 years in operation, the Commission’s efforts will continue to be focused on enhancing and building on its achievements to date, as it seeks to promote the growth and development of the market. The new 2021 strategy

will be premised on and will prepare for the enactment of revised securities market legislation in the ECCU member territories, market demands and the increasing use of financial technologies in the capital market.

Developing our Human Resource Capacity

In recognition of the critical role of training and development in employee and organizational development, the staff members in the ECSRC Secretariat as well as Commissioners were exposed to regional and international conferences, workshops and/or training programs during the year. These included:

- *14th Annual Caribbean Group of Securities Regulators Conference, Nassau, The Bahamas (23 – 25 May 2019)*
- *International Forum for Investor Education (IFIE) Americas Caribbean Working Group Face to Face Training and Workshop, Nassau, The Bahamas (26 – 27 May 2018)*
- *15th Regional Law Conference, OECS Bar Association (14 – 16 September 2018)*
- *FATF Standards Training: International Standards on Combatting Money Laundering and the Financing of Terrorism and Proliferation (19 – 21 March 2019)*
- *Technology Risk Supervision Workshop (3 – 7 December 2018)*

The ECSRC continues to receive support from CARTAC through technical assistance and part-funding for the participation of staff and Commissioners in training programmes.

Regulatory Cooperation

The Commission through the office of the Secretariat continued to foster and build relationships with regional and international securities market regulators and regulatory bodies. In addition to responding to requests for assistance from regional and international regulators, the Commission was represented at all meetings of the regional Regulatory Oversight Committee and the Eastern Caribbean Payments Council.

Investor Education and Awareness

During the financial year, the ECSRC Secretariat participated in teleconferences with the IFIE Americas Working Group. The objective of this Working Group is to provide an avenue for assistance and collaboration between the IFIE and CGSR members to build financial capacity/investor education through the development of materials and content delivery programmes.



From 1 to 7 October 2018, the ECSRC joined with regional securities regulators to celebrate World Investor Week. A key objective of the World Investor Week is to foster learning opportunities for investors; a particularly important goal in the current context of rapid technological innovation and increasingly interconnected financial markets. The ECSRC as part of the Caribbean Working Group representing 16 jurisdictions across the Caribbean, and supported by the International Forum for Investor Education (IFIE), participated in the launch of a Caribbean Regional video initiative to present “Voices of the Caribbean: Empowering the Caribbean toward

Financial Independence and Resilience”. The video is available for viewing on the ECSRC website at www.ecsrc.com.

In October 2018, also collaborated with the ECCB and other financial sector stakeholders in the ECCU to mark Financial Information Month in the ECCU in October 2018.

During 2018, The ECSRC also presented the module on the Regulation of the Securities Market for candidates in the ECCB Savings and Investment Course in Grenada, Saint Lucia and St Kitts.

MARKET REGULATION AND SURVEILLANCE

The Commission facilitates access to the market through the licensing of individuals and companies to operate in the ECSM.

As at 31 March 2019 there was a total of 52 licensees operating in the Eastern Caribbean Securities Market (ECSM); 34 of which were individuals and 18 were corporate entities.

New Licence Applications

For the year ended 31 March 2019, the ECSRC received a total of ten (10) applications for licences to operate in the ECSM. Only six (6) applicants were successful. As a result, two (2) Principal licences, two (2) Representative Licences, one CIS Custodian licence, and one Broker-dealer licence were issued. The unsuccessful applicants were non-ECCU-based companies; one of which had applied for a broker-dealer licence as well as a Principal and Representative licences for its proposed accredited individuals while the other company had applied for a securities exchange licence.

By comparison, for the financial year ended 31 March 2018, the ECSRC reviewed twelve (12) licence applications. Of these applications, eleven (11) new individual licences were granted: six (6) Principal licences and five (5) Representative licences. The unsuccessful applicant was a company based in the United States of America which had applied for a Broker-dealer Licence to operate in the ECSM.

Revocation of Licences

For the year ended 31 March 2019, the ECSRC revoked nine (9) licences:

- Two (2) Broker-dealer Licences were revoked; one revocation was due to the amalgamation of the licensee with another group entity and the other licence was revoked at the licensee’s request.

- Four (4) Representative Licences were revoked due to either resignation of the licensee from the broker-dealer firm where they were employed or due to the licensee’s request on application for a Principal Licence.
- Three (3) Principal Licences were revoked due primarily to the resignation of the licence holder from the broker-dealer firm where the individual was employed.

Over the financial year ended 31 March 2018, the ECSRC revoked a total of three (3) licences; two of which were Principal Licences and one Representative licence. One of these licensees had retired and the other two had resigned from the broker-dealer firm where they were employed.

ECSM Certification Programme

Pursuant to section 54(4)(a)(v), section 60(3)(e) and section 62(3)(e) of the Securities Act 2001, in assessing an application for the grant of an investment adviser, principal or representative licence, respectively, the Eastern Caribbean Securities Regulatory Commission (Commission) shall have regard to the applicant’s satisfactory completion of any examination requirements prescribed by the Commission. For this purpose, the Commission developed and implemented an ECSM Certification Examination in June/July 2001, prior to the start of the market in October 2001 to ensure that persons who were licensed to participate in the market possessed the requisite knowledge, qualifications and training to allow them to adequately perform their roles as investment adviser, principal and representative in the ECSM.

Each year, the ECSRC in collaboration with the ECSE facilitates the ECSM Certification Programme and Examination. The objective of this programme is to assist individuals who are interested in applying to participate in

the ECSM as a broker-dealer’s Representative, Principal or as an Investment Adviser, to meet the requisite certification requirements for licence eligibility. The program consists of a training aspect on securities issues and the laws and regulations in force in the ECSM and a practical aspect which involves training on the ECSE trading platform and certain aspects of the securities registry and depository functions.

Until 2017, the theory component of the training was conducted via webinar and the practical component facilitated on-site at the ECCB Headquarters. At present, the entire training programme is now conducted online via webinar and the examinations are administered at an examination centre in the candidate’s resident territory in the ECCU or CARICOM. Candidates must successfully complete the ECSM Certification examination with a composite score of 70% on the theory examination and the practical training.

In 2018, the program was held from 29 October to 2 November 2018 (theory webinars) and 5 to 6 December 2018 (practical training). Of the twenty-four candidates who were registered for and sat the examination, eleven candidates attained a pass grade.

Figure 5 provides data on the examination pass rates for the ECSM Certification Examination (Theory component) over the three-year period 31 March 2017 to 31 March 2019. The average exam pass rate was 32.8 per cent for the five programmes that were administered over the three year period.

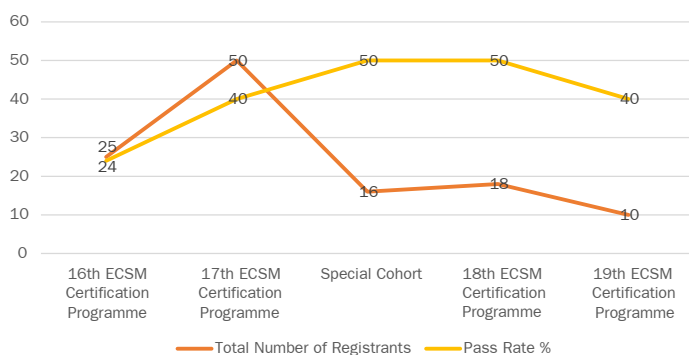
was held three times during that year on 10 November 2016, 9 March 2017 and a Special Cohort on 20 March 2017. The total number of candidates registering for the programme in financial years 2018 and 2019 were 18 and 10, respectively.

Based on the number of registrants, there is interest in the Certification Programme and a willingness to fulfil the requisite eligibility criteria to become authorized/licensed to participate on the ECSM. However, recently the Commission has sought to implement some changes to the programme in order to improve the pass rate and to raise the level of participation in the programme.

Based on candidates’ feedback at the end of the programme in November 2016, most candidates 15 of 17 (88.24 per cent) gave the program an overall “good” rating but over 50 per cent felt that the time allotted for the training was insufficient. The Secretariat undertook a review of the program and presented a report with recommendations for revamping the programme at the 68th Meeting of the Commission on 6 March 2018. The report was approved and the recommendations are being implemented on a phased basis.

The review is ongoing and some of the additional changes being contemplated are the implementation of a revised syllabus, new study materials and other relevant content including recorded lectures and past examination papers that would better assist candidates with their exam preparation. The offer of the program in modular format and administering examinations at least twice each year throughout the ECCU member territories are also under consideration.

**ECSM Certification Examination Pass Rate %
2017 - 2019**



The highest number of candidates (48) was recorded over the financial year ended 31 March 2017. The programme

Market Advisories and Notices

In light of the increasing use of FinTech in the financial services industry, the Commission prepared and circulated a public advisory on Virtual Currency Business in the ECSM. The main objective of the advisory was to apprise the public in the ECCU of the potential risks of investments in ICOs and all forms of virtual currency. The recent publicity surrounding virtual currencies and ICOs, presents a tempting picture of high returns on investment. High reward investment scenarios have high potential for financial loss and fraud and potential investors can be easily lured with the promise of high returns in a new investment and may be less skeptical when assessing the risks.

CORPORATION FINANCE

Pursuant to section 92(3) of Part VII of the Securities Act 2001, no person shall make a public offer of securities unless the offeror or issuer of the securities has submitted a prospectus to the Commission and the Commission has approved the prospectus.

While the ECCU member governments are exempt from the prospectus requirement in Part VII of the Securities Act 2001, under Part III – Section I of the Administrative Procedures for the Supervision of the RGSM, ‘where a Participating Government proposes to issue a public offer of securities on the RGSM, the RDCC will conduct or cause to be conducted a preliminary screening of all documentation relating to the issue to determine the suitability of the issue for the market.’

Under this Agreement¹ relating to the supervision of the RGSM signed between the RDCC and the ECSRC on 29th April 2003, following the preliminary screening of the documentation relating to the Participating Government’s issue of securities, the RDCC is required to forward the document to the ECSRC for review, with particular regard to the adequacy of disclosure to the market.

Review of Prospectuses and Offer Memoranda

During the financial year ended 31 March 2019, the ECSRC reviewed a total of 12 prospectuses for public offers of securities on the RGSM (8) and the ECSM (4), for a total value of approximately of EC\$1,981 million. This amount represented a 22% decrease in the total value of prospectuses reviewed for securities proposed for offer during the prior year ended 31 March 2018.

TOTAL VALUE OF SECURITIES PROPOSED FOR ISSUE ON THE RGSM AND ECSM FOR THE YEAR ENDED 31 MARCH 2019				
	2019	2018	2019	2018
	EC\$M		US\$M	
Public: RGSM	1,189	1,711	–	8
Public: ECSM – Corporate	792	812	100	100
Private: ECSM – Corporate	–	15	–	–
Total	1,981	2,538	100	108

By comparison, during the 2018 financial year, the Commission reviewed 19 prospectuses (RGSM (10) and ECSM (9)) for offers of securities valued at approximately EC\$2,538 million.

The increase in the value of securities offered to the public

¹ Administrative Procedures for the Supervision of the Regional Government Securities Market

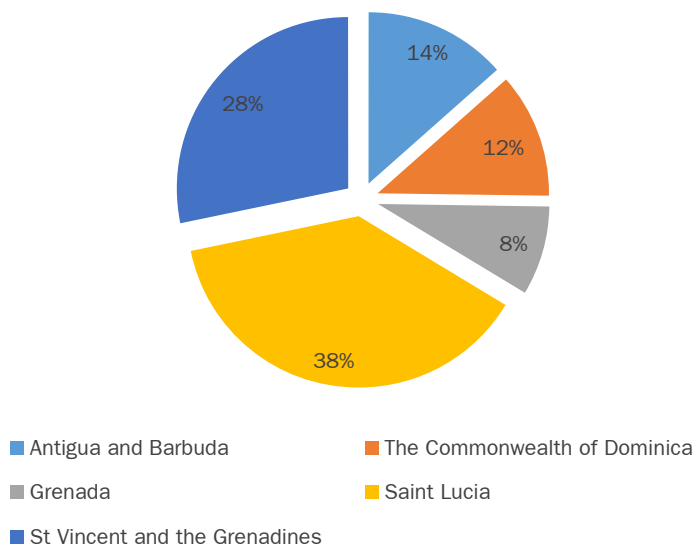
by corporate entities on the ECSM during the 2017/2018 financial year, was due mainly to offers of equity by indigenous financial institutions operating in the ECCU. These entities opted to seek financing from the market to augment their capital base to satisfy the minimum capital requirement outlined in the new banking legislation.

The proposed offerings denominated in US currency in 2018 and 2019 on the ECSM and RGSM were related to a public offer of Repurchase Agreements by a broker-dealer (\$100M in 2019 and 2018) in the ECSM, and on the RGSM for Government of Saint Lucia Bonds (\$8M in 2018).

The main types of securities proposed for offer on the RGSM and ECSM were primarily short-term (90 to 365 days); Treasury Bills, Treasury Notes, Equities, Corporate Paper and Repurchase Agreements (Repos).

Based on the prospectuses reviewed, there were no new or additional public share offers on the ECSM during the 2019 financial year.

Percentage Share (by Country) of Total Value of Prospectuses Reviewed for Securities Issued on the RGSM for Year Ended 31 March 2019



On the RGSM, from a country perspective, the Government of Saint Lucia proposed the largest value of securities totalling approximately EC\$453 million in 2019, or 38.1% of the total securities offered. The Government of St Vincent and the Grenadines was the second largest offeror with EC\$336 million (28.3%), followed by the Government of Antigua and Barbuda – EC\$160 million (13.5%), the Government of the Commonwealth of Dominica – EC\$140 million (11.8%) and the Government of Grenada EC\$100 million (8.4%).

Overall, the total value of securities proposed for offering on the ECSM in 2019, although lower than 2018, demonstrates viability in the market. However, the market is dominated by a few players, resulting in heavy concentrations in offerings by these issuers, primarily the Government of Saint Lucia on the RGSM and the Eastern Caribbean Home Mortgage Bank and First Citizens Investment Services Ltd on the ECSM. Notwithstanding, the outlook for securities issues on the markets (RGSM and ECSM) over the financial year 2019/2020 remains positive.

Reporting Rules and Guidance Notes

Securities regulators all share a common mission, that of protecting investors. One way this is accomplished is ensuring that investors have access to timely and relevant information needed for their investment decision making.

During the 2018/2019 financial year, the ECSRC commenced another periodic review of the prescribed rules and issuer reporting forms, in response to economic and market changes. The last review of the reporting forms was carried out in 2015. These periodic reviews are also critical in the execution of the Commission's

regulatory role of seeking to effectively monitor, regulate and supervise the securities market. The draft revised Rules for Reporting Issuers were reviewed and approved by the Commission at its 69th Meeting on 4 July 2018, for circulation to the market for comments. Following receipt of comments the Rules will be further reviewed and updated where necessary and submitted to the Commission for final approval for publication in the Official Gazette in each ECCU member country.

In accordance with section 163 of the Securities Act 2001 the Commission, at its 69th Meeting held on 4 July 2018, approved the **Securities (Electronic Filing of Documents) Guidance Note (No. 1 of 2018)** for implementation in the Eastern Caribbean Securities Market. This Guidance Note was issued to provide basic guidance to securities industry participants for the electronic delivery of filings and other related documents via the Commission's online platform, the ECSIN. This was also to ensure that the provisions in the securities legislation that impose submission requirements are applied in a manner that accommodates technological developments without undermining investor protection.

LEGAL, COMPLIANCE AND ENFORCEMENT

During the financial year, the activities of this Division continued to focus on the draft Securities Bill and ECCU Investment Funds Bill to enhance the supervisory and regulatory powers of the ECSRC and ensure its preparedness to submit an application to IOSCO for membership. Once it is approved for membership, the ECSRC would be eligible to sign the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMoU).

Application for Membership: IOSCO

On 15 December 2017, the Commission submitted an application to IOSCO for a preliminary review of the draft Securities Bill. The purpose of the review was to determine whether the revised Securities Bill complied with IOSCO's criteria and to assess the ECSRC's eligibility for signing the IOSCO MMoU and attaining IOSCO Ordinary membership.

By letter dated 25 July 2018, the ECSRC was formally notified by the IOSCO Secretary General that the IOSCO MMoU Screening Group had completed its Preliminary Assessment of the ECSRC's proposed securities legislation, and concluded that the draft law, if adopted and brought into

force, would allow the ECSRC to become a signatory to the IOSCO MMoU.


Review of Legislation

During the period 20 July 2018 to 14 September 2018, the Commission undertook a second public consultation on the draft Securities Bill and ECCU Investment Funds Bill. This initial period for receipt of comments was further extended until 12 October 2018 to facilitate the receipt of additional comments. Key stakeholders in the market all contributed to the consultation process by providing critical and substantive comments on the draft Bill.

At the 71st meeting of the Commissioners held 27 November 2018, Commissioners approved the circulation of the Securities Bill and ECCU Investment Funds Bill to the market for a third public consultation to be held over the period 10 December 2018 to 1st February 2019 and from 10 December 2018 to 1st March 2019, respectively.

Fee Rules

In 2008, the Commission prepared a report to Commissioners on the existing fee structure of the ECSRC. The report



included a review of the current fee structure to determine whether the existing fees were adequate to support the Commission's current and future development. This review followed the Commission's budget discussions where it was duly noted that the ECSRC had relied primarily on the support of the Participating Governments of the ECCU from inception. The review sought to make recommendations for the future financial sustainability of the Commission.

In keeping with the enactment of a revised Securities Bill and a new ECCU Investment Funds Bill, and the recommendations in the foregoing report, revised fees were approved by the Commission. The new fees will be implemented following the enactment of the new Securities Bill in each ECCU member country.

Enforcement

To promote integrity, stability and investor confidence in the securities market, effective enforcement of the securities laws is critical. Enforcement must be timely, fairly and consistently applied and the regulator must demonstrate a willingness to enforce the securities laws and rules and must be intrusive and proactive in so doing.

Over the financial year, the ECSRC conducted investigations into a number of cases of infringement of the securities laws and issued warning letters and cease and desist Orders to the respective offenders.

The Commission's continued collaboration and engagement with its registrants and licensees has resulted in a significant improvement in the market's compliance with the statutory reporting requirements and has ensured the timely submission of filings and returns.



REVIEW OF FINANCIAL PERFORMANCE

On 24 November 2000, the Eastern Caribbean Securities Regulatory Commission (ECSRC/Commission) was established as an independent and autonomous regional regulatory body with the signing of the ECSRC Agreement 2000, among the Participating Governments of the member territories of the Eastern Caribbean Currency Union (ECCU). The ECSRC commenced operations on 19 October 2001 alongside the formal launch of the regional securities market in the ECCU, the Eastern Caribbean Securities Market (ECSM).

The ECSRC is headed by a five-member Commission who are appointed by the ECCB Monetary Council. Pursuant to Article 12(2) of the *ECSRC Agreement, 2000* persons appointed to serve on the Commission comprise the following:

- a) two persons nominated by the Participating Governments of the ECCU Member Territories;
- b) two persons nominated by the Chambers of Industry and Commerce, the Institutes of Chartered Accountants and the Bar Associations or from such other relevant professional bodies of the ECCU Member Territories; and
- c) one person nominated by the ECCB

The ECCB Monetary Council is the highest decision-making body of the ECSRC and designates two of the five Commissioners as Chairman and Deputy Chairman of the Commission.

Regular meetings of the Commission are held quarterly in February, May, August and November each year. Meetings of the Commission may be scheduled more regularly based on the exigencies of the market. The Chairman of the Commission may convene a special meeting of the Commission within seven days of receipt of a written request for such a meeting from at least two commissioners. The Chairman may call an emergency meeting of the Commission to review and act on a market emergency.

In 2001, each ECCU member territory enacted the Securities Act, uniform legislation which governs the operations of the ECSM. Under this legislation, the ECSRC is charged with the following responsibilities:

- i) license any person engaged in securities business and to monitor and supervise the conduct of such business by a licensee;
- ii) promote investor protection through promotion of the highest standards of professional and other activities within the securities market;

- iii) maintain effective compliance and enforcement programmes supported by adequate statutory powers; and
- iv) promote the growth and development of the capital markets.

In keeping with the foregoing mandate, the Commissioners of the ECSRC are required to provide general oversight and management of the work of the ECSRC Secretariat and to approve policies, rules, licenses, market disclosure documents as well as to provide policy guidance to the ECSRC Secretariat on various issues related to the operations of the ECSM.

FINANCIAL HIGHLIGHTS

Apart from annual licence fees, all the other fees charged by the Commission are market-driven and as a result a significant portion of the Commission's revenue is dependent on the level of activity on the Eastern Caribbean Securities Market (ECSM).

EC\$	31 Mar 2019	31 Mar 2018	31 Mar 2017
Revenue	951,181	1,010,405	1,030,032
Expenses	927,066	1,011,897	1,009,927
Profit/(Loss) for the year	24,115	(1,492)	20,105
Total Assets	48,816	64,766	85,996
Total Liabilities	365,421	405,486	425,224
Accumulated deficit	(316,605)	(340,720)	(339,228)
Due to ECCB	(293,022)	(343,587)	(347,745)

The Commission continues to seek avenues to diversify its income base in order to enhance its overall financial position and in the 2019 financial year the Commission's finances were positively impacted by receipt of revenue from the hosting of the 19th ECSM Certification Programme.

Assets

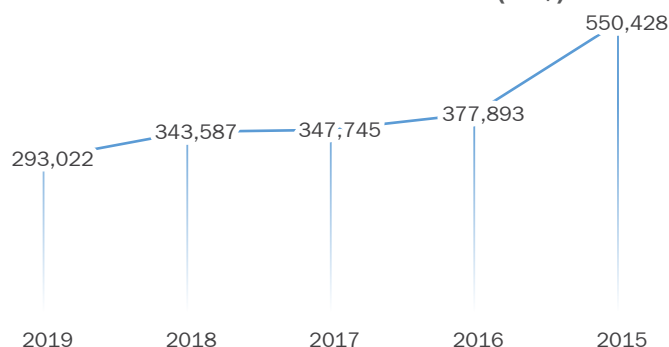
As at 31 March 2019, the Commission reported total assets of \$48,816, a decrease of 24.6 per cent (\$15,950) from \$64,766 reported over the previous financial year. This decrease was due mainly to Depreciation of fixed and intangible assets recorded over the financial year.

Liabilities

Total liabilities declined from \$405,486 as at 31 March 2018 to \$365,421 as at 31 March 2019. This decrease was reflected primarily in the amount Due to ECCB which

decreased by 14.7 per cent (\$50,565) from \$343,587 to \$293,022 over the financial year.

Trend in Balance Due to ECCB (EC\$)



Accruals and Payables also decreased by 26.1% (\$3,000) from \$11,499 to \$8,499 as at 31 March 2019. This amount represents the amount due for audit fees for the external audit of the Commission's accounts.

Deferred income increased by 26.8% (\$13,500) from \$50,400 to \$63,900 representing an increase in annual renewal licence fee income. Licence fees for the renewal of all licences issued by the Commission are due and payable in advance for the upcoming financial year and must be received by 1 April each year.

REVENUE

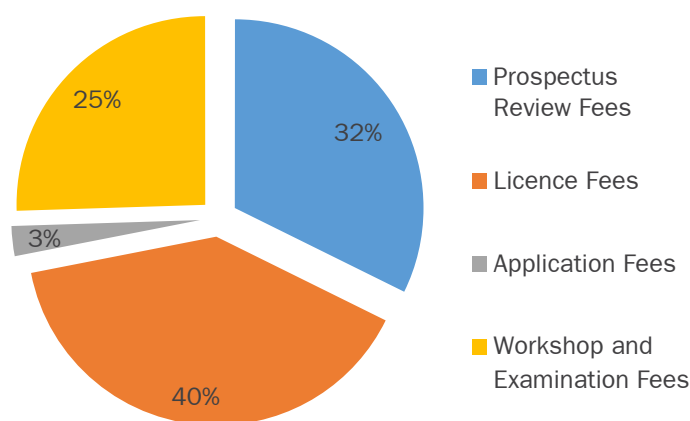
Over the financial year ended 31 March 2019, the Commission reported a net operating surplus of \$24,115 which compared favourably to the operating loss of \$1,492 reported over the prior financial year. The hosting of the 19th ECSM Certification Programme with the ECSE in 2018, coupled with the continued management of expenditure over the financial year, were the main contributors to the positive net result.

Total Revenue	Financial Year Ended		
	31-Mar-19	31-Mar-18	31-Mar-17
Prospectus Review Fees	60,305	94,045	72,944
Licence Fees	78,161	68,500	77,700
Application Fees	4,800	5,835	2,400
Workshop and Examination Fees	43,500	17,100	43,463
Advertisement Filing fee	-	250	150
Private Placement Registration Fees	-	1,000	3,000
Other Income (Subvention from ECCB)	764,415	823,675	830,362
	\$951,181	\$1,010,405	\$1,030,019

Total revenue for the year fell by 5.86% from \$1.01 million in 2018 to \$0.9 million in 2019. Fee income totaled \$186,766, a marginal increase by 0.02 % compared to \$186,730 recorded over the prior financial year.

Prospectus review fees which declined by 35.9% (\$33,740) was moderated by income of \$43,500 received from the 19th ECSM Certification Programme and Examinations facilitated by the ECSE and the ECSRC in September and November 2018.

ECSRC Fee Revenue Sources



F/Y Ended 31-Mar-19

In 2019, the reduced percentage share of total fee income represented by prospectus review fees fell from 51% of total fee income in 2018 to 32% in 2019. This is evidence of the success of the Commission's strategy to diversify its revenue streams.

Other income

This amount represents subvention paid to the Commission by the ECCB on behalf of the ECCU Participating Governments. These funds primarily cover staff costs related to the operations of the ECSRC Secretariat.

In accordance with Article 26(5) of the ECSRC Agreement which states:

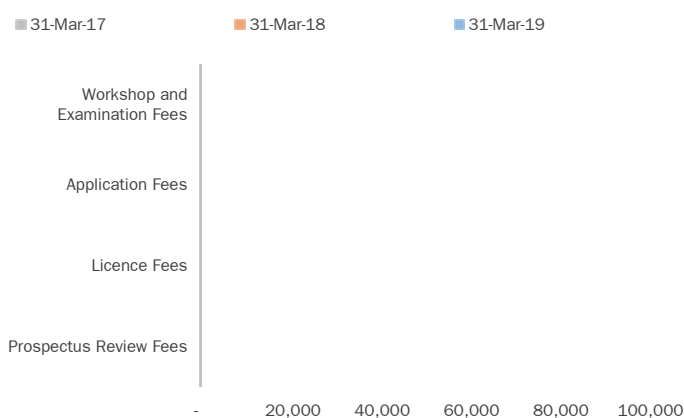
"Where any deficit arises on the operations of the Commission or is budgeted for in the Estimates of expenditure of the Commission the Participating Governments shall provide a subvention to the Commission to meet the deficit in such proportion as may be determined by the Monetary Council."

To date this responsibility continues to be carried out by the ECCB supported by Article 3(d) of the ECSRC Agreement. The Commission received a total subvention of approximately \$0.8 million in 2019; a decline of 7.29% compared to 2018.

EXPENSES

Total expenses over the financial year ended 31 March 2019, decreased by 8.4% (\$84,831) moving from \$1,011,897 to \$927,066. The main contributors to this decrease were Administrative Expenses, which fell by 56.7% (\$41,750), while Operating Expenses declined marginally by 4.6% (\$43,081) to \$895,132 over the financial year.

KEY FEE REVENUE SOURCES AS AT 31 MAR 2019



Over the financial year, the Commission continued to benefit from financial support from the Caribbean Regional Technical Assistance Centre (CARTAC) to cover travel and related expenses associated with staff participation in the Annual Conference of the Caribbean Group of Securities Regulators (CGSR) and Workshop as well as other meetings/seminars that staff and Commissioners attended over the 2018/2019 financial year.

	Financial Year Ended		
	31-Mar-19	31-Mar-18	31-Mar-17
Operating Expenses			
Salaries, pensions and other staff benefits	764,415	823,675	830,362
Commissioners' fees	66,000	65,600	66,000
Meetings, Conferences and workshops	21,732	361	10,340
Travel	11,042	13,102	750
Commissioners' meetings	10,699	11,119	5,387
Investor Education	8,199	2,403	10,486
Services	4,830	5,219	3,897
Repairs and maintenance	2,250	-	-
Training	2,083	4,039	16,346
Miscellaneous	2,935	4,610	237
Office Supplies	947	8,085	-
CGSR Conference	-	-	1,358
Administrative Expenses	31,934	73,684	64,764
Total Expenses	\$927,066	\$1,011,897	\$1,009,927

Although total revenue has been on a decreasing trend, the Commission has reported an operating surplus over two of the last three financial years. This was achieved mainly through the management of expenses and financial and technical support from regional and international donor agencies such as CARTAC, International Monetary Fund and World Bank that have continued to support the work of the Commission including the training of staff and Commissioners over the years. Notwithstanding, over the 2019 financial year, the Secretariat continued to face critical resource challenges that negatively impacted its ability to complete a number of tasks outlined in its work programme; activities that are vital to fulfilling the Commission's regulatory and supervisory mandates.

2020/2021 PRIORITIES

The primary objectives of the development of a formal securities market in the ECCU are to provide its citizens with an alternate source of funding, to encourage sustainable economic growth and to offer the investing public, opportunities for additional sources of wealth creation.

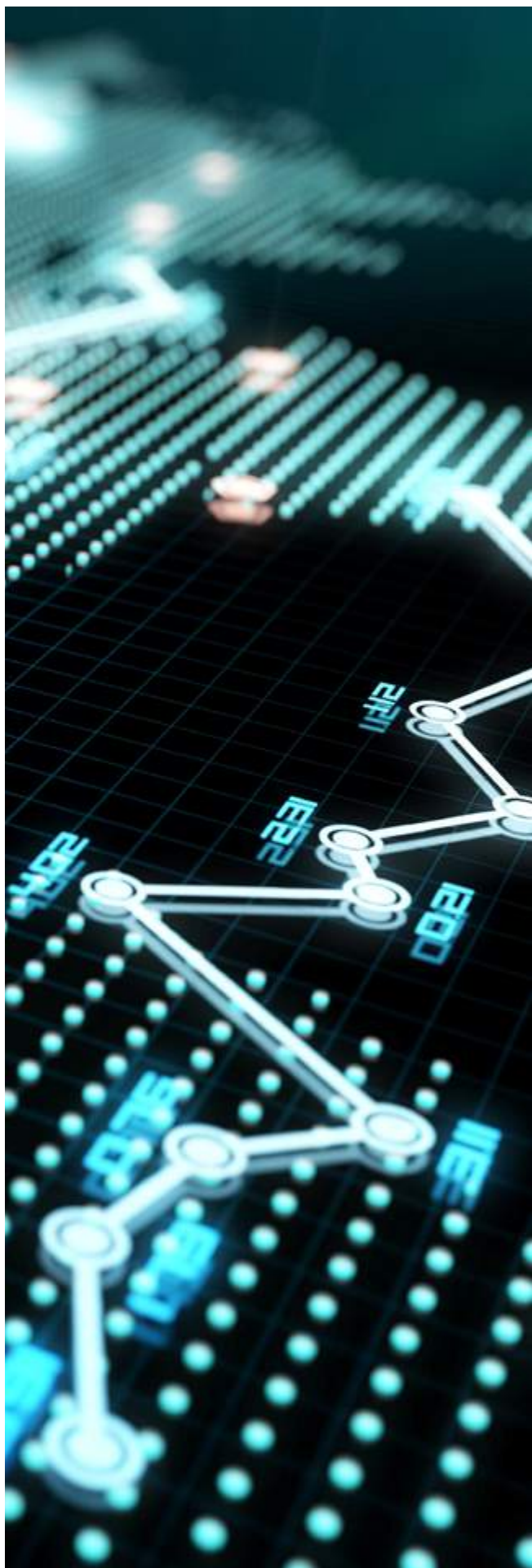
The establishment of a formal securities market also provides opportunity for capital inflows into the sub-region. The literature suggests that investor participation is encouraged if market regulation is perceived to be effective. The proposed ECSRC Work Program for the 2020/2021 financial year will seek to implement strategies to promote greater investor participation in the market by fulfilling three primary overarching objectives:

- (i) To promote the economic transformation in the ECCU member countries;
- (ii) To promote wealth creation among the populace in the ECCU member countries; and
- (iii) To build financial capability/literacy of the population in the ECCU member countries.

During the 2020/2021 financial year, the ECSRC Secretariat will enter a new strategic planning phase and will be seeking to develop a new strategic plan for the three-year period ending 31 December 2023. The Commission's new strategic plan will include initiatives to implement the *Capital Markets Development Strategy – Money and Capital Markets 3.0 (MCM 3.0)* which was agreed at a meeting among representatives of the ECSE, ECHMB, ECCB and ECSRC. These organisations have pledged to collaborate on initiatives to spur market activity.

For the ECSRC, these initiatives will focus on activities that are aimed at achieving the following results:

- (i) A responsive, proactive regulatory framework that boosts investor confidence and promotes the Eastern Caribbean Securities Market (ECSM) as a well-regulated securities market.
- (ii) Increased market participation
- (iii) More broad based intermediary network
- (iv) Investment product diversification.





**FINANCIAL
STATEMENTS**

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INDEPENDENT AUDITOR'S REPORT

To the Participating Governments of Eastern Caribbean Securities Regulatory Commission

Opinion

We have audited the financial statements of **Eastern Caribbean Securities Regulatory Commission** (the "Commission") which comprise the statement of financial position as at March 31, 2019, and the statement of comprehensive income, statement of changes in accumulated fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Eastern Caribbean, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

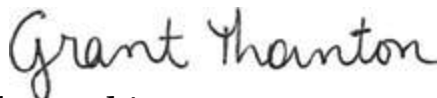
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Commission'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 Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Commission 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Chartered Accountants
September 3, 2019
Basseterre, St. Kitts

STATEMENT OF FINANCIAL POSITION

As at March 31, 2019

(expressed in Eastern Caribbean dollars)


	2019 \$	2018 \$
Assets		
Current asset		
Receivables and prepayments (note 6)	1,490	1,431
Non-current assets		
Computer and office equipment (note 7)	21,720	28,795
Intangible assets (note 8)	25,606	34,540
Total non-current assets	47,326	63,335
Total assets	48,816	64,766
Liabilities		
Current liabilities		
Accruals and other payables (note 9)	8,499	11,499
Deferred income (note 10)	63,900	50,400
Due to Eastern Caribbean Central Bank (note 11)	293,022	343,587
Total liabilities	365,421	405,486
Accumulated fund		
Accumulated deficit	(316,605)	(340,720)
Total liabilities and accumulated fund	48,816	64,766

The notes on pages 41 to 62 are an integral part of these financial statements.

Approved for issue by the Commissioners on September 3, 2019.



Sir Errol N. Allen
Chairman



H. E. Arthur G. B. Thomas
Deputy Chairman

STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2019

(expressed in Eastern Caribbean dollars)

	2019 \$	2018 \$
Income		
Fee income (note 12)	186,766	186,730
Other income (note 13)	764,415	823,675
	951,181	1,010,405
Expenditures		
Operating expenses (note 14)	(895,132)	(938,213)
Administrative expenses (note 15)	(31,934)	(73,684)
	(927,066)	(1,011,897)
Profit/(Loss) for the year	24,115	(1,492)
Other comprehensive income	-	-
Total comprehensive income for the year	24,115	(1,492)

The notes on pages 41 to 62 are an integral part of these financial statements.

STATEMENT OF CHANGES IN ACCUMULATED FUND

For the year ended March 31, 2019

(expressed in Eastern Caribbean dollars)

	\$
Balance at March 31, 2017	(339,228)
Loss for the year	<u>(1,492)</u>
Balance at March 31, 2018	(340,720)
Profit for the year	<u>24,115</u>
Balance at March 31, 2019	<u>(316,605)</u>

The notes on pages 41 to 62 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2019

(expressed in Eastern Caribbean dollars)

	2019 \$	2018 \$
Cash flows from operating activities		
Profit/ (Loss) for the year	24,115	(1,492)
Items not involving the movement of cash:		
Impairment loss on accounts receivable (note 15)	–	41,963
Amortisation (note 8)	13,872	15,734
Depreciation (note 7)	7,075	5,987
	<hr/>	<hr/>
Cash flows from operations before changes in operating assets and liabilities	45,062	62,192
(Increase)/decrease in receivables and prepayments	(59)	11,583
Decrease in accruals and other payables	(3,000)	(10,580)
Increase/(decrease) in deferred income	13,500	(5,000)
	<hr/>	<hr/>
Net cash from operating activities	55,503	58,195
Cash flows from investing activities		
Purchase of:		
Computer and office equipment	–	(32,639)
Intangible assets	(4,938)	(21,398)
	<hr/>	<hr/>
Net cash used in investing activities	(4,938)	(54,037)
Cash flows used in financing activity		
Decrease in due to Eastern Caribbean Central Bank	(50,565)	(4,158)
	<hr/>	<hr/>
Net increase in cash	–	–
Cash at beginning of the year	–	–
	<hr/>	<hr/>
Cash at end of the year	–	–
	<hr/>	<hr/>

The notes on pages 41 to 62 are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

1 Nature of operations

The Eastern Caribbean Securities Regulatory Commission (“the Commission”) commenced activities on October 19, 2001.

The principal activities of the Commission are as follows:

- a) to license any person engaged in securities business and to monitor and supervise the conduct of such business by a licensee;
- b) to promote investor protection through promotion of the highest standards of professional and other activities within the securities market;
- c) to maintain effective compliance and enforcement programmes supported by adequate statutory powers; and
- d) to promote the growth and development of the capital markets.

2 General information and statement of compliance with International Financial Reporting Standards (IFRS)

The Commission was established by an agreement made on November 24, 2000 among the Governments of Anguilla, Antigua and Barbuda, The Commonwealth of Dominica, Grenada, Montserrat, Saint Christopher and Nevis, Saint Lucia and Saint Vincent and the Grenadines (“the Participating Governments”). Pursuant to the Securities Act, the Commission is a legal body vested with all the powers and characteristics of a body corporate having perpetual succession and common seal.

The accompanying financial statements are the financial statements of the Commission and have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention. The measurement bases are fully described in the summary of accounting policies.

3 Changes in accounting policies and disclosures

New standards and amendments to standards effective for the financial year beginning April 1, 2018

The Commission has applied the following new standards and amendments to existing standards that have been published and became effective during the current financial year.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 *Revenue from Contracts with Customers* and the related *Clarifications to IFRS 15 Revenue from Contracts with Customers* (hereinafter referred to as ‘IFRS 15’) replaced International Accounting Standard (IAS) 18 *Revenue*, IAS 11 *Construction Contracts*, and several revenue-related Interpretations. The Commission’s adoption of IFRS 15 has resulted in changes in its accounting policies (see note 4(h)), however there were no adjustments to the amounts recognised in the Commission’s financial statements. The new standard has been applied retrospectively without restatement, and there were no adjustments to the opening balance of retained earnings at April 1, 2018. In accordance with the transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at April 1, 2018.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning April 1, 2018 ...continued

IFRS 15, Revenue from Contracts with Customers ...continued

This new standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise. The core principle in the said framework is for the Commission to recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Commission expects to be entitled in exchange for those goods or services.

IFRS 9, Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the Commission has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings, however there were none based on the financial instruments held by the commission.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Commission has no hedge instruments, therefore hedge accounting is not applicable for the Commission.

The adoption of IFRS 9 has impacted the following areas:

- Credit losses on accounts receivables at amortised cost

The impairment of financial assets applying the expected credit loss model. This affects the Commission's accounts receivables shown under financial assets at amortised cost, measured at amortised cost. For accounts receivables at amortised cost, the Commission applies the 12-month expected credit loss model of recognising lifetime expected credit losses as these items do not have a significant financing component.

The application of the expected credit loss methodology based on the stages of impairment assessment for accounts receivables at amortised cost did not result in the recognition of additional allowance for credit losses for accounts receivables as at April 1, 2018.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

3 Changes in accounting policies ...continued

New standards and amendments to standards effective for the financial year beginning April 1, 2018 ...continued

IFRS 9, Financial Instruments ...continued

- Credit losses on accounts receivables at amortised cost ...continued

On the date of initial application, April 1, 2018 the financial instruments of the Commission were reclassified as follows:

	Measurement category		Carrying amount		
	Original IAS 39 Category	New IFRS 9 Category	Balance at March 31, 2018 \$	Adoption of IFRS 9 \$	Opening balance at April 1, 2018 \$
Current assets					
Accounts receivable	Loans and receivables	Amortised cost	1,431	–	1,431
Total financial assets			1,431	–	1,431

The Commission does not have any non-current financial assets. There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

There were no adjustments affected due to reclassification or remeasurement due to the adoption of IFRS 9.

Other amendments to standards

Other standards and amendments that are effective for the first time in 2019 are as follows:

- Annual Improvements 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28);
- Applying IFRS 9, *Financial Instruments*, with IFRS 4, *Insurance Contracts*, (Amendments to IFRS 4);
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2);
- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*; and
- Transfer to Investment Property (Amendments to IAS 40).

These amendments do not have significant impact on the financial statements and therefore the disclosures have not been made.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

3 Changes in accounting policies ...continued

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Commission. Information on those expected to be relevant to the Commission's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Commission's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments either not adopted or listed below are not expected to have a material impact on the Commission's financial statements.

- ***Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement*** "Amendments to IAS 19" (effective for annual reporting periods beginning on or after 1 January 2019). The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. The amendments confirm that entities must:
 - calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
 - any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
 - separately recognise any changes in the asset ceiling through other comprehensive income.

There are no other new or amended standards and interpretations that are issued but not yet effective, that are expected to have a significant impact on the accounting policies or financial disclosures of the Commission.

4 Summary of accounting policies

The financial statements have been prepared using the significant accounting policies and measurement bases summarized below.

a) Financial instruments

(i) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Commission becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

4 Summary of accounting policies ...continued

a) Financial instruments...continued

(ii) *Classification and initial measurement of financial assets*

Except for accounts receivables under financial assets at amortised cost that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction cost, when applicable.

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

In the periods presented, the Commission does not have any financial assets categorised as FVTPL or FVOCI.

All of the financial assets of the Commission are measured at amortised cost. This is determined if financial assets 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 FVPL. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3 b) iv). Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

The business model reflects how the Commission manages the assets in order to generate cash flows. That is, whether the Commission'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 FVPL. Factors considered by the Commission in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Commission assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

4 Summary of accounting policies ...continued

a) Financial instruments ...continued

(ii) *Classification and initial measurement of financial assets ...continued*

The classification is determined by both the Commission's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the statement of comprehensive income are presented within finance costs, finance income or other financial items, except for loss allowance of trade receivable which is presented within administrative and general expenses.

(iii) *Subsequent measurement of financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Commission's accounts receivables are classified at amortised cost into this category of financial instruments.

(iv) *Impairment of financial assets*

From April 1, 2018, the Commission uses the IFRS 9's impairment requirement which is to use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model' on its financial assets carried at amortised cost. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. With respect to the Commission, this is applicable to its accounts receivable balance.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

4 Summary of accounting policies ...continued

a) Financial instruments ...continued

(iv) Impairment of financial assets ...continued

Recognition of credit losses is no longer dependent on the Commission first identifying a credit loss event. Instead, the Commission considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Commission makes use of a simplified approach in accounting for accounts receivable and other financial assets at amortised cost and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Commission uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Commission assesses loss allowance of accounts receivable and other financial assets at amortised cost on collective basis as they possess shared credit risk characteristics based on the days past due. For the Commission, the loss allowance as a result of the application of IFRS 9 is not material and therefore no disclosures have been made.

(v) Accounting policies applied until March 31, 2018

The Commission has applied IFRS 9, retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Commission's previous accounting policies.

Classification

Until March 31, 2018, the Commission classified its financial assets as loans and receivables.

Measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see note 4 a) ii).

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

4 Summary of accounting policies ...continued

a) Financial instruments ...continued

(v) *Accounting policies applied until March 31, 2018 ...continued*

Subsequent to the initial recognition, loans and receivables are carried at amortised cost using the effective interest method.

Impairment

The Commission assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in the statement of comprehensive income.

(vi) *Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Commission's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Commission's financial liabilities include accruals and other payable, due to Eastern Caribbean Central Bank (ECCB) and deferred revenue.

Financial liabilities are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs or finance income.

b) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

4 Summary of accounting policies ...continued

c) Computer and office equipment

Computer and office equipment are stated at historical cost less accumulated depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on the straight-line method at rates estimated to write down the cost or valuation of such assets to their residual values over their estimated useful lives at the following annual rates:

Computer equipment	33.33%
Office equipment	20.00%

Computer and office equipment are periodically reviewed for impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

d) Intangible assets

Computer software programmes are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. The development costs represent costs incurred on consulting, training, start-up and general development of the Commission. These costs are amortised using the straight-line method on the basis of the expected useful life of three years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

e) Impairment of non-financial assets

Non-financial assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

f) Accruals and other payables

Accruals and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accruals and other payables are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

Accruals and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

g) Accumulated fund

Accumulated fund represents the cumulative of current and prior year results of operations as reported in the statement of comprehensive income.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

4 Summary of accounting policies ...continued

h) Revenue recognition

Revenue arises from rendering of services. It is measured at the fair value of consideration received or receivable. To determine whether to recognise revenue, the Commission follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Commission derives revenue from rendering of services is either at point in time or over time, when (or as) the Commission satisfies performance obligations by rendering the promised services to its customers.

The Commission recognises contract liabilities, if any, for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Commission satisfies a performance obligation before it receives the consideration, the Commission recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Fee income

Fee income comprise of amounts collected from companies licensed by the Commission, review of prospectuses, conduct of workshops and examinations and other services. Revenue is recognised when the service is performed at a point in time.

Other income

Revenue earned from non-routine services and miscellaneous transactions are categorised as other income and recognised on the accrual basis when the services are performed at a point in time.

All the Commission's revenues are generated in the OECS region.

i) Expenses

Expenses are recognised in the statement of comprehensive income upon utilisation of the service or as incurred.

j) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Commission are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Commission's functional and presentation currency is Eastern Caribbean dollars.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

4 Summary of accounting policies ...continued

j) Foreign currency translation...continued

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Commission, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign currency gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of comprehensive income.

k) Provisions

Provisions are recognised when the Commission has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

l) Taxation

In accordance with the Eastern Caribbean Securities Regulatory Commission (ECSRC) Agreement, 2000 Article 34 (8) (a), the Commission is exempted from all taxation.

m) Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgements, estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

At year end, in the opinion of management, there were no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

5 Financial risk management

a) Financial risk factors

The Commission's activities expose it to a variety of financial risks: market risk in the form of foreign currency risk, credit risk and liquidity risk. The Commission's overall risk management programme seeks to minimise potential adverse effects on the Commission's financial performance. Risk management is carried out by management under policies approved by the Board of Commissioners. The Board identifies and evaluates financial risks in close cooperation with the Commission's management.

i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Substantially all of the Commission's transactions, assets and liabilities are denominated in Eastern Caribbean dollars. Therefore, there is no significant exposure to foreign currency risk. The exchange rate of the Eastern Caribbean dollar to the United States dollar has been formally pegged at EC\$2.70 to US\$1.00 since July 1976. Therefore, the Commission's exposure to foreign currency risk is not considered to be significant.

ii) Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Commission. The Commission's credit risk arises from accounts receivable. The Commission uses internal ratings and assessment of the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Any losses expected from non-performance from these counterparties are provided for through the use of an allowance for impairment account. Accordingly, the Commission's maximum exposure to credit risk is indicated by the carrying amount of its financial assets.

The following table provides the credit quality of the Commission's financial assets according to the Commission's credit ratings of debtors as of March 31:

	2019 \$	2018 \$
Accounts receivable	<u>59</u>	–

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

5 Financial risk management ...continued

a) Financial risk factors ...continued

ii) *Credit risk...continued*

The table below shows the credit quality per class of the financial asset that is neither past-due nor impaired:

	2019		
	High Grade \$	Standard Grade \$	Total \$
Accounts receivable	59	-	59
	2018		
	High Grade \$	Standard Grade \$	Total \$
Accounts receivable	-	-	-

The credit qualities of accounts receivable are standard grade financial instruments with satisfactory financial capability and credit standing but with some elements of risks where a certain measure of control is necessary in order to mitigate risk of default.

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

5 Financial risk management ...continued

a) Financial risk factors ...continued

ii) Credit risk ...continued

Concentration of risk

Substantially all of the Commission's counterparties are located within St. Kitts and Nevis and the OECS region.

The Commission manages, limits and controls concentration of credit risk wherever they are identified, in particular to individual counterparties, financial institutions and countries. The Commission structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and industry segments.

The following table breaks down the Commission's main exposure at their carrying amounts categorised by the industry sectors of the counterparties:

	Financial Institutions \$	Corporate Institutions \$	Total \$
Accounts receivable	59	–	59
As at March 31, 2019	59	–	59
Accounts receivable	–	–	–
As at March 31, 2018	–	–	–

iii) Liquidity risk

Prudent liquidity risk management includes the availability of funding from an adequate amount of committed credit facilities. Due to the nature of the underlying operations, management maintains flexibility in funding by monitoring availability under committed credit lines.

The following table analyses the Commission's financial liabilities in relevant maturity grouping based on the remaining period at the statement of financial position date to the contractual maturity date.

	Within 1 year \$
At March 31, 2019	
Accruals and other payables	8,499
Due to Eastern Caribbean Central Bank	293,022
Total financial liabilities	301,521

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

5 Financial risk management ...continued

a) Financial risk factors ...continued

iii) Liquidity risk ...continued

	Within 1 Year \$
At March 31, 2018	
Accruals and other payables	11,499
Due to Eastern Caribbean Central Bank	343,587
	<hr/>
Total financial liabilities	355,086
	<hr/>

b) Fair value of financial assets and liabilities

Fair value is the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties, who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

Determination of fair value

The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets comprise of accounts receivable.

Short-term financial liabilities are comprised of accruals and other payables and due to ECCB.

	Carrying value		Fair value	
	2019	2018	2019	2018
	\$	\$	\$	\$
Financial assets				
Accounts receivable	59	–	59	–
	<hr/>			
Financial liabilities				
Accruals and other payables	8,499	11,499	8,499	11,499
Due to ECCB	293,022	343,587	293,022	343,587
	<hr/>			
	301,521	355,086	301,521	355,086
	<hr/>			

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

5 Financial risk management ...continued

c) Capital risk management

The Commission's capital management objectives are to ensure the Commission's ability to continue as a going concern and that there is access to adequate funding sources to support current operations and fulfilment of its strategic plan. The ECCB through the Member Governments has committed to providing financial support to the Commission over the next 12 months.

The Commission's capital is represented by its accumulated fund. As at March 31, 2019, the Commission's accumulated deficit amounted to \$316,605 (2018: \$340,720).

The Commission manages its capital structure and makes adjustments in light of changes in activities, economic conditions and the risk characteristics of the underlying assets. The ECCB as mandated by the Monetary Council is responsible for facilitating the operations of the Commission. Therefore, in order to maintain or adjust its capital structure, the Commission may call upon the ECCB to provide financial support.

6 Receivables and prepayments

	2019 \$	2018 \$
Accounts receivable	42,022	41,963
Less allowance for impairment	(41,963)	(41,963)
	59	-
VAT receivable	1,190	1,190
Prepayments	241	241
	1,490	1,431

The movement in the allowance for impairment of accounts receivable is presented below:

	2019 \$	2018 \$
Balance at beginning of year	41,963	-
Provision for the year	-	41,963
	41,963	41,963

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

7 Computer and office equipment

	Computer equipment \$	Office equipment \$	Total \$
At March 31, 2017			
Cost	30,853	9,701	40,554
Accumulated depreciation	(30,853)	(7,558)	(38,411)
Closing net book amount	–	2,143	2,143
Year ended March 31, 2018			
Opening net book amount	–	2,143	2,143
Additions	–	32,639	32,639
Depreciation charge (note 15)	–	(5,987)	(5,987)
Closing book amount	–	28,795	28,795
At March 31, 2018			
Cost	30,853	42,340	73,193
Accumulated depreciation	(30,853)	(13,545)	(44,398)
Closing net book amount	–	28,795	28,795
Year ended March 31, 2019			
Opening net book amount	–	28,795	28,795
Depreciation charge (note 15)	–	(7,075)	(7,075)
Closing book amount	–	21,720	21,270
At March 31, 2019			
Cost	30,853	42,340	73,193
Accumulated depreciation	(30,853)	(20,620)	(51,473)
Closing net book amount	–	21,720	21,720

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

8 Intangible assets

	Development costs \$	Computer software \$	Capital work in progress \$	Total \$
At March 31, 2017				
Cost	238,960	54,335	6,584	299,879
Accumulated amortisation	(238,960)	(32,043)	–	(271,003)
Closing net book amount	–	22,292	6,584	28,876
Year ended March 31, 2018				
Opening net book amount	–	22,292	6,584	28,876
Additions	–	–	21,398	21,398
Amortisation charge (note 15)	–	(15,734)	–	(15,734)
Closing book amount	–	6,558	27,982	34,540
At March 31, 2018				
Cost	238,960	54,335	27,982	321,277
Accumulated amortisation	(238,960)	(47,777)	–	(286,737)
Closing net book amount	–	6,558	27,982	34,540
Year ended March 31, 2019				
Opening net book amount	–	6,558	27,982	34,540
Transfers	–	32,920	(32,920)	–
Additions	–	–	4,938	4,938
Amortisation charge (note 15)	–	(13,872)	–	(13,872)
Closing book amount	–	25,606	–	25,606
At March 31, 2019				
Cost	238,960	87,255	–	326,615
Accumulated amortisation	(238,960)	(61,649)	–	(300,609)
Closing net book amount	–	25,606	–	25,606

9 Accruals and other payables

	2019 \$	2018 \$
Accrued professional fees	8,190	8,190
Other payables	309	3,309
	8,499	11,499

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

10 Deferred income

	2019 \$	2018 \$
Deferred income	63,900	50,400

Deferred income consists of licence fees for the succeeding financial year ended March 31, 2019 received by the Commission in advance during the current financial year.

11 Due to Eastern Caribbean Central Bank

	2019 \$	2018 \$
Due to ECCB	293,022	343,587

The amounts due to the ECCB represent the cumulative amounts owed to ECCB at the statement of financial position date in respect of operating and administrative expenses and costs paid by the ECCB on behalf of the Commission. This amount is interest-free, unsecured and has no fixed terms of repayment.

12 Fee income

	2019 \$	2018 \$
Prospectuses	60,305	94,045
Workshops and examinations	43,500	11,100
Broker licence fee	20,000	19,000
Principal licence fee	11,000	9,000
Collective investment scheme	10,000	6,000
Representative licence fee	9,000	10,500
Custodian licence fee	6,000	6,000
Collective investment scheme management	6,000	6,000
Application fee	4,800	5,835
Examination fees	4,111	6,000
Depositary licence fee	4,000	4,000
Registry fee	4,000	4,000
Self-regulatory organisation fee	4,000	4,000
Advertising filing fee	50	250
Private placement registration	-	1,000
	186,766	186,730

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

13 Other income

	2019 \$	2018 \$
Subvention from the ECCB (note 16)	764,415	823,675

Pursuant to Article 24 paragraph d of the Agreement establishing the Eastern Caribbean Securities Regulatory Commission, the Commission's salaries, pension and other staff benefit costs are met by a subvention that is paid by the ECCB on behalf of the Participating Governments.

14 Operating expenses

	2019 \$	2018 \$
Salaries, pensions and other staff benefits	764,415	823,675
Commissioners' fees (note 16)	66,000	65,600
Meetings, conferences and workshops	21,732	361
Travel	11,042	13,102
Commissioners' meetings/seminars	10,699	11,119
Investor education	8,199	2,403
Services	4,830	5,219
Miscellaneous	2,935	4,610
Repairs and maintenance	2,250	–
Training cost	2,083	4,039
Office supplies	947	8,085
	895,132	938,213

15 Administrative expenses

	2019 \$	2018 \$
Amortisation of intangible assets (note 8)	13,872	15,734
Professional fees	10,987	10,000
Depreciation (note 7)	7,075	5,987
Impairment loss on accounts receivable	–	41,963
	31,934	73,684

NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

16 Related party balances and transactions

Related party relationship exists when one party has the ability to control directly or indirectly, through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between or among entities under common control, with the reporting enterprise and its key management personnel and commissioners.

Related party balance

Amounts due to ECCB are interest-free, unsecured and have no fixed term of repayment (see note 11).

Related party transactions

The following transactions were carried out with related parties:

	2019 \$	2018 \$
Other income		
Subvention from the ECCB (note 13)	<u>764,415</u>	<u>823,675</u>
Expenses paid		
Commissioners' fees (note 14)	<u>66,000</u>	<u>65,600</u>

Administrative and operational services

The Commission has entered into an agreement with the ECCB which took effect from October 19, 2001. This agreement was renewed on October 19, 2016 and subject to prior termination as provided by the letter of agreement shall continue for a period of five (5) years and is renewable upon the agreement of both parties for such period as they may determine. Under the terms of the letter of agreement, the ECCB has assumed the following responsibilities pursuant to Article 3 of the ECSRC Agreement 2000.

- a) provide the Commission with research and administrative facilities to perform its duties and functions;
- b) provide administrative services and Information Technology systems and services to facilitate the work of the Commission;
- c) make its facilities available to the Commission for hosting of the Commission's meetings; such services to include assistance with making travel arrangements, reserving venues for meetings and any other services necessary for the efficient conduct of such meetings;
- d) from time to time, provide legal and other advisory services to the Commission;
- e) maintain an account to fund the financial operations of the Commission, and provide to the Commission financial assistance in accordance with the budget approved by the Monetary Council for this purpose;
- f) prepare the accounts of the Commission as soon as practicable, or within three (3) months after the end of the financial year, in accordance with Article 27 of the ECSRC Agreement;
- g) ensure that the Secretariat of the Commission is provided with the approved complement of suitably qualified staff to carry out the work of the Commission;
- h) consult with the Chairman of the Commission on matters related to the ECSRC Secretariat staff assignments and/or reassignments;



NOTES TO FINANCIAL STATEMENTS

March 31, 2019

(Expressed in Eastern Caribbean Dollars)

16 Related party balances and transactions ...continued

Administrative and operational services ...continued

- i) in carrying out the services specified in the agreement, take into consideration the provisions of the Articles 4 and 6 of the ECSRC Agreement; and
- j) perform such other functions as may be agreed between the ECCB and the Commission from time to time.

The transactions for the year and the related outstanding balance with the ECCB are shown above.

Office space

The Commission occupied its office space with ECCB at no cost to the Commission.

Key management personnel compensation

Compensation for key management personnel for the year ended March 31, 2019 amounted to \$199,134 (2018: \$197,616).

17 Taxation

In accordance with the ECSRC Agreement, 2000 Article 34 (8) (a), the Commission is exempted from all taxes.

