
EASTERN CARIBBEAN SECURITIES REGULATORY COMMISSION



**Annual Report of the
Eastern Caribbean Securities Regulatory Commission
For the Financial Year Ended 31 March 2018**

JULY 2018

ANNUAL REPORT OF THE ECSRC FOR FINANCIAL YEAR ENDED 31 MARCH 2018

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1.0 KEY MESSAGES

- 1.1 Notwithstanding an increase in the number of corporate issues of equity and debt on the ECSM when compared with the previous year, activity on the ECSM over the 12 months ended 31 March 2018 continued to be low. The market comprises a relatively small number of equities listed with minimal trading activity. The market continues to be dominated by the sale of securities on the Regional Government Securities Market (RGSM).
- 1.2 The securities industry in the ECCU continues to evolve and consequently, the Commission must keep pace with these changing demands in order to fulfill its mandate of investor protection while facilitating the continued growth and development of the market. This investor protection imperative along with the promotion of fair, efficient and orderly markets are often viewed as conflicting with the market development objective. Therefore, the ECSRC must seek to effectively balance these goals in order to promote a strong, successful and stable market. To accomplish this, the ECSRC continues to seek to improve its institutional capacity and financial resources mainly through human resource development and enhancement of revenue-generating capacity.
- 1.3 Securities market regulation and supervision is a highly specialised discipline. In order to deliver its Strategic Objectives, the ECSRC has assessed the need for an urgent increase in the current staff complement of the ECSRC Secretariat. Without this increase, the Secretariat will continue to be severely challenged to adequately deliver the mandate to regulate and supervise the ECSM. Irrespective of market size, the very existence of the ECSM suggests that the fundamental principles of a well-regulated market must be adequately established and therefore the ECSRC must possess both the legal and operating capacity to implement the principles that are relevant to its market.

1.4 Given the propensity for fraud in the securities market, strong enforcement of securities laws is critical to market development and for the reduction of risks. The mitigation of systemic risk is also linked to investor protection which is achieved by ensuring adherence to capital and other prudential requirements, appropriately addressing risk-taking and the absorption of some losses. Market instability can also originate in another sector or jurisdiction, and for this reason, effective regulation also depends on cooperation between international and domestic regulators. The ECSRC's efforts over the 2017/2018 financial year have focused on implementing the necessary legislative and operational changes to modernize the legislative framework of the ECSM and to advance its application to the International Organisation of Securities Commissions (IOSCO) and its signing on the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

2.0 REGULATORY AND SUPERVISORY DEVELOPMENTS

2.1 Review of Draft Securities Bill

Over the 2017/2018 financial year, the Commission continued to benefit from technical assistance from the International Monetary Fund (IMF) to complete the review of the draft Securities Bill. A consultant contracted by the IMF through CARTAC, visited the ECSRC for one week from 20 to 24 November 2017 to work with the Legal Officer and the Secretary to complete the review and revisions to the draft revised Securities Bill and the ECSRC Agreement.

At the end of the mission, the draft Securities Bill was finalised and forwarded to the offices of the Attorneys General in the ECCU member territories for initial comments and review. To date, the Attorney General's Chambers in Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Lucia and Saint Vincent and the Grenadines have submitted comments on the draft Bill. The Commission continues to follow-up for responses from the Anguilla, Commonwealth of Dominica and St Kitts and Nevis. In the meantime, the draft Bill was revised based on the comments received to date.

The next phase in the legislative process will involve public consultations on the draft legislation with relevant stakeholders, which are being proposed for September 2018. The draft legislation will then be submitted to the Commission for approval for onward submission to the Monetary Council for final approval.

2.2 Revision of Collective Investment Scheme Legislation

At the 59th Meeting of Commissioners on 23 November 2015, Commissioners unanimously agreed to develop new and modern collective investment scheme legislation to govern investment fund business in the ECSM. The new legislation would repeal and replace the current provisions of Part IX of the Securities Act and the Collective Investment Scheme Regulations, 2001. It is anticipated that the new law will enhance the competitiveness of the ECCU jurisdiction in the investment funds market by providing the enabling legislation to attract foreign investment funds to the region. This will

redound to the benefit of the economies in the member territories but also enhance the investment options for investors.

The Commission received technical assistance from the World Bank (FIRST Initiative) under the FIRST Initiative OECS Financial Sector Diversification Project to draft a new Investment Funds Bill for the ECSM. An initial draft of the Bill was submitted by the First Consultant which was later reviewed by the IMF contracted consultant. The Secretariat circulated the draft Bill in December 2017 and comments received from Saint Lucia and St Vincent and the Grenadines were incorporated into the revised Bill. The ECSRC Secretariat continues to improve on the initial draft Bill.

The draft Investment Funds Bill will also be presented for public consultation with the draft Securities Bill in September 2018.

2.3 CARICOM Model Securities Market Law

Over the review period, the ECSRC participated in CARICOM consultations on the implementation of an integrated regional market for securities. The ECSRC views this regional initiative as having a potentially significant impact on capital market development in the Eastern Caribbean.

From 2 to 4 August 2017, the ECSRC Legal Officer attended the CARICOM Second Technical Working Session in Port of Spain, Trinidad and Tobago to continue the review of the draft Model Securities Market Law and related draft regulations. This was a follow-up to the first technical session which was held in January 2017. The review focused on the following documents prepared by a CARICOM Consultant:

- (i) Draft policy for the development and regulation of the regional securities market in CARICOM;
- (ii) Final Draft Model Securities Market Law;
- (iii) Draft CARICOM Prospectus Standard Regulations; and
- (iv) Draft CARICOM (Conduct of Business) Regulations.

Following a detailed review of the draft policy, participants highlighted a number of concerns, which included:

- (i) Lack of a supranational body to enforce the provisions of the CARICOM legislation. Whilst the meeting noted that an enforcement authority was necessary to ensure regulatory convergence, it was agreed that the establishment of a super-regulator for the securities market might be a contentious issue given the absence of a political union within CARICOM and the limited financial resources within the region. Participants however suggested an alternative solution of establishing an Oversight Committee that would be responsible for regulating and supervising the conduct of securities business within the region. The Caribbean Group of Securities Regulators (CGSR) was identified as one such group upon which the Oversight Committee may be founded.

- (ii) The draft policy failed to address the payment of fees and how this would be treated by member states especially in the context of a single jurisdiction regime. Participants noted that the payment of fees play an important role in assisting securities commissions in achieving and maintaining financial independence.

Participants agreed that the draft policy:

- (i) should be refined and amended to include a discussion on the country-specific circumstances of Member States including the level of market development of each country and the supporting market infrastructure;
- (ii) should present a brief overview of the performance of the domestic securities markets including a discussion on the type of securities offered (for example, bonds, equities, collective investment funds and other securities) and the level of activity in the primary and secondary markets;
- (iii) should highlight the constraints to advancing the integration of a regional capital market within CARICOM; and

- (iv) should include an Implementation Strategy, which would identify the reform measures necessary for the achievement of a regional securities market. The Implementation Strategy should detail the measures required at the national level as well as a timetable for the implementation of these measures.

At the conclusion of the Technical Working Session, the CARICOM Secretariat acknowledged that there was still considerable work to be done before the goal of creating a regional securities market could be achieved. CARICOM also acknowledged the importance of developing an Implementation Plan and Implementation Strategy to support the work being undertaken as well as the importance of ongoing consultation with stakeholders in the public and private sector. However, to date there had been no such consultation with either of these groups of stakeholders.

The adoption of a Regional Policy on the Securities Market is only a first step and therefore the Policy would need to be revised, to take account of the disparities in the development of the national securities markets in CARICOM. In light of this, the adoption of a single jurisdiction regime is a long-term goal. However, in the medium term, it may be more feasible to pursue the adoption of common standards and common legislation for the regulation of the securities markets in CARICOM.

The ECSRC continues to liaise with the CARICOM Secretariat with regard to the plans and strategy to implement a regional capital market, to ensure that the interests of the ECCU member territories are fully represented while continuing to work on the finalisation of the draft ECSM securities law.

2.4 Development and Implementation of Market Guidelines

At its 65th Meeting on 29 May 2017, the Commission approved the issuance of the *Compliance and Internal Control Guidelines for Entities and Individuals Licensed or Authorised under the Securities Act 2001*. The implementation of the Guidelines was effective 31 October 2017. These Guidelines set out minimum standards for all licensees and authorised persons under the Securities Act 2001, in the conduct of securities business in the ECSM. These Guidelines include the requirement to ensure that adequate and satisfactory internal control and management systems are established and maintained to provide reasonable assurance that *inter alia*:

- (i) the licensee or authorised person will conduct all securities business in compliance with all applicable laws and regulations;
- (ii) the safeguarding of the assets of the business and client assets; and
- (iii) proper records will be maintained to ensure the reliability of financial and other information of the business.

Work is continuing on the finalisation of market guidelines to govern the sale of Repurchase Agreements in the ECSM. These Guidelines will provide minimum standards and specify minimum regulatory requirements that should be observed by entities and individuals engaged in the offer of Repurchase Agreements in the ECSM.

2.5 Certification and Licensing of Market Participants

The Commission, in collaboration with the Eastern Caribbean Securities Exchange (ECSE) and the Eastern Caribbean Institute of Banking (ECIB) facilitated the 18th cohort of the ECPE from 26 June to 11 July 2017. Eighteen candidates from financial institutions throughout the ECCU member countries participated in the programme. Only 9 candidates were successful in the examination.

The Commission also facilitated the administration of the examination to private candidates at examination centres in Saint Lucia on 12 February 2018, St Vincent and the

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Grenadines on 26 March 2018 and 11 and 12 July 2017 and in Trinidad and Tobago on 26 July 2017, 24 August 2017 and 15 December 2017.

Candidates who are successful in the theory examination are eligible to apply for a principal, representative or investment adviser licence to operate in the ECSM. For a principal and representative licence, the applicant must be employed with a broker-dealer firm to be considered for a licence.

As at 31 March 2018, there were 55 individuals and entities licensed to operate in the ECSM, compared to 48 persons as at 31 March 2017. The change in the total number of licensees over the three years ended 31 March 2018 is shown in **Table 1**.

TABLE 1: Number of Licensees as at 31 March 2018

Licence Type	31-Mar-18	31-Mar-17	31-Mar-16
	No. of Licensees	No. of Licensees	No. of Licensees
Broker-Dealers	9	9	9
Principal	18	14	13
Representative	19	16	19
Investment Adviser	0	0	0
Custodian	1	1	1
Collective Investment Scheme Custodian	1	1	1
Collective Investment Scheme Management Company	2	2	1
Collective Investment Scheme	2	2	1
Securities Exchange	1	1	1
Securities Depository	1	1	1
Securities Registry	1	1	1
TOTAL	55	48	48

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As at 31 March 2018, the largest broker-dealer managed assets totaling approximately EC\$402 million for 587 clients. The ten largest institutional portfolios amounted to EC\$228.9 million (56.95 per cent) of total assets under management while the assets under management of the ten largest retail investors totaled EC\$50.9 million.

As at 31 December 2017, the only active Collective Investment Scheme authorized to operate in the ECSM, managed assets totaling EC\$178.6 million for corporate pension plans that are unit holders in the Scheme. This amount represented an increase of \$36.8 million (25.9 per cent) in total Assets under Management when compared with the corresponding period in 2016. The Fund's net asset value per unit as at 31 December 2017 had increased to \$2.18 compared to \$2.05 as at 31 December 2016.

Over the 2017/2018 financial year, the Commission reviewed and approved the grant of eleven new licences. Details of all licences granted and revoked are listed in **Table 2**.

TABLE 2: Change in Register of Licensees as at 31 March 2018

	Name	Licence Type	Broker-Dealer Accreditation
NEW LICENCES	Burch-Smith: Omar	Representative	First Citizens Investment Services Ltd
	Charles: Cedric	Representative	Bank of Saint Lucia Ltd
	Ferreira: Greg	Representative	First Citizens Investment Services Ltd
	Francis: Kishel	Representative	Grenada Co-operative Bank Ltd
	Grell: Stephen	Principal	Citicorp Merchant Bank Ltd
	Hadley: Laurent	Principal	Bank of St Vincent and the Grenadines Ltd
	Joseph: Allana	Principal	Grenada Co-operative Bank Ltd
	Providence: Temelia	Principal	First Citizens Investment Services Ltd
	Simeon: Mervin	Representative	Bank of Saint Lucia Ltd
	Small: Denicia	Representative	The Bank of Nevis Ltd
	Williams: Monique	Principal	The Bank of Nevis Ltd
LICENCES REVOKED	Dookie: Dave	Principal	First Citizens Investment Services Ltd
	Hutchinson: Winston	Principal	St Kitts-Nevis-Anguilla National Bank Ltd
	Jagroop: Vishwatee	Representative	First Citizens Investment Services Ltd

2.6 Enhancing Market Disclosures by Issuers

The ECSRC is responsible for the development, promotion and implementation of statutory reporting and disclosure standards for all issuers of securities in the ECSM and for ensuring compliance with these standards. The Corporate Finance Division of the ECSRC is responsible for the registration of new issuers of securities and the review and approval of prospectuses as well as the dissemination of periodic filings by issuers.

During the financial year, the Commission reviewed 26 prospectuses and prospectus addendums for public and private offers of securities on the Regional Government Securities Market (RGSM) and on the ECSM (Table 3 refers).

TABLE 3: Prospectuses Reviewed Over the Period 1 April 2017 to 31 March 2018

Period	Regional Government Securities Market	Eastern Caribbean Securities Market	
		Private offer	Public offer
Apr – Jun 2017	Government of St Vincent and the Grenadines - Addendum 1		❖ 1st National Bank – 1,000,000 Ordinary Shares
	Government of Antigua and Barbuda - Addendum I - Annual Prospectus		❖ The Bank of Nevis Ltd – APO of 6,205,497 Ordinary Shares
	Government of Grenada - Addendum 1		❖ First Citizens Investment Services Ltd, Trinidad and Tobago – US\$15M 3.5% Medium Term Notes
Jul – Sept 2017	Government of Saint Lucia - Annual Prospectus - Addendum I (2016/2017) - Addendum II (2016/2017)	RBTT Bank (SKN) Ltd- 1000 Ordinary shares (Class A)	❖ Government of Anguilla offer of 4,636,100 ordinary shares in Anguilla Electricity Company Ltd.
	Government of Antigua and Barbuda 2017 Prospectus - Addendum I - Addendum II		❖ Eastern Caribbean Home Mortgage Bank- Corporate Paper- EC\$15M ❖ Bank of St Vincent and the Grenadines - \$6 million stock dividend
Oct – Dec 2017	Government of St Vincent & the Grenadines - Annual Prospectus 2017/2018 Government of Antigua and Barbuda		❖ Eastern Caribbean Home Mortgage Bank Ltd- Corporate Paper - EC\$199M

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Period	Regional Government Securities Market	Eastern Caribbean Securities Market	
		Private offer	Public offer
	- Annual Prospectus 2017/2018		
Jan – Mar 2018	Government of Grenada – Annual Prospectus Government of Antigua and Barbuda – Addendum 1 Government of Saint Lucia – Addendum III	❖ Bank of Montserrat- APO & Rights Issue - EC\$3M ❖ First Citizens Investment Services Ltd - Fixed Income/ Repurchase Agreements EC\$500M & US\$100M ❖ Bank of St Lucia - Repurchase Agreements initially up to \$35M	

Of the 26 prospectuses and prospectus addendums reviewed, 11 were for private and public offers of securities on the ECSM.

The securities market legislation stipulates ongoing and periodic reporting by reporting issuers on an annual, quarterly and ad hoc basis. The ECSRC efforts to ensure the timely submission of filings by reporting issuers have yielded positive results as there has been a significant overall improvement in reporting issuer compliance. However, there are continuing concerns regarding the late submission of annual filings as well as the general quality of reporting. In most cases, the submission of filings are delayed as a result of the non-completion of the annual audit of reporting issuers.

At the commencement of the ECSM in 2001, the **Eastern Caribbean Securities Information Network (ECSIN)** was developed to facilitate the receipt and storage of periodic statutory filings submitted by reporting issuers. This information could then be made available to the public via a web-based interface. Due to a number of challenges, full system functionality was not achieved and in June 2015, the Commission undertook a renewed assessment of ECSIN with a view to operationalizing the system. Work commenced on the development of a new ECSIN database solution in November 2016, however due to resource challenges, the project was not completed as scheduled in December 2016. As at 31 March 2018, the project was nearing completion, as the database had been delivered and was being tested by the ECSRC to ensure that it fulfilled

the requirements in the Request for Proposal document. The Commission intends to officially launch the database during the 2018/2019 financial year.

3.0 MONITORING COMPLIANCE AND ENFORCEMENT

The enforcement of securities laws is essential for promoting market integrity. Enforcement must be effective and can only be effective if it is credible. The market must reasonably expect that action will be taken against perpetrators when securities laws and rules are infringed. Enforcement must be timely, fairly and consistently applied. The regulator must demonstrate a willingness to enforce securities laws and rules and must be intrusive and proactive in so doing.

Generally, the level of compliance with the securities legislation in the ECSM continues to improve, particularly with regard to the submission of statutory filings by reporting issuers and adherence to statutory licensing requirements by licensees. Over the financial year, the Commission used moral suasion and ongoing engagement with its registrants and licensees to ensure compliance with legislative requirements.

During the year under review, the Commission issued two cease and desist letters and a warning letter to entities engaging in the unlawful public offer of securities on the ECSM. Additionally, as part of its ongoing surveillance and monitoring activities, the Commission conducted an investigation into a failed trade by a licensee and responded to an unauthorised issue of a securities advertisement by a proposed issuer. The Commission also considered proposals and approved recommendations to address compliance issues for various licensees and registrants.

4.0 OTHER ACTIVITIES

4.1 IOSCO Membership Project

During the 2017/2018 financial year, the Commission continued to make significant progress in its efforts to obtain IOSCO membership.

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The first draft of a report with the Commission's responses to the IOSCO MMoU questionnaire was completed during the week of 4 December 2017. This was submitted along with the draft Securities Bill and other relevant documents to the IOSCO General Secretariat on 15 December 2017, for a preliminary assessment by the MMoU Assessment Team. This assessment would determine the ECSRC's readiness to sign the IOSCO MMoU and for Ordinary membership in IOSCO.

The results of the preliminary assessment was considered by the IOSCO Screening Group at its meeting in early March 2018 and the Commission is currently awaiting a formal response from IOSCO on the decision of the Screening Group. **Table 4** provides an updated timeline for the completion of the project.

TABLE 4: ECSRC IOSCO MEMBERSHIP PROJECT REVISED TIMELINES

	Task	Tentative Timeline for Completion
1.	Make the necessary amendments to the legislation and the responses to the IOSCO MMoU questionnaire and begin the process of consultations with stakeholders in both the private and public sector on the draft Securities Act	August 2018
2.	Convene a special meeting of the Commissioners to review and approve the finalised legislation following the consultation process	September 2018
3.	Present the finalised legislation, approved by the Commission, to the Monetary Council for approval following which it will be forwarded to each ECCU member territory for enactment by each Parliament	October 2018
4.	Submit an application to become a signatory to the IOSCO MMoU and for Ordinary membership. (The application for ordinary/full membership will follow the enactment of the legislation in all ECCU member territories)	November 2018

4.2 Financial Technology (FINTECH) in the ECSM

The ECSRC is preparing for the increasing role of technology in the ECSM and is working to develop policies to respond to technological developments in the ECSM.

During the first quarter of the financial year, the Commission assessed a licensing enquiry from an entity based in one of the ECCU member territories which is seeking to establish and operate a crowdfunding portal to assist start-ups and growth companies in the ECCU to raise capital. However, while equity-based crowdfunding falls within the regulatory ambit of the ECSRC, the existing ECSM legislative framework, does not support this activity. Accordingly, the Commission will be seeking to establish appropriate legislation or rules that would directly govern the securities activities carried out by crowdfunding platforms. This approach is consistent with that of other securities market regulators within the CARICOM region and internationally.

The ECSRC will also be seeking to implement policies to facilitate the prudent conduct of Initial Coin Offerings (ICOs) in the ECSM and other securities related business involving crypto-assets.

4.3 Supporting Effective Regulation and Supervision in the ECSM

4.3.1 Training and Development

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

- *United States Securities and Exchange Commission International Institute for Securities Market Growth and Development (27 March – 6 April 2017)*
- *Workshop on Financial Market Infrastructures in the Caribbean Region (10 – 13 April 2017)*
- *IOSCO/FSC International Conference on Securities Regulations (Public Conference) 17 – 18 May 2017*

- *Caribbean Group of Securities Regulators Annual Members' Meeting and Annual Conference and Workshop (24 – 26 April 2017)*

The participation of the ECSRC staff and Commissioners in some of these programs was partly funded by the Caribbean Regional Technical Assistance Centre.

4.3.2 Investor Awareness and Education

At the 58th Meeting on 2 September 2015, Commissioners approved an investor education programme, but to date, the programme has not been implemented mainly due to financial and human resource constraints. The launch of this programme would not only promote market development but more importantly would assist in investor protection as investors who are financially savvy are more likely to invest wisely and can avoid becoming victims of financial fraud.

Over the financial year, the ECSRC Secretariat continued to participate in teleconferences with the International Forum for Investor Education (IFIE) Americas Working Group. The objective of this Working Group is to provide an avenue for assistance and collaboration between the IFIE and the Caribbean Group of Securities Regulators (CGSR) members to build financial capacity/investor education through the development of materials and content delivery programmes.

The Commission also participated in various activities for the ECCB Financial Investment Month in October 2017.

5.0 OUTLOOK 2018/2019

In the upcoming financial year, the Commission will continue to develop and enhance the requisite legislative and supervisory mechanisms and build staff capacity in order to fulfill its mandate to regulate and supervise and to promote the growth and development of the ECSM. As the Commission is guided by the IOSCO principles of securities market regulation, its

success will be determined by the successful implementation of these standards. The Commission's Work Programme will therefore focus on the following tasks:

- i) Effecting recommended revision of the securities legislation
- ii) IOSCO membership
- iii) Developing and implementing a compliance and enforcement program
- iv) Launching the ECSIN database
- v) Implementing an investor awareness and education program
- vi) Implementing risk-based supervisory framework for licensees
- vii) Preparing surveillance procedures for market institutions (ECSE and subsidiaries)

In addition to the foregoing tasks, more work is needed in the day-to-day monitoring and supervision of licensees and other areas of responsibility, namely investor protection, compliance and enforcement in order to facilitate the growth and development of the market. The main challenges in the delivery of these, which are perennial, are associated with staffing level and staff capacity, administrative inefficiencies and financial resource constraints.

To deliver on these tasks requires that the Commission must receive the requisite financial resources together with an adequate level of skilled, knowledgeable, experienced and committed staff. The current staffing level of the Secretariat continues to affect its ability to deliver the Commission's mandate and also impacts overall continuity of the Secretariat's workflow in the event of absences due to illness or other unforeseen events. It is anticipated that, in the interim, the addition of at least four staff members, would assist to ensure continuity of the work of the Secretariat and would also allow the Commission to engage in and complete a number of critical tasks and projects that have been outstanding since the establishment of the Commission in 2001.

Notwithstanding, the Commission will continue its focus on the review of the ECSM legislative framework to achieve compliance with international standards. As securities transactions are not limited to national borders, the effective regulation of the industry requires the cooperation of securities regulators and efforts will also be focused towards the implementation of the decision of the Monetary Council regarding the Commission's

membership in IOSCO and signing up to the IOSCO MMoU. However, the successful and timely completion of this process, which was commenced in 2004, continues to be hindered by the Secretariat's resource constraints.

The Commission will continue its efforts to implement the necessary internal processes and procedures to foster compliance with the securities laws. This includes the development and documentation of a compliance and enforcement programme for the ECSM. Further, the revised securities legislation would allow the Commission greater flexibility to effectively monitor and supervise the market. The ECSRC Secretariat remains confident that ongoing engagement to increase awareness of compliance requirements among regulated entities and individuals will continue to generate a positive result in relation to the compliance status of market participants.

In the area of corporate finance, the Commission will seek to implement the new ECSIN solution and update and implement the revised Ladder of Compliance once the amendments to the securities legislation are completed.

At the management and administrative level, emphasis will continue to be placed on building the capacity of staff and Commissioners, the documentation of internal operating procedures and the automation of processes and procedures to enhance the effectiveness of the operations of the ECSRC Secretariat. Significant efforts will also be focused in the area of records management with a view to improving the Commission's filing and archiving system. To ensure that information is timely and widely disseminated in the ECSM, the Commission will continue work on the website project and ensure that its new website is fully up-to-date and accessible. Investor education will continue to be another significant priority area.

Market regulation and surveillance activities will primarily involve the review of applications for licences for prospective market participants, undertaking on-site examinations of market participants, where necessary to assess risks and to further the implementation of a risk-based regulatory framework for licensees, the development and implementation of rules/guidelines to

govern various types of market activities and the implementation of procedures for market surveillance.

The Eastern Caribbean Certification Programme and Examination which was first introduced in 2002 following the establishment of the market has not kept pace with the demands of the market. Prospective candidates are demanding greater flexibility in the presentation and delivery of training materials and examination sitting. At present, the examination is only available via a paper option. Additionally, the proposed revisions to the Securities Act as well as changes to the ECSE trading platform will necessitate a review of both the theory and practical components of the programme. Accordingly, the ECSRC will undertake a review of the theory aspect of the programme to enhance delivery and to ensure that it can continue to satisfy the needs of the market.

The implementation of a risk-based assessment framework would assist the ECSRC in the early identification, assessment and mitigation of risks exposure of individual market participants and in the market as a whole. At present, the ECSRC's ability to conduct financial stability analysis is hindered by the lack of statistical and financial data for all market segments, particularly the informal market (OTC market). The OTC market has been assessed to operate as a secondary market for the trading of primary market issues, particularly government securities. Overcoming this limitation, along with the introduction of prescribed minimum capital requirements, financial resources regulations for securities firms, financial stability assessment framework and market surveillance program are essential to improving market transparency and awareness of market practices and activities.

JULY 2018

Eastern Caribbean Securities Regulatory Commission

Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

Eastern Caribbean Securities Regulatory Commission

Statement of Financial Position

As at March 31, 2018

(expressed in Eastern Caribbean dollars)

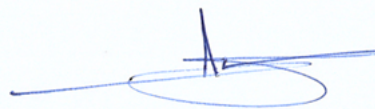
	2018 \$	2017 \$
Assets		
Current asset		
Receivables and prepayments (note 6)	<u>1,431</u>	54,977
Non-current assets		
Computer and office equipment (note 7)	28,795	2,143
Intangible assets (note 8)	<u>34,540</u>	28,876
Total non-current assets	<u>63,335</u>	31,019
Total assets	<u>64,766</u>	85,996
Liabilities		
Current liabilities		
Accruals and other payables (note 9)	11,499	22,079
Deferred income (note 10)	50,400	55,400
Due to Eastern Caribbean Central Bank (note 11)	<u>343,587</u>	347,745
Total liabilities	405,486	425,224
Accumulated fund		
Accumulated deficit	<u>(340,720)</u>	(339,228)
Total liabilities and accumulated fund	<u>64,766</u>	85,996

The notes on pages 1 to 18 are an integral part of these financial statements.

Approved for issue by the Commissioners on August 28, 2018.



Sir Errol N. Allen
Chairman



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

Eastern Caribbean Securities Regulatory Commission

Statement of Comprehensive Income

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	2018 \$	2017 \$
Income		
Fee income (note 12)	186,730	199,657
Other income (note 13)	823,675	830,375
	<u>1,010,405</u>	<u>1,030,032</u>
Expenditures		
Operating expenses (note 14)	(938,213)	(945,163)
Administrative expenses (note 15)	(73,684)	(64,764)
	<u>(1,011,897)</u>	<u>(1,009,927)</u>
(Loss)/Profit for the year	(1,492)	20,105
Other comprehensive income	—	—
Total comprehensive income for the year	<u>(1,492)</u>	<u>20,105</u>

The notes on pages 1 to 18 are an integral part of these financial statements.

Eastern Caribbean Securities Regulatory Commission

Statement of Changes in Accumulated Fund

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	\$
Balance at March 31, 2016	(359,333)
Profit for the year	<u>20,105</u>
Balance at March 31, 2017	(339,228)
Loss for the year	<u>(1,492)</u>
Balance at March 31, 2018	<u>(340,720)</u>

The notes on pages 1 to 18 are an integral part of these financial statements.

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Statement of Cash Flows

For the year ended March 31, 2018

(expressed in Eastern Caribbean dollars)

	2018 \$	2017 \$
Cash flows from operating activities		
(Loss)/Profit for the year	(1,492)	20,105
Items not involving the movement of cash:		
Impairment loss on accounts receivable (note 15)	41,963	–
Amortisation (note 8)	15,734	15,734
Depreciation (note 7)	5,987	1,000
Write-off of intangible assets (notes 8 and 15)	–	38,030
	<hr/>	<hr/>
Cash flows from operations before changes in operating assets and liabilities	62,192	74,869
Decrease/(increase) in receivables and prepayments	11,583	(52,139)
(Decrease)/increase in accruals and other payables	(10,580)	10,015
(Decrease)/increase in deferred income	(5,000)	3,987
	<hr/>	<hr/>
Net cash from operating activities	58,195	36,732
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of:		
Computer and office equipment	(32,639)	–
Intangible assets	(21,398)	(6,584)
	<hr/>	<hr/>
Net cash used in investing activities	(54,037)	(6,584)
	<hr/>	<hr/>
Cash flows used in financing activity		
Decrease in due to Eastern Caribbean Central Bank	(4,158)	(30,148)
	<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 1 to 18 are an integral part of these financial statements.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(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 between 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

Standards, interpretations and amendments to published standards effective during the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Commission has assessed the relevance of such new standards, amendments and interpretations and has adopted those which are relevant to its operations. Accordingly, the Commission has made no changes to its accounting policies in 2018.

- Amendment to IAS 7, ‘Statement of cash flows on disclosure initiatives’, (effective for annual reporting periods beginning on or after January 1, 2017). These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are part of the IASB’s Disclosure initiative, which continues to explore how financial statement disclosure can be improved. This amendment did not have any significant impact on the Commission’s financial statements.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(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.

- IFRS 9, 'Financial Instruments', is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Commission is therefore required to adopt IFRS 9 from April 1, 2018. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. The determination of classification is made at initial recognition and depends on the entity's business mode for managing its financial instruments and the contractual cash flow characteristics of the instrument.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stages' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The standard provides some operational simplifications for trade receivables, contract assets and lease receivables. This includes the requirement or policy choice to apply the simplified approach that does not require entities to track changes in credit risk and the practical expedient to calculate ECLs on trade receivables using a provision matrix.

The Commission has performed an initial review of its business model and contractual cash flow characteristics of its financial assets. The Commission's principal financial asset is receivables from customers. Consequently, based on the business model and solely payments of principal and interest ("SPPI") assessment, this is not expected to have a significant impact on the Commission. Moreover, there is no expected impact on the Commission's accounting for financial liabilities, as the new requirements only impact financial liabilities that are designated at fair value through profit or loss, and the Commission does not currently have any such liabilities.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(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 ...continued

Changes in accounting policies resulting from adoption will be applied retrospectively as at 1 April 2018, but with no restatement of comparative information for prior years. Consequently, the Commission will recognise any adjustments to the carrying amounts of financial assets between IAS 39 and IFRS 9 in the opening accumulated fund.

- IFRS 15, 'Revenue from contracts with customers' (effective for annual reporting periods beginning on or after 1 January 2018). The standard supersedes IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and a number of revenue-related interpretations. IFRS 15 applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. It specifies how and when an entity will recognise revenue. It also requires entities to provide more informative, relevant disclosures. The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers are required to be capitalised and amortised over the period when the benefits of the contract are consumed. The Commission has reviewed the main types of commercial arrangements used with customers under the model and has tentatively concluded that the application of IFRS 15 will not have a material impact on the Commission's results of operations or financial position.
- IFRS 16, 'Leases' (effective for annual periods beginning on or after January 1, 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.) This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Commission is still assessing the impact of IFRS 16.

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.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

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, initial measurement and derecognition*

Financial assets and financial liabilities are recognised when the Commission becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and financial liabilities are described below.

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 expired.

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

For the purpose of subsequent measurement, financial assets are classified as loans and receivables upon initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Commission's receivables fall into this category of financial instruments.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

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 impairment of accounts receivable, which are presented within general and administrative expenses.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies...continued

a) Financial instruments...continued

(iii) Classification and subsequent measurement of financial liabilities

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

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

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.

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.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

4 Summary of accounting policies ...continued

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.

h) Revenue recognition

Revenue arises from rendering of services. It is measured at the fair value of consideration received or receivable. The Commission applies the revenue recognition criteria set out below to each separately identifiable component of income.

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 fee income is due.

Other income

Revenue earned from non-routine services and miscellaneous transactions are categorised as other income and recognised on the accrual basis.

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.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(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.

Impairment of financial assets

In determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows of impaired receivables as well as the timing of such cash flows.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(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.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

a) Financial risk factors ...continued

ii) Credit risk ...continued

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:

	2018	2017
	\$	\$
Accounts receivable	—	53,213

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

	2018		
	High Grade \$	Standard Grade \$	Total \$
Accounts receivable	—	—	—

	2017		
	High Grade \$	Standard Grade \$	Total \$
Accounts receivable	—	53,213	53,213

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.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(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	-	-	-
As at March 31, 2018	-	-	-
Accounts receivable	41,963	11,250	53,213
As at March 31, 2017	41,963	11,250	53,213

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.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

a) Financial risk factors ...continued

iii) Liquidity risk ...continued

The following table analyses the Commission 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, 2018	
Accruals and other payables	11,499
Due to Eastern Caribbean Central Bank	<u>343,587</u>
Total financial liabilities	<u>355,086</u>
	Within 1 Year \$
At March 31, 2017	
Accruals and other payables	22,079
Due to Eastern Caribbean Central Bank	<u>347,745</u>
Total financial liabilities	<u>369,824</u>

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.

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

5 Financial risk management ...continued

b) Fair value of financial assets and liabilities ...continued

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

	Carrying value		Fair value	
	2018	2017	2018	2017
	\$	\$	\$	\$
Financial assets				
Accounts receivable	–	53,213	–	53,213
Financial liabilities				
Accruals and other payables	11,499	22,079	11,499	22,079
Due to ECCB	343,587	347,745	343,587	347,745
	355,086	369,824	355,086	369,824

c) Capital risk management

The Commission maintains a level of capital that is sufficient to meet several objectives, including an acceptable total debt-to-capital ratio to provide access to adequate funding sources to support current operations and fulfillment of its strategic plan.

The Commission's capital is represented by its accumulated fund. As at March 31, 2018, the Commission's accumulated deficit amounted to \$340,720 (2017: \$339,228).

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. In order to maintain or adjust its capital structure, the Commission may request contributions from the ECCB.

6 Receivables and prepayments

	2018	2017
	\$	\$
Accounts receivable	41,963	53,213
Less allowance for impairment	(41,963)	–
	–	53,213
VAT receivable	1,190	1,700
Prepayments	241	64
	1,431	54,977

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

6 Receivables and prepayments ...continued

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

	2018	2017
	\$	\$
Balance at beginning of year	–	–
Provision for the year	41,963	–
Balance at end of year	41,963	–

7 Computer and office equipment

	Computer equipment \$	Office equipment \$	Total \$
Year ended March 31, 2017			
Opening net book amount	–	3,143	3,143
Depreciation charge (note 15)	–	(1,000)	(1,000)
Closing book amount	–	2,143	2,143
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

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

8 Intangible assets

	Development costs \$	Computer software \$	Capital work in progress \$	Total \$
Year ended March 31, 2017				
Opening net book amount	–	38,026	38,030	76,056
Additions	–	–	6,584	6,584
Write-off (note 15)	–	–	(38,030)	(38,030)
Amortisation charge (note 15)	–	(15,734)	–	(15,734)
Closing book amount	–	22,292	6,584	28,876
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

9 Accruals and other payables

	2018 \$	2017 \$
Accrued professional fees	8,190	8,190
Other payables	3,309	13,889
	11,499	22,079

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

10 Deferred income

	2018	2017
	\$	\$
Deferred income	<u>50,400</u>	55,400

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

	2018	2017
	\$	\$
Due to ECCB	<u>343,587</u>	347,745

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

	2018	2017
	\$	\$
Prospectuses	94,045	72,944
Broker licence fee	19,000	22,000
Workshops and examinations	11,100	41,963
Representative licence fee	10,500	9,000
Principal licence fee	9,000	8,700
Custodian licence fee	6,000	10,000
Collective investment scheme	6,000	8,000
Collective investment scheme management	6,000	8,000
Examination fees	6,000	1,500
Application fee	5,835	2,400
Depository licence fee	4,000	4,000
Registry fee	4,000	4,000
Self-regulatory organisation fee	4,000	4,000
Private placement registration	1,000	3,000
Advertising filing fee	250	150
	<u>186,730</u>	199,657

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(expressed in Eastern Caribbean dollars)

13 Other income

	2018 \$	2017 \$
Subvention from the ECCB (note 16)	823,675	830,362
Miscellaneous income	–	13
	<hr/>	<hr/>
	823,675	830,375

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 from the Participating Governments.

14 Operating expenses

	2018 \$	2017 \$
Salaries, pensions and other staff benefits	823,675	830,362
Commissioners' fees (note 16)	65,600	66,000
Travel	13,102	750
Commissioners' meetings/seminars	11,119	5,387
Office supplies	8,085	–
Services	5,219	3,897
Miscellaneous	4,610	237
Training cost	4,039	16,346
Investor education	2,403	10,486
Meetings, conferences and workshops	361	10,340
CGSR Conference	–	1,358
	<hr/>	<hr/>
	938,213	945,163

15 Administrative expenses

	2018 \$	2017 \$
Impairment loss on accounts receivable	41,963	–
Amortisation of intangible assets (note 8)	15,734	15,734
Professional fees	10,000	10,000
Depreciation (note 7)	5,987	1,000
Write-off of intangible assets (note 8)	–	38,030
	<hr/>	<hr/>
	73,684	64,764

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(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 is 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:

	2018 \$	2017 \$
Other income		
Subvention from the ECCB (note 13)	<u>823,675</u>	830,362
Expenses paid		
Commissioners' fees (note 14)	<u>65,600</u>	66,000

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;

Eastern Caribbean Securities Regulatory Commission

Notes to Financial Statements

March 31, 2018

(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, 2018 amounted to \$197,616 (2017: \$196,113).

17 Taxation

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