Turks And Caicos Islands Financial Services Commission
2021/2022 Annual Report

TURKS AND CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION

ANNUAL REPORT
2021-2022

Reporting Period 1 April 2021
to 31 March 2022

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TURKS AND CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION

ANNUAL REPORT 2021/2022

Reporting Period
1 April 2021 to 31 March 2022

PICTURE 1: STAFF IN PROVIDENCIALES READY TO MOVE!

PICTURE 2: COMMISSION SUPPORTS H J ROBINSON HIGH SCHOOL

PICTURE 3: TRIVIA CHALLENGE WINNER! OUR LEGAL OFFICER

PICTURE 4: COMMISSION'S JOB FAIR

PICTURE 5: POST RETREAT SENIOR OFFICERS PHOTO

PICTURE 6: SUPPORT FOR TCI AQUATICS CLUB

About The Commission

The Commission is an independent statutory body established under the Financial Services Commission Ordinance 2001 and continued under the Financial Services Commission Ordinance 2007.

The Commission is an integrated regulator with responsibility for the regulation of all financial services businesses operating in or from the Turks and Caicos Islands (TCI), and the supervision of designated non-financial businesses and persons (DNFBPs) and not-for-profit entities operating in the TCI. The Commission, through the Commercial Registry, is also responsible for the administration of company formation, registration, patents, trademarks, and business names.

The Commission is led by a seven-member Board of Commissioners and reports to and takes directions from His Excellency, the Governor of the Turks and Caicos Islands.

Mission

The Mission of the Commission is to encourage and maintain public confidence in the financial services industry in the Turks and Caicos Islands.

Vision

The Vision of the Commission is to be a respected, fair, effective, and risk-focused integrated regulator which facilitates financial sector stability and economic development.

Values

In carrying out its mission the Commission will be guided by the following set of values:

- o Integrity: being forthright, honest, ethical, and consistent in its dealings with stakeholders;
- o Transparency: being open and accountable in its dealings and facilitating consultation with stakeholders;
- o Independence: ensuring that regulatory and operational decisions are objective, balanced and free of undue influence from related parties; and
- o Efficiency: managing resources effectively to deliver value for money.

Commissioners And Senior Management

BOARD OF COMMISSIONERS

David Oakden -	Chairman
Oswald Simons -	Deputy Chairman
Neville Grant -	Commissioner
Susan Francois -	Commissioner
Lou-Ann Henry-Phillips -	Commissioner
Athenée Harvey-Basden -	Commissioner
Niguel Streete -	Managing Director

SENIOR MANAGEMENT

Niguel Streete -	Managing Director
Kenisha Bacchus -	Deputy Managing Director
Claudia Coalbrooke -	Senior Advisor
Cherri Peters-Grant -	Director, Finance
Prudence Edwards -	Director, Bank and Trust
Tamiko Smith -	Director (Ag), AML Supervision
Corine Bolton -	Director, Insurance
Cathrice Williams -	Director, Information Technology
Karlene Ferrier -	Registrar of Companies

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Report Of The Commission

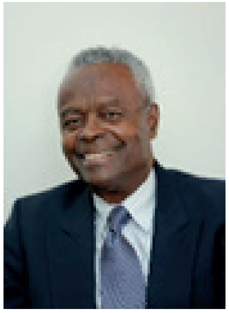
Profile Of The Commissioners

David Oakden

Dr Oakden brings to the Commission considerable experience in the field of insurance and insurance supervision. He served as Managing Director of the Actuarial Division at the Office of the Superintendent of Financial Institutions (OSFI), Canada; on the Executive and Technical Committees of the International Association of Insurance Supervisors; President of the Canadian Institute of Actuaries; and as a consultant to the Federal Reserve Bank of New York and the Canada Mortgage and Housing Corporation. He is a Fellow of the Casualty Actuarial Society. Dr Oakden holds a PhD in Mathematics from the University of Toronto.

Oswald Simons

Mr. Simons is a retired banker whose career spanned over 30 years with various banking groups. Mr Simons also served as Chairman of the Turks and Caicos Investments Agency.

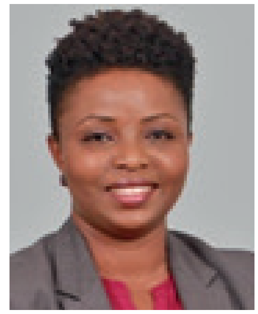


Neville Grant

Mr Grant has vast experience in the field of financial supervision and regulation. He was a consultant to the International Monetary Fund (IMF), and to the Governments of Jamaica, Vanuatu, and Zambia. He is a past Managing Director of the Cayman Islands Monetary Authority.

Susan Francois

Ms Susan Francois is an Attorney-at-Law by profession with over 30 years' experience in Civil Law. As the former Head of the Financial Intelligence Unit of Trinidad and Tobago, Ms Francois has vast experience in financial supervision and regulation. She was a team leader in the country's preparations for successful FATF and CFATF AML/CFT evaluations. She has various certifications in AML/CFT and FCPA and holds a master's degree in Corporate Commercial law



Lou-Ann Phillips-Henry

Mrs Lou-Ann Phillips-Henry has over 16 years' experience as an audit practitioner with various audit firms. She led the delivery of professional service engagements to several domestic, regional, and international clients in the Eastern Caribbean. Her professional experience encompasses the provision of accounting, audit (internal and external), tax, assurance, financial advisory and various compliance services to clients in several sectors, including banking, insurance, retail, statutory bodies, publication, power and energy and non-for-profit organisations. Mrs Lou-Ann Phillips-Henry is an FCCA and a member of the Association of Chartered Certified Accountants. She is also a practicing member of the Institute of Chartered Accountants of the Eastern Caribbean.

Athenée Harvey-Basden

Mrs Harvey-Basden served in various positions in the Turks and Caicos Islands Government, including in the Treasury Division and as Accountant General. She now holds the position of Permanent Secretary, Ministry of Finance since 2012. Mrs Harvey-Basden has various degrees in Accounting.

Niguel Streete

Mr Streete has extensive training and over 26 years' experience in financial sector development, supervision, and regulation. He held several executive positions in financial regulation in the region, including Deputy Executive Director of the Grenada Authority for the Regulation of Financial Institutions, Executive Director of the Anguilla Financial Services Commission, Director of Bank Supervision and Advisor in the Governor's Office at the Eastern Caribbean Central Bank, and Secretary of the Eastern Caribbean Securities Regulatory Commission. He also served as Chairman of the Anguilla Money Laundering Reporting Authority and Deputy Chairman of the Anguilla CFATF Mutual Evaluation Steering Committee.

1.0 Chairman’s Report

As I write this report life seems to have returned to a new normal. Tourists have returned to Turks and Caicos Islands; many workers, including those at the Commission have returned to the office; and while COVID-19 has not gone away, most countries, except China, seem to be willing to live with it. However, the financial sector is still feeling the aftershocks. Inflation has increased to levels not seen since the 1970s. Stock markets have been volatile and declined significantly. The US dollar has strengthened, especially as compared to the Euro and the Pound. Interest rates have increased and will continue to increase. A recession is almost certain, and it may be severe. These financials shocks may have a significant impact on the financial institutions that the Commission supervises. The financial sector in TCI has remained strong throughout the pandemic and we will remain vigilant to ensure that it remains strong.

The Board has had a busy year. With the appointment of a new Commissioner, it has been necessary to realign the membership of the Board Committees. Commissioner Simons now chairs the Governance Committee, Commissioner Francois chairs the Human Resources Committee and Commissioner Grant has remained as Chairman of the Audit and Risk Committee. We have also updated the Board and Committee charters to better reflect current governance best practices and the current financial environment.

The Commission and the TCI are subject to reviews by the IMF, the International Association of Insurance Supervisors (IAIS), and the International Organisation of Securities Commissions (IOSCO). During the review period, the Commission assessed its performance against the IAIS Core Principles. This is an ongoing process and in future years we will evaluate our compliance with the BCBS and IOSCO Core Principles. Other significant items on the Boards’ agenda over the past year include the IT strategic plan; our policy for protecting the Commission against cyber risks; and research on virtual assets, such as bitcoin.

I would like to thank Mrs Phillips-Henry who rotated off the Board this year. She was a strong contributor to Board discussions, especially on financial matters, her participation will be missed.

His Excellency, Governor Dakin, appointed Commissioner Forbes to the Board following a public and transparent recruitment process. Commissioner Forbes is a local human resources consultant with experience in banking and insurance. Human resources management was identified as a gap in board experience; Commissioner Forbes has already made significant contributions in this area. We look forward to working with him.

In my report last year, I outlined five priorities for the future. I would like to provide a short update on our progress over the past year.

The first priority was to improve our relationship with the industry. We have now instituted an annual meeting with the Board and industry leaders. We also hope to resume our annual meetings in February, and this will provide a venue for informal meetings between Board Members and members of the local financial industry. In addition, I have met individually with several members of the local industry to discuss issues and opportunities.

The second priority was to add more local representatives to the Board. As mentioned above, the Governor appointed Commissioner Forbes, a resident of TCI, to the Board based on the Board's recommendation. In making future Board Member recommendations to the Governor, preference will continue to be given to residents of the TCI.

The third priority was to increase the opportunities for promotions from within the Commission. During the reporting period, the Commission sought approval from H E the Governor for the promotion of several members of staff at all levels of the organisation; these promotions came into effect during the next financial year. I take this opportunity to congratulate the relevant staff on their earned and much deserved promotions.

The fourth priority was to work with the government and industry to build the financial sector in the TCI. While this is still a work in progress we continue to actively engage with the government and industry on this issue.

The fifth priority was to ensure that the Board continued to function at the high level maintained by my predecessor. As mentioned above, the addition of Commissioner Forbes to the Board has addressed a gap in our Human Resources experience. Our emphasis on governance has improved our focus on important Board issues and we continue to have Commissioners with wide experience in all aspects of the Commission's operations. In addition, the experience and abilities of my fellow Commissioners continues at a high level.

On behalf of my fellow Commissioners, I would like to thank the Governor for his support over the past year and for his understanding of some of our complex issues. I would also like to thank our Managing Director, Mr Streete, for his continued strong leadership over the past two difficult years and his patience with the Board and its Chairman. Finally, I would like to thank the staff of the Commission, the various policymakers and stakeholders for the support provided during the past year.

"Dr David Oakden
Chairman - Board of Commissioners"

2.0 Managing Director's Report

While still responding to the impact of the Novel Coronavirus (COVID-19) pandemic, the financial system in the Turks and Caicos Islands (TCI) remained strong, resilient and stable.

Like other economies around the globe, TCI began to recover from the effects of the COVID-19 pandemic in 2021. Local restrictions continued to ease, and the engines of growth regained momentum, aided by the continued roll-out of the vaccination programme. Policy support began to taper off as financial risks stemming from the pandemic declined. The impact of the pandemic on the financial position of the banking sector started to dissipate with the sector recording improved profitability. In the aggregate, the financial system remained strong and resilient, demonstrating its ability to absorb adverse shocks.

Global economic activity continued to improve in 2021 with growth estimated at 5.9 per cent for the year. However, after the first half of 2021, the recovery began to lose momentum to the emergence of the Omicron and Delta variants of the COVID-19 virus in several parts of the world, imbalances in supply and demand associated with bottlenecks in the global supply chain, and persistent inflationary pressures. For many countries, vaccines remained a binding constraint on economic activity and output remained below pre-pandemic levels. In addition, persistent price pressures have induced several countries to tighten monetary policy by increasing policy rates, which is expected to slow output even further.

The domestic macroeconomic environment was broadly stable during the review period. There was a marked recovery in the domestic market on account of the full reopening of the economy made possible by the continued roll-out and uptake of vaccines on the islands. The domestic economy is estimated to have grown in real terms by 13.6 per cent in 2021, following the rebound in tourism, the island's main contributor to GDP. As revenues recovered in tourism, the government's fiscal position strengthened, and public debt continued on its downward trajectory. Additionally, the unemployment rate fell to 9.0 per cent in 2021 from an estimated 11.0 per cent in 2020. Increasing international food and commodity prices resulted in inflationary pressures in the TCI; the Consumer Price Index (CPI) grew to 4.5 per cent in 2021 relative to 2.3 per cent in 2020.

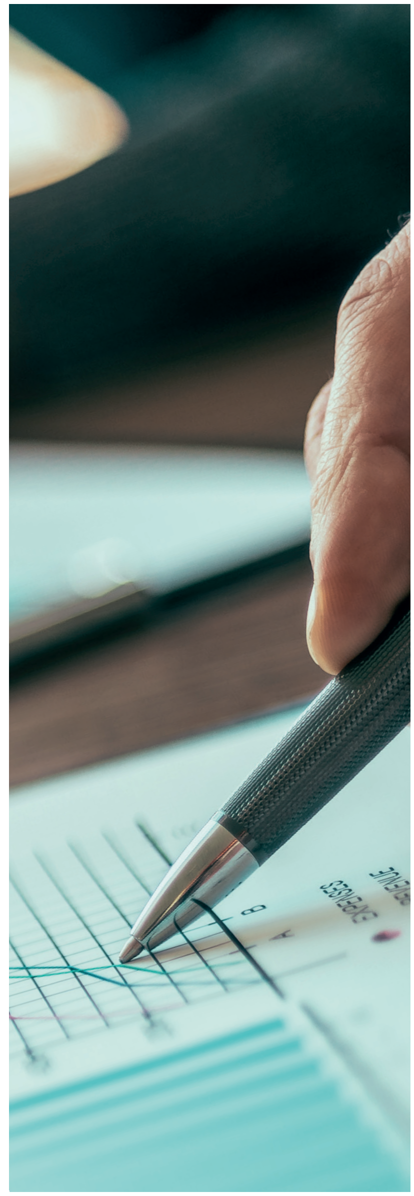
Within the context of the economic recovery, risks to the financial system were relatively subdued. Financial institutions remained adequately capitalised and had high liquidity positions in excess of statutory requirements. The banking sector, the largest domestic financial intermediary, remained stable over the pandemic. Stress tests conducted by the Commission showed that banks continued to be resilient to selected hypothetical adverse shocks to their credit and liquidity portfolios.

Banks' balance sheets remained strong over the review period. There was an expansion in their asset base on account of larger liquid asset holdings. Improved economic activity was reflected in banks' earnings, as net profit margin improved but remained below pre-pandemic levels. Indicators of financial soundness for the banking sector generally pointed to a healthy sector from the standpoint of capital adequacy, liquidity, asset quality and profitability. Systemic risk indicators suggested general improved financial stability for 2021 relative to 2020, with small pockets of vulnerability in the real sector, mainly attributed to higher inflation.

Non-bank financial institutions recorded an increase in total assets, consistent with the continuing recovery in the domestic economy. Investment businesses continued to account for the highest market share within this group and recorded moderate growth in assets during the review period.

The life and general insurance sectors recorded increases in assets for 2021. Though the sector as a whole recorded increased profitability, there were mixed results for the two sub-sectors. Nevertheless, financial soundness indicators point to a stable insurance sector with adequate liquidity and capital levels in compliance with regulatory requirements.

On-balance sheet assets for trust companies declined as at December



2021 after a temporary spike in the previous period due mainly to difficulties in transferring funds. Profitability indicators for this sector improved over the review period.

The money services business sector recorded a 129% increase in profit for the period as recovery efforts continued.

Stability Outlook

Global financial conditions are likely to remain vulnerable to unexpected increases in interest rates and disruptions to the global economic recovery. Conditions could tighten due to uncertainty over the trajectory of interest rates in the United States and the Euro area, should inflation be higher and more persistent than expected. This may cause spill-over effects to the domestic financial system by way of increase in financing costs for local financial institutions. The risk of increasing interest rates could also have implications for local borrowing as the cost of accessing credit could become more expensive, thereby spurring macro-financial risks to the local economy. In addition, repricing rates for assets could also have adverse effects on the cost of servicing outstanding debts, which could result in weakening banks' asset quality.

In the real sector, downside risks to the global and domestic economic outlook remain, given the potential for further COVID-19 setbacks should new variants emerge. In addition, sustained increases in inflation in the USA and other trading partners could pose a threat to TCI's growth trajectory through weakened household income, causing visitors to cut back on travel plans. Near-term risks are likely to emerge in the form of weakened household liquidity due to higher consumer prices and increased cost of doing business on account of elevated input cost. Such shocks, if sustained, could have broad macroeconomic consequences for smaller countries such as the TCI, especially if amplified by a slowdown in the economic recovery of major trading partners.

Despite the above, and in view of the resilience and general solid position of financial intermediaries, characterised by capital and liquidity levels above regulatory minima, the broad TCI financial system, and banks in particular, is well-positioned to withstand possible imbalances in the economy.

Financial Performance

The Commission generated revenue of $14.2M during the reporting period, an increase of 35% from the previous financial year. The Commission outperformed its revenue targets over the last five years. The actual performance against the budget returned a 43% positive variance.

Total expenditure for the reporting period was $5.7M, a marginal increase of 2% over the prior period. The Commission recorded a positive expenditure variance of 21% ($1.5M) against a budget of $7.2M. The positive variance was mainly due to the containment of expenditure in two categories; employment cost and professional and consultancy fees.

The above performance produced an operating surplus of $8.5M, which was transferrable to

TCIG. As at 31 March 2022, the reserve fund established pursuant to section 17(3) of the FSC Ordinance stood at $7.2M in compliance with the Ordinance, while the capital reserve fund established for capital expenditure stood at $4.7M.

Conclusion

The Commission remains very grateful for the continued strong support of staff, the financial services sector, and relevant policymakers, especially His Excellency, the Governor, and the Hon Premier and Minister of Finance.

I also wish to recognise the strong and effective support that the Commission continues to receive from the Board of Commissioners. During the review period, the Commission welcomed the appointment of Commissioner Keno Forbes, a local Commissioner with extensive human resources and banking experience. The Commission also bid farewell to Commissioner Lou-Ann Phillips-Henry, whose term expired in November 2021.

During the 2022/23 financial year, the Commission will review its operating structure, use of technology and strategic plan to ensure that it continues to maintain a dynamic structure that is appropriate and responsive to the changing requirements of a developing financial sector.

Niguel Streete
Managing Director

3.0 Banks, Trust and Money Services Businesses

3.1 OVERVIEW

The Bank and Trust Department's mandate continued to be the processing of license and other regulatory applications[1], and the regulation and supervision of banks, trust companies, money services businesses (MSBs), and credit unions[2]. The department was responsible for a portfolio of 17 entities: six banks; four money services businesses; and seven trust companies. One trust company was in voluntary liquidation.

While the sectors remained resilient to the impact of COVID-19, profit margins did not return to pre-pandemic levels. Banks were able to end their COVID-19 relief programmes and reverse loan loss provisions previously booked. Customer deposits in the banking sector grew significantly, resulting in improved liquidity. Remittance activities remained lower than pre-pandemic levels; this was impacted by a change in foreign currency policies in Haiti, resulting in Haiti no longer being the largest recipient of remittances from the TCI. The trust sector had the largest percentage increase in profit, as fiduciary activities increased.

1. Bank licensing decisions are made by the Board of Commissioners on the recommendation of the department and the Commission's Licensing Committee.
2. As of 31 March 2022, there were no credit unions licensed by the Commission.

Given the manageable impact of the pandemic on the sectors, the department focused its resources on assessing money laundering and terrorist financing risks in select entities, conducting six anti-money laundering (AML) and countering the financing of terrorism (CFT) examinations during the review period. The results showed that, while there was still room for improvement, licensees have continued to make progress in improving their AML/CFT programmes.

The department also refocused to further its transition to a risk-based supervisory framework. Additionally, the department leveraged the use of technology to improve operational processes, and manage filings from licensees, which will continue to be rolled out in FYE 2022/23.

The main inherent risk in the banking sector remained credit risk due to lending activities, while the emerging risk has been cyber security risk, given the transition to digital platforms and development of new digital products.

For FYE 2021/22, credit risk declined relative to the previous period, as the state of the economy improved, and borrowers were resilient to the pandemic's impact. However, the emerging macroeconomic risk factors such as inflation, rising interest rates, and the continued world health crises, could impact borrowers' ability to service their debt in the near to medium terms; thus, a rise in credit risk could be imminent if prices continue to increase. Nevertheless, the banks have mitigated this risk with high levels of provisioning and conservative lending practices and risk appetites.

As the sector's digitisation effort grows, cyber security risk emerges and has become the focus of the banks and the regulator, prompting stronger controls to strengthen resilience to the threat and more engagement and dialogue between the regulator and sector.

A growing non-bank lending market has emerged in the TCI, which creates competition for the banking sector. This increases the risk to the financial sector if left unregulated and should credit conditions deteriorate.

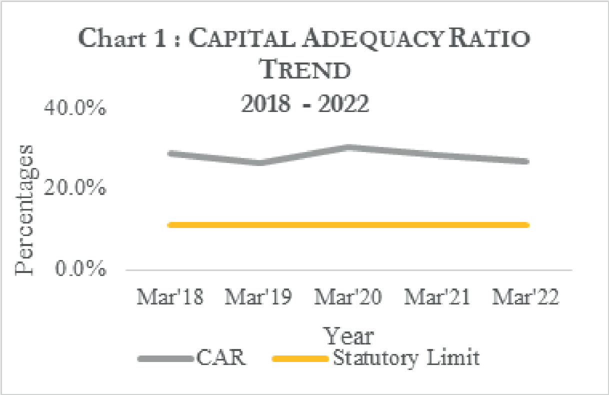
Activities in the trust sector continued to decline as the market for trust products continued its downward trend, reflecting a reduced appetite for trust products.

The MSBs continued to be impacted by the high cost to hold a bank account and/or the effect of having been de-risked, in addition to the high cost of managing and monitoring money laundering and terrorist financing risks. This sector was also impacted by the emergence of alternate forms of money transmission, resulting in reduced reliance on traditional MSBs.

3.3 BANKING SECTOR

3.3.1 Capital Adequacy

The banking sector continued to be resilient to the effects of the pandemic and remained adequately capitalised, with all the banks maintaining capital levels well above the 11.0% minimum statutory requirement. However, the Capital Adequacy Ratio[3] (CAR) declined for the second consecutive year, by 1.6 percentage points to 26.9%, as risk-weighted assets increased and qualifying capital slightly contracted (See Chart 1). The fall in capital was mainly attributed to the downward trajectory of net-earnings relative to the pre-pandemic periods, while balances due from financial institutions (placements) increased, which receives a 20% risk-weighting under the adopted capital adequacy framework.



3.3.2 Asset Quality

Banking sector's assets significantly increased by 19.2% to $2.7B. Five of the six banks had increases in their assets, which were reflected mainly in placements, while loan portfolios contracted for four of the six banks, resulting in an aggregate reduction for the sector. The increase in the sector's assets was funded by customers deposits, which grew by 26.5%. Balances due from financial institutions (placements) continued to grow significantly, increasing by 30.2% ($421.5M), compared to the 24.1% growth in the previous period. Other asset classes remained relatively small.

3. The Capital Adequacy Ratio is the ratio of qualifying capital to risk-weighted assets. It mainly measures the adequacy of capital against credit risk in a bank's asset portfolio.

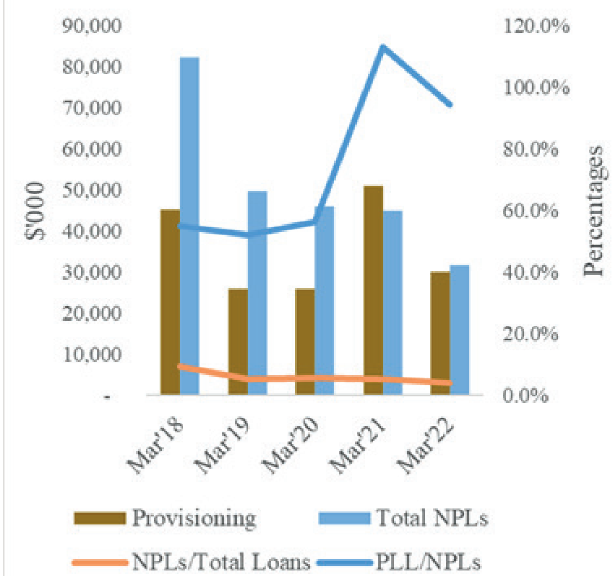
Chart 2 highlights the sector's conservatism and precaution in managing credit risk. Despite a 29.0% fall in non-performing loans (NPLs) and a corresponding decline (40.9%) in provisioning, total provisioning still accounted for 94.4% of NPLs, while the NPLs as a percentage of loans amounted to 4% (FYE: 5.4% in 2020/21), indicating a decline in credit risk.

While credit risk has been stable to declining over the review period, the outlook at the end of the period remained uncertain. The outlook was threatened by the potential impact on borrowers due to increasing interest rates, rising commodity prices, and other impacts from ongoing geopolitical events.

3.3.3 Liquidity

The banking sector remained very liquid throughout the 2021/22 financial year, maintaining an average liquid asset ratio[411] of 75%, well above the statutory requirement of 12%. The sector ended the financial year with a liquid asset ratio of 77.4%, while its liquid assets to total assets stood at 67.6%. This was seven percentage points above the 60.6% recorded for the FYE 2020/21 and indicated that the majority of the sector's assets was not generating significant revenue. The liquid state of the sector was due to several factors, including the limited investment opportunities in the local economy, continued and increasing competition in the lending market from non-banks, conservative approach to investment and lending activities by the banks, and the level of uncertainty in the market.

Chart 2: Non-Performing Loans (NPLs) 2018 - 2022



The sector's liquidity outlook remained positive.

3.3.4 Earnings

The banking sector's revenue increased to $78M from $72.9M, which remained below the pre-pandemic revenue of $108M. Loans continued to be the sector's major revenue earner, providing 53.5% of total income; this was followed by income from services and commissions, which accounted for 43.3% of revenue. As shown in Chart 3, the sector's expenses significantly declined (54.6%) relative to the previous year, previously booked as a precautionary measure against loan losses[5].

The increased revenue and reduced expenses, resulted in increased unaudited profit of $44.8M, compared to losses of $222K for the same period a year earlier.

The sector continued to be efficient in managing its cost, as is reflected in its efficiency ratio[6]. Despite relatively strong returns on capital and assets, there is concern as to whether this is sustainable, given the downward trajectory of the largest earning asset, loans and advances.

4. Liquid Asset Ratio – High Quality Liquid Assets (as is defined in the Commission's Guideline on Liquidity Requirements for Banks in the Turks and Caicos Islands) as a percentage of deposit liabilities (customers' deposits and balances due to financial institutions).

5. At the onset of the COVID-19 pandemic, the banks increased loan loss reserve given the forecast of a downturn in the economy, and the impact the pandemic was having on some borrowers.
6. Non-interest expenses as a percentage of total income, measuring the sector's cost management relative to revenue generated.

3.4 TRUST SECTOR[7]

Trust companies in the Turks and Caicos Islands generally hold multiple licences and offer a range of services, including corporate management, investment services, and lending. Trust companies' revenue continued to be generated largely from services provided via their corporate and/or investment licenses. Revenue from trust services contributed just 21.2% of the sector's total revenue for the calendar year ended December 2021.

As shown in Chart 4, total assets in the trust sector fell by 29.9% to $4.3M during 2021. The decline resulted from the normalisation of the sector's assets, after extraordinary movements in the previous year[8].

The sector's revenue stood at $11.5M, an increase of 65.4%, driven by corporate and other service fees, while expenses remained relatively unchanged, resulting in a profit of $6.2M (FYE 2020/21: $1.6M).

The trust sector's assets under management stood at $869.5M[9] , a 12.6% increase relative to FYE 2020/21. The assets under management included trust assets, managed companies and managed funds, of which trust assets accounted for 77.2% ($671.5M). Trust assets was the largest value of fiduciary activities, despite not being the largest revenue earner for the sector. The number of reported fiduciary accounts declined from 707 to 656 during the review period.

Chart 3: Financial Performance Trend 2018 - 2022

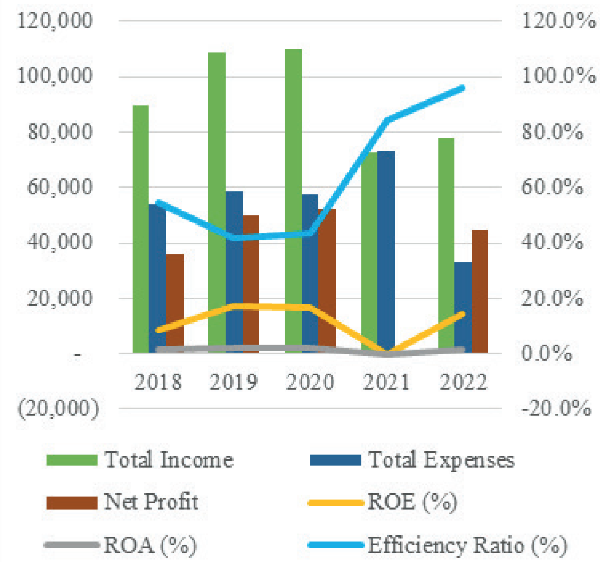
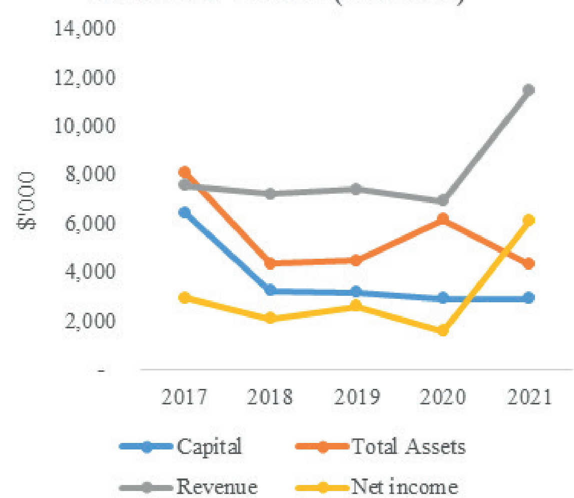


Chart 4: Trust Sector's Financial Condition Trend - (2017 - 2021)

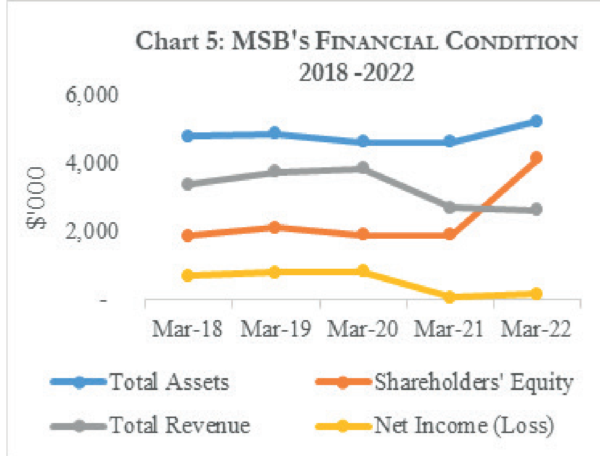


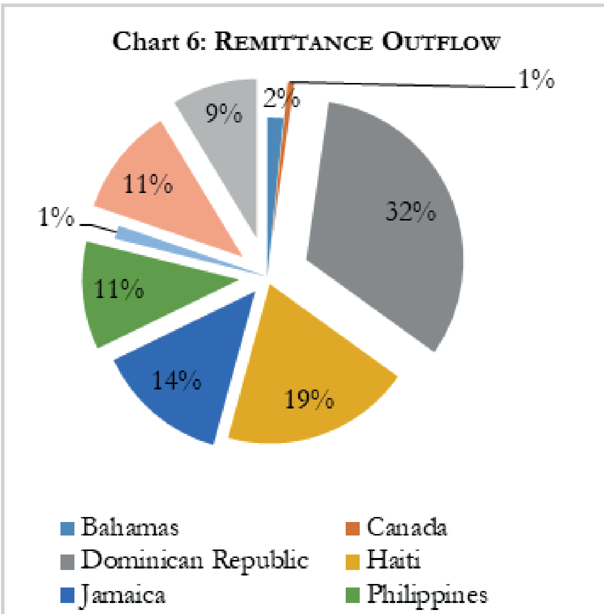
7. The following analysis on the trust sector represents the financial position of the sector as at December 2021 relative to December 2020, as the repor ting structure does not provide information as at March 2022. Additionally, the sector financial data does not include the position of one licensed entity, due to the varied nature of its operation.
8. This was due to a build-up of client funds in-transit, which were to be invested and/or return to the clients. This build-up was due to the impact of thelockdowns and slowdown of the economic activities caused by COVID-19 during 2020.
9. At the time of writing this report the statistics for one entity was not available.

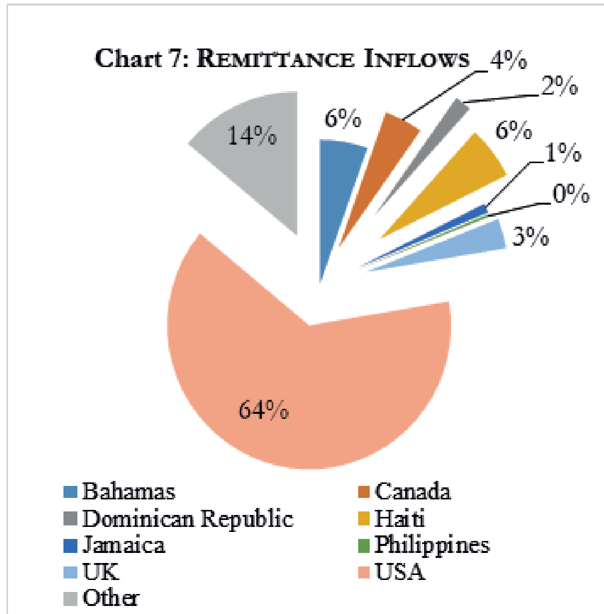
3.5 MONEY SERVICES BUSINESSES (MSB)

After the fall in remittance activities during the FYE 2020/21, which was mainly due to COVID-19, remittances grew by 10.2% to $120.8M

While the growth in revenue from remittances was offset by a reduction in other commission income, the decline in expenses resulted in an increase in net income from $69,000 to $158,000 for the year under review. FYE (See Chart 5).







Charts 6 and 7 show the percentages of remittance inflows and outflows by jurisdiction.

The value of outbound remittances increased by 12.2% to $109.4M, despite a 6% contraction in the volume of transactions, indicating an increase in the value of transfers being remitted. On the other hand, inflows fell by 6.6% to $11.3M, as transaction volume declined by 20%. The Dominican Republic replaced Haiti as the largest recipient of outbound remittances, and remittances originating in the United States of America remained the largest portion of the inflows to the TCI.

3.6 LOOKING AHEAD

The outlook for the domestic financial sector remains uncertain and is threatened by the impact of the Russian-Ukraine conflict on the global economy as well as the global health crises, such as the Monkeypox disease and evolving strains of the COVID-19 virus. These threats are in addition to rising inflation and interest rates in several parts of the world.

It is expected that more financial institutions will transition to digital products and platforms, allowing consumers to transact business online and via their mobile devices. Digital literacy is anticipated to increase, as the sectors educate their clients on these platforms.

3.7 SUMMARY SELECT FINANCIAL DATA

Select data for the banking sector relating to capital adequacy, asset quality, liquidity and earnings, and for the money services and the trust sectors are set out in Table 1.

FINANCIAL DATA				
Description	Mar-21 $ 000	Mar-22 $ 000	Change $ 000	Change %
BANKING SECTOR				
Capital Adequacy:				
Qualifying Capital	316,209	307,824	-8,385	-2.7
Risk weighted Assets	1,110,281	1,143,733	33,452	3.0
Capital Adequacy Ratio (%)	28.5%	26.9%		
Asset Quality:				
Gross Assets	2,341,733	2,759,968	418,235	17.9
Assets (net)	2,290,670	2,729,803	439,133	19.2
Loans and advances (Gross)	833,139	794,208	-38,931	-4.7
Investments	45,126	57,556	12,430	27.5
Placements	1,396,635	1,818,165	421,530	30.2
Non-performing Loans (NPLs)	45,052	31,946	-13,106	-29.1
Provisions for loan losses (PLLs)	51,063	30,165	-20,898	-40.9
NPLs/TL	5.4%	4.0%		
PLLSs/NPLs	113.3%	94.4%		
Liquidity:				
Liquid Assets	1,389,255	1,845,983	456,728	32.9
Customers Deposits	1,671,146	2,114,146	443,000	26.5
Due to other Financial Institutions	272,943	271,948	-995	-0.4
Liquid Asset Ratio (%)	71.5%	77.4%		
Earnings:				
Gross income	72,859	78,035	5,176	7.1
Net Profit	-222	44,824	45,046	-20,291.0
Interest Income	51,050	44,188	-6,862	-13.4
Expenses	73,081	33,211	-39,870	-54.6
Return on Assets (%)	0.0%	1.8%		
Return on Equity (%)	-0.1%	14.6%		
MONEY SERVICES BUSINESS SECTOR				
Total Assets	4,636	5,230	594	12.8
Net Income	69	158	89	129.3
Outflows*	97,529	109,446	11,918	12.2
Inflows*	12,127	11,321	-806	-6.6
Return on Assets (%)	1.3%	3.2%		
Return on Equity (%)	3.2%	5.9%		
Description	**Dec-20 $'000**	**Dec-21 $'000**	**Change $'000**	**Change %**
TRUST SECTOR				
Total Assets	6,179	4,334	-1,845	-29.9
Cash & Cash Equivalents	3,948	1,935	-2,013	-51.0
Net Income	1,603	6,158	4,555	284.2
Assets Under Management	771,915	869,475	97,560	12.6

4.0 Insurance

4.1 OVERVIEW

The Turks and Caicos Islands has two categories of insurers: i) international insurers that are only authorised to write non-TCI risk; and ii) domestic insurers licenced to write both domestic and foreign risk. Given the structure of the sector, the Insurance Department has two units: i) the International Insurance Unit (IIU); and ii) the Domestic Insurance Unit (DIU).

As at 31 March 2022, the Commission regulated 8,006 (7,852 in 2021) licensees (see table 2). The insurance sector was dominated, in number, by international insurers, primarily Producer Affiliated Reinsurance Companies[10] ("PARCs"), formerly called Producer Owned Reinsurance Companies. Amendments to section 9 of the Insurance Ordinance, to expand the licence and update the regulatory framework for PARCs, came into effective on 1 January 2022. This amendment widened the ownership structure of these reinsurers from strictly 'owners' of the producer to 'affiliates' of the producer. In addition, it provided for strict categories/types of risk to be underwritten by PARCs, consistent with the risk profile of these reinsurers.

As at 31 March 2022, there were 7,960 international insurers operating from the TCI, a marginal increase of 2.0% when compared to the previous period. There was a marginal decline in the number of non-domestic insurers (excluding PARCs) licenced during the period; four new licences were issued, and five licences were surrendered. The growth of 490 new licences in the PARC sector was tempered by the cancellation and/or surrender of 333 PARC licences; most of these entities were no longer carrying on insurance business.

There was a decline in the domestic insurance sector as two licensees, an insurance agent and a subagent, surrendered their licenses during the period and exited the market. Table 2 provides additional details on movement of licensees during the review period.

4.2 RISK ASSESSMENT

The Commission monitored various risks - including underwriting, investment and non-technical risk - that could affect an insurer's financial condition or have a negative impact on the financial sector. Insurers continued to operate in a low interest rate environment, and as such relied on their core business to derive profits. The Commission examines insurer's underwriting profitability on an ongoing basis, quarterly for domestic insurers and annually for non-domestic insurers, excluding PARCs. As at 31 March 2022, reported underwriting and liquidity ratios were at acceptable levels; capital adequacy and solvency also remained at adequate levels.

International Financial Reporting Standard (IFRS) 17-Insurance Contracts (IFRS 17), which replaces IFRS 4, is due

10. A reinsurance company that provides financial protection to insurance companies that have issued contracts to cover warranty, finance and insurance risk of the reinsurer's affiliates.

to come into effect on 1 January 2023. Additionally, insurers were permitted to delay the implementation of IFRS 9 – Financial Instruments, to coincide with that of IFRS 17. To assist and support the transition to IFRS 17, the Commission introduced an IFRS 17 Preparedness Questionnaire for insurers that elected to use IFRS. The Commission required these insurers to submit the completed questionnaire and a progress report on the preparation for transition to IFRS 17 on or before 31 January 2022 and 31 July 2022. A review of the IFRS progress reports[11] submitted in January 2022 revealed that all relevant insurers were either in an intermediate or advanced state of readiness. Recognising the impact of the implementation of IFRS 17 on insurers, especially insurers operating in multiple territories, the Commission has worked closely with the Caribbean Association of Insurance Regulators ("CAIR") and other Caribbean Regulators to prepare for the new insurance accounting standard. The Commission has committed to i) undertake a Quantitative Impact Study to assess the potential financial impact of IFRS 17 and 9 on insurers, ii) circulate revised quarterly and annual regulatory returns, and iii) establish more frequent dialogue with home regulators to monitor the impact of IFRS 17 on the insurers' capital, reserves and solvency ratios.

The Commission monitored the money laundering and terrorist financing risk in the insurance sector. The recent changes to the PARC licensing regime and types of risk underwritten will result in a more homogeneous risk profile for PARCs. This addressed a compliance gap which was noted in the CFATF Mutual Evaluation Exercise. To better understand the money laundering and terrorist financing risk faced by domestic long-term insurers, the Commission issued a circular letter with an AML/CFT Questionnaire. The purpose of the questionnaire was to assess the level of compliance of specific insurers with the requirements of the legislations on an annual basis. The information obtained from the questionnaire, coupled with other information requested, will allow the department to undertake a thematic review of the domestic insurance sector during the next financial year. The results of the thematic review will lead to the enhancement of the regulatory framework and better monitoring of risks posed by individual insurers. A similar AML/CFT questionnaire will be implemented for non-domestic long-term insurers during the next reporting period.

11. The progress report should include the governance structure and timelines surrounding the implementation of IFRS 17, the status of key milestones, quantitative assessment of the impact on policyholder liability, retained earnings and capital.

The international insurance sector remained vulnerable to factors external to the TCI, such as changes in legislation and market conditions in the United States of America. While not aware of any foreign legislative or regulatory changes that might impact the attractiveness of the TCI as a domicile for international insurers, the Commission will continue to closely monitor market conditions in the USA, which might impact the non-domestic insurance sector.

4.3 REGULATORY ACTIVITIES

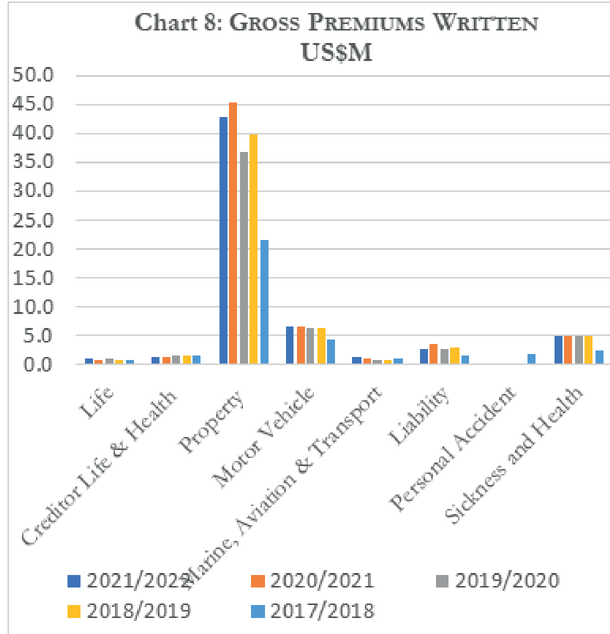
The Commission regulates the insurance sector in line with the insurance core principles established by the International Association of Insurance Supervisors (IAIS), of which the Commission is a member. Additionally, the Commission continues to participate in peer review exercises conducted by the IAIS to review and ensure continued compliance with the insurance core principles.

4.3.1 Domestic Insurance

The domestic insurance sector comprised insurers (locally incorporated and branches of foreign insurance companies), insurance brokers, insurance agents and insurance sub-agents. Two of the 18 domestic insurers were incorporated in TCI and two of the 16 branches had a physical presence in the TCI; the remaining branches operated through assigned insurance brokers or agents. Given the uniqueness of the market, the regulatory framework focused on strong collaboration with these entities' home regulators.

As part of its prudential supervision, the Commission monitored insurers' compliance with the requirements of Section 8 (3) of the Insurance Ordinance, which required that sufficient funds, in the form of cash and or investments, be held in the TCI to match current liabilities. Additionally, insurers are required to maintain the minimum solvency margin as a branch and as a legal entity. As at 31 December 2021, the solvency margin ratio of individual insurers exceeded the minimum requirement of 100.0 percent prescribed in the Insurance Regulations.

The Commission implemented the third phase of its assessment of select insurers in accordance with its Risk-Based Supervision (RBS) framework. As part of this assessment, the Commission conducted a review of entities' significant activities and risk, through separate assessments of inherent risk and risk management processes. This provided a better understanding of the insurer's operation, its risk appetite and its risk profile. Risk matrix and assessment documents were completed for five insurers and updates were provided for the four insurers that were initially assessed under the first phase of the pilot project. Additionally, prudential meetings were held with six insurers to discuss the Commission's risk assessment framework. The information gathered in these meetings led to additional information being requested. The risk assessment document and risk matrix will be updated during the next reporting period.



1.1.1 Performance of Domestic Insurance Sector

Given the uniqueness of the TCI Insurance market, a significant percentage of domestic insurance business was written through insurance brokers. As shown in Chart 8, property continued to be the dominant class (by value) of business written in the TCI. It should be noted that property was significantly reinsured.

Gross premiums written by domestic insurers during the 2021/22 financial year decreased by 4.8% to $60.8M when compared to the prior period. This decline was the result of the timing of renewals during the first quarter of 2022 for one of the large commercial property insurers; the company's large property risks, which normally renewed in the first quarter of the year, was renewed during the second quarter. Life insurance business in the TCI was very small, with $2.2M in premiums during the period.

There was a deterioration in select balance sheet indicators compared to the previous year, the most significant being a 11.1% decline in total assets to $87.1M, on account of the timing of commercial property renewals discussed above. However, cash and investments grew by 3.6% to $53M. The sector recorded a 44.3% growth in net income to $5.6M, in the absence of any major catastrophic events during the period under review.

Reinsurers' share of insurance liabilities accounted for 56.0% of domestic insurance sector's assets as at 31 March 2022.

4.3.3 International Insurance

The Commission established additional measures to reduce the processing time for PARC applications; however, this was severely impacted by the effects of COVID-19 and other factors that affected the Commission during 2022. To promote transparency, the Commission commenced publishing reports on the processing time achieved during the year.

This international insurance subsector, excluding PARCs, comprised 58 general insurers and 10 long term insurers. Total assets in this subsector increased by 9.5% to $3.5B, which was mainly attributed to increased investments, as the subsector's cash and investment grew by 14.1% to $1.8B. The total revenue reported by this subsector declined marginally by 2.0% to $247.8M.

4.4 OUTREACH

The regulatory framework was further enhanced by continued engagement with other insurance regulators, including College of Regulators meetings with the Bermuda Monetary Authority. The meetings, which were held to discuss insurance companies operating in the TCI whose parent companies were incorporated in Bermuda, provided the Commission with a better understanding of the risks affecting the company's operation in various territories and/or at the group level and the measures in place by the company and regulators to mitigate the risk identified. Additionally, the Commission continued to provide support on the executive of CAIR and as a member of the CAIR IFRS 17 Implementation Committee.

During the review period, the Commission continued its active engagement with the international insurance sector and a number of consultations were held, which resulted in amendments to the insurance legislation. The Commission continued its engagements with members of the PARC industry by facilitating working group meetings to discuss issues affecting the industry; three working group meetings were held during the period.

4.5 LOOKING AHEAD

In addition to normal regulatory activities, the following programs will be implemented during FY 2022/23:

i) Publication of aggregate financial statistics for the PARC sub-sector. This will be the first time statistics will be published for this sub-sector.

ii) Re-issuing of PARC licence to qualified PARCs as provided for in the transitional regulations.

iii) Thematic review of domestic insurers' compliance with the TCI's AML/CFT legislation.

iv) Conduct quantity impact study on the impact of IFRS 17 on capital, reserves and solvency for relevant licensee.

v) Revise and circulate quarterly and annual regulatory returns to account for changes as a result of IFRS 17.

vi) Commence Phase IV of the Risk Based Supervision framework. This will include a updating or preparation of the supervisory plan for companies that were previously assessed under the RBS framework, b) hosting of supervisory/management meetings for four companies, c) updating of the risk assessment document and the risk matrix, and d) risk-based assessment of an additional three domestic insurers.

Licensees	**2021/22**	**2020/21**	**2019/20**	**2018/19**	**2017/18**
Reinsurers (PORCs)	7,884	7,727	7,997	7,716	7,334
Credit Life		7,100	7,222	6,967	6,725
Non- Credit Life [12]		627	775	749	6 09
Non-domestic Insurers Excluding PORCs/PARCs'	69	70	67	67	69
Insurance Managers	7	7	7	7	7
International Insurers/Intermediaries	**7,960**	**7,804**	**8,071**	**7,790**	**7,410**
Domestic Long-Term Insurers	5	5	5	5	5
Domestic General Insurers	13	13	14	14	14
Insurance Brokers	11	11	11	11	11
Insurance Agents	9	10	10	7	5
Insurance Sub-Agents	8	9	8	8 a	10
Domestic Insurers/Intermediaries	**46**	**48**	**48**	**45**	**45**
Total Licensee	**8,006**	**7,852**	**8,119**	**7,835**	**7,455**
Regulatory Activities					
Licenses Issued-Domestic	0	1	4	2	1
Licenses Issued-International	494	479	513	735	611
Licences Cancelled/Surrendered: Domestic	2	1	1	2	1
Licences Cancelled/Surrendered: International	338	746	232	355	294
RBS Assessments	9	4	2		
Meetings & Discussions Held	11	1	8	7	6
Performance Indicators – Domestic US$M	**March 2022**	**March 2021**	**March 2020**	**March 2019**	**March 2018**
Gross Premiums – General	58.6	61.7	51.4	54.9	33.4
Gross Premiums – Long-Term	2.2	2.1	2.4	2.3	2.0
Claims – General	5.1	4.7	3.2	5.4	15.6
Claims – Long-Term	0.4	0.02	0.1	0.03	0.0
Total Insurance Liabilities	38.0	40.6	36.1	53.1	151.1
Reinsurers' Share of Insurance Liabilities	19.8	23.6	23.2	39.3	141.9

Table 2: Summary Insurance Statistics

12 Any policy of insurance securing the obligations of a debtor under a credit contract in the event of the debtor's death, illness or injury and includes extended warranty insurance cover.

5.0 Investment Business

5.1 OVERVIEW

Investment Business refers to all licensed activity[13] conducted under the Investment Dealers (Licensing) Ordinance and the Mutual Funds Ordinance.

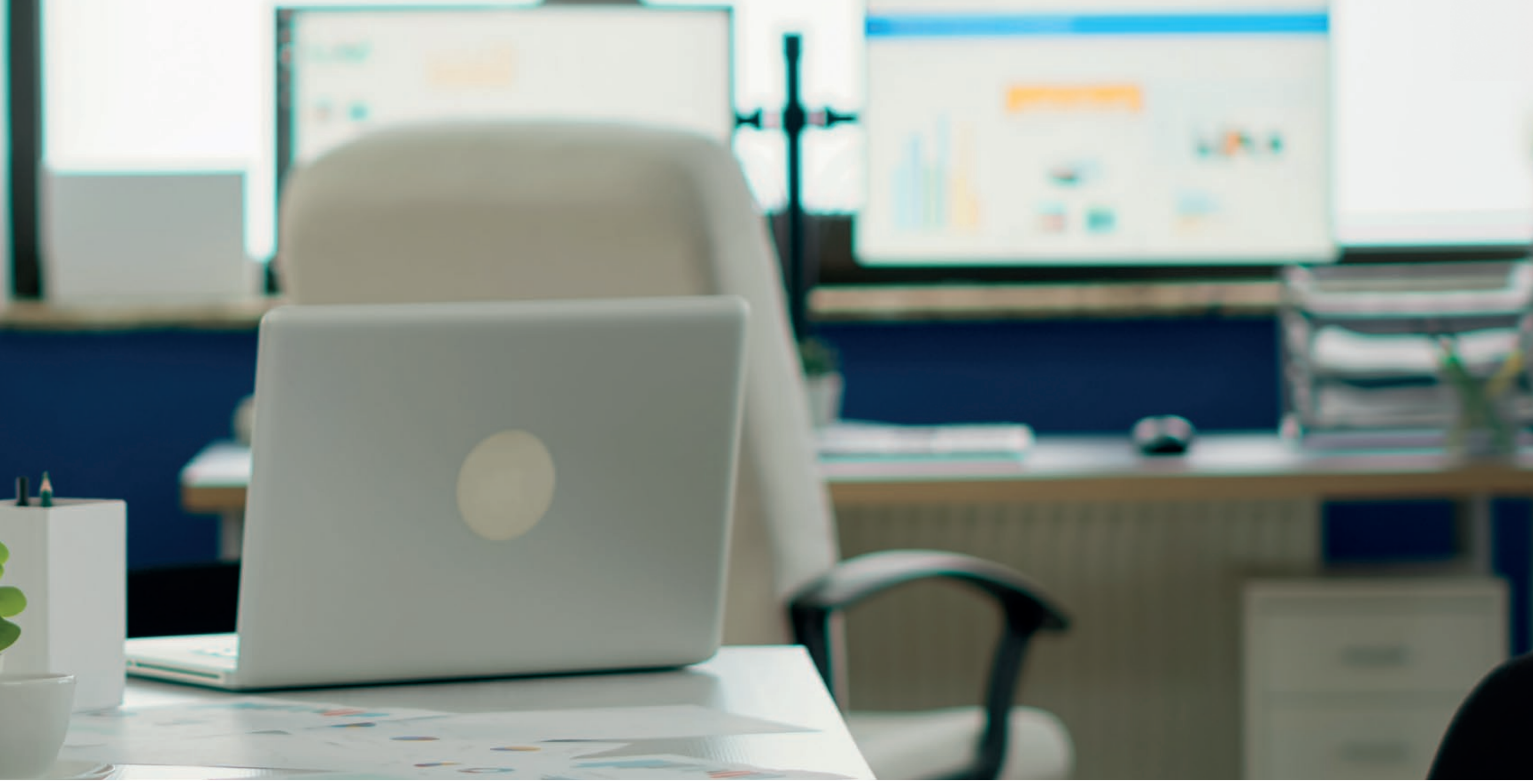
As at 31 March 2022, the investment business sector comprised seven licensees engaged in investment dealing and advisory services, and four mutual fund administrators that manage and administer eight mutual funds. Investment business activities were undertaken by three banks, a foreign registered financial services company, and three domestic financial groups; some entities/groups held multiple licenses which allowed them to offer services as investment dealers and mutual fund operators.

At 31 March 2022, total assets in the investment business sector amounted to $1,272M[14], a marginal growth of 1% ($18.0M) over the previous year. While there was $32.0M in new investment business accounts, this growth was tempered by the exit of one investment dealer from the market.

Table 3 below provides a comparative report on the number of participants in the investment business sector and some of the regulatory activities undertaken during the review.

13. Investment businesses are licensed to undertake full or restricted investment dealing and provide investment.

14. This was the consolidated portfolios of investment dealers and mutual funds.
15. Total of investment dealing and mutual funds.



5.2 RISK ASSESSMENT

While all investments carry some degree of risk, the impact of changes in the external markets was almost immediately reflected in the performance of the sector. This was particularly evident with the slowdown in growth because of COVID-19 and subsequent market conditions, including interest rate changes.

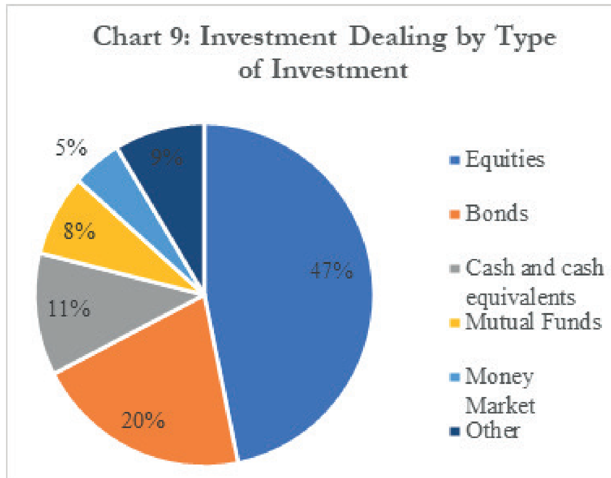
The profile of investment business sector as at 31 March 2022 indicated significant investment in liquid assets, with approximately 47% of investment dealings (35% of investment business) invested in equities, followed by 20% (15% of investment business) invested in bonds. This type of investment was consistent in the 2020 and 2021 reports and requires ongoing monitoring to ensure alignment of controls with the risk appetite and risk tolerance of the investment business sector.

Regulatory/Operational Activities

The new prudential reporting regime, which supplemented the Commission's Guidance for Prudential Supervision of Investment Business, has enhanced the collection and analysis of information on the activities of investment businesses. This is augmented by a program of on-site examinations. These activities, which improved the Commission's regulatory and supervisory framework, were consistent with the expectation for the Commission under IOSCO Principles 10 -12.

The reporting of investment dealing activity by product and value allowed for changes to be monitored. Chart 9 provides a breakdown of the investment dealing portfolio by types of investment for the year ending 31 March 2022.

The mutual funds portfolio, which represent funds administered by licensed mutual fund administrators, accounted for 25% (325.0M) of the investment business portfolio, a growth of 35% over the previous year. Mutual funds' investments were relatively diverse, with real estate investment accounting for 40%. The remainder of the investment portfolio was spread across other longer-term investments, such as private equities and short-term high quality money market instruments, including cash and cash equivalents. Units of the funds were issued by fund managers in accordance with prospectuses but were not publicly traded.



The information gathered by the Commission through the updated reporting framework allowed for improved feedback to and engagement with the sector to ensure that licensees were aware of the risks faced by their business and for appropriate risk mitigation measures to be adopted in their risk management framework.

5.3 OUTLOOK

Growth in the investment business portfolio is expected to remain relatively unchanged with the possibility of the addition of a new licensee in the upcoming period.

The Commission plans multiple supervisory approaches in the coming year, which are reflected in its 2022/2023 work program, including:

i) continuing engagement with the sector on investments and reporting requirements;

ii) completing two on-site examinations;

iii) recommending and assisting with the updating of investment business legislation to ensure compliance with relevant IOSCO Principles; and

iv) collaborating with relevant stakeholders on an appropriate framework for the regulation and supervision of virtual assets (VAs) and virtual asset service providers (VASPs). CFATF has called on its members to give priority to assessing and mitigating ML/TF risks in VAs and VASPs.

Licensees	2021/22	2020/21	2019/20	2018/19	2017/18
Investment Dealers	7	7	6	6	6
Full Dealer	5	5	5	5	5
Adviser	1	1	1	1	1
Fund Manager	1	1	0	0	0
Mutual Fund Operations	**12**	**12**	11	**11**	**12**
Fund Administrators	2	2	2	2	2
Restricted Fund Administrators	2	2	1	1	1
Mutual Funds	5	5	4	4	4
Exempt Mutual Funds (registered)	3	3	4	4	5
Total Licensees and registrants	**19**	**19**	**17**	**17**	**18**
Regulatory Activities	**4**	**2**	**4**	**1**	**1**
Licenses Issued	0	0	3	0	0
Onsite Examinations	1	0	0	0	0
Meetings & Discussions Held	3	2	1	1	1

Table 2: Summary Insurance Statistics

6.0 Anti-Money Laundering Supervision

6.1 OVERVIEW

The Commission is responsible for the regulation of risks connected to money laundering and the financing of terrorism and proliferation. Its regulatory/supervisory mandate extends to all financial institutions, company managers and company agents, non-profit organisations (NPOs), and designated non-financial businesses and professions (DNFBPs). Its operations are guided by a legislative framework which generally seeks to establish a risk-based approach (RBA) to supervisory oversight by requiring relevant persons, licensees and registrants, to undertake documented risk assessments on their operations, and that of the entities they represent.

6.2 RISK ASSESSMENT

The primary regulatory concerns for DNFBPs and company managers/agents remained the adequacy of i) controls around client onboarding; ii) assessment of key personnel and the operations of represented clients, especially introduced business; iii) transaction monitoring; iv) client risk assessments; and v) business risk assessments. The analysis and management of risk associated with the financing of terrorism and weapons of mass destruction continued to be underrepresented in DNFBPs and company managers/agents' (CSPs) business risk assessments.

At the national level, the TCI continued to have minimal exposure to Terrorist Financing (TF); there were no direct TF threats within the TCI as the country is not near any area of conflict, does not have any known link to the financing of terrorism or support for terrorism among its population.

A TF risk assessment was conducted on the NPO sector. The findings suggested that the NPOs most likely to be at risk of TF abuse were those with an extra-jurisdictional element to their operations i.e., NPOs which generated and disbursed funds outside the TCI. The risk increased further where these NPOs operate in areas of conflict or in countries where there are known terrorist activities, and where these NPOs are managed or controlled primarily or entirely by foreign nationals from a high-risk jurisdiction. The vast majority of NPOs operate purely domestically and do not generate or disburse funds outside the TCI.

The NPO sector was rated as medium risk for TF due largely to the absence of data on the use of cash by some NPOs and the lack of due diligence and volunteer screening mechanisms by others in the sector, to ensure that programs are delivered to the intended beneficiaries and that risks are consistently managed and mitigated. Also, the quality of internal controls was not assessed.

6.3 REGULATORY ACTIVITIES

The major workstream was the remediation of the deficiencies noted in the 2020 CFATF Mutual Evaluation Report of the TCI (CFATF MER). Projects associated with this workstream included continued review of Know Your Registrant data held on DNFBPs and NPOs, and the identification of sectors and entities most vulnerable to ML

and TF so that the appropriate level of supervision can be applied. The Commission continued to focus on collecting, verifying, and analysing information on DNFBPs and NPOs registrants. The exercises were designed to acquire a more accurate assessment of the sectors' ML/TF risk and vulnerabilities, and to guide the allocation of regulatory resources. As a result of the critical review of the NPO sector, a total of 96 NPOs were de-registered for breaching the NPO Regulations. A similar action is anticipated for DNFBPs. Table 4 provides a summary of the AML/CFT related initiatives undertaken by the Commission during the review period.

The Commission also conducted reviews of the Company Management (Licensing) Ordinance, Non-Profit Organisations Regulations, Anti-Money Laundering and Prevention of Terrorist Financing Regulations and the Anti-Money Laundering and Prevention of Terrorist Financing Code to ensure compliance with international requirements and to enable effective AML/CFT supervision.

Onsite examinations of micro lenders in the DNFBP sector commenced with specific focus on assessing the adequacy of business risk assessments and written policies and procedures to prevent/detect ML/TF, the adequacy of customer due diligence measures, the effectiveness of registrants' suspicious activity reporting framework, record keeping practices and registrants' compliance with staff vetting and training requirements. Results indicated that the sector had limited understanding of ML/TF risks and there were shortcomings in the AML/CFT controls meant to mitigate ML/TF risks.

6.4 INITIATIVES/INNOVATIONS

The Commission published the DNFBP Examination Process Guidelines, a reference document for DNFBPs on the Commission's offsite and onsite examination processes, to promote awareness and transparency around the examination process. This provided DNFBPs with a greater understanding of the examination process, from initiation to the remediation stage. The primary aim was to foster greater cooperation between the registrants and the examination team.

The Commission also published the DNFBP Fit and Proper Guidance to support its efforts to obtain information and data from the sector and to provide guidance to applicants and registrants on the criteria, approach and considerations that will be applied when conducting fit and proper assessments.

6.5 OUTREACH

The Commission continued to engage with NPOs and DNFBPs to provide them with guidance relating to the completion of registration applications, preparation of appropriate governance documents, financial reporting, due diligence measures, channelling funds through regulated financial channels, among other things. DNFBPs, financial institutions, and company managers/agents were also provided with guidance on targeted financial sanctions. These interactions will continue to enable the Commission to refine best practices around the detection and prevention of ML/TF/PF.

6.6 LOOKING AHEAD

In order to better utilise its limited resources, the Commission will remain focused on the full implementation of risk-based supervision for company managers/agents, DNFBPs and NPOs. The Commission will also increase its efforts to work with NPOs to refine best practices to address TF risk and vulnerabilities. The effectiveness of the DNFBP Fit and Proper Guidance will be tested and adjusted, as needed. Increased AML/CFT examinations are also planned for the company managers/agents and DNFBP sectors to ensure compliance with AML/CFT rules.

Number of Licensees/Registrants	**2021/2022**	**2020/2021**	**2019/2020**
Company Managers/Agents	33	32	35
Designated Non-Financial Business and Professions	197	185	169
Non-Profit Organisations	160	254	232
Total Licensees and registrants	**357**	**471**	**436**
Regulatory/Supervisory Activities			
Licenses Issued	1	0	0
New Registrations	54	37	39
Licences Cancelled/Surrendered	1	3	0
NPO Registrations Cancelled	96	0	0
DNFBP Registrations Cancelled	4	1	0
Onsite Examinations	4	0	9

Table 4: Summary of AML Supervisory Statistics


TAX
PAYMENT
TAX LAW
Finance
Setting
Status
Location
Appearance
Advanced
Options
Users
20%
15%
10%

7.0 Legal, Enforcement and Cooperation

7.1 OVERVIEW

The Legal Unit ("the unit") continued to provide appropriate, timely, and professional legal, enforcement, regulatory, and secretariat support to the Commission. The responsibilities of the unit included the following core functions:

i) Legal Advice and Support
ii) Guidance on Legislation
iii) Litigation
iv) Enforcement and Disciplinary Actions
v) Regulatory Cooperation
vi) Regulation of Insolvency Practitioners
vii) Insolvency - Official Assignee
viii) Board Secretariat

7.2 OPERATIONAL ACTIVITIES

7.2.1 General Legal Support

Legal support was provided with the view of mitigating unfavourable outcomes in the Commission's operations with the domestic industry and with its international partners. The unit continued to deliver legal and quasi-legal support, on a wide range of issues including reviewing and commenting on proposed policies and advising on the application of those policies.

7.2.2 Beneficial Ownership Registry

The Beneficial Ownership Register was maintained and kept current during the reporting period. To encourage greater compliance, the Commission has sought approval for a new administrative penalty regime for non-compliance with the filing requirements. It is anticipated that this revised penalty regime will come into effect during the 2022/23 reporting period.

An extensive review was conducted of the Beneficial Ownership Register to determine whether sanctioned persons were on the Register; as at 31 March 2022, there were no sanctioned persons on the Register.

The Commission is putting structures in place to be able to host and administer a public registry, if called upon by the Government to undertake this mandate.

7.2.3 Enforcement and Regulatory Cooperation

Table 5 provides comparative data for enforcement actions and regulatory cooperation undertaken in the 2021/22 FY and the previous two reporting periods. Quarterly enforcement action and regulatory cooperation reports continue to be published on the Commission's website.

7.2.4 Litigation

Save for various applications for restorations of companies to the Companies Register, there were no new litigation matters involving the Commission.

7.2.5 Official Assignee

During the review period, the Commission monitored and supervised the operations of licensed insolvency practitioners. There were no major developments to report on during the period.

7.3 LEGISLATIVE AGENDA

The focus of the legislative agenda shifted during the 2021/22 reporting period due to priority being placed on implementing legislative mitigation measures coming out of the CFATF mutual evaluation report.

7.3.1 CFATF Amendments

These legislative amendments sought to align existing legislation with FATF recommended standards. The amendments focused mainly on ensuring that beneficial ownership information was obtained and retained, and where necessary, clarify the requirement for the approval of beneficial owners, shareholders and senior officers prior to the granting of a licence by the Commission or changing an approved officer. These amendments impacted all sectors regulated by the Commission. Based on these amendments, the Turks and Caicos Islands has sought re-ratings from CFATF in the areas where amendments were made.

The following Ordinances and subsidiary legislation were amended to address the concerns cited above relating to technical compliance gaps emanating from the TCI's CFATF Mutual Evaluation Report:

i) Company Management (Licensing) Ordinance
ii) Mutual Funds Ordinance
iii) Proceeds of Crime Ordinance (including the AML Regulations and Code)
iv) Money Transmitters Ordinance
v) Banking Ordinance and Banking Regulations
vi) Insurance Regulations
vii) Trust Companies Code

7.3.2 Non-CFATF Amendments

The following Ordinances were amended:

i) Business Licensing Ordinance – Amended to exempt insolvency practitioners licensed under the Insolvency Ordinance 2017 from Business Licensing registration, similar to other financial services licensees.
ii) Financial Services Commission Ordinance – Amended to adjust the limitation period for enforcement action from two years from the contravention to two years after the Commission became aware or ought to have become aware of the contravention.
iii) Insurance Ordinance – amended to transition Producer Owned Reinsurance Companies to Producer Affiliated Reinsurance Companies.

7.3.3 Outstanding Legislative Matters

The following Bills were approved for drafting by the Cabinet

i) Business Names Bill – Draft and implement a new Business Names Bill
ii) Investment Dealers Licensing Ordinance – Amendment to implement a regime for Investment Advisors separate from Investment Dealers.
iii) International Insurance Bill – Draft and implement a new international Insurance Ordinance.
iv) Resolution Bill – Draft and implement a new Financial Institutions Resolution Bill.
v) Securities Bill – To provide an improved legislative regime for all securities (mutual funds, investments, etc) under one piece of legislation, and to provide legislation for other securities not currently covered by legislation.
vi) Financial Institutions Bill – To provide legislation to allow for the regulation or supervision of currently unregulated financial services.

7.3.4 Legislative Changes Under Consideration

The following legislative changes were under consideration by the Commission:

i) Companies Ordinance – Amendment to allow for:
    a) a more tiered approach to administrative penalties leading to striking of companies for failure to file BO information;
    b) an extension of the classes of licensees exempted from having to use a licensed insolvency practitioner for solvent

voluntary liquidation; and

c) the implementation of a fee for paper filings with the Registry when electronic filing is available.

ii) Money Transmitters Ordinance (MTO) – Amendment to update and align the MTO with international standards.

iii) Trademarks Ordinance and Rules – Amendment to update and align the Trade Marks Rules with international standards.

iv) Proceeds of Crime Ordinance (Non-profit Organisation (NPO) Regulations) – Amendment to improve the NPO Supervisor's supervisory powers and supervision.

v) Proceeds of Crime Ordinance (DNFBP Supervision) – Amendment to improve the DNFBP Supervisor's supervisory powers and supervision.

vi) Limited Partnerships Ordinance – Amendment to require limited partnerships to collect and maintain relevant beneficial ownership information.

7.4 RISK ASSESSMENT

The Commission remained concerned that the slow movement of legislative initiatives can impact the TCI's ability to address developing trends and compliance with international standards, which can result in the jurisdiction being 'listed' as non-compliant. This is being addressed though discussion and collaboration with the Attorney General's Chambers to prioritise financial services legislative initiatives, and the possible procurement of specialist drafting services to assist with drafting proposed legislation.

7.5 LOOKING AHEAD

The Commission, through the unit, continues its research on cyber risk mitigation legislation, as well as legislation surrounding the regulation and supervision of virtual assets. Further work will be done in this area during the next reporting period.

Enforcement Action	2021/22			2020/21	2019/20
	Insurance	Company Managers	Total	Comparative Total	Comparative Total
Notice of Disciplinary Action	9	-	9	7	33
Notice of Intention to Revoke	390	-	390	845	2
Notice of Revocation	346	-	346	767	3
Directive	6	-	6	2	23
Notice of Public Statement	-	-	-	-	1
Public Statement	-	-	-	-	1
Penalty Notice	613	-	613	23	37
Notice to Produce	1	3	4	4	13
Totals	1365	3	1368	1648	113
Regulatory Cooperation					
Domestic	77			64	97
International	3			-	5
MLAT	2			-	-
Total	82			64	102

Table 5: Summary of Enforcement, Cooperation Statistics

8.0 Information Technology

8.1 OVERVIEW

Information Technology (IT) continues to be a key enabler for the Commission to achieve its strategic objective of 'Improving operational efficiency'. During the review period, the Commission focused on building a resilient network and continued its "Work Smarter, Not Harder" initiative; which commenced in the previous reporting year. The "Work Smarter, Not Harder" initiative enhanced the efficiency and effectiveness of the daily operations across different departments as well as embraced several innovative technologies.

8.2 RISK ASSESSMENT

The Commission continued its routine assessment of technology risks and the implementation of measures to mitigate these risks. During the review period, the Commission conducted a risk assessment and created a risk matrix to better understand its technology risks; identification of the risks, assessment of the likelihood of occurring, and the measurement of the possible impact. Of all the technology risks identified, cyber risk was the most significant. In light of this, the Commission has implemented several mitigating measures, including the upscaling of IT infrastructure and the strengthening of the Security Awareness Program, which focuses on training employees to identify potential malicious threats.

8.3 INITIATIVES

8.3.1 Restructuring/Upscaling of Network Infrastructure

Components of the network and security infrastructure were reviewed to consider emerging business requirements that will involve more technological resources. As a result, technology resources and performance were optimised to meet the demands through the following projects:

i) Implementation of a Next-Generation Firewall Solution.
ii) Reconfiguration of the network switching infrastructure.
iii) Upgrading of computer devices for end-users.
iv) Installation of a Vulnerability Management Software.
v) Redesigning the network infrastructure.

8.3.2 Policies and Plans

The IT Department completed several policies and plans that commenced in the 2020/21 FY. These included:

i) The Business Continuity Plan to ensure operational resilience.
ii) The Information Management & Cyber Security Policy which defines technical controls and security configuration to maintain the confidentiality, integrity and availability of

information. It also provides a framework for the protection of information.

iii) The 2021 – 2023 IT Strategic Plan which defines a clear path toward modernising IT Services and ensuring that implemented IT solutions are aligned with the Commission's business needs[16].

8.4 LOOKING AHEAD

The IT Department is enthusiastic about the future as Technology and Innovation play a significant role in the Commission's Strategic Plan for the next three years. The department will lead the Commission through a digital transformation that will leverage new technologies to achieve the goal of organisational efficiency, speed up reaction times and enhance decision-making processes. The digital transformation will encompass four main areas:

i) Adopt regulatory technology to enhance the Commission's supervisory functions.

ii) Implement intelligent technology solutions to bolster efficiency across the Commission.

iii) Implement database systems for easy retrieval of information.

iv) Enhance business continuity to include fully functional cloud-based IT systems.

16. The IT Strategic Plan will be revised to align with Commission's 2023-2025 Strategic Plan.

9.0 Human Resource, Administration and Community Outreach

9.1 OVERVIEW

The Human Resource and Administration Department (HRAD) is the heartbeat of the Commission. The department collaborated with all areas of the Commission to ensure that staffing needs were met, resources needed to function effectively were in place, initiatives were implemented for staff engagement, and processes and procedures were established to safeguard staff's well-being.

9.1.1 Responding to COVID-19

The special measures introduced in 2020 to address the COVID-19 pandemic were sustained in 2021/22. During this time, the Commission continued to focus on employee engagement and communication, ensuring that employees were informed of new work modalities: telecommuting, hybrid, shift systems, and in-office working options. The Commission was guided by the Ministry of Health to ensure that information relating to the well-being of staff was fully disseminated.

9.2 COMMUNITY OUTREACH

9.2.1 Job Fairs, Sponsorship and Media

The Commission held two Job Fairs; in Providenciales on 11 March 2022 and in Grand Turk on 29 April 2022. These undertakings sought to attract jobseekers to fill job vacancies at the Commission.

The Commission continued to participate in the Government High Schools Exit Readiness programme. This year the Commission partnered with the H J Robinson High School and Clement Howell High School to prepare their 5th form students for their exit from secondary school and integration into the work force.

The Commission provided financial support to several community groups during the 2021/22 financial year in the areas of youth, education, sports, and various civic and religious causes. One of these sponsorships included the Turks and Caicos Aquatics Club. Four swimmers from the club participated in the Alpha Aquatics Invitational Swim Meet and The Bahamas Triathlon Association National Championships in Nassau, Bahamas. The team won a total of 19 medals. Partnership also continued with TCI Junior Achievement, an organization dedicated to educating students on entrepreneurship, work readiness, and financial literacy.

As part of its public outreach, the Commission took part in Flow's radio programme entitled "The Commission's Report", which featured statutory bodies within the TCI. The programme was aired on Radio Turks and Caicos and ran over a period of six weeks. The Commission's segment, aptly titled "The FSC & U", sought to educate the public on the functions of the Commission. Different departments were featured each week and representatives had the opportunity to sensitise the public about the roles and functions of their area.

9.2.2 Supporting Healthy Lifestyles

The Commission's staff welcomed the opportunity to take part in the TCI Sports Commission's "Let's Move TCI" campaign. The objectives of the campaign were to increase the public's engagement in physical activity and to promote holistic healthy living, including proper nutrition. The initiative was a three-month programme that included weekly activities such as exercise sessions, health talks, healthy receipt preparation videos and prizes for the contestants.

The Commission also created an internal initiative which paralleled the national campaign. Dubbed, "Walk to Miami", the aim of the initiative was to increase employees' participation in health and fitness activities. The competition spanned January through February 2022, with a weekly step count. The first employee that succeeded in reaching 1 million steps received a round trip ticket to Miami and a cash award. Of the 20 plus staff members who participated in this event, Ms Lavern Bassett from the IT Department emerged victorious!

9.2.3 Internship Programme

The Commission's Internship Programme was restarted following a two-year hiatus on account of the onset of the COVID-19 pandemic. The programme provides opportunities for two students to receive practical experience in various roles at the Commission while being remunerated for their work. Upon successful completion of the internship, the students would be evaluated and receive feedback on their performance during the period.

In March 2022, the Commission collaborated with the Ministry of Education to solicit local and overseas students in the academic disciplines of business and law to apply for the Commission's internship programme. The aim was to bring awareness to students who may not have otherwise been exposed to the potential opportunities of a career in regulation or in the financial services sector.

9.3 STAFFING

9.3.1 People Management

As at 31 March 2022, the Commission's staff complement was 74; comprising 19 employees in the regulatory departments[17] , 44 in the administrative and operational departments[18], and three in the executive core[19]. During the year, a total of 14 persons were recruited while 20 exited the Commission through resignations or contract expiration. There were no retirements during the period.

17. Anti-Money Laundering Supervision Department (AMLSD), Bank and Trust Department, Insurance Department, Legal Unit, and Policy Unit.
18. Human Resources and Administration Department (HRAD), Finance Department, Information Technology Department (IT) and the Corporate Registry.
19. Managing Director, Deputy Managing Director and Senior Advisor.

Table 6 provides a breakdown of the Commission's staff complement by department over the last three years. Financial Year End 2019/20; 2020/21 and 2021/22

Financial Year End	**2021/22**	**2020/21**	**2019/20**
Departments			
AML Supervision	5	4	6
Bank and Trust	7	6	6
Company Registry	28	31	25
Finance	4	4	6
Human Resource & Admin	8	8	8
Information Technology	7	7	7
Insurance	9	10	8
Legal	2	2	2
Policy	1	1	1
Executive Core	3	3	3
Total Staff Complement	74	76	72

Table 6: Staff Complement by Department

9.3.2 Training and Development

The Commission continues to facilitate both in-person and virtual training for its staff. Trainnig is selected to build capacities and develop leadership and management capabilities in furtherance of the Commission's succession plan and to achieve its strategic objectives. During the review period, staff were exposed to various training programmes as outlined in table 7 below.

Staff Training Programmes	Department/Unit
Chartered Director Programme	Executive Core
Cambridge FinTech & Regulatory Innovation Programme - Cambridge Judge Business School - Centre for Alternative Investments	Executive Core
3rd Annual International Research Conference on Empirical Approaches to Anti-Money Laundering and Financial Crime	AML Supervision and Policy
Office of Financial Sanctions Implementation - Financial Sanctions Charity Sector Webinar	AML Supervision
Financial Sanctions Forum	AML Supervision
IMF Virtual Assets / Virtual Assets Service Providers Workshop	AML Supervision
Refinitiv webinar on Financial Instrument Risk Intelligence – Why you need to care about sanctioned financial instruments	AML Supervision
IFRS17 Implementation Workshop	Insurance
Bank Solvency Stress Test	Policy
CARTAC Mission on Macroeconomic Forecasting for the TCI	Policy
IMF Training on the Development of Residential Property Price Index for the TCI	Policy
BIS Training on Supervisory Credit Classification	Policy
CARTAC Training on Climate Risk Stress Test	Policy
CARTAC Reginal Training on Macroprudential Tools	Policy
How to Keep Talent during the Great Resignation	HRA
From Expectations to Agreements	HRA
Hurricane Preparedness Training	HRA/IT

Table 7: Training activity for 2021/22 FY

9.3.3 Management Retreat

The Commission held a senior management retreat that focused on Team Building and Collaboration. The objective of the event was to agree on collective success. The group participated in learning activities, discussion sessions and team building exercises. Managers left the session rejuvenated and focused on ways to achieve the three goals when working with individuals in an organisation: learning, skills development, and positive behavioural change.

9.4 STAFF ENGAGEMENT AND SATISFACTION

The Commission engaged staff in a year-long program to boost morale and employee satisfaction. Initiatives included quarterly prizes of lunches and car washes, and the much talked-about trivia challenge; staff at all levels competed in these competitions.

To foster camaraderie and teamwork, the Commission hosted a decorating competition among staff of its various buildings. The exercise allowed staff in various buildings to work together to showcase each building's holiday spirit.

9.4.1 Employee Recognition

A virtual employee appreciation event was held in December 2021 to recognise staff for exemplary performance and long service to the Commission. The event also recognised and awarded the employee, supervisor, and manager of the year.

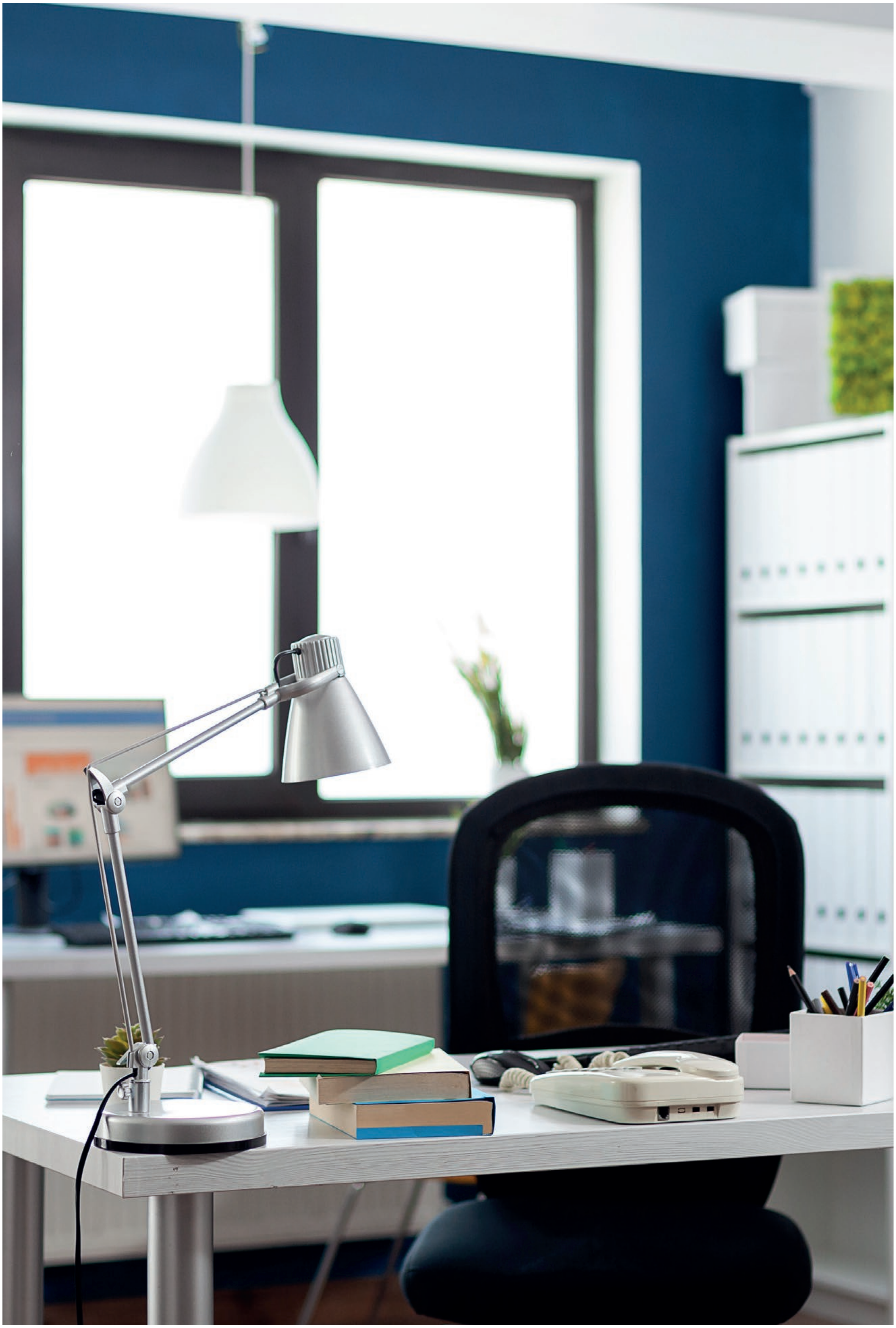
The implementation of the Staff Engagement and Satisfaction Program saw a further expansion in the number of staff being recognised during the year. During the annual recognition program, staff were nominated by their peers and were given tokens of appreciation.

9.5 EMPLOYEE MANUAL

The Commission continued to update its policy documents for consistency and to ensure that policies and practices remained aligned and relevant. During the review period, the employee manual was revised and updated in consultation with management and staff. The revised manual was approved by the Board of Commissioners in June 2021. The Commission then conducted a series of training sessions aimed at helping staff better understand and navigate the revised manual.

9.6 LOOKING AHEAD

The Commission is considering a proposal to restructure the HRA Department to create greater alignment with and focus on the Commission's strategic goals and responses to internal and external stakeholders. The proposal will introduce two distinct units: Human Resources and Administration. These units will be headed by experts in those fields to better streamline processes within the Commission.



10.0 Registry

10.1 OVERVIEW

The Registry provides services relating to the incorporation or registration of i) companies, ii) partnerships, iii) trademarks, iv) patents, v) business names, and iv) charges. Only companies and partnerships require corporate formation, while the other services involve the registration of statutory documents, including, but not limited to, ownership, control, name reservation, and assets. As at 31 March 2022, the Registry administered the following pieces of legislation:

i) Companies Ordinance
ii) Limited Partnership Ordinance
iii) Trademarks Ordinance
iv) Patents Ordinance
v) Business Names Ordinance

10.2 RISK ASSESSMENT

10.2.1 Resources

The Registry processes a large number of documents annually which requires adequate systems and procedures, and the use of a significant number of resources; human, capital and technology. To ensure its efficiency, the Registry must maintain an adequate number of trained staff; however, this has proven to be a challenge in this highly competitive labour market.

The Registry is addressing its resource challenges through staff development, improved operating structures, greater efficiency and the enhanced use of technology. Based on the findings of a resource needs assessment, talented staff will be promoted, provided with additional training and greater responsibilities. The department will be restructured to create cleaner operating and reporting lines to achieve greater operational efficiency. This restructuring will be supported by updated policies and procedures for internal and external clients.

The Registry has also proposed legislative changes to its fee structure to make it more attractive for customers to conduct business via the online platform. This will allow resources to be freed-up and diverted to other needed areas.

10.2.2 Industry Engagement

It is not possible for the Registry to be successful without effective industry/client engagement. Lack of effective engagement is counterproductive to efficient day-to-day operations. Accordingly, the Registry is committed to enhanced consultation with the industry on proposed legislative and policy changes. This will be achieved through direct consultation and through enhanced engagement via the Company Law Advisory Committee.

10.2.3 Record Accuracy

As the repository and custodian of statutorily required documents, it is imperative that the Registry maintains accurate and current records to reduce any risk exposure caused by errors, omissions or lack of due diligence. To mitigate this operational risk, the Registry will conduct a document review exercise as part of its ongoing transition to a digital registry. This review and updating process will require enhanced engagement with the industry and clients.

10.2.4 Legal

The services provided by the Registry usually have legal implications, which have the potential to expose the Registry to legal jeopardy. To mitigate this risk, all requests have been given two-layers of scrutiny to ensure accuracy. This is a manual process which negatively impacts processing time. The Registry is also prioritising and aligning its resources to critical functions.

10.3 REGISTRY STATISTICS

Table 8 below provides statistics on incorporated or registered entities and services offered by the Registry.

10.3.1 Restoration of Companies

During the review period, the Registry received 34 applications for restoration by the Registrar. Additionally, 19 applications were submitted and approved by Court Order for restoration.

10.3.2 Registration of Charges

During the review period, 93 charges were registered, compared to 62 during the previous period.

10.4 TRADEMARKS AND PATENTS

The Registry maintained 4,322 active registered marks, inclusive of classes. A total of 426 registered marks were added during the review period, in comparison to 311 in the previous review period. The Registry will be publishing a list of expired marks for removal during the next financial year.

The number of patents registered during the last two review periods was 14. The development of a trademark and patent online database is scheduled for prioritisation during the 2022/23 FY.

10.5 BUSINESS NAMES

The number of new business names registered during the 2021/22 FY increased by 58% to 1,896, compared to 1,199 registered in the previous financial year. A list will be published of expired business names that will be removed from the Registry at a specified date. This will provide clients with the opportunity to renew their business names prior to removal.

10.6 K-REGISTRY

The Registry is focused on improving the online portal to ensure full optimisation of the system. The objective is to further reduce the level of manual processes and interface at the Registry.

As at the review date, 27 of the 34 Company Managers/Agents used the online system with varying levels of usage from requests for certificates of good standing to full use of the incorporation and filing services. As the Registry improves the online system, Company Managers/Agents are strongly encouraged to make full use of all available online services.

After initial hesitation, the public welcomed the launch of the business name renewal module; user feedback was quite positive. The module will continue to be enhanced based on customer feedback. In the upcoming year, the Registry will focus on the processing of applications and the registration of new business names via the portal.

Table 9 below provides details on the services available online and customer utilisation rate during the review period.

10.7 INITIATIVES

The Registry is committed to supporting the needs of its clients by providing them with uploading the guidance and manuals on accessing and using Registry services. These guidelines will assist clients in better understanding the requirements of the relevant legislation and the Registry. These documents will be placed on the Commission's website during the next review period. The Registry is also considering hosting webinars and training programs for clients on these documents during the next review period.

10.8 OUTREACH

The Registry's outreach effort was marked by the following:

i) engagement with the Association of Company Managers and Agents and attendance at one of its quarterly meetings to address concerns, provide insight and establish open dialogue.

ii) contact with the Revenue Department to ascertain opportunities for collaboration, to support the business licensing process, and to address any misunderstandings raised by clients.

iii) meeting with the Registrar of Lands, Registrar of Debentures, Attorney General and other representatives to discuss and clarify the function of registration of charges, debentures and stamp duties.

10.9 LOOKING AHEAD

As it continues its drive to promote greater efficiency, accessibility and transparency, the Registry anticipates more services being available via its online portal related to business names, trademarks and patents. This will lead to quicker response to clients' demands by streamlining repeatable queries and common concerns.

The Registry will provide additional information to clients through advisories, notices, seminars/webinars, and an enhanced physical presence in Providenciales. The intent is to ensure that clients are kept abreast of changes in procedures, policies and matters of concern.

INCORPORATED/ REGISTERED ENTITIES	2021/22	2020/21	2019/20
Companies (less PARCs, NPC and PCC)	7,587	6,153	6,362
PARCs	7,965	8,082	7,023
Non-Profit	119	111	111
Foreign	**77**	**74**	**73**
Protected Cells	**3**	**3**	**3**
Total Companies	15,751	14,423	13,572
Total Business Names	6,822	6,312	6,095
Total Limited Partnership	62	62	62
OTHER SERVICES			
Total Trademarks	4,322	3,897	3,585
Total Patents	159	145	131
Restoration by Registrar	2,963	2938	2923
Restoration by Court Order	47	27	18
Registered Charges (based on date)	226	126	63

Table 8: Registry Service Summary Statistics

Submission Type	Submissions	Usage
Annual Fee	9,910	44%
Application for Business Name Renewals	1,755	8%
Notice of First Members	1,477	6%
Notice of First Directors	1,475	6%
Certificate of Good Standing	1,332	6%
Application to Incorporate a Company	1,168	5%
Notice of Change in Directors	669	3%
Notice of Appointment of Registered Agent	649	3%
Name Clearance	595	3%
Notice of Change of Members	562	2%
Notice of Directors - Automatic Registration	514	2%
Notice of Members - Automatic Registration	506	2%
Notice of Change of Registered Office	384	2%
Registered Agent Consent	334	1%
Notice of Members	274	1%
Notice of Directors	235	1%
Application for Registration by Existing Company Form	223	1%
Application for Certificate of Registration- Automatic Registration	173	1%
Notice of Filing of Restated Articles of Incorporation	150	1%
Notice of Amendment of Articles of Incorporation	132	1%
Application for Registration of a Charge (based on date of application)	82	-
Application for Continuation to the TCI	57	-
Notice of Change to Company Name	49	-
Registration of Articles of Merger	7	-
Notice of Completion of Liquidation	7	-
Application to Incorporate Non-Profit Company	4	-
Application for Registration Foreign Company	4	-
Application to Register a Business Name	3	-
Notice of Appointment of Liquidator	3	-
Notice Specifying Property Ceased to be Affected by Registered Charge	2	-
Application to Register Variation in Terms of Registered Charge	1	-
Total	**22,736**	**100%**

Table 9: Online Applications and Utilisation Rate


greatest opportunities to increase sales
ction is how your marketing plan should
so show you how you're going to work with
sessed in order for you to know what's benefi-
e company's target.
2014
2015
2016
Electron
Clothes & Fashion
Home Living
Kids Products
Medical
Others

11.0 Finance

11.1 OVERVIEW

The pandemic and post-pandemic periods saw a change in how clients transacted with the Commission. These periods were marked by a precipitous growth in online transactions and reduced in-person activities. This was evident in the payment of fees for annual licence renewals, applications, business names renewals/ registration and sundry fees for companies via internet banking. These changes were also driven by greater awareness of the Kregistry online portal for accessing services.

11.2 RISK ASSESSMENT

The Commission has an Audit and Risk Management Committee (ARMC) that assists the Board with management of risk at the Commission. The Commission, with oversight from the ARMC, regularly reviews the financial risk management policies and plans to consider changes in operations and market conditions/activities to ensure appropriate internal controls are established.

During the review period, emphasis was placed on monitoring the operational risk of transitioning from primary in-person transactions to the use of online services. This required resource allocation to efficiently process online transactions and respond to clients through secured applications within a short timeframe. The increase in revenue during the period also required enhanced cashflow and asset/liability management.

11.3 FINANCIAL PERFORMANCE

11.3.1 Revenue

Total revenue[20] for the 2021/22 financial year was $14.2M (2020/21: $10.5M), an increase of 35% from the previous financial year. As reflected in chart 10, the Commission had a positive revenue trend over the last five years, except for FY 2019/20, which broke this trend with a 22.0% decline in revenue, due to a change in the filing deadline for some companies.

The Companies Registry and Insurance Department continued to be the major contributors to the Commission's revenue, accounting for 71% and 21% respectively (2020/21: 75% and 14%) of total revenue (see chart 11). The Companies Registry's positive trend was attributed to a 226% increase in land share transfer duty and a 44% increase in company application fees. The growth under these categories indicated confidence in the economy by companies in a post pandemic environment. The increase in insurance related revenue was due mainly to changes in insurance licence fees for Producers Affiliated Reinsurance Companies (PARCs) effective 1 January 2022. The other departments remained relatively consistent in their revenue contributions when compared to the previous year's performance.

20. Revenue from all sources, including land share transfer duty and sundry fees.

Chart 10: Total Revenue
2018 - 2022

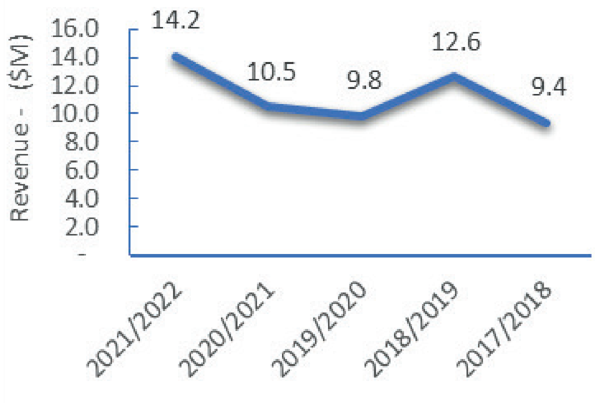
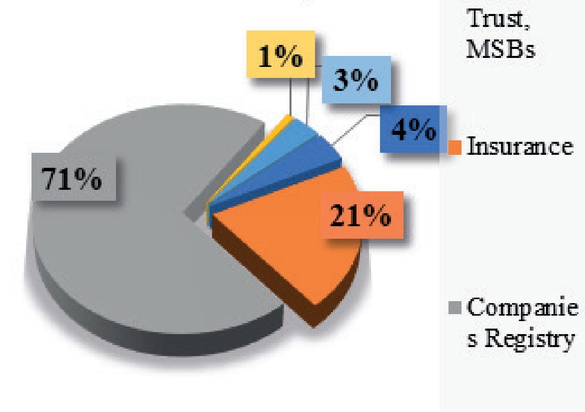
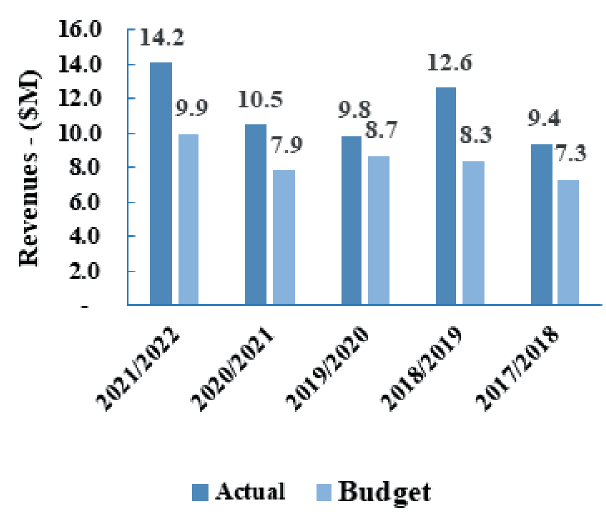


Chart 11: Revenue Contribution by Department
2021/22



Other revenue comprised interest income, penalties for regulatory breaches or outstanding fees, and miscellaneous fees; penalties accounted for 80% of other revenue.

Chart 12: Revenue: Actual vs Budgeted
2018 - 2022



Revenue outperformed the target by 43%

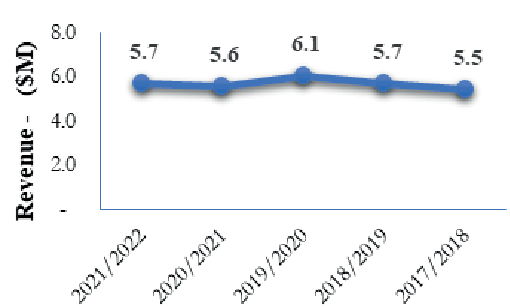
As shown in chart 12, the Commission outperformed its revenue targets over the last five years. The actual performance against the budget returned a 43% positive variance for the 2021/22 FY (2020/21: 34%). The significant contributors to the positive variance were land share transfer duty (75% or $1.8M above target), annual licence fees for PARCs (127% or $1.4M above target), and annual renewal fees for companies (8% or $0.3M above target).

11.3.2 Expenses

Table 10 shows key operating expenditure data for the last five financial years. Total expenditure for the reporting period was $5.7M (2020/21: $5.5M), reflecting a marginal increase of 2% over the prior period (see chart 13). As the Commission adapted to a post pandemic world and reduced travel restrictions, there was an increase in travel and training costs. This was mainly due to on-site training programs and face-to-face engagements with stakeholders curtailed during the pandemic.

Employment cost represents the largest expense category at 65% or $3.7M (2020/21: 69% or $3.8M) of operating expenses. This category contracted by 4.0 percentage points during the year. Communication cost was 9.0% higher than 2020/21 resulting from cost incurred for direct internet access to improve connectivity across the Commission and with stakeholders. Subscription and contributions cost remained relatively consistent.

Chart 13: Total Operating Expenditure 2018 - 2022



The Commission recorded a positive expenditure variance of 21% ($1.5M) against a budget of $7.2M. The positive variance was mainly due to the containment of expenditure in two categories; employment cost and professional and consultancy fees.

11.3.3 Assets, Liabilities and Reserve Fund

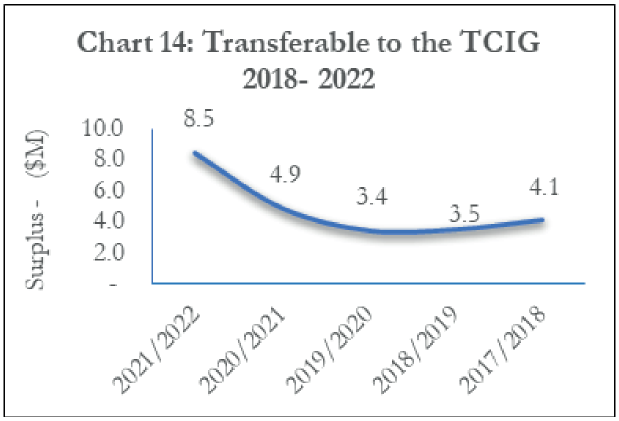
Total assets, net of fixed and intangible assets, amounted to $17.1M (2020/21: $14.8M), a growth of 15.0% when compared to the previous financial year. The increase was reflected mainly in term deposits, which were funded by the growth in revenue earned from land share transfer duty and annual licence fees from PARCs.

Cash and cash equivalents, and other interest-bearing assets accounted for 96% (2020/21: 97%) of total specified assets[21] , a marginal decline of 1% from the previous period. Investment holdings continued to reflect a mix of local certificates of deposit and foreign treasury bonds of the highest ratings. Treasury bonds accounted for 9% of investments, down from 10% in the prior period, due to declining market interest rates. The Commission's investment strategy continued to concentrate on shorter term instruments (cash and cash equivalents), as opposed to longer dated treasury bonds.

Other than cash and cash equivalents[22], trade receivables constituted the other major financial asset of the Commission. During the review year, there was a 31% increase in receivables from outstanding licensee fees due on or before the financial year end. The Commission continues to monitor receivables, revocations of delinquent licence holders and penalties being imposed for non-compliance. In accordance with IFRS 9, expected credit losses were recognised in the financial statements; the value of receivables is reported net of expected credit losses.

21 Total assets excluding fixed and intangible assets.
22. Term deposits and held to maturity investments.

As at 31 March 2022, the Commission had total liabilities of $8.3M (2020/21: $5.8M). The Commission's liabilities were largely in respect of amounts due to the TCIG of $5.5M (2020/21: $3.3M), and deferred income and accrued expenses (primarily owed to suppliers, accrued employment benefits and statutory deductions).



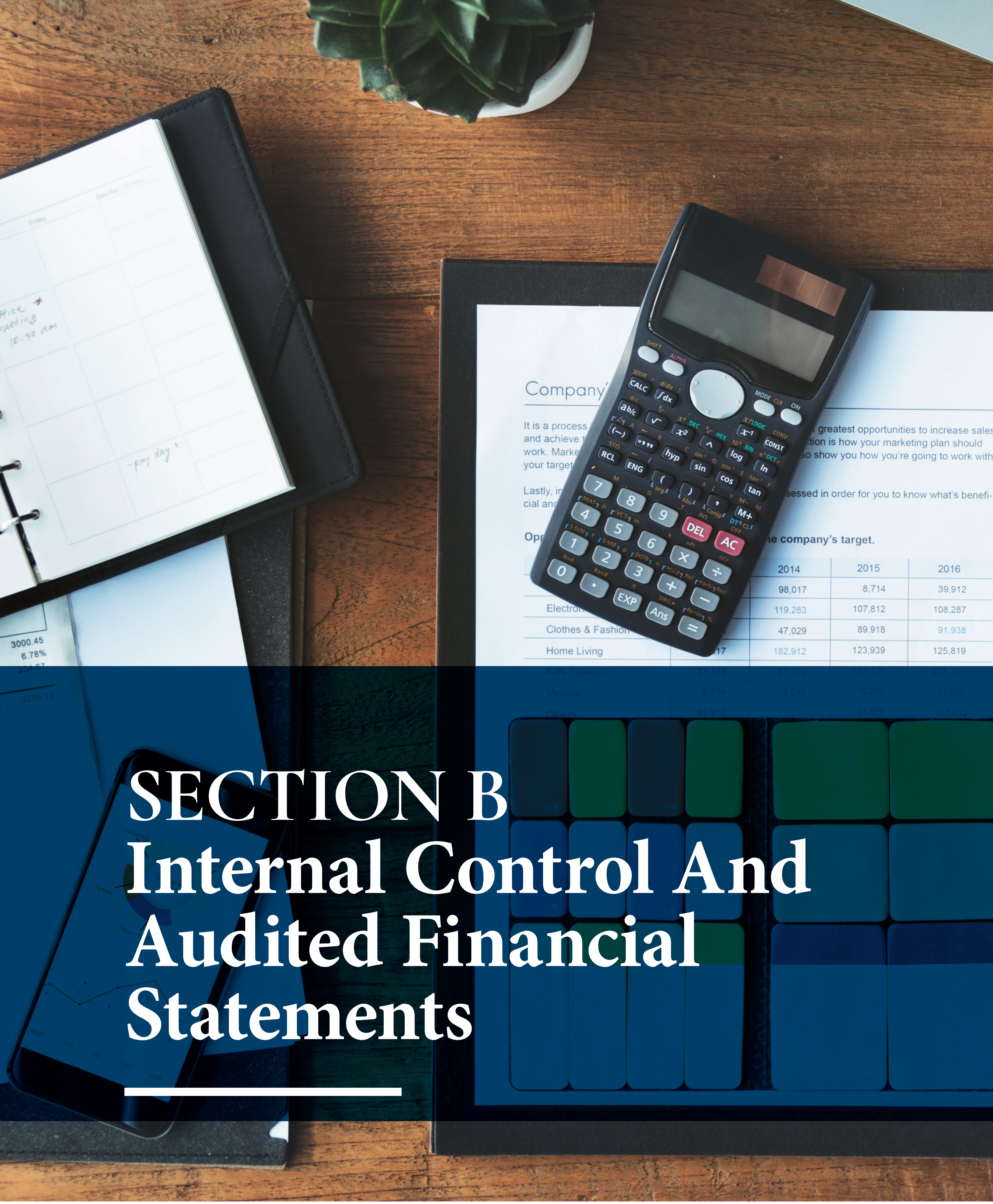
11.4 LOOKING AHEAD

Embracing the digital future of finance, through the adoption of new technology and the automation of processes will allow the Commission to move resources away from manual systems and towards real-time analysis and value-added activities. This requires the right foundations to be in place and for the finance team to work in partnership with other departments to create data interoperability, and alignment of processes to extract the full benefits of technology.

Building a future-ready finance infrastructure will provide opportunities for enhanced decision-making, actionable data insights, improved response to ad hoc requests for updates and better client services. To successfully achieve these goals, upgrading the skills and digital capabilities of staff to optimise their performance along with investing in technology are essential for a modern workforce to thrive.

Select Expenditure (US$M)	2021/22	2020/21	2019/20	2018/19	2017/18
Staff Costs	3.69	3.84	3.77	3.47	3.38
Professional & Consultancy Fees	0.02	0.00	0.02	0.06	0.20
Travel Costs	0.05	0.00	0.19	0.15	0.11
Communication	0.14	0.12	0.13	0.11	0.11
Subscriptions & Contributions	0.12	0.13	0.12	0.09	0.08
Training Costs	**0.04**	**0.02**	0.08	**0.03**	**0.04**
Total Expenditure	**5.71**	**5.58**	6.07	**5.70**	**5.47**

Table 10: Expenditure Over Last Five Years



SECTION B
Internal Control And Audited Financial Statements


FINANCE
Having the perfect timing with your activities
to fit your customer's buying cycles
will help you save money and maximize sales.

Board of Commissioners Statement on Internal Control 2021/2022
[Issued Pursuant to Regulation 145(5) of the Public Finance Management Regulations 2012]

Scope and Responsibility

The Board of Commissioners is responsible for oversight of the Commission and for ensuring that it has a strong risk management and internal control function.

The Board has established an Audit and Risk Management Committee (ARMC). This Committee carries out certain oversight functions and provides guidance to the Board on areas which include: the internal control environment; risk management framework (systems and controls); compliance with statutory financial obligations and relevant board-approved policies; the annual financial statements and annual report; and review of the performance of the external auditors and management of the work of the internal auditor.

The Managing Director is responsible for managing the daily control environment to eliminate or mitigate risks in the Commission's operations. Management is responsible for ensuring that all employees understand the requirements for, and their roles in, maintaining a strong and effective internal control environment, and for ensuring adherence to all controls.

Purpose of Systems of Internal Control

The overall objective of establishing risk management and control systems is to ensure that risks are minimised and that the Commission's assets are protected. The internal control process is designed to provide reasonable assurance over the reliability of the financial reporting process, and compliance with legislation, regulations, and accounting policies. Internal control is part of the system for managing risks throughout the organisation. To that end, procedures are established to identify, measure, monitor, report and manage risks, with the objective to minimise or avoid losses and/or to maximise opportunities.

Risk and Control Framework

The Commission has in place a Risk Management Framework. The risk framework has the following features: i) the identification of stakeholders in the risk management process; ii) identification of possible risks; iii) procedures for assessing, ranking and managing those risks; iv) establishment and use of risk registers; v) identification of taxonomy of risks; and vi) risk reporting. The 'three lines of defence' model for managing operational risks is set out under the Commission's risk management framework. Further, the framework is reinforced by other control mechanism such as an Internal Control Statement, which addresses issues of segregation of duties, limits on control, custody of assets, forced leave policy and training. Finally, there exists a Fraud Risk Policy. In addition, departments are required to document their business processes and the related procedures. Board approved documents set out the Commission's strategies for managing risk (including stipulating a generally low risk appetite) and the expectations for staff with respect to confidentiality and ethical standards.

Capacity to Handle Risk

The Commission's capacity to manage risk continues to be enhanced. Work continued on the development and use of key risk indicators (KRIs), particularly with respect to the IT, Finance and Registry functions. The concept of risk management has been integrated across the Commission with departments being directed to be risk-focused in analysis and operation. Departments report monthly on risk exposure and on how the various risks are being, or will be, managed. Thus, operational and regulatory risks are being co-opted into an Enterprise-Wide Risk Management framework. The Board continued to be central in this process and issued instructions for the review and updating of the Commission's Code of Conduct and other relevant policies. The updated Code and policies set out or further enhances the standards required of staff, which should minimise the Commission's operational risks.

Review of Effectiveness

The effectiveness of the risk and control framework is assessed based on its success in reducing/mitigating existing risks and in identifying new risks in a timely manner to facilitate corrective actions.

Management's assessment of the risk and control framework produced specific recommendations for improving efficiency in operations, timely data verification and data aggregation. These areas impact data reporting, which is an important element of an effective risk management system.

There were no operational losses during the year that impacted the Reserve Fund. Financial risks (credit and market) were not considered to be high, based on the values and counter parties involved.

The Board assessed the risk and control frameworks to have been largely effective during the financial year 2021-2022.

Board of Commissioners
Financial Services Commission
31 August 2022

Consolidated Financial Statements of

TURKS AND CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION

Year ended March 31, 2022

TURKS AND CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION

Consolidated Financial Statements

Year ended March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Commissioners of the Turks and Caicos Islands Financial Services Commission:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Turks and Caicos Islands Financial Services Commission and its subsidiary (together "the FSC"), which comprise the consolidated statement of financial position as at March 31, 2022, the consolidated statements of revenue, expenditures and other comprehensive income, changes in reserves and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the FSC as at March 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the FSC in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

In preparing the consolidated financial statements, management is responsible for assessing the FSC'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 FSC or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated 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 FSC'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 FSC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the FSC to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, continued

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the FSC to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the FSC audit. We remain solely responsible for our audit opinion.

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.

Report on Other Legal and Regulatory Requirements

In accordance with the Turks and Caicos Islands' Financial Services Commission Ordinance (2007) (as amended) (hereafter referred to as "the Ordinance"), we also report the following:

- We have obtained all the information and explanations we consider necessary for the purposes of our audit.
- In our opinion, the FSC has complied with its obligations under section 21 of the Ordinance.
- In our opinion, the FSC's consolidated financial statements are in agreement with its financial records and give a true and fair view of the consolidated financial position of the FSC as at March 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended.
- In our opinion, the FSC has discharged with diligence its obligations in relation to the collection of its revenues and the Turks and Caicos Islands (TCI) Government's revenues.

Intended Use of Report

This report is intended solely for the information and use of the Governor of TCI and the board of commissioners of the FSC and should not be relied on by anyone other than these specified parties.

Baker Tilly Ltd.

Chartered Accountants

Providenciales, Turks and Caicos Islands

August 31, 2022

TURKS AND CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION

Consolidated Statement of Financial Position

At March 31, 2022
with comparative figures at March 31, 2021

		2022	2021
Assets			
Current assets:			
Cash and cash equivalents (note 5)	US$	11,660,828	11,608,900
Term deposits (note 6)		3,330,130	1,322,035
Accounts receivable, net (note 7)		422,717	322,821
Due from employees (note 8)		111,009	84,996
Held-to-maturity investments (note 9)		1,398,594	1,405,107
Prepayments and other receivables (note 10)		131,967	89,739
		17,055,245	14,833,598
Non-current assets:			
Right-of-use-asset (note 11)		328,526	130,961
Intangible assets (note 12)		136,761	173,995
Property and equipment (note 13)		3,703,579	3,560,080
		4,168,866	3,865,036
	US$	21,224,111	18,698,634
Liabilities and Reserves			
Current liabilities:			
Accounts payable and accrued expenses (note 14)	US$	562,560	484,902
Due to TCIG (note 15)		5,497,774	3,338,711
Current portion of deferred income (note 16)		1,696,112	1,652,712
Current portion of lease liability (note 17)		193,721	140,908
		7,950,167	5,617,233
Non-current liabilities:			
Non-current portion of deferred income (note 16)		247,601	207,192
Non-current portion of lease liability (note 17)		140,003	–
		387,604	207,192
		8,337,771	5,824,425
Reserves:			
Reserve fund (note 18)		7,210,700	7,195,192
Capital reserve fund (note 19)		4,719,634	4,723,011
Retained surplus (note 20)		956,006	956,006
		12,886,340	12,874,209
	US$	21,224,111	18,698,634

The accompanying notes are an integral part of these consolidated financial statements.

These consolidated financial statements were approved on behalf of the Board of Commissioners on August 31, 2022 by the following:

David Oakden Chairman Niguel Streete Managing Director

TURKS AND CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION

Consolidated Statement of Revenue, Expenditures and Other Comprehensive Income

Year ended March 31, 2022
with comparative figures for year ended March 31, 2021

		2022	2021
Revenue:			
Fees and charges (note 21)	US$	14,140,000	10,406,306
Other income		36,493	23,945
Interest income		17,052	56,869
Gain on disposal of property and equipment		4,050	–
		14,197,595	10,487,120
Expenditures:			
Staff costs (note 22)		(3,690,652)	(3,841,362)
Repairs and maintenance		(251,196)	(94,872)
Depreciation of right-of-use asset (note 11)		(196,665)	(196,440)
Depreciation of property and equipment (note 13)		(174,033)	(188,345)
Office expenses (note 23)		(159,032)	(152,060)
Communication (note 24)		(135,693)	(124,481)
Subscriptions and contributions		(120,374)	(129,213)
Insurance		(107,751)	(93,991)
Impairment loss on accounts receivable (note 7)		(107,400)	(117,210)
Utilities		(102,013)	(84,860)
Commissioners fees and expenses (note 25)		(100,952)	(83,316)
Advertising		(91,597)	(74,042)
Security		(83,099)	(77,412)
Amortisation of intangible assets (note 12)		(66,109)	(65,467)
Other operating expenses (note 26)		(57,912)	(41,692)
Kregistry license annual fee		(54,300)	(54,300)
Audit and accounting		(52,406)	(55,000)
Travel and subsistence (note 27)		(48,538)	(4,340)
Training (note 28)		(37,653)	(17,527)
Rental of buildings		(33,000)	(33,000)
Professional and consultancy fees		(22,330)	(2,975)
Finance charge		(14,571)	(17,380)
Local hosting and entertainment		(56)	(33,029)
Loss on disposal of property and equipment		–	(500)
		(5,707,332)	(5,582,814)
Surplus before other comprehensive income		8,490,263	4,904,306
Other comprehensive income		–	–
Net surplus for year	US$	8,490,263	4,904,306
Net surplus for year transferred to:			
TCIG (note 15)	US$	8,478,132	4,909,163
Reserve fund (note 18)		15,508	(479)
Capital reserve fund (note 19)		(3,377)	(4,378)
	US$	8,490,263	4,904,306

The accompanying notes are an integral part of these consolidated financial statements.

TURKS AND CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION
Consolidated Statement of Changes in Reserves

Year ended March 31, 2022
with comparative figures for year ended March 31, 2021

	Reserve fund	Capital reserve fund	Retained surplus	Total
Balance at April 1, 2020	7,195,671	4,727,389	956,006	12,879,066
Net surplus for year	4,904,306	–	–	4,904,306
Reserve fund transferred to amount due to TCIG (note 15)	(4,909,163)	–	–	(4,909,163)
Depreciation on New Property (note 19)	4,378	(4,378)	–	–
Balance at March 31, 2021	7,195,192	4,723,011	956,006	12,874,209
Balance at April 1, 2021	7,195,192	4,723,011	956,006	12,874,209
Net surplus for year	8,490,263	–	–	8,490,263
Reserve fund transferred to amount due to TCIG (note 15)	(8,478,132)	–	–	(8,478,132)
Depreciation on New Property (note 19)	3,377	(3,377)	–	–
Balance at March 31, 2022	7,210,700	4,719,634	956,006	12,886,340

The accompanying notes are an integral part of these consolidated financial statements.

TURKS AND CAICOS ISLANDS
FINANCIAL SERVICES COMMISSION

Consolidated Statement of Cash Flows

Year ended March 31, 2022
with comparative figures for year ended March 31, 2021

		2022	2021
Cash flows from operating activities:			
Net surplus for year	US$	8,490,263	4,904,306
Adjustments for:			
Depreciation of property and equipment		174,033	188,345
Depreciation of right-of-use asset		196,665	196,440
Amortisation of intangible assets		66,109	65,467
Impairment loss on accounts receivable		107,400	117,210
Finance charge		14,571	17,380
Interest income		(17,052)	(56,869)
(Gain)/loss on disposal of property and equipment		(4,050)	500
		9,027,939	5,432,779
Changes in operating assets:			
Change in accounts receivable, gross of impairment loss		(207,296)	221,082
Change in due from employees		(26,013)	36,909
Change in prepayments and other receivables		(42,228)	44,343
Changes in operating liabilities:			
Change in accounts payable and accrued expenses		77,658	87,360
Change in deferred income		83,809	(267,955)
Net cash from operating activities		8,913,869	5,554,518
Cash flows used in investing activities:			
Change in term deposits		(2,008,095)	999,049
Proceeds from disposal of held-to-maturity investments		2,704,855	2,457,750
Acquisition of held-to-maturity investments		(2,698,342)	(2,310,158)
Additions to intangible assets		(28,875)	(21,875)
Additions to property and equipment		(317,532)	(2,233,672)
Proceeds from disposal of property and equipment		4,050	–
Interest income received		17,052	56,869
Net cash used in investing activities		(2,326,887)	(1,052,037)
Cash flows used in financing activities:			
Cash transferred to TCIG (note 15)		(6,319,069)	(3,335,197)
Payment of lease liability (note 17)		(201,414)	(198,621)
Finance charge paid		(14,571)	(17,380)
Net cash used in financing activities		(6,535,054)	(3,551,198)
Net increase in cash and cash equivalents		51,928	951,283
Cash and cash equivalents at beginning of year		11,608,900	10,657,617
Cash and cash equivalents at end of year	US$	11,660,828	11,608,900

The accompanying notes are an integral part of these consolidated financial statements.

1. General information

The Turks and Caicos Islands Financial Services Commission ("the Commission") is a body corporate established in the Turks and Caicos Islands ("TCI") on April 1, 2002, pursuant to the Financial Services Commission Ordinance 2001, preserved and continued under the Financial Services Commission Ordinance 2007 as revised ("the Ordinance"). The Commission's primary purpose is to administer the provisions of the Ordinance and subsidiary legislation which grant it the power to issue and revoke licences, supervise institutions engaged in financial services business and advise the TCI Government ("TCIG") and the Governor of TCI of changes needed to ensure the stability and security of the financial sector in TCI.

These consolidated financial statements comprise the financial statements of the Commission and its wholly owned subsidiary, FSC Property Holdings Co. Ltd. ("FSC Property"), an asset holding company incorporated on March 23, 2010 under the laws of TCI (together hereafter referred to as "the FSC" or "the Group").

The FSC operates from its offices at Waterloo Plaza, Grand Turk, and Caribbean Place, Providenciales, TCI.

2. Basis of preparation

(a) *Basis of accounting*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with the requirements of the Ordinance.

Details of the FSC's significant accounting policies are included at note 3.

These consolidated financial statements have been prepared on an historical cost basis.

The methods used to measure fair values for disclosure purposes are discussed at note 4.

(b) *Functional and presentation currency*

These consolidated financial statements are presented in United States Dollars (US$), which is the FSC's functional currency. All financial information presented in US$ has been rounded to the nearest dollar.

(c) *Use of estimates and judgements*

The preparation of these consolidated financial statements in conformity with IFRS 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.

2. Basis of preparation, continued

(c) Use of estimates and judgements, continued

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements is included at note 3(j)(i), *Impairment – non-derivative financial assets* and note 3(k), *Leases*.

These consolidated financial statements have been prepared on a going concern basis. No adjustments or reclassifications have been made that might be necessary if a basis of accounting other than a going concern basis were to be used.

3. Significant accounting policies

The accounting policies set out below have been applied to all periods presented in these consolidated financial statements and have been applied consistently by the FSC.

(a) Basis of consolidation

(i) Subsidiary

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in these consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Non-controlling interest

Non-controlling interest (NCI) is measured initially at its proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of reserves. Any resulting gain or loss is recognised in the consolidated statement of revenue, expenditures and other comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. Significant accounting policies, continued

(a) Basis of consolidation, continued

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated when preparing these consolidated financial statements.

(b) Financial assets and financial liabilities

(i) Recognition and initial measurement

The FSC initially recognises accounts receivable on the date when they are originated. All other financial assets and financial liabilities (including regular-way purchases and sales of financial assets) are initially recognised on the trade date when the FSC becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the FSC changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

3. Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

(ii) Classification and subsequent measurement, continued

Financial assets, continued

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. In addition, on initial recognition the FSC may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The FSC has the following financial assets measured at amortised cost: cash and cash equivalents, term deposits, accounts receivable, due from employees, other receivables and held-to-maturity investments.

Financial assets – Business model assessment

The FSC makes an assessment of the objective of the business model in which a financial asset is held for each portfolio of financial assets because this best reflects the way that the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to FSC's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

3. Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

(ii) Classification and subsequent measurement, continued

Financial assets – Business model assessment, continued

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered as sales for this purpose, consistent with the FSC's continuing recognition of the assets.

Financial assets that are managed and whose performance is evaluated on a fair value basis, which include underlying items of participating contracts, and financial assets that are held for trading, are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time - e.g. if there are repayments of principal.

Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the FSC considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the FSC considers:

- contingent events that would change the amount or timing of cash flows;
- prepayment and extension features;
- terms that limit the FSC's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and

3. Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

(ii) Classification and subsequent measurement, continued

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest, continued

- features that modify consideration of the time value of money (e.g. periodic reset of interest rates).

A prepayment feature is consistent with the 'solely payments of principal and interest' criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income and impairment losses are recognised in the consolidated statement of revenue, expenditures and other comprehensive income. Any gain or loss on derecognition is also recognised in the consolidated statement of revenue, expenditures and other comprehensive income.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Any interest expense is recognised in the consolidated statement of revenue, expenditures and other comprehensive income and any gain or loss on derecognition is also recognised in the consolidated statement of revenue, expenditures and other comprehensive income.

The FSC has the following financial liabilities measured at amortised cost: accounts payable and accrued expenses and due to TCIG.

The FSC classifies non-derivative financial liabilities as other financial liabilities.

3. Significant accounting policies, continued

(b) Financial assets and financial liabilities, continued

(iii) Derecognition

Financial assets

The FSC derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the FSC neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The FSC enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The FSC generally derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The FSC also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the consolidated statement of revenue, expenditures and other comprehensive income.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented on the consolidated statement of financial position when, and only when, the FSC currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when it is required or permitted by a standard.

3. Significant accounting policies, continued

(c) Intangible assets

(i) Recognition and measurement

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the FSC are recognised as intangible assets when the following criteria are met:

- It is technically and commercially feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

If an intangible item does not meet the definition of, and the criteria for, recognition as an intangible asset, the FSC requires any expenditure on this item to be recognised as an expense when it is incurred.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets are measured at cost less accumulated amortisation and impairment losses (note 3(j)(ii)).

(ii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the FSC. All other expenditure is recognised in the consolidated statement of revenue, expenditures and other comprehensive income as incurred.

(iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values on a straight-line basis over their estimated useful lives and is recognised in the consolidated statement of revenue, expenditures and other comprehensive income.

Computer software development costs recognised as assets are amortised over their estimated useful lives of seven years.

3. Significant accounting policies, continued

(c) Intangible assets, continued

(iii) Amortisation, continued

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, where appropriate.

(d) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment, calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognised in the consolidated statement of revenue, expenditures and other comprehensive income.

(ii) Subsequent costs

The cost of replacing an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the FSC and its cost can be reliably measured. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of property and equipment is recognised in the consolidated statement of revenue, expenditures and other comprehensive income, as incurred.

(iii) Depreciation

Items of property and equipment are depreciated from the date they are available for use, i.e. when they are in the location and condition necessary for them to operate in the manner intended by management. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in the consolidated statement of revenue, expenditures and other comprehensive income.

3. Significant accounting policies, continued

(d) Property and equipment, continued

(iii) Depreciation, continued

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 years
Building improvements	10 years
Office furniture	10 years
Office equipment	10 years
Computer equipment	4-10 years
Motor vehicles	5 years
Leasehold improvements	shorter of 10 years and remaining term of lease

Depreciation methods, useful lives and residual values are reassessed at the reporting date. Land is not depreciated.

(e) Provisions

A provision is recognised if, as a result of a past event, the FSC has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and risks specific to the liability.

(f) Government grants

Grants are received from TCIG for development purposes and cover both capital and revenue expenditure.

The FSC recognises government grants related to specific assets, including non-monetary grants, as deferred income at fair value if there is reasonable assurance that they will be received and the FSC will comply with the conditions associated with the grant.

Government grants are then recognised in the consolidated statement of revenue, expenditures and other comprehensive income as government grant revenue on a straight-line basis over the expected lives of the related assets.

3. Significant accounting policies, continued

(g) Reserves

(i) Reserve fund

Section 17 of the Ordinance mandates that the FSC establish a reserve fund into which the FSC's operating surplus is paid along with any other funds that are otherwise required to be paid into such a reserve fund under the terms of the Ordinance.

If, on the last working day of any quarter within a financial year, the balance in the reserve fund exceeds the expected recurrent expenditure of the FSC for that financial year, the FSC is mandated to pay a sum equal to the excess to TCIG, within thirty days of the last working day of the quarter, provided always that the balance in the reserve fund does not fall below US$5 million as a result of any such payment to TCIG.

Management have determined that the most appropriate measure of expected recurrent expenditure in accordance with the above requirement is the FSC budgeted expenditure for that financial year as submitted annually to the Governor of TCI.

(ii) Capital reserve fund

The FSC established a capital reserve fund for the purpose of financing its property needs. The capital reserve fund was established pursuant to a resolution of the Board of Commissioners of the FSC and after having received the approval of the Governor of TCI, to whom the FSC reports for each specific capital project. Transfers to the capital reserve fund are made by way of an allocation of amounts due to TCIG or from the reserve fund. Subsequent to the approved capital expenditure, the capital reserve fund will be adjusted for depreciation charges related to the project as incurred. The capital reserve fund is reported as part of the FSC's reserves.

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when amounts can be reliably measured and it is probable that future economic benefits will flow to the FSC.

(i) Fees and charges

Fees and charges comprise annual company renewal fees, annual licence fees, application fees, land share transfer duty, business names registration fees, penalties and other fees.

3. Significant accounting policies, continued

(h) Revenue recognition, continued

(i) Fees and charges, continued

Annual licence fees, where the FSC provides ongoing supervision of operations and regulatory compliance of licensees, and business names registration fees are recognised as income in the period to which they relate, with amounts collected in relation to future financial periods being deferred on the consolidated statement of financial position.

Annual company renewal fees, other annual licence fees, application fees, business names registration fees and other fees are recognised as revenue in their entirety at a point in time when the significant act of service occurs and there is no significant uncertainty as to its collectability, which is deemed to be when the fees are paid.

Land share transfer duties are recognised as revenue upon receipt of confirmation and approval from the land division of the Attorney General's Chambers.

Penalty fees are recognised as revenue only when all significant contingencies are resolved and the penalty fee can be reliably measured.

(ii) Interest income

Interest income is recognised in the consolidated statement of revenue, expenditures and other comprehensive income as it accrues, using the effective interest rate method.

(i) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the FSC has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Post-employment benefits

The FSC operates a defined contribution pension plan for certain employees. All staff members, except those on fixed term contracts or temporary contracts, are eligible to join the FSC's pension scheme. A defined contribution plan, a post-employment benefit, is a pension plan under which the FSC deposits fixed contributions into a separate third party entity. The FSC has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions of the FSC are expensed in the consolidated statement of revenue, expenditures and other comprehensive income when incurred.

3. Significant accounting policies, continued

(j) Impairment

(i) Non-derivative financial assets

The FSC recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The FSC measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the FSC is exposed to credit risk.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the FSC expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the FSC assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor or issuer;
- a breach of contract such as a default or past-due event;
- the restructuring of an amount due to the FSC on terms that the FSC would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

3. Significant accounting policies, continued

(j) Impairment, continued

(i) Non-derivative financial assets, continued

Presentation of allowance for ECL on the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the FSC determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the FSC's procedures for recovery of amounts due.

(ii) Non-financial assets

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

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the consolidated statement of revenue, expenditures and other comprehensive income.

An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies, continued

(k) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are recognised on the consolidated statement of financial position of the FSC unless the lease term is 12 months or less or the underlying asset has a low value. The FSC recognises on its consolidated statement of financial position a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The right-of-use asset is initially measured at cost, which is the present value of the lease payments that are not paid at that date, and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst other features.

Depreciation of a right-of-use asset and interest on the lease liability is recognised in the consolidated statement of revenue, expenditures and other comprehensive income over the lease term (note 11), and payment of principal and interest on the lease liability is separately presented within financing activities in the consolidated statement of cash flows.

(l) Taxation

Under current TCI law, the FSC is not required to pay any taxes in TCI on either income or capital gains. Consequently, no tax liability or expense has been recorded in these consolidated financial statements.

(m) Related parties

A related party is a person or entity that is related to the entity that is preparing its consolidated financial statements.

(i) A person or a close member of that person's family is related to a reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity, or of a parent of the reporting entity.

3. Significant accounting policies, continued

(m) Related parties, continued

(ii) An entity is related to a reporting entity if any of the following conditions apply:

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the other).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- The entity is controlled, or jointly controlled, by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related party transactions pertain to transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

(n) New standards, amendments to standards and interpretations not yet adopted

The following are new standards, amendments and interpretations to published standards, issued but not effective for the financial year beginning April 1, 2021 and not early adopted by the FSC:

- IFRS 17, *Insurance Contracts* – IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of consolidated financial statements to assess the effect that insurance contracts have on the entity's consolidated financial position, financial performance and cash flows.

3. Significant accounting policies, continued

(n) New standards, amendments to standards and interpretations not yet adopted, continued

- IFRS 17, *Insurance Contracts*, continued

  IFRS 17 is initially effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted only for entities that also apply both IFRS 9 and 15.

IFRS 17 is not expected by management to be relevant or significant to the FSC's operations and, accordingly, will not have a material impact on the FSC's consolidated financial statements and/or accounting policies.

4. Determination of fair values

Several of the FSC's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, as described below. Where applicable, further information about the assumptions made in determining fair value has been disclosed in the notes specific to that asset or liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where an active market exists, market price is used as the best evidence of the fair value of a financial instrument. Where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the reporting date.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates.

The FSC regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the FSC assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Board.

When measuring the fair value of a financial instrument, the FSC uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

4. Determination of fair values, continued

- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data;
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value, discounted cash flow models and comparison with similar instruments for which an observable market exists. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates.

The objective of the valuation technique is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

If the inputs used to measure the fair value of a financial instrument fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The FSC recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. Cash and cash equivalents

		2022	2021
Current accounts	US$	5,547,819	3,763,949
Certificates of deposit		4,971,170	6,704,202
Savings accounts		1,140,989	1,139,899
Cash on hand		850	850
	US$	11,660,828	11,608,900

5. Cash and cash equivalents, continued

The US$4,791,170 certificates of deposit held at March 31, 2022 (2021: US$6,704,202) comprised the following:

	2022			
	Principal amount	Maturity value	Interest rate per annum	Maturity Date
	US$	US$		
CIBC FirstCaribbean International Bank (CIBC)	1,844,796	1,844,872	0.05%	April 6, 2022
RBC Royal Bank (RBC)	1,005,215	1,005,383	0.20%	April 14, 2022
CIBC	651,195	651,342	0.09%	April 11, 2022
Turks & Caicos Banking Company Limited (TCBC)	468,000	468,146	0.38%	April 29, 2022
CIBC	405,509	405,523	0.04%	April 19, 2022
RBC	402,952	403,002	0.15%	April 3, 2022
TCBC	150,000	150,141	0.38%	May 31, 2022
RBC	43,503	43,514	0.10%	April 18, 2022
	4,971,170	4,971,923		

	2021			
	Principal amount	Maturity value	Interest rate per annum	Maturity Date
	US$	US$		
CIBC	1,843,311	1,843,465	0.10%	April 30, 2021
CIBC	1,449,688	1,450,123	0.12%	April 14, 2021
Scotiabank	1,007,009	1,007,613	0.24%	April 20, 2021
RBC	1,003,265	1,003,432	0.20%	April 15, 2021
CIBC	405,292	405,495	0.60%	April 14, 2021
RBC	402,177	402,211	0.10%	April 22, 2021
TCBC	400,000	400,083	0.25%	April 30, 2021
TCBC	150,000	150,141	0.38%	May 31, 2021
RBC	43,460	43,471	0.10%	April 19, 2021
	6,704,202	6,706,034		

During the year, the savings accounts earned interest at a rate of 0.10% per annum (2021: 0.40%). Current accounts are non-interest bearing.

6. Term deposits

The FSC's term deposits at March 31 represented certificates of deposit with a maturity date greater than 3 months, but less than one year, from the date of commencement:

	Principal amount	Maturity value	Interest rate per annum	Maturity Date
	US$	US$		
TCBC	2,007,613	2,013,887	0.63%	May 31, 2022
TCBC	1,000,000	1,002,500	0.50%	August 7, 2022
CIBC	322,517	322,711	0.12%	June 6, 2022
March 31, 2022	3,330,130	3,339,098		

	Principal amount	Maturity value	Interest rate per annum	Maturity Date
	US$	US$		
TCBC	1,000,000	1,003,125	0.63%	August 12, 2021
CIBC	322,035	322,277	0.15%	June 7, 2021
March 31, 2021	1,322,035	1,325,402		

7. Accounts receivable, net

At March 31 accounts receivable, net of allowance for impairment losses, were as follows:

		2022	2021
Company managers	US$	870,583	598,558
Insurance managers		40,950	46,975
Others		18,040	8,340
Trust companies		10,000	12,000
Insurance providers and intermediaries		5,589	5,539
Banks		5	66,459
		945,167	737,871
Allowance for impairment losses		(522,450)	(415,050)
	US$	422,717	322,821

Movement in the allowance for impairment losses was:

		2022	2021
Balance at April 1	US$	415,050	301,840
Impairment loss recognised		107,400	117,210
Write off		–	(4,000)
	US$	522,450	415,050

During the year ended March 31, 2022, an impairment loss of US$107,400 (2021: US$117,210) on accounts receivable was recognized in the consolidated statement of revenue, expenditures and other comprehensive income.

7. Accounts receivable, net, continued

Information about the FSC's exposure to credit risk, and impairment loss on accounts receivable, is included at note 30(a) to these consolidated financial statements.

8. Due from employees

		2022	2021
Christmas advances	US$	73,660	47,905
Regular salary advances		37,349	37,091
	US$	111,009	84,996

The amounts due from employees at March 31 were non-interest bearing, unsecured and repayable within six to eight months from the date of the advance.

9. Held-to-maturity investments

Held-to-maturity investments at March 31, 2022 represented investments in various US debt securities with original maturity periods ranging from six months to one year (2021: six months to one year) and nominal interest rates of 0.06% to 1.63% (2021: 2.13% to 2.63%).

		2022	2021
Face value	US$	1,400,000	1,400,000
Net (discount)/premium		(1,406)	5,107
	US$	1,398,594	1,405,107
Carrying value	US$	1,398,594	1,405,107
Less current portion		(1,398,594)	(1,405,107)
	US$	–	–

During the year the FSC incurred US$903 (2021: earned US$20,165) of interest on held-to-maturity investments which was offset against interest income on certificates of deposit and term deposits in the consolidated statement of revenue, expenditures and other comprehensive income.

10. Prepayments and other receivables

		2022	2021
Prepayments to suppliers	US$	113,658	72,370
Other receivables		18,309	17,369
	US$	131,967	89,739

Other receivables at March 31 were non-interest bearing, unsecured and repayable on demand.

11. Right-of-use asset

		2022	2021
Right of use asset	US$	130,961	327,401
Addition		394,230	–
Depreciation		(196,665)	(196,440)
Carrying amount	US$	328,526	130,961

In 2014, the FSC entered into a five year lease agreement with Waterloo Property Ltd. in Grand Turk for the rental of FSC's office building. The initial 5 year lease was later extended by 2 years and subsequently a further 2 years. The lease now expires on November 30, 2023. The total monthly fixed office rental is US$18,000. The lease agreement is cancellable at any time by giving the lessor 1 month notice in writing or alternatively by paying to the lessor one month rental in lieu of such notice.

At the reporting date the cost of the FSC's right-of-use asset was US$333,724 (2021: US$140,908) (note 17). The right-of-use asset is depreciated over the term of lease.

12. Intangible assets

		2022	2021
Software development cost:			
At beginning of year	US$	935,186	913,311
Additions		28,875	21,875
At end of year	US$	964,061	935,186
Accumulated amortisation:			
At beginning of year	US$	761,191	695,724
Amortisation for year		66,109	65,467
At end of year	US$	827,300	761,191
Carrying value	US$	136,761	173,995

The FSC has been engaged in developing an online Companies Registry (Registry) since 2006. At March 31, 2022 the associated software development costs had a carrying value of US$136,761 (2021: US$173,995). Costs capitalised are amortised over their estimated useful life of seven years.

13. Property and equipment

	Land, buildings & improvements	Office furniture	Office equipment	Computer equipment	Motor vehicles	Total
	US$	US$	US$	US$	US$	US$
Cost:						
April 1, 2020	2,137,119	324,229	209,274	492,541	110,048	3,273,211
Additions	2,166,236	13,440	30,072	23,924	–	2,233,672
Disposals	–	–	(1,000)	–	–	(1,000)
March 31, 2021	4,303,355	337,669	238,346	516,465	110,048	5,505,883
April 1, 2021	4,303,355	337,669	238,346	516,465	110,048	5,505,883
Additions	275,000	4,995	10,022	27,515	–	317,532
Disposals	–	–	–	(2,852)	(29,000)	(31,852)
March 31, 2022	4,578,355	342,664	248,368	541,128	81,048	5,791,563
Accumulated depreciation:						
April 1, 2020	914,131	219,990	91,350	422,439	110,048	1,757,958
Depreciation	118,840	21,206	18,597	29,702	–	188,345
Disposals	–	–	(500)	–	–	(500)
March 31, 2021	1,032,971	241,196	109,447	452,141	110,048	1,945,803
April 1, 2021	1,032,971	241,196	109,447	452,141	110,048	1,945,803
Depreciation	99,232	20,517	21,488	32,796	–	174,033
Disposals	–	–	–	(2,852)	(29,000)	(31,852)
March 31, 2022	1,132,203	261,713	130,935	482,085	81,048	2,087,984
Carrying value:						
March 31, 2021	3,270,384	96,473	128,899	64,324	–	3,560,080
March 31, 2022	3,446,152	80,951	117,433	59,043	–	3,703,579

During the year ended March 31, 2021 the FSC purchased a parcel of land with a building constructed thereon (New Property) for a total consideration of US$2.2 million, of which US$200,000 was assigned as the land cost, US$11,742 as office furniture, US$22,022 as office equipment and the balance of US$1,966,236 as buildings. The New Property is situated on approximately 0.56 acres and is located on Leeward Highway on Providenciales. Stamp duty payable to TCIG of US$220,000 in relation to this property was waived by TCIG.

During the year ended March 31, 2022 the FSC purchased a parcel of land adjacent to the New Property for a total consideration of US$275,000. Stamp duty payable to TCIG of US$27,500 in relation to this property was waived by TCIG.

13. Property and equipment, continued

The FSC plans to move to the New Property once its renovation and retrofitting is complete. Capital expenditure of US$590,513 for the renovation and retrofitting of the New Property was tendered and evaluated before the reporting date however the relevant contract was not finalized until May 17, 2022 (note 32).

As at the date of the approval of these consolidated financial statements it is the FSC's intention to transfer its ownership of the land and buildings at Caribbean Place to TCIG once it moves into the New Property.

At March 31, 2022 the land and buildings at Caribbean Place had a carrying value of US$1,009,012.

Included in land, buildings and improvements is 6,353 square feet of land at Caribbean Place on Providenciales. The cost of this land was included in the total cost of units at Caribbean Place at the time of their purchase and, as a result, has not been separately distinguished from the cost of the associated buildings.

At March 31 the FSC's land, buildings and improvements located at Leeward Highway and Caribbean Place on Providenciales and its office leasehold improvements on Grand Turk comprised the following:

	March 31, 2022				
	Land and buildings	Improve-ments	Total cost	Accumulated depreciation	Carrying value
	US$	US$	US$	US$	US$
Land and buildings					
Project House	2,441,236	–	2,441,236	(4,096)	2,437,140
Units C7 & C8	236,731	162,834	399,565	(197,470)	202,095
Units C11 & C12	259,650	169,775	429,425	(220,872)	208,553
Units D7 & D8	269,690	145,527	415,217	(233,904)	181,313
Units K11 & K12	327,448	339,277	666,725	(249,674)	417,051
Leasehold	–	226,187	226,187	(226,187)	–
	3,534,755	1,043,600	4,578,355	(1,132,203)	3,446,152

	March 31, 2021				
	Land and buildings	Improve-ments	Total cost	Accumulated depreciation	Carrying value
	US$	US$	US$	US$	US$
Land and buildings					
Project House	2,166,236	-	2,166,236	(4,096)	2,162,140
Units C7 & C8	236,731	162,834	399,565	(175,268)	224,297
Units C11 & C12	259,650	169,775	429,425	(197,403)	232,022
Units D7 & D8	269,690	145,527	415,217	(223,524)	191,693
Units K11 & K12	327,448	339,277	666,725	(217,163)	449,562
Leasehold	–	226,187	226,187	(215,517)	10,670
	3,259,755	1,043,600	4,303,355	(1,032,971)	3,270,384

14. Accounts payable and accrued expenses

		2022	2021
Accrued employee benefits	US$	224,625	230,665
Accounts payable		209,151	129,116
Accrued legal fees and expenses		97,015	97,015
Statutory contributions payable		31,769	28,106
	US$	562,560	484,902

The US$224,625 accrued employee benefits at March 31, 2022 (2021: US$230,665) related primarily to US$168,547 (2021: US$160,256) gratuities payable, being a short-term employee benefit offered to all FSC staff members on a fixed contract for at least one year who are not otherwise eligible to benefit from the FSC's pension scheme. The gratuity was calculated at 15% of the employee's basic annual salary, to be paid upon satisfactory completion of the employee's contract. The gratuity is expensed in the consolidated statement of revenue, expenditures and other comprehensive income as the related service is provided.

15. Due to TCIG

As stated at note 3(g) to these consolidated financial statements, if amounts held in a reserve fund, established under the terms of the Ordinance, exceed the expected recurrent expenditure of the FSC for that financial year, the FSC is mandated by the Ordinance to pay a sum equal to the excess to TCIG, within thirty days of the last working day of the quarter, provided always that the balance in the reserve fund does not fall below US$5M as a result of any such payment to TCIG.

Management have determined that the most appropriate measure of expected recurrent expenditure in accordance with the above requirement is the FSC's budgeted expenditure for that financial year as submitted to the Governor of TCI. The budgeted expenditure for the year ended March 31, 2022 was US$7,210,700 (2021: US$7,195,192).

During the years ended March 31, 2022 and 2021 quarterly assessments of amounts due to TCIG were conducted and payments to TCIG were made in full within the time period specified in the Ordinance.

At both dates the balance in the reserve fund exceeded US$5M following such payments.

15. Due to TCIG, continued

During the year ended March 31, 2022 US$6,319,069 (2021: US$3,335,197) was transferred to TCIG.

		2022	2021
Due to TCIG at beginning of year	US$	3,338,711	1,764,745
Payments during the year ended March 31, 2022:			
April 23, 2021		(3,295,489)	–
July 21, 2021		(2,016,502)	–
October 22, 2021		(775,890)	–
January 21, 2022		(231,188)	–
		(6,319,069)	–
Payments during the year ended March 31, 2021:			
April 27, 2020	US$	–	(1,662,101)
July 14, 2020		–	(1,672,018)
October 8, 2020		–	(1,078)
	US$	–	(3,335,197)
Net surplus required to be transferred to TCIG:			
April - June	US$	2,016,502	1,494,903
July - September		775,890	75,552
October - December		231,189	–
January - March		5,454,551	3,338,708
	US$	8,478,132	4,909,163
Amount due to TCIG at end of year	US$	5,497,774	3,338,711

16. Deferred income

		2022	2021
Annual licence fees	US$	991,539	953,764
Annual maintenance fees		294,843	256,385
Annual renewal fees		294,363	398,005
Land share transfer duty		166,742	130,742
Incorporation fees and others		156,526	87,858
Business name renewal fees		39,700	33,150
	US$	1,943,713	1,859,904
Current portion:			
Annual licence fees	US$	991,539	953,764
Annual renewal fees		294,363	398,005
Land share transfer duty		166,742	130,742
Incorporation fees and others		156,525	87,858
Annual maintenance fees		64,543	58,343
Business name renewal fees		22,400	24,000
	US$	1,696,112	1,652,712
Non-current portion	US$	247,601	207,192

16. Deferred income, continued

(a) Annual licence fees

Deferred annual licence fees relate to advance payment of licence fees by the following licensees:

		2022	2021
Banks	US$	489,389	465,014
Insurance providers and intermediaries		254,500	254,500
Company managers		97,500	97,500
Trust companies		70,000	70,000
Insurance managers		21,800	22,400
Investment dealers		21,000	21,000
Money transmitters		14,250	14,250
Insolvency practitioner		14,000	–
Mutual funds and mutual funds managers		9,100	9,100
	US$	991,539	953,764

(b) Annual renewal fees

Deferred annual renewal fees relate mainly to advance payments and deposits received for annual company renewal fees, business name renewal fees, name clearance fees and other related fees.

(c) Annual maintenance fees

Deferred annual maintenance fees relate to advance payments for maintenance of registered trademarks pursuant to the TCI Trade Marks Ordinance. The annual maintenance fees are non-refundable and applicable for financial years ranging from 2023 to 2032 (2021: 2022 to 2031).

17. Lease liability

The FSC's lease liability representing its obligation to make lease payments on its right-of-use asset (note 11) is as follows:

		2022	2021
Lease liability	US$	140,908	339,529
Addition		394,230	–
Payments during the year		(201,414)	(198,621)
		333,724	140,908
Current portion		(193,721)	(140,908)
	US$	140,003	–

18. Reserve fund

Section 17 of the Ordinance mandates that the FSC establish a reserve fund into which the FSC's operating surplus is paid along with any other funds that are otherwise required to be paid into such a reserve fund under the terms of the Ordinance. If, on the last working day of any quarter within a financial year, the balance in the reserve fund exceeds the expected recurrent expenditure of the FSC for that financial year, the FSC is mandated to pay a sum equal to the excess to TCIG, within thirty days of the last working day of the quarter, provided always that the balance in the reserve fund does not fall below US$5 million as a result of any such payment to TCIG.

Management have determined that the most appropriate measure of expected recurrent expenditure in accordance with the above requirement is the FSC's budgeted expenditure for that financial year submitted to the Governor of TCI. The budgeted expenditure for the year ended March 31, 2022 was US$7,210,700 (2021: US$7,195,192).

		2022	2021
Reserve fund at April 1	US$	7,195,192	7,195,671
Net surplus for year transferred to reserve fund		15,508	(479)
Reserve fund at March 31	US$	7,210,700	7,195,192

The net surplus for year transferred to reserve fund comprises:

		2022	2021
Net surplus for year transferred to reserve fund:			
Net surplus for year	US$	8,490,263	4,904,306
Transfer to amount due to TCIG		(8,478,132)	(4,909,163)
Depreciation on New Property		3,377	4,378
	US$	15,508	(479)

19. Capital reserve fund

On September 17, 2018 the Governor of TCI approved the establishment of a capital reserve fund of US$1,345,689. The capital reserve fund was originally intended to be used to construct a Companies Registry building on Grand Turk, however, management subsequently determined that a new building on Providenciales would be more beneficial in the long-term considering FSC's reduced operations on Grand Turk.

On February 20, 2019 the Cabinet also granted approval for the FSC to retain any net surplus greater than US$3.5M, for the year ended March 31 2019 only, to fund capital acquisitions. This net surplus retention was US$3,381,700 for the year ended March 31, 2019.

19. Capital reserve fund, continued

On September 23, 2020, Cabinet granted approval for the FSC to acquire the New Property on Providenciales for US$2,200,000 which comprised land, building, furniture and equipment. During the year ended March 31, 2022 US$3,377 (2021: US$4,378) of depreciation was recognised on the New Property and offset against the capital reserve. Depreciation on the New Property will be offset against the capital reserve each year.

At March 31, 2022 the capital reserve fund of US$4,719,634 (2021: US$4,723,011) represents the aforementioned initial capital reserve fund of US$1,345,689 plus the net surplus retention of US$3,381,700 less accumulated depreciation of US$7,755 (2021: US$4,378) on the New Property.

20. Retained surplus

The retained surplus of US$956,006 at March 31, 2022 (2021: US$956,006) represented the accumulated surplus of the FSC in 2007 prior to implementation of section 17, *Reserve Fund*, of the Ordinance.

21. Fees and charges

		2022	2021
Annual company renewal fees	US$	4,162,460	4,992,095
Land share transfer duty		4,085,187	1,251,623
Annual licence fees		3,460,346	2,085,719
Application fees		1,149,142	838,471
Penalties and other fees		939,424	951,899
Business names registration fees		343,441	286,499
	US$	14,140,000	10,406,306

22. Staff costs

		2022	2021
Salaries and wages	US$	3,088,053	3,282,818
Insurance and health benefits		206,355	218,768
Gratuities		132,895	160,913
Transportation and other allowances		122,066	113,795
Staff uniform and others		79,761	–
Contribution to defined contribution pension plan		61,522	65,068
	US$	3,690,652	3,841,362

23. Office expenses

		2022	2021
Office supplies	US$	84,661	83,657
Cleaning services		71,446	64,783
Printing and binding		2,925	3,620
	US$	159,032	152,060

24. Communication

		2022	2021
Line rental	US$	68,211	72,115
Telephone - local costs		26,977	29,035
Internet charges		24,069	14,018
Telephone - international costs		9,432	7,420
Postage and courier		7,004	1,893
	US$	135,693	124,481

25. Commissioners fees and expenses

		2022	2021
Commissioners fees	US$	90,000	80,500
Commissioners expenses		10,952	2,816
	US$	100,952	83,316

Commissioners fees represented fees paid to the Chairman and members of the board. For each board meeting attended, the Chairman receives US$3,500 while the other members of the board, with the exception of the Permanent Secretary of Finance, receive US$3,000. The FSC had five members of the board during the year ended March 31, 2022 (2021: five) and met six times during the year ended March 31, 2022 (2021: five).

Included in commissioners expenses are travel expenses, allowances and hotel accommodation for board meetings.

26. Other operating expenses

		2022	2021
Bank charges	US$	36,585	18,867
Work permit expenses		18,313	21,417
Others		3,014	1,408
	US$	57,912	41,692

27. Travel and subsistence

		2022	2021
International:			
Accommodation and subsistence	US$	15,058	–
Airfares		5,174	–
	US$	20,232	–
Local:			
Accommodation and subsistence	US$	19,479	2,420
Air and sea fares		8,827	1,920
	US$	28,306	4,340
	US$	48,538	4,340

TCI commenced a national shutdown on March 28, 2020 for purpose of preventing, controlling and suppressing the spread of the corona virus (COVID-19). This shutdown along with the lockdown imposed by other countries caused the decline in travel and subsistence expenditure in 2021.

28. Training

		2022	2021
Academic	US$	15,891	11,833
Overseas		11,854	1,594
Local		9,908	4,100
	US$	37,653	17,527

Included in overseas training expenses are expenses incurred in attending international industry conferences and training.

29. Related party balances and transactions

The following are transactions and balances with TCIG, a related party by virtue of significant influence and common senior officials, and its related entities, and transactions with key management personnel that were not disclosed elsewhere in these consolidated financial statements:

		2022	2021
Transactions			
NHIB contributions	US$	92,283	97,721
NIB contributions	US$	114,073	121,047
Reserve fund required to be transferred to TCIG (note 15)	US$	8,478,132	4,909,163
Payments to TCIG (note 15)	US$	6,319,069	3,335,197

29. Related party balances and transactions, continued

		2022	2021
Balances			
Statutory contributions payable (note 14)	US$	31,769	28,106
Amount due to TCIG (note 15)	US$	5,497,774	3,338,711
Key management personnel compensation			
Short-term benefits			
Salary and benefits of key management personnel	US$	1,191,191	1,217,017
Accommodation for Managing Director	US$	33,000	33,000
Commissioners fees (note 25)	US$	90,000	80,500
Commissioners expenses (note 25)	US$	10,952	2,816
Post-employment benefit			
Contributions to pension fund for key management personnel	US$	14,884	12,156

Aside from the Managing Director and Deputy Managing Director, the FSC had ten other key management personnel during the year ended March 31, 2022 (2021: ten).

Loans to key management personnel

		2022	2021
Beginning balance	US$	10,200	29,148
Loans advanced during year		61,000	35,625
Loan repayments received during year		(53,500)	(54,573)
Ending balance	US$	17,700	10,200

Loans to key management personnel, included in amounts due from employees (note 8), were non-interest bearing, unsecured and repayable within six to eight months.

30. Financial instruments

The FSC has exposure to the following risks from its use of financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

This note presents information about the FSC's exposure to each of the above risks, the FSC's objectives, policies and processes for measuring and managing risk and the FSC's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Governor of TCI, with responsibility for the FSC, appoints the FSC's Commissioners. The Commissioners principal functions are:

- to establish the policies of the FSC and monitor and oversee their implementation;
- to monitor and oversee the management of the FSC by the Managing Director with the objective of ensuring that:
  - (i) the resources of the FSC are utilised economically and efficiently;
  - (ii) adequate internal financial and management controls are in place;
  - (iii) the FSC is operated in accordance with principles of good governance; and
  - (iv) the FSC fulfils its statutory obligations and properly discharges its functions.
- to approve the financial estimates of the FSC for submission to the Governor in Cabinet and to approve the FSC's consolidated financial statements; and
- to appoint the FSC's senior officers, including the Registrar of Companies, but excluding the Managing Director who is appointed by the Governor of TCI.

The Commissioners are responsible for developing and monitoring the FSC's risk management policies.

The FSC's risk management policies are established to identify and analyse the risks faced by the FSC, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the FSC's activities.

The Commissioners oversee how management monitors compliance with the FSC's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the FSC.

30. Financial instruments, continued

(a) Credit risk

Credit risk is the risk that a licensee or counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the FSC, resulting in a financial loss to the FSC.

Cash and cash equivalents and term deposits are placed with counterparties that are TCI regulated entities. Management does not expect the counterparties to fail to meet their obligations.

Held-to-maturity investments are only allowed with counterparties that have a credit rating that is acceptable to the Commissioners of the FSC. Given their credit ratings, management does not expect any counterparty to fail to meet its obligations.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the consolidated statement of financial position.

The maximum exposure to credit risk at March 31 was:

		Carrying Amount	
		2022	2021
Current assets:			
Cash and cash equivalents	US$	11,660,828	11,608,900
Term deposits		3,330,130	1,322,035
Accounts receivable		422,717	322,821
Due from employees		111,009	84,996
Other receivables (note 10)		18,309	17,369
Held-to-maturity investments		1,398,594	1,405,107
	US$	16,941,587	14,761,228

At the reporting date, the FSC had a concentration of credit risk as fifty-one percent (51%) (2021: forty-seven percent (47%)) of the FSC's total cash and cash equivalents and term deposits in TCI were held with CIBC.

30. Financial instruments, continued

(a) Credit risk, continued

The exposure to credit risk for accounts receivable at March 31, by type of counterparty, was as follows:

		Carrying Amount	
		2022	2021
Company managers	US$	358,017	196,767
Insurance managers		35,000	37,600
Others		14,200	4,500
Trust companies		10,000	12,000
Insurance providers and intermediaries		5,500	5,500
Banks		–	66,454
	US$	422,717	322,821

The exposure to credit risk for accounts receivable at March 31, by geographical location, was as follows:

		Carrying Amount	
		2022	2021
Providenciales	US$	364,767	304,521
Grand Turk		57,950	18,300
	US$	422,717	322,821

The FSC's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the vast majority of transactions the FSC mitigates this risk by conducting settlements through a compliance officer to ensure that the amount due is settled only when both parties have fulfilled their contractual settlement obligations.

The ageing of accounts receivable at March 31 was as follows:

		2022		2021	
		Gross	Impairment	Gross	Impairment
Past due					
Not later than one month	US$	521,600	107,400	218,267	32,100
Later than one month but not later than three months		67	–	–	–
Later than three months		421,500	415,050	371,050	365,350
Outstanding but not past due		2,000	–	148,554	17,600
	US$	945,167	522,450	737,871	415,050

30. Financial instruments, continued

(a) Credit risk, continued

During the year ended March 31, 2022, an impairment loss of US$107,400 (2021: US$117,210) relating to accounts receivable was recognised in the consolidated statement of revenue, expenditures and other comprehensive income (note 7).

The Commissioners are of the opinion that the FSC's policies governing delinquent accounts and provisions for impairment ensure that these consolidated financial statements accurately reflect any credit risk associated with amounts owing to the FSC.

Based on past experience, the FSC believes that no significant impairment allowance is necessary with respect to the FSC's other financial assets.

The credit quality of held-to-maturity investments (US treasury bonds) that are neither past due nor impaired can be assessed by reference to external credit ratings (Standard & Poor's Ratings Services and Moody's Investor Services, Inc.) or to historical information about counterparty default rates. The ratings at the year end were:

	2022	2021
US Treasury bonds	AA+; Aaa	AA+; Aaa

The maximum exposure to credit risk for cash and cash equivalents, term deposits and held-to-maturity investments at March 31 by geographic region was as follows:

		2022	2021
Turks and Caicos Islands			
Cash and cash equivalents	US$	11,660,828	11,608,900
Term deposits		3,330,130	1,322,035
		14,990,958	12,930,935
United States of America			
Held-to-maturity investments		1,398,594	1,405,107
	US$	16,389,552	14,336,042

(b) Liquidity risk

Liquidity risk is the risk that the FSC will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the FSC.

30. Financial instruments, continued

(b) Liquidity risk, continued

The FSC's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the FSC's reputation.

At March 31 there were no significant concentrations of liquidity risk. The FSC ensures that it has sufficient liquid financial assets to meet its current financial liabilities.

The FSC's management believe that investing in held-to-maturity investments has not affected the FSC's ability to meet its current financial liabilities.

The following are the contractual maturities of non-derivative financial instruments, including estimated interest payments but excluding the impact of netting agreements:

	2022			
	Carrying amount	Contractual cash flows	Under 1 year	> 1 year
	US$	US$	US$	US$
Cash and cash equivalents	11,660,828	11,661,581	11,661,581	–
Term deposits	3,330,130	3,339,098	3,339,098	–
Accounts receivable	422,717	422,717	422,717	–
Due from employees	111,009	111,009	111,009	–
Held-to-maturity investments	1,398,594	1,401,155	1,401,155	–
Other receivables	18,309	18,309	18,309	–
Accounts payable and accrued expenses	(562,560)	(562,560)	(562,560)	–
Due to TCIG	(5,497,774)	(5,497,774)	(5,497,774)	–
	10,881,253	10,893,535	10,893,535	–

	2021			
	Carrying amount	Contractual cash flows	Under 1 year	> 1 year
	US$	US$	US$	US$
Cash and cash equivalents	11,608,900	11,610,731	11,610,731	–
Term deposits	1,322,035	1,325,402	1,325,402	–
Accounts receivable	322,821	322,821	322,821	–
Due from employees	84,996	84,996	84,996	–
Held-to-maturity investments	1,405,107	1,406,478	1,406,478	–
Other receivables	17,369	17,369	17,369	–
Accounts payable and accrued expenses	(484,902)	(484,902)	(484,902)	–
Due to TCIG	(3,338,711)	(3,338,711)	(3,338,711)	–
	10,937,615	10,944,184	10,944,184	–

30. Financial instruments, continued

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and debt security prices, will affect the FSC's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The FSC's operations are subject to the risk of interest rate fluctuation to the extent that interest-earning assets mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the FSC's strategies.

At March 31 the interest rate profile of the FSC's interest-bearing financial instruments was:

		2022	2021
Fixed rate instruments:			
Financial assets			
Certificates of deposit	US$	4,971,170	6,704,202
Term deposits		3,330,130	1,322,035
Held-to-maturity investments		1,400,000	1,400,000
	US$	9,701,300	9,426,237

Cash flow sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates for fixed rate instruments at March 31 would have increased/(decreased) surplus in the consolidated statement of revenue, expenditures and other comprehensive income by US$97,013/(US$97,013) (2021: US$94,262/(US$94,262)) assuming all other variables remained constant.

		2022	2021
Variable rate instruments:			
Financial assets			
Savings accounts	US$	1,140,989	1,139,899
	US$	1,140,989	1,139,899

30. Financial instruments, continued

(c) Market risk, continued

(i) Interest rate risk, continued

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates for variable rate instruments at March 31 would have increased/(decreased) surplus in the consolidated statement of revenue, expenditures and other comprehensive income by US$11,410/(US$11,410) (2021: US$11,399/(US$11,399)) assuming all other variables remained constant.

(ii) Fair values

The following table sets out the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include the fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		2022		
	Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3
	US$	US$	US$	US$
Cash and cash equivalents	11,660,828	–	–	–
Term deposits	3,330,130	–	–	–
Accounts receivable	422,717	–	–	–
Due from employees	111,009	–	–	–
Held-to-maturity investments	1,398,594	1,398,594	–	–
Other receivables	18,309	–	–	–
Accounts payable and accrued expenses	(562,560)	–	–	–
Due to TCIG	(5,497,774)	–	–	–

		2021		
	Carrying	Fair Value		
	Amount	Level 1	Level 2	Level 3
	US$	US$	US$	US$
Cash and cash equivalents	11,608,900	–	–	–
Term deposits	1,322,035	–	–	–
Accounts receivable	322,821	–	–	–
Due from employees	84,996	–	–	–
Held-to-maturity investments	1,405,107	1,405,107	–	–
Other receivables	17,369	–	–	–
Accounts payable and accrued expenses	(484,902)	–	–	–
Due to TCIG	(3,338,711)	–	–	–

30. Financial instruments, continued

(c) Market risk, continued

(ii) Fair values, continued

Observable prices or model inputs are usually available in the market for listed debt securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

31. Contingent liabilities

In the ordinary course of its activities the FSC is a party to several legal actions. The FSC is potentially liable for costs and damages in the event of any adverse finding by the TCI court (the Court) in relation to any of these legal actions. However, it is not possible to predict the decisions of the Court or estimate the amount of such awards, if any. Accordingly, no provision has been made in these consolidated financial statements regarding these legal proceedings. Management is of the opinion that the resolution of these matters will not have a material impact on the FSC's consolidated financial statements.

32. Subsequent event

On May 17, 2022 a US$590,513 contract for renovating and retrofitting the New Property was finalized (note 13).

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