

ANNUAL REPORT 2019



**DEPOSIT INSURANCE
CORPORATION**
TRINIDAD AND TOBAGO

PROMOTING PUBLIC CONFIDENCE THROUGH
INSTITUTIONAL STRENGTHENING

ANNUAL REPORT

20
19

PROMOTING PUBLIC CONFIDENCE THROUGH
INSTITUTIONAL STRENGTHENING



The Deposit Insurance Corporation (DIC)

www.dictr.org

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— About Us

Welcome To Our Company

The Deposit Insurance Corporation (DIC) was established by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 which amended the Central Bank Act Chapter 79:02.

The DIC insures depositors of deposit-taking institutions licensed to operate under the Financial Institutions Act, 2008. Deposit insurance is payable to depositors only when an institution has been closed as a result of action taken by the Central Bank of Trinidad and Tobago.

Depositors in all licensed financial institutions are insured up to a maximum of TT \$125,000. Only deposits held in Trinidad and Tobago and payable in Trinidad and Tobago dollars are insured.

The DIC is supported by contributions and annual premiums levied on licensed member institutions. While the Corporation is empowered to borrow, special premiums can also be levied on all member institutions should the demand on the Fund exceed its resources.

As a participant in the financial safety net, the Deposit Insurance Corporation has contributed to rebuilding confidence in Trinidad and Tobago's financial institutions and the financial system since the difficulties of 1986. The Financial Institutions Act, 2008, and other improvements in the system of inspection and supervision of licensed financial institutions have also contributed to the reduction in the risk of failure.

The DIC plays a critical role in contributing to the continued stability of Trinidad and Tobago's financial system as a whole.

Our Vision

To be a dynamic contributor to the financial sector safety net.

Our Mission

To promote public confidence in the banking system by:

- Protecting insured deposits up to the prescribed limit
 - Effective fund management; and
 - facilitating the resolution of insolvent and distressed institutions.
-

Core Values



Integrity

Behaves in a manner that is consistently transparent with high standards of ethics and adheres to codes of conduct and principles



Adaptability

Receptiveness to change and willingness to alter behaviours to new and changing environment



Accountability

Takes ownership of actions and outcomes



Teamwork

Commits and collaborates to the achievement of organizational goals while showing consideration and respect for others



Message from the Chairman



Dr. Alvin Hilaire

Chairman



Our new Strategic Plan came into

being in November 2018. Its strategic themes “Enhancing Protection Capability” and “Institutional Strengthening - People and Process” encompass 8 strategic initiatives.

Financial Year 2019 was a period of change and challenge as the Deposit Insurance Corporation continued its thrust to strengthen its operations, while delivering on our ongoing obligations. It was also a year of tremendous progress as the DIC built on its solid foundation of people and strong governance framework to deliver on our Vision: “To be a dynamic contributor to the financial sector safety net of Trinidad and Tobago.”

In respect of its role as Liquidator, the DIC executed a second dividend distribution to creditors of Cllico Investment Bank in compulsory liquidation (CIB-ICL) in December 2018. As a result, creditors of CIB-ICL have received in total, during 2018, 0.53 cents on the dollar, a noteworthy achievement. The DIC’s liquidation function has continued in 5 other long-standing and relatively dormant cases ¹, dating back between 26 and 33 years. To further streamline operations, the DIC will make application to the High Court to exit as Liquidator from these cases.

Our new Strategic Plan came into being in November 2018. Its strategic themes “Enhancing Protection Capability” and “Institutional Strengthening - People and Process” encompass 8 strategic initiatives. The Plan has gained much traction, with project leaders taking ownership of initiatives, and ongoing staff engagement. Indeed, in just one year, 3 of the initiatives have been fully completed.

One such strategic initiative has seen the DIC collaborate closely with the Central Bank of Trinidad and Tobago and the Ministry of Finance to conduct a self-assessment of the organisation’s compliance with the Core Principles of the International Association of Deposit Insurers (IADI) ².

This was followed by a visit from an International Peer Review team consisting of persons from fellow deposit insurance agencies in the UK, USA and Switzerland which produced a 'Peer Review Assessment' dated September 2019. The Self-Assessment and the Peer Review Assessment are providing concrete guideposts in prioritizing the DIC's activities. Moreover, the DIC has done a comprehensive review of relevant legislation to identify gaps that hinder the DIC's compliance with the IADI Core Principles.

On the analytical front, the DIC adopted the "Monte Carlo Model" to forecast outcomes and more fully understand the exposures of the Fund, thereby allowing for appropriate risk-mitigating measures. Within this framework, the DIC's insurance coverage threshold was reviewed and a decision taken to remain at the \$125,000 level until 2021.

Great strides were made in improving collaboration with stakeholders based on market research by way of focus groups, 1000+ house-to-house surveys and in-depth interviews. Results of this investigation show that while 28% of the general public have an awareness of measures to protect money, only 12% have an awareness of the term 'deposit insurance' and 9% know of the role and function of the DIC. Through focus groups, persons identified the unprotected 'sou-sou' as the product that best suited savings needs followed by credit unions and then savings accounts/fixed deposits. These results inform the DIC's new, comprehensive Communications Plan and Awareness Campaign—an already tangible expression is our new logo, with its padlock safety feature!

The DIC continues to work to fortify the deposit insurance network regionally and internationally. The DIC sits on the Executive Council and two supporting Committees of IADI, and is the Caribbean regional representative. The DIC also contributed to the Draft CARICOM Policy on Deposit Insurance and lent assistance to Guyana, Belize, and the Eastern Caribbean Central Bank (ECCB) in the development of their Deposit Insurance systems.

The DIC continues to be steadfast in building a culture of empowerment wherein all employees are encouraged to be aware of the strategic role and functions of the organisation — and it is my great pleasure to report that our high performing team has risen to every challenge. For this, on behalf of the Board of Management, I offer my sincerest appreciation.

¹ SWAIT Finance Limited, Commerical Finance Company Limited, Caribbean Mortgage and Funds Limited, Principal Finance Company, Trade Confirmers Limited.

² The International Association of Deposit Insurers (IADI) was formed in May 2002 to enhance the effectiveness of deposit insurance systems by promoting guidance and international cooperation. IADI currently represents 92 deposit insurers. IADI is a non-profit organisation constituted under Swiss Law and is domiciled at the Bank for International Settlements in Basel, Switzerland. <https://www.iadi.org/en/>



Our Strategic Plan

THE DIC'S STRATEGIC PLAN

The DIC's new strategic plan was finalised in November 2018 and incorporates eight Strategic Initiatives governed by two Strategic Themes and three Objectives.

A key theme of the Strategic Plan is "Enhancing Protection Capability" with the Objectives of "Aligning the DIC's Presence with International Standards" and "Engaging Effectively with all Stakeholders and in so doing contributing meaningfully to the Financial Safety Net."

Another theme of the Plan is "Institutional Strengthening — People and Process". Here the Objective is to "Enhance Organisational Effectiveness."

These Themes and Objectives have been translated into eight concrete, deliverable Strategic Initiatives:

1. Review the Deposit Insurance Model: Identify and implement improvements
2. Review Legislation, identify gaps and develop an action plan
3. Review core principles; assess DIC's status; prioritize and begin adoption
4. Review and institutionalize Fund parameters
5. Improve collaboration with Central Bank and other stakeholders
6. Foster improvements in staff performance and effectiveness
7. Enhance governance, compliance and information management
8. Establish and implement guidelines for liquidation

Three of these Strategic Initiatives (numbers 3, 7 and 8), have been completed and progress continues on the remaining five.

Public Policy Objectives

No.	Public Policy Objectives	Supporting extracts from the DIC's governing legislation (Central Bank Act - Chapter 79:02)
1	To provide insurance against the loss of part or all of eligible deposits.	<p>Section 44N. (1) The Corporation shall insure each deposit in a member institution which is payable in Trinidad and Tobago currency.</p> <p>Section 44N. (2) Deposit Insurance coverage is limited to one hundred and twenty-five thousand dollars or such other amount as the Minister may prescribe by Order save that where a depositor maintains deposits in more than one institution or in different capacities and rights, the limit shall apply to total amount maintained on deposit in each institution in each capacity and right.</p>
2	To contribute to the stability of the financial system in Trinidad and Tobago.	<p>Section 44W. (e) to recommend to the Bank the suspension of business or closure of any member where that member is in financial difficulty;</p> <p>Section 44W. (f) in the event of a member becoming insolvent to act as receiver or liquidator of that member;</p> <p>Section 44W. (g) to arrange after consultation with and on the advice of the Bank for the restructuring of a failed member whether by merger with a financially sound member or otherwise;</p> <p>Section 44W. (i) to accumulate, manage and to invest funds collected, to borrow, lend, give guarantees and acquire the undertaking of any institution which is in financial difficulty;</p>
3	After consultation with the Central Bank, to treat with member institutions in financial distress.	<p>Section 44W. (g) to arrange after consultation with and on the advice of the Bank for the restructuring of a failed member whether by merger with a financially sound member or otherwise;</p>

Gazette No. 104 of 2019, July 25th, 2019

Dated this 27th day of June, 2019.


Michelle Rolingson-Pierre
General Manager

Board Members



Dr. Alvin Hilaire

CHAIRMAN



Dr. Alvin Hilaire is a career Central Banker, having worked with the Central Bank of Trinidad and Tobago for a cumulative period of approximately twenty (20) years. He was appointed Governor and Chairman of the Board of the Central Bank of Trinidad and Tobago on December 23, 2015 for a term of five years. Prior to this appointment he has held positions of Senior Economist, Chief Economist and Director of Research and Deputy Governor. Dr. Hilaire has extensive experience in macroeconomic policy development and implementation and monetary policy matters.

Within the region, Dr. Hilaire has made significant contributions to developing the economies of small vulnerable CARICOM countries through his work as Chairman of the CARICOM Development Fund, where he was influential in increasing financial assistance to these islands.

Dr. Hilaire is also well respected internationally, having spent eleven (11) years at the International Monetary Fund (IMF), serving as a Senior Economist and as the IMF Resident Representative to Guinea and Sierra Leone. He has worked on IMF financial programmes in several other countries, including Croatia, Colombia, Cameroon, Ecuador and Nicaragua.

Dr. Hilaire holds a Doctor of Philosophy in Economics from Columbia University in New York and graduated with First Class Honours from the University of the West Indies, St. Augustine, Trinidad.

Dexter Jaggernauth

DIRECTOR



Deeply versed in financial and economic analysis, Mr. Dexter Jaggernauth is the Programme Manager, Strategic Management and Execution Office, Ministry of Finance, providing support for initiatives including the implementation of Property Tax, activities related to the creation of the Trinidad and Tobago Revenue Authority and formulation of the National Budget.

Previous to this he worked with the Caribbean Development Bank (CDB) in Barbados, as Project Operations Analyst, assessing and supervising institutional aspects of economic infrastructure projects in Caribbean member countries.

As a Trinidad and Tobago representative in the World Bank's Voice Secondment Program, Mr. Jaggernauth worked in the World Bank's Financial Management Unit, where he assisted in improving audit controls for World Bank projects including Electricity and Water Projects across Sub Sahara Africa as part of the overall Governance and Anti-corruption Agenda.

He has also participated at the IMF in Financial Programming and Policy, including analysis of Real, Monetary, Fiscal and External Sectors of a country entering financial crisis, developing strategies to reverse the effect of the crisis.

Mr. Jaggernauth holds a B.Sc. in Economics, (Upper Second Class Honours) from the University of the West Indies, and a Masters of Business Administration from Edinburgh Business School, U.K. He is a Chartered Certified Accountant by profession and a Fellow of the Association of Chartered Certified Accountants (FCCA), U.K. His training includes the McGill Executive Certificate Program in International Development and Risk Management Training from the Caribbean Development Bank.

Hayden Manzano

DIRECTOR



Mr. Manzano, an experienced public finance professional, has served with the Ministry of Finance, since 1995. He is currently Director, Economic Research and Policy Coordination of the Ministry of Finance, where he manages the Research Unit of the Investments Division which entails planning, organizing and directing the functions of the Research Unit; Preparing regular reviews of the Economy as it relates to the State Enterprises Sector; Reviewing the economic performance of the State Enterprises Investment Programme; Ensuring the adherence of the tenets of the State Enterprises Performance and Monitoring Manual (SEPMM) as it relates to established Reporting Procedures and Governance; Ensuring the proper creation, development and maintenance of systems for the collection, storage and retrieval of research data and reports of the State Enterprises Sector and Assisting in the installment of Boards and Committees for State Entities.

Mr. Manzano holds an MPA in International and Public Affairs (Economic Policy Management) from Columbia University in the City of New York; a BSc. (Hons) in Economics and Management from the University of the West Indies and a Diploma in Tourism Planning and Development from Galilee College, Israel. He has received extensive training in Macroeconomics, Fiscal and Debt Management, and Trade Policy from the World Bank, Columbia University, and the IMF Institute. He has conducted research in Economic Growth, Fiscal Policy, Wage Determination and Inflation for both Academia and Public Policy Development.

Nnika Eshe Watson

DIRECTOR



An experienced Attorney-at-Law, Nnika Eshe Watson has practiced in the areas of Public Law, Public Policy Development, Commercial and Company Law, Civil Litigation, Industrial Relations and Employment Law, Energy Law, Family Law, Child Protection Law and Criminal Justice Reform.

Ms. Watson is currently the Senior Legal Officer in the Office of the Treasury Solicitor, in which capacity she represents the Ministry of Finance in court and before other tribunals, in addition to advising the Ministry on complex legal matters. She is a Member of the Committee to Oversee the Implementation of the Public Procurement and Disposal of Public Property Act, 2015.

Ms. Watson began her legal career with Marie De Vere Chambers, following which she held the positions of State Counsel II, Ministry of Energy and Energy Affairs; State Counsel II, Ministry of Planning and the Economy; and then Legal Officer II with the Ministry of Justice. Previous to her current position, Ms. Watson worked as Senior Legal Associate with the Children's Authority of Trinidad and Tobago providing legal advice and guidance to the Authority's management on matters relating to children in need of care and protection.

Ms. Watson holds a Bachelor of Laws (Honours, Upper Second Division) from the University of the West Indies, Cavehill, Barbados and a Legal Education Certificate (Honours) from Hugh Wooding Law School. She was admitted to the Trinidad and Tobago Bar in 2007 and then to the Saint Lucia Bar in 2010.

Ms. Watson has served on the Legal Teams for Counsel for the Commission of Enquiry into the Construction Sector, St. Lucia (2009) and the Tribunal under Section 137 of the Constitution of Trinidad and Tobago to investigate the conduct of the Honourable Chief Justice (2007).

Kendall Cuffy

DIRECTOR

Appointment effective February 20, 2018



Kendall Cuffy is the Manager of Banks and Non-Banks Supervision at the Central Bank of Trinidad and Tobago, where he has been employed for a total of 14 years. Prior to his current role, Mr. Cuffy held managerial positions at commercial banks in Barbados and spent over fifteen years in the commercial banking sector in Trinidad and Tobago. In his current role at the Central Bank, Mr. Cuffy is responsible for leading a team of examiners in ensuring the safety and soundness of financial institutions in the banking sector. His experience also extends to policy development and insurance supervision. He is a graduate of The University of the West Indies (UWI) (Management Studies, Upper 2nd Class Honours) with a minor in Accounting. He also holds a master's degree in Business Administration from Henley Management College in the United Kingdom, where he placed first in his graduating class. Outside of the corporate world, Mr. Cuffy has served as President of the Tennis Association of Trinidad and Tobago over the period 2013 – 2016 and previously represented the country in the sport at the junior level.

Corporate Profile

OFFICE

19-20 Victoria Square West

Port of Spain

Tel: 868 285-9342

Hotline: 800-4DIC

Fax: 868 623-5311

E-Mail: info@dictt.org

Website: www.dictt.org

BANKER

Central Bank of Trinidad and Tobago

Central Bank Building

Eric Williams Plaza

Independence Square

Port of Spain

AUDITOR

BDO

CIC Building

122-124 Frederick Street

Port of Spain



Member Institutions

ANSA Merchant Bank Limited

Bank of Baroda (Trinidad and Tobago) Limited

Caribbean Finance Company Limited

Citibank (Trinidad and Tobago) Limited

Citicorp Merchant Bank Limited

Development Finance Limited

Fidelity Finance and Leasing Company Limited

First Caribbean International Bank (Trinidad and Tobago) Limited

First Citizens Bank Limited

First Citizens Asset Management Limited

First Citizens Trustee Services Limited

Guardian Group Trust Limited

JMMB Bank (Trinidad and Tobago) Limited

JMMB Express Finance (Trinidad and Tobago) Limited (From July 2018)

Island Finance Trinidad and Tobago Limited

Massy Finance GFC Limited

NCB Global Finance Limited

RBC Royal Bank (Trinidad and Tobago) Limited

RBC Investment Management (Caribbean) Limited

RBC Merchant Bank (Caribbean) Limited

RBC Trust (Trinidad and Tobago) Limited

Republic Bank Limited

Scotiabank Trinidad and Tobago Limited

Scotia Investments Trinidad and Tobago Limited

The DIC Team



(Management) From LEFT to RIGHT:

- 1 Stanley Gomes - Head, Corporate Services and Finance
- 2 Michelle Rolingson, Pierre - General Manager
- 3 Derek Douglass - Advisor, Strategic Planning, Corporate Governance & Controls
- 4 Ria Badree - Human Resource Officer
- 5 Noel Nunes - Senior Insurance & Planning Officer
- 6 Candice Chariandy - Senior Internal Auditor
- 7 Nicole Fusco - Legal Counsel / Corporate Secretary



(Staff) From LEFT to RIGHT:

- 1** Riad Mohammed – Research/Database Assistant **2** Nisha Latchman – Risk Analyst **3** Jennifer Singh-Paulson – Administrative Assistant
- 4** Nisha Maraj – Accountant **5** Kavita Parag – Receptionist/Administrative Assistant **6** Allison Field – Assistant Accountant
- 7** Shobhanna Ramsundar – Legal Counsel **8** Crystal-Ann Graham – Liquidations Assistant **9** Eon Crichlow – Network & Systems Specialist

(Staff) Absent from photo shoot:



Christine Baksh,
Executive Secretary



Onifa Olúségún-Murray,
Hospitality Attendant



Jacqueline Davis-Mc Kree,
Accounting Assistant



Dixie-Ann Thom,
Communications Technician



Financial Highlights

STATEMENT OF FINANCIAL POSITION	SEPT 30, 2019 \$M	SEPT 30, 2018 \$M	SEPT 30, 2017 \$M	SEPT 30, 2016 \$M	SEPT 30, 2015 \$M
TOTAL ASSETS	3,571.67 (7.73%)	3,315.38 (8.50%)	3,055.56 (8.50%)	2,816.30 (8.67%)	2,591.52 (9.07%)
DEPOSIT INSURANCE FUND	3,563.70 (7.90%)	3,302.70 (8.31%)	3,049.41 (8.50%)	2,810.51 (8.60%)	2,587.84 (9.03%)
INVESTMENT PORTFOLIO	3,499.94 (9.68%)	3,190.91 (10.81%)	2,879.54 (6.76%)	2,697.20 (10.62%)	2,438.25 (4.40%)
STATEMENT OF NET INCOME AND DEPOSIT INSURANCE FUND FOR THE YEAR ENDED	SEPT 30, 2019 \$M	SEPT 30, 2018 \$M	SEPT 30, 2017 \$M	SEPT 30, 2016 \$M	SEPT 30, 2015 \$M
NET INCOME	261.00 (3.04%)	253.29 (6.03%)	238.89 (7.28%)	222.67 (3.92%)	214.27 (3.19%)
INTEREST EARNED	108.18 (10.76%)	97.67 (11.62%)	87.50 (19.31%)	73.34 (0.39%)	73.05 (-6.61%)
PREMIUM INCOME	163.60 (0.33%)	163.06 (-0.80%)	164.37 (2.95%)	159.71 (3.62%)	154.13 (10.41%)
EXPENSES	14.12 (9.80%)	12.86 (-14.27%)	15.00 (18.58%)	12.65 (-3.37%)	13.09 (27.16%)

NOTE: The figures in parenthesis represent percentage changes from the previous year.
All are increases except where shown with (-).

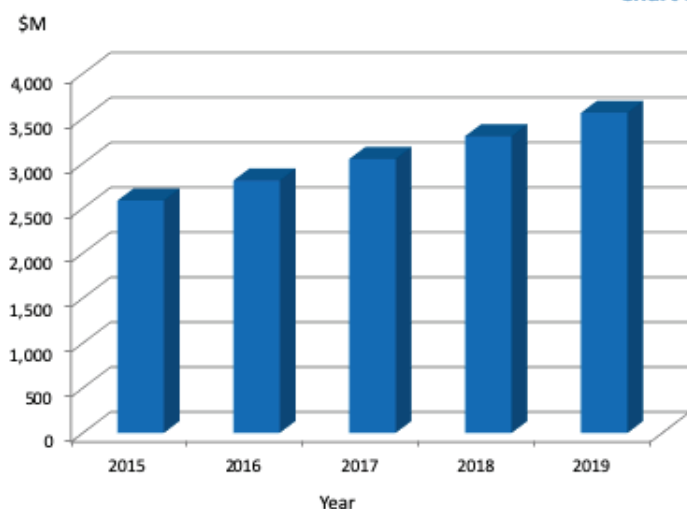
Interest earned is based on the effective interest and not the coupon interest.

DEPOSIT INSURANCE FUND

Section 44K of the Central Bank Act Chapter 79:02 as amended by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 provides for the establishment of the Deposit Insurance Fund. The Deposit Insurance Corporation is responsible for the management of the Fund which is to be used for the payment of deposit insurance claims if a member institution fails. Membership in the Fund is compulsory for all institutions that are licensed by the Central Bank of Trinidad and Tobago, under the Financial Institutions Act, 2008.

The balance on the Deposit Insurance Fund as at September 30, 2019 was \$3,563.70 million, an increase of 7.90 percent year-on-year. The main sources of growth in the Fund were premiums and interest income (after expenses). The growth of the Fund over the past five years is illustrated in Chart.

Chart I



Net Income, which represents total income less operating expenses, for the financial year ended September 30, 2019 totaled \$261.00 million compared to \$253.29 million year-on-year. This represented an increase of \$7.71 million or 3.04 percent more than the amount recorded for the 2018 financial year.

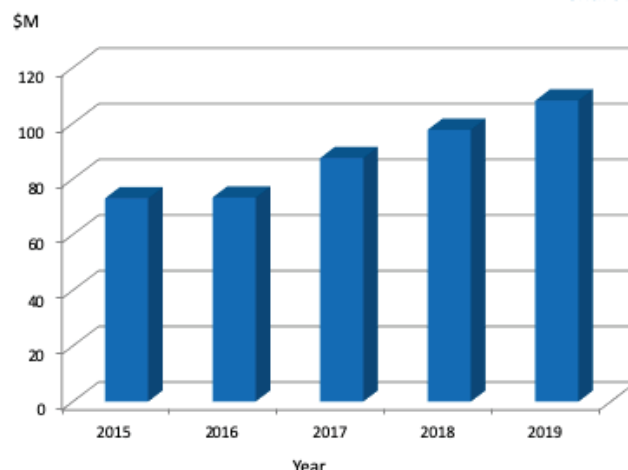
Total Income realized over the period amounted to \$275.12 million, an increase of \$8.97 million over the amount recorded for the financial year ended September 30, 2018. The Total Expenses used to manage the Fund amounted to \$14.12 million; compared to \$12.86 million for the financial year ended September 30, 2018.

The two main contributors to income are Interest Earned and Annual Premiums. These two areas are examined below.

INTEREST INCOME

Interest or investment income is generated by the Corporation's investment activity. During the financial year which ended September 30, 2019, the portfolio earned \$108.18 million compared to \$97.67 million one year prior. Over the reporting period, market rates increased slightly when compared to the previous year. The average yield on short-term securities stood at 2.40 per cent at the end of the financial year. In relation to long-term securities, the average yield was 4.25 per cent. Overall, the average yield on the investment portfolio for the financial year ended September 30, 2019 was 3.84 percent compared to 3.38 percent as at the previous financial year end. Chart II below illustrates the interest earned over the past five years.

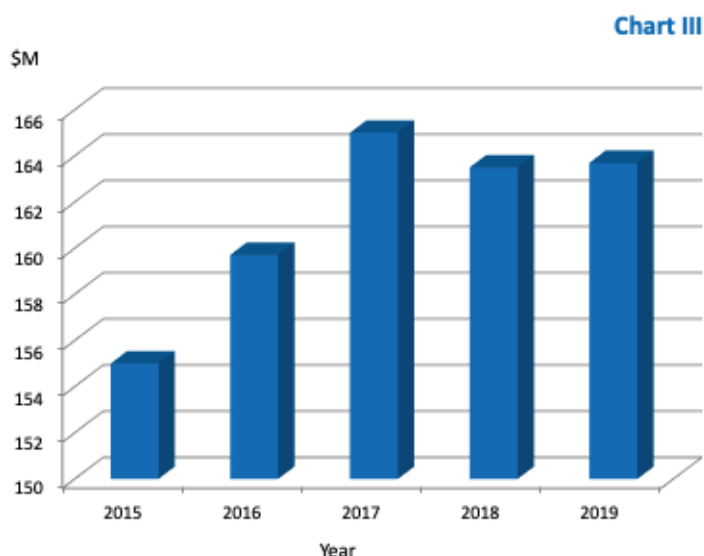
Chart II



ANNUAL PREMIUMS

The Corporation is mandated by law to levy each member institution and record contributions to the Deposit Insurance Fund; the first contribution is made six (6) months after the institution acquires membership status (initial contribution). Another levy follows twelve (12) months after admittance (first annual premium) and thereafter levies are made on institutions once annually at the beginning of every calendar year (annual premium). Two Bye-Laws provide the basis for which the levy is to be made. The rate for the initial contribution which must be matched equally by a contribution from the Central Bank of Trinidad and Tobago is fixed at 0.4 per centum of the aggregate of the deposit liabilities. However, for the first and subsequent annual premiums, a fixed rate of 0.2 per centum of the aggregate of the deposit liabilities applies. The dates used in the computation are specified in the Bye-Laws.

Annual Premiums were levied and collected from twenty-four (24) member institutions for the financial year ended September 30, 2019 amounting to \$163.60 million; an increase of 0.33 percent compared with \$163.06 million collected in 2018. Chart III below illustrates the movement in annual premiums over the past five years.



The change in annual premiums from 2018 to 2019 showed a minor increase due to the increase in deposit liabilities of member institutions between the calendar years 2017 and 2018. (Annual Premiums are computed for a calendar year by applying a fixed rate to the quarterly average of the prior calendar year's aggregate deposit liabilities of each member institution). There were neither additions nor revocations to the Fund's membership over the reporting period and as such, the total number stood at twenty-four (24) member institutions as at September 30, 2019.

INVESTMENTS

(a) Primary Investment Objectives and Approved Investment Categories

The Corporation has been given the power in the legislation under which it is governed, to "...accumulate, manage and invest funds collected". Under this provision, the Corporation's Board of Management has approved an Investment Policy which guides the Corporation's investment activities through specified investment objectives and approved investment categories.

The primary investment objectives for managing the portfolio of the Fund are as follows:

(i) Maintenance of Capital Value

This requires that all investments be of a very high quality, in terms of the ability of the investee to meet its obligations to the Corporation and the legal arrangements which are in place to protect the Corporation as an investor.

(ii) Provision of an Adequate Liquidity Profile

Investment choices and the periods for which the investments are placed should be informed by potential, anticipated or contingent deposit insurance payouts, as well as, conditions operating in the banking and financial sectors. At present all investments held by the Corporation are readily realisable and convertible into cash.

(iii) Reasonable Growth of the Fund

Although the best efforts should be made to grow the Fund, this should only be undertaken subject to the other two (2) objectives described at (i) and (ii), above being satisfied. A standard of what would be considered reasonable is based on a margin above the risk free interest rate. The growth rate of the Fund is significantly guided by the two objectives at (i) and (ii) above.

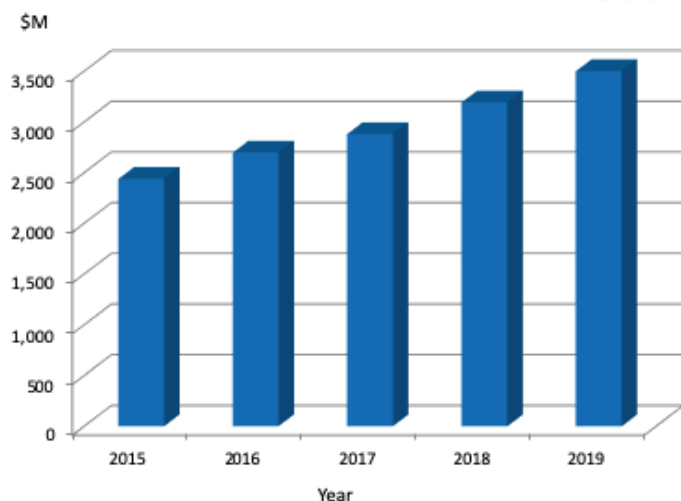
The *approved investment categories* are as follows:-

- Deposits in Member Institutions and fixed income mutual funds (0-50 per cent of the portfolio).
- Corporate Securities (0-20 per cent of the portfolio).
- Trinidad and Tobago Government Securities (20-100 per cent of the portfolio).
- Foreign Investments (0-30 per cent of the portfolio).
- Equities (0-5 per cent of the portfolio).

(b) Status of the Investment Portfolio

The size of the investment portfolio as at September 30, 2019 was \$3,499.94 million; an increase of \$309.03 million or 9.68 percent year-on-year. Chart IV below illustrates the growth of the investment portfolio over the past five years.

Chart IV



The mix of the investment portfolio as at September 30, 2019 and 2018 respectively was as follows:

INVESTMENT CATEGORY	% OF PORTFOLIO SEPTEMBER 30, 2019	% OF PORTFOLIO SEPTEMBER 30, 2018
² Deposits and MMFs	0.13	0.31
Corporate Securities	3.13	4.52
Government Securities	95.84	94.03
Equities	0.9	1.13

The average yield on the portfolio increased during the financial year; 3.84 percent as at September 30, 2019 compared to 3.38 percent one year prior. This increase in yields was experienced in the Government Securities category of investments and was a reflection of investments during the financial year.

Deposits

Within the financial year, Deposit balances fell by \$5.09 million. The balance of Deposits as at September 30, 2019 was \$4.59 million compared to \$9.68 million as at September 30, 2018. Deposits represented 0.13 percent of the investment portfolio as at September 30, 2019.

Corporate Securities

As at September 30, 2019 Corporate Securities stood at \$109.48 million compared to \$144.34 million one year prior; representing a reduction by \$34.86 million. The average yield on Corporate Securities decreased to 4.31 percent as at September 30, 2019 from 4.61 percent one year prior. Corporate Securities represented 3.13 percent of the investment portfolio as at September 30, 2019.

Government Securities

Approved instruments with respect to Trinidad and Tobago Government Securities, include Treasury Bills, Treasury Notes, Government Bonds-Local and Government Bonds-State Enterprise.

Treasury Bills

As at September 30, 2019 Treasury Bills stood at \$772.7 million compared to \$205.1 million one year prior, representing an increase of \$567.6 million. The average yield on Treasury Bills decreased to 2.35 per cent as at September 30, 2019 from 2.39 per cent one year prior. Treasury Bills represented 24.22 per cent of the investment portfolio as at September 30, 2019.

Treasury Notes

As at September 30, 2019 holdings of Treasury Notes stood at \$147.54 million; down from \$536.14 million as at September 30, 2018. The average yield on Treasury Notes as at September 30, 2019 was 3.12 percent; up from 2.07 percent one year prior. Treasury Notes represented 4.22 percent of the portfolio as at September 30, 2019.

Government Bonds

Holdings of Government Bonds - Local increased over the period to \$1,694.06 million as at September 30, 2019; up from \$1,000.12 million one year prior; an increase by \$693.93 million. The average yield on Government Bonds - Local decreased to 4.15 percent; down from 4.33 percent year-on-year. As at the end of the financial year 2019, Government Bonds - Local represented 48.40 percent of the portfolio compared to 31.34 percent as at September 30, 2018.

Equities

As at September 30, 2019 the total holding of TTNGL shares was 1.25 million shares at a fair market value of \$31.63 million. The market value as at September 30, 2018 was \$36.35 million. Equities represented 0.90 percent of the portfolio as at September 30, 2019.

LIQUIDATION

Since its establishment, the Corporation has paid insurance claims to the depositors of nine (9) institutions which were closed by the CBTT and classified as failed institutions. For each of these failures, the Corporation was appointed the liquidator by the High Court of Trinidad and Tobago. The most recent appointment has been the Corporation's appointment as Liquidator of Clico Investment Bank (CIB). This came into effect on October 17, 2011 when the High Court ruled that CIB be wound up under the provisions of the Companies Act, Chapter 18:01 and the DIC be appointed Liquidator of the company.

Of the nine liquidations, to date, three (3) of the liquidations have been completed, while six (6) institutions remained under the Corporation's purview. During the 2019 financial year, the Corporation made a second interim dividend distribution to creditors of CIB-ICL. The process of winding up the other five (5) companies in liquidation commenced within the financial period.

² Deposits and MMFs represent deposits held in member institutions and money market investments held in the Trinidad and Tobago Unit Trust Corporation and the Home Mortgage Bank.

All dollar values in this section are in Trinidad and Tobago dollars.



International Outreach

During the fiscal year, the Deposit Insurance Corporation (DIC), in its role as Executive Council Member, continued to contribute to the governance of the International Association of Deposit Insurers (IADI), including participation in the organisation's three Executive Council Meetings (EXCOs) held in 2018-2019. The DIC, which sits on two Council Committees of the Executive Council, as well as two supporting Technical Committees made important contributions to their specific remits:

COUNCIL COMMITTEES

As a member of IADI's Audit & Risk Council Committee (ARCC), whose main objective is to monitor financial reporting processes and internal controls (including risk management systems) in furtherance of the Association's objectives and financial operations, the DIC participated in the review of quarterly reports and comparison of results against budget. The financial reporting process and the internal controls environment were also assessed with a view to ensuring the integrity of IADI's financial reports.

As a member of the Training & Technical Assistance Council Committee (TTAC) the DIC participated in the development of Guidelines for IADI Workshops and Knowledge Events; the strengthening of the IADI Technical Assistance Programme, and; the promotion of knowledge of and compliance with the Core Principles. The TTAC's objectives include:

- (i) Overseeing the development of high-quality training and conference programs on effective deposit insurance systems and other issues relating to financial stability;
- (ii) Promoting and facilitating the sharing and exchange of expertise among Members, Partners and Associates and disseminating information through training, development and educational programs, and;
- (iii) Promoting the Association's recognition worldwide as an international standards setter on deposit insurance issues.

TECHNICAL COMMITTEES

Regularly, the DIC contributes to research and guidance papers produced by the Core Principles & Research Council Committee. This year, we provided input and reviewed along with other members, "Resolution Issues for Financial Cooperatives – Overview of Distinctive Features and Current Resolution Tools," which is in progress.

In the Training and Conference Technical Committee, the DIC participated in the drafting of the Manual for Planning and Conducting Training and Technical Assistance Workshops.

From a regional perspective, the DIC has assiduously fulfilled its obligations as Chair for the Caribbean Region (CRC), keeping members apprised of key IADI issues, such as Phase 2 of the IADI strategic plan and its implications for membership fees, and reporting members' views at the EXCOs. Regional members, including Bahamas, Barbados, British Virgin Islands, Jamaica, the Dutch Caribbean Netherlands and Trinidad and Tobago, continued to meet via

teleconference to keep each other abreast of developments within their respective jurisdictions. The DIC also responded to requests for guidance from regional countries working to establish their own deposit insurance systems, including Guyana and Belize, as well as the Eastern Caribbean Central Bank (ECCB).

The CRC also continues to maintain its cooperation with neighbouring Regional Committees, namely, the Latin America Regional Committee and the North America Regional Committee, and jointly held the Fourth Americas Deposit Insurance Forums 24-26th July 2019 in Cartagena Colombia. At this event, the DIC's General Manager, Michelle Rolingson-Pierre made two presentations, one on Investment Strategies and the other on Strategic Planning.

At the regional level, the DIC, along with other Caricom members, continued its contribution and review on the Draft CARICOM Policy on Deposit Insurance which was presented at the Nineteenth Meeting of the Council for Finance and Planning (COFAP) on July 3, 2019.

It has been a busy and challenging year, and the DIC is pleased to have made a significant contribution to the development and strengthening of the international and regional deposit insurance network, for the benefit of financial stability in the region and around the world.





Community Outreach & Team Building Activities: 2018/2019

The DIC participated in both team building and community outreach activities over the financial period. These activities are as follows:

February 2019 – Team Building

In February, 2019, staff participated in a team building activity facilitated by Sunshine and Sonshine Sports which was held at Chaguaramas Golf Course where staff had fun showing off their knowledge of price action in the local spin-off of the popular game show “the Price-Is-Right”.



The activities continued throughout the day as staff assembled in groups and competed in a few friendly rounds of DIC “Family Feud”.



Following the end of the day’s activities, the Chaguaramas Golf Club provided staff with an opportunity to show-case their golfing skills on the grounds.



April 2019 – Team Building

Another team building activity was held in April, 2019 which was in contrast with the high-energy team building activity that was held in February, 2019. This activity was held in-house at the DIC's Offices and involved beading and crafting which was facilitated by an expert in the field, Ms. Noelia Cipriani.



The beading and crafting activity, notwithstanding a difference from the norm, not only created a relaxed atmosphere of fun and excitement but fostered conversations, interactions and brainstorming that led to a successful interactive corporate bonding experience.



June, 2019 – Administrative Professionals Week

Administrative Professionals Week was celebrated globally in April, 2019. However, given the number of commitments scheduled for the month of April, 2019, the DIC undertook to celebrate Administrative Professionals Week in the month of June, 2019.

Administrative Staff and their Supervisors were treated to a day of creativity by undertaking a soap-making activity which was facilitated by Scents of Tobago and held at a workshop in Curepe.



Apart from learning how to make their own soap, the activity was exhilarating and informative and provided a natural alternative to commercial body products.



Community Outreach & Team Building Activities: 2018/2019

Community Outreach – September, 2019

In September, 2019, the DIC partnered with the Living Water Community located at Duncan Street, Port of Spain and provided assistance to the organization by packing food hampers for distribution to needy families in Port of Spain and environs..



The Living Water Community is a non-profit organization that provides basic care and nourishment for the needy in the country.



In addition to preparing hampers, staff also assisted by packaging donated dry food items into smaller bags for distribution.

The opportunity to volunteer its services to the community left staff with a sense of self-fulfillment through helping others and enabled their charitable nature to unveil.







Financial Statements 2019

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19-20 Victoria Square West, Port-of-Spain, Trinidad, West Indies, Tel: 1- 868 - 285-9342
· Fax No. : 1- 868 - 623-5311 · E-mail: info@dictt.org · Website: www.dictt.org

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

For the year ended September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

Management is responsible for the following:


- Preparing and fairly presenting the accompanying financial statements of Deposit Insurance Corporation (the "Corporation") which comprise the statement of financial position as at September 30, 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements;
- Ensuring that the Corporation keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures the security of the Corporation's assets, detection/prevention of fraud, and the achievement of the Corporation's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Corporation will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.


Michelle Rolingson-Pierre
General Manager
December 19, 2019


Stanley Gomes
Head of Corporate Services and Finance
December 19, 2019



BDO
Chartered Accountants

2nd Floor CIC Building
122-124 Frederick Street
Port of Spain
Trinidad and Tobago

Tel.: +1 (868) 625-8662
Fax: +1 (868) 627-6515
Web: www.bdo.com

Independent Auditors' Report to the Shareholders of Deposit Insurance Corporation

Opinion

We have audited the financial statements of Deposit Insurance Corporation (the "Corporation"), which comprise the statement of financial position as at September 30, 2019, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code") and we have fulfilled our 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



December 19, 2019

Port of Spain,
Trinidad, West Indies

STATEMENT OF FINANCIAL POSITION

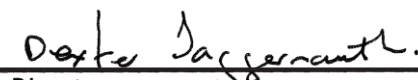
As at September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 \$'000	2018 \$'000
Assets			
Property and equipment	5	21,840	22,326
Intangible assets	5	215	291
Investments	6	3,537,367	3,224,420
Liquidation advances recoverable		18	852
Accounts receivable	7	1,076	990
Cash and cash equivalents	8	11,157	66,502
Total assets		\$3,571,673	\$3,315,381
Equity and liabilities			
Equity			
Stated capital	9	1,000	1,000
Revaluation reserve		5,736	10,461
Deposit Insurance Fund		3,563,691	3,302,696
Total equity		3,570,427	3,314,157
Liabilities			
Balance due to Central Bank	10	1	3
Accounts payable		1,245	1,221
Total liabilities		1,246	1,224
Total equity and liabilities		\$3,571,673	\$3,315,381

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

On December 19, 2019, the Board of Management of Deposit Insurance Corporation authorized these financial statements for issue.


Chairman


Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended September 30, 2019

(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 \$'000	2018 \$'000
Income			
Interest income		108,181	97,672
Initial contributions and annual premia		163,604	163,061
Dividends		3,125	625
Liquidation/receivership fees		35	203
Other income		172	4,588
Total income		275,117	266,149
Expenses			
Staff costs	12	(8,272)	(7,477)
General and administrative	13	(4,851)	(4,405)
Depreciation and amortization		(999)	(977)
Total expenses		(14,122)	(12,859)
Net income		260,995	253,290
Other comprehensive (loss)/income			
(Decrease)/increase in unrealized gain on investments		(4,725)	7,556
Total comprehensive income for the year		\$256,270	\$260,846

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

STATEMENT OF CHANGES IN EQUITY

Year ended September 30, 2019

(Expressed in Trinidad and Tobago Dollars)

	Stated capital \$'000	Revaluation reserve \$'000	Deposit insurance fund \$'000	Total equity \$'000
Year ended September 30, 2019				
Balance as at October 1, 2018	1,000	10,461	3,302,696	3,314,157
Net income	-	-	260,995	260,995
Other comprehensive loss	-	(4,725)	-	(4,725)
Balance as at September 30, 2019	\$1,000	\$5,736	\$3,563,691	\$3,570,427
Year ended September 30, 2018				
Balance as at October 1, 2017	1,000	2,905	3,049,406	3,053,311
Net income	-	-	253,290	253,290
Other comprehensive income	-	7,556	-	7,556
Balance as at September 30, 2018	\$1,000	\$10,461	\$3,302,696	\$3,314,157

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

STATEMENT OF CASH FLOWS

Year ended September 30, 2019

(Expressed in Trinidad and Tobago Dollars)

	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Net income for the year	260,995	253,290
Adjustments for:		
Depreciation and amortisation	998	977
(Gain)/loss on disposal of property and equipment	(39)	46
Loss on write off of property and equipment	22	-
Interest income and dividends	(111,306)	(98,297)
Operating surplus before working capital changes	150,670	156,016
Decrease in liquidation advances recoverable	834	95
(Increase)/decrease in accounts receivable	(86)	9,764
(Decrease)/increase balance due to Central Bank	(2)	2
Increase/(decrease) accounts payable	24	(1,026)
Net cash generated by operating activities	151,440	164,851
Cash flows from investing activities		
Interest and dividends received	102,585	87,378
Purchase of fixed deposits	-	(5,153)
Proceeds from maturity of fixed deposits	5,153	5,000
Purchase of government treasury bills	(675,156)	(1,038,267)
Proceeds from maturity of government treasury bills	890,474	470,632
Purchase of government treasury notes	(127,552)	(13)
Proceeds from maturity of government treasury notes	515,561	267,986
Purchase of corporate bonds	-	(8,801)
Proceeds from maturity of corporate bonds	37,140	35,755
Purchase of government bonds - local	(1,134,868)	(302,197)
Proceeds from maturity of government bonds	180,297	270,955
Additions to property and equipment and intangible assets	(477)	(378)
Proceeds from disposal of property and equipment	58	-
Net cash used in investing activities	(206,785)	(217,103)
Net decrease in cash and cash equivalents	(55,345)	(52,252)
Cash and cash equivalents as at beginning of year	66,502	118,754
Cash and cash equivalents as at end of year	\$11,157	\$66,502

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

1. Establishment and principal activities

The Deposit Insurance Corporation (the “Corporation”) was established by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 (Act No. 2 of 1986), which amended the Central Bank Act Chapter 79:02 (the “Act”).

The Corporation’s principal objective is to manage a Deposit Insurance Fund (the “Fund”) established by the Act to provide insurance coverage on deposits held with member institutions to a maximum of \$125,000 per depositor in each capacity and right in each institution. Membership of the Fund is compulsory for all institutions licensed under the Financial Institutions Act, 2008.

Section 44W of the Act authorizes the Corporation to take such action as it deems necessary to fulfil its mandate including levying premia and contributions from member institutions, hiring of staff, borrowing, lending, arranging for the restructuring of a failed member whether by merger with a financially sound member or otherwise and acquiring the undertaking of any member institution which is in financial difficulty. The Corporation may also act as receiver or liquidator of an insolvent member institution.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

2.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and are presented in Trinidad and Tobago dollars. These financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) New and amended standards adopted by the Corporation

The Corporation adopted IFRS 9 and IFRS 15 with a transition date of October 1, 2018. There were no material changes to these financial statements resulting from the adoption of these two new standards.

(ii) New standards, amendments and interpretations issued but not effective and not early adopted

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Corporation’s future financial statements in the period of initial application. In all cases, the entity intends to apply these standards from application date as indicated in the note below.

IFRS 16 Leases supersedes IAS 17 Leases and its related interpretations. IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead, all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

- (ii) New standards, amendments and interpretations issued but not effective and not early Adopted (continued)

The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities. However, entities have an option not to bring onto the statement of financial position short term leases (i.e. those with 12 months or less) and leases of low-value items. IFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components. IFRS 16 applies to annual periods commencing on or after January 1, 2019.

Other standards, amendments and interpretations to existing standards in issue but not yet effective are not considered to be relevant to the Corporation and have not been disclosed

- (iii) Standards and amendments to published standards early adopted by the Corporation

The Corporation did not early adopt any new, revised or amended standards.

2.2 Foreign currency translation

- (i) *Functional and presentation currency*

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the Corporation operates (the “functional currency”). The financial statements are presented in Trinidad and Tobago Dollars, which is the Corporation’s functional and presentation currency.

- (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.3 Comparative figures

Certain comparative figures were reclassified to facilitate the changes in presentation. These changes had no effect on the previously reported net income.

2.4 Property and equipment

Depreciation

Items of property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on a reducing balance basis at rates calculated to write off the cost of the assets over their estimated useful lives for all asset groups except buildings. The method of depreciation on buildings is the straight-line method. Land is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.4 Property and equipment (continued)

Depreciation (continued)

The rates used are as follows:

	Rate	Method
Buildings	2%	Straight line
Buildings improvements	2%	Reducing balance
Motor vehicles	25%	Reducing balance
Furniture and fixtures	10%	Reducing balance
Office equipment	15%	Reducing balance
Computer equipment	25%	Reducing balance

No depreciation is charged in the year of disposal. However, a full year's charge is made in the year of acquisition.

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the statement of comprehensive income.

Disposal

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with their carrying amounts and are recognized in the statement of comprehensive income for the year.

2.5 Intangible assets

Computer software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Corporation are recognized as intangible assets in accordance with IAS 38 Intangible Assets. Costs associated with maintaining computer software programmes are recognized as expenses when incurred. Computer software costs recognized as assets are amortized over their estimated useful lives of four (4) years on a straight-line basis.

2.6 Financial instruments

Under IFRS 9 effective for the year ended September 30, 2019

(i) *Financial assets*

The Corporation has adopted IFRS 9, effective October 1, 2018, and classifies its financial assets based on the following business models:

- Held for trading
- Hold to collect and sell or
- Hold to collect

Based on the Corporation's business model, financial assets are classified into the following categories:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(i) Financial assets (continued)

- Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not recognised at fair value through profit and loss (FVPL) are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 15. Interest income from these financial assets is included in the statement of comprehensive income using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI)

At initial recognition, the Corporation made an irrevocable election to present subsequent changes in the fair value of its investments in equity instruments in other comprehensive income, as they are not held for trading. Dividends are recognised in profit or loss only when the Corporation's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the Corporation, and the amount of the dividend can be measured reliably.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- a) The cash flow characteristics of the asset, and
- b) The Corporation's business model for managing the asset

Corporation's business model

The business model reflects how the Corporation manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Corporation's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows from the sale of assets.
- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel
- Management identification of and response to various risks, which includes but not limited to liquidity risk, market risk, credit risk and interest rate risk.
- How managers are compensated e.g. if compensation is based on the fair value of assets managed or contractual cash flows collected.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(i) Financial assets (continued)

Corporation's business model (continued)

Arising out of the assessment, the Corporation's debt portfolio was deemed to have the 'hold to collect' business model.

The Corporation reclassifies debt instruments when, and only when, its business model for managing those assets changes. The classification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Solely payments of principal and interest (SPPI)

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

Recognition/de-recognition of financial assets

All purchases and sales of financial assets are recognised on the trade date - the date on which the Corporation commits to purchase or sell the financial asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Corporation has transferred substantially all risks and rewards of ownership.

(ii) Impairment

The Corporation assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The Corporation recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(iii) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' mode for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Corporation.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition		
Stage 1	Stage 2	Stage 3
(initial Recognition)	(Significant increase in credit risk)	(Credit - impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(iv) Significant increase in credit risk (SICR)

The Corporation considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met.

Criteria	Investment Grade Portfolio	Single "B" Speculative Grade Portfolio
Absolute Measure	PD- 15% or higher	PD -25% or higher
AND	AND	AND
Relative Measure	One notch downgrade (investment securities rating scale)	One Notch downgrade (investment securities rating scale)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(iv) Significant increase in credit risk (SICR) (continued)

The Corporation has used the low credit risk exemption for all of its financial instruments as at the year ended September 30, 2019. The Corporation considers the following characteristics to be low credit risk:

- Direct Government instruments
- Government guaranteed instruments
- Investments with a minimum long term investment grade rating:
 - BBB (Standard and Poor's)
 - BBB (Fitch Ratings)
 - Baa2 (Moody's)
 - CariAA(+/-) (CariCRIS)

(v) Definition of default and credit-impaired assets

The Corporation defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- The obligation is classified as doubtful or worse as per the Corporation's classification process.
- A modification to the terms and conditions of the original agreement that would not normally be considered is executed
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer.

The criteria above have been applied to all financial instruments held by the Corporation and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), throughout the Corporation's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(vi) Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per-Definition of default and credit-impaired above), either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Corporation expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Corporation's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of the claim and product type, while the availability of collateral is factored before LGD is considered. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the debt instrument.

The ECL is determined by multiplying the PD, LGD and EAD after taking into consideration the discounted present value of the EAD and collateral enhancements. The EAD is determined by reducing the outstanding balance from the discounted collateral value. The cost of disposal of the collateral item is factored together with the time frame for disposal before discounting to present values. The discount rate used in the ECL calculation is the original effective interest rate.

The EAD is considered as follows:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is calculated by taking the current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on an analysis of the product's usage over a two-year period.
- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post-default.

The Investments PDs are taken from the transaction matrices of Standard and Poor's, Fitch Ratings, Moody's and CariCRIS.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(vii) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Corporation has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The most significant assumption affecting the ECL allowance for the investment portfolio is GDP-given the significant impact on Corporation performance and collateral valuations.

(viii) Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities include the balance due to Central Bank and accounts payable. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished (that is, when the obligation specified in the contract is discharged, cancelled or expired).

(ix) Determination of fair value

For financial instruments traded in an active market, the determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

Indicators that a market is inactive are when there is a wide bid-offer spread or a significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques using input existing at year-end.

The Corporation uses an internally developed model which is generally consistent with other valuation models used in the industry. Valuation models are used to value unlisted debt securities and other debt securities for which the market has become or is illiquid. Some of the inputs of this model may not be market observable and are therefore based on assumptions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018.

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized on the Corporation's statement of financial position when the Corporation becomes a party to the contractual provisions of the instrument.

(i) *Recognition and initial measurement*

A financial asset or financial liability is measured at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets carried at fair value through profit or loss where transaction costs are expensed as incurred.

The Corporation initially recognises loans and receivables on the date when they are originated. All other financial assets and liabilities are initially recognised on the trade date i.e. the date at which the Corporation becomes a party to the contractual provisions of the instrument.

(ii) *Classification*

Financial assets

The Corporation classifies its financial assets into the following categories: held-to-maturity, available-for-sale, at fair value through profit or loss and loans and receivables. The classification is determined by management at initial recognition and depends on the purpose for which the instruments were acquired.

For the purpose of the financial statements, financial assets have been determined to include cash and all cash equivalents, investments, accounts receivable and liquidation advances recoverable.

(a) Financial assets at fair value through profit or loss

A financial asset is classified into the 'financial assets at fair value through profit or loss' category if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

(b) Loans and receivables

Loans and receivables include financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as available-for-sale. Accounts receivable and liquidation advances recoverable are classified as loans and receivables.

(c) Held-to-maturity financial assets

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Corporation's management has the positive intent and ability to hold to maturity. These include all debt investments.

Interest on held-to-maturity investments is included in net income and is reported as investment income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018.

(ii) Classification (continued)

Financial assets (continued)

(d) Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Financial liabilities

A financial instrument is classified as a financial liability if it is a contractual obligation to deliver cash or another asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the reporting entity's own equity instruments under certain circumstances.

The Corporation classifies its financial liabilities as measured at amortized cost. Financial liabilities include accounts payable and balance due to Central Bank.

(iii) Measurement

After initial recognition, available-for-sale financial assets and financial liabilities at fair value through profit or loss are measured at fair value with unrealized gains and losses recognized in Other Comprehensive Income (OCI) or profit or loss respectively. Held to maturity investment and loans and receivables are subsequently measured at cost or amortized cost using the effective interest method, less provisions made for any permanent diminution in value.

Financial liabilities are re-measured at amortized cost using the effective interest rate method.

(iv) De-recognition

Financial assets

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of:

- a. the consideration received (including any new asset obtained less any new liability assumed); and
- b. any cumulative gain or loss that had been recognized in OCI.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Corporation is recognized as a consolidated asset or liability in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018 (continued)

(iv) *De-recognition (continued)*

Financial liabilities

The Corporation derecognizes a financial liability when its contractual obligations are discharged, or cancelled, or expired.

(v) *Offsetting*

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Corporation's trading activity.

(vi) *Amortized cost measurement*

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(vii) *Determination of fair value*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Corporation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Corporation uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018 (continued)

(vii) Determination of fair value (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Corporation determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in net income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out. The Corporation recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. No transfers have occurred during the year.

(viii) Impairment of financial assets

The Corporation assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

- The significant financial difficulty of the issuer or obligor.
- A breach of contract, such as default or delinquency in interest or principal payments.
- It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Corporation or national or economic conditions that correlate with defaults on assets in the Corporation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018 (continued)

(viii) Impairment of financial assets (continued)

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Impairment losses are recorded in an allowance account and are measured and recognized as follows:

- *Financial assets measured at amortized cost*

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognized in the profit or loss

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improvement in the debtor's credit rating), the previously recognized loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortized cost would have been had the impairment not been recognized at the date that the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

- *Financial assets measured at cost*

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognized in the profit or loss. These losses are not reversed.

2.7 Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is adjusted to reflect the revised estimate.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.7 Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

2.8 Other assets

Other assets are generally measured at amortised cost.

2.9 Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

2.10 Stated Capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

2.11 Provisions

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.12 Revenue recognition

Revenue is recognized when it is probable that the economic benefit will flow to the Corporation and the amount of the revenue can be measured reliably.

(i) *Premium income*

Premium income is recognized on the accruals basis. Annual premia in respect of a given year are paid on the basis of a rate of 0.2 per centum of the average deposit liabilities existing at the end of each of the quarters in the preceding calendar year, except that for a new institution the first year's levy is based on its average deposit liabilities existing in the first year of operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.12 Revenue recognition (continued)

(ii) Investment income

Investment income is accrued on the time basis by reference to the principal outstanding and the interest rate applicable under the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Corporation estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

2.13 Levy of initial contributions

All institutions are required to pay an initial contribution on becoming members, and annual premia in subsequent years. Initial contributions paid by member institutions are matched by the Central Bank (Central Bank Act, Section 44M).

The payment of initial contributions is based on a rate of 0.4 per centum of the average deposit liabilities existing at the end of the first and second quarters of the first twelve (12) months of operation.

2.14 Expenses

Staff costs, and general and administrative expenses are recognised on an accrual basis.

2.15 Pensions

The Corporation maintains a voluntary contribution plan for its employees. This is a funded scheme and the Corporation's contributions are charged in the profit or loss for the year as incurred.

2.16 Exemption from the provisions for taxation and insurance legislation

The Corporation is exempt from the provisions of any Act relating to income taxation or corporation taxation, from payment of stamp duty and is also exempt from the provisions of the Insurance Act 1980, [Section 55 (1) and (2)].

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Corporation makes estimates and assumptions concerning the future.

However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Changes in accounting estimates are recognized in the profit or loss in the period in which the estimate is changed if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements, are as follows:

- (i) Whether leases are classified as operating leases or finance leases.
- (ii) Which depreciation method for property and equipment is used and in determining whether future economic benefits can be derived from expenditures to be capitalized.
- (iii) Whether the Deposit Insurance Fund is adequate to meet unexpected loss from non-viability or insolvency of a policyholder.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- (i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

- (ii) Property and equipment

Management makes certain assumptions regarding the useful lives and residual values of capitalized assets.

- (iii) Determining fair values using Valuation Techniques

The determination of fair values for financial assets for which there is no observable market price requires the use of valuation techniques which utilizes various degrees of judgements affecting the specific investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

4. Assets under administration

The Corporation serves as liquidator for six (6) failed non-banking financial institutions. These companies and their year of liquidation are as follows:

• Commercial Finance Corporation Limited (in liquidation)	1986
• Trade Confirmers Limited (in liquidation)	1986
• Swait Finance Limited (in liquidation)	1986
• Caribbean Mortgage and Funds Limited (in liquidation)	1991
• Principal Finance Corporation Limited (in liquidation)	1993
• CLICO Investment Bank Limited (in compulsory liquidation)	2011

In its role as liquidator, the Corporation is engaged in liquidating the assets of these failed institutions in an attempt to settle the outstanding liabilities associated with these institutions.

The Corporation submits reports every six (6) months to The Official Receiver (High Court) providing details of receipts and payments for the period being reported. Lastly, these liquidations have not as yet been wound up due to legal matters before the Courts.

The statement of financial position does not include the assets of these closed financial institutions under the administration of the Corporation. However, the table presented hereunder provides in summary, the balances as at September 30, 2019. In relation to the table, the following points should be noted:

- (A) - The assets at closure are reported at net realizable value representing a reasonable estimate of the amount for which the assets could have been sold.
- (B) - Total realizations represent the amount received to date from the sale of liquidated assets.
- (C) - The liabilities at closure represent the total amount owing by the failed institutions, inclusive of deposit liabilities, as at the date of closure.
- (D) - Liabilities incurred represent liquidation expenses from the date of closure up to the end of the reporting period.
- (E) - Total payments represent liquidation expenses paid and insurance payments recovered as at the reporting date.
- (F) - Remaining liabilities represent the balance due to unsecured creditors as at the reporting date.
- The legislation authorizes the Corporation to recover insurance paid from the sales proceeds of liquidated assets in priority to unsecured creditors.

	2019 \$'000	2018 \$'000
(A) Total value of assets at closure of Financial Institutions	6,148,206	6,148,206
(B) Total subsequent realisations	6,571,018	6,516,671
(C) Total liabilities at closure of Financial Institutions	(12,072,221)	(12,072,221)
(D) Total additional liabilities incurred	(2,595,544)	(2,592,933)
(E) Total subsequent payments	9,914,810	9,622,656
(F) Outstanding liabilities at year end	<u>\$ (4,752,955)</u>	<u>\$ (5,042,498)</u>

(Expressed in Trinidad and Tobago Dollars)

5. Property and equipment, and Intangible assets

	Land and buildings \$'000	Building improvements \$'000	Motor vehicles \$'000	Furniture and fixtures \$'000	Office equipment \$'000	Computer equipment \$'000	Work in progress \$'000	Property and equipment \$'000	Intangible assets \$'000
For the year ended September 30, 2019									
Cost									
Balance as at October 1, 2018	15,859	4,585	743	1,217	2,373	1,381	-	26,158	5,954
Additions	-	-	240	5	33	182	-	460	17
Write off	-	-	-	-	(105)	-	-	(105)	-
Disposals	-	-	(229)	-	-	-	-	(229)	-
Balance as at September 30, 2019	15,859	4,585	754	1,222	2,301	1,563	-	26,284	5,971
Accumulated depreciation									
Balance as at October 1, 2018	693	207	434	597	991	910	-	3,832	5,663
Depreciation for the year	173	93	134	61	211	233	-	905	93
Write off	-	-	-	-	(83)	-	-	(83)	-
Disposals	-	-	(210)	-	-	-	-	(210)	-
Balance as at September 30, 2019	866	300	358	658	1,119	1,143	-	4,444	5,756
Net book value as at September 30, 2019	\$14,993	\$4,285	\$396	\$564	\$1,182	\$420	-	\$21,840	\$215
For the year ended September 30, 2018									
Cost									
Balance as at October 1, 2017	15,859	2,809	743	1,191	2,416	1,019	2,015	26,052	5,751
Additions	-	185	-	26	26	137	-	374	4
Reclassifications	-	1,591	-	-	-	228	(1,819)	-	-
Transfers	-	-	-	-	-	(3)	(196)	(199)	199
Disposals	-	-	-	-	(69)	-	-	(69)	-
Cost as at September 30, 2018	15,859	4,585	743	1,217	2,373	1,381	-	26,158	5,954
Accumulated depreciation									
Balance as at October 1, 2017	520	114	333	529	762	718	-	2,976	5,565
Depreciation for the year	173	93	101	68	252	192	-	879	98
Disposals	-	-	-	-	(23)	-	-	(23)	-
Balance as at September 30, 2018	693	207	434	597	991	910	-	3,832	5,663
Net book value as at September 30, 2018	\$15,166	\$4,378	\$309	\$620	\$1,382	\$471	\$-	\$22,326	\$291

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

6. Investments

	2019 \$'000	2018 \$'000
Amortized cost (2018: Held-to-maturity)		
Current		
Deposits	-	5,175
Government treasury bills	564,785	780,945
Government treasury notes	1,798	520,003
Government bonds	757,597	135,658
Corporate bonds	7,352	25,115
	<u>1,331,532</u>	<u>1,466,896</u>
Non-current		
Government treasury notes	147,538	20,159
Government bonds	1,922,687	1,578,418
Corporate bonds	103,985	122,597
	<u>2,174,210</u>	<u>1,721,174</u>
	<u>3,505,742</u>	<u>3,188,070</u>
Fair value through other comprehensive income (2018: Available-for-sale)		
Equities	31,625	36,350
	<u>31,625</u>	<u>36,350</u>
	<u>\$3,537,367</u>	<u>\$3,224,420</u>

7. Accounts receivable

	2019 \$'000	2018 \$'000
Prepayments	440	246
Loan receivable	278	355
Other receivables	358	389
	<u>\$1,076</u>	<u>\$990</u>

8. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash held at the Central Bank of Trinidad and Tobago	5,581	60,761
Cash held at other financial institutions	5,552	5,739
Cash on hand	24	2
	<u>\$11,157</u>	<u>\$66,502</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

9. Stated capital

The Corporation is a statutory body, the authorized and issued capital of which is fixed by the Central Bank Act Chapter 79:02 in the amount of \$1,000,000. However, an increase may be approved by the Minister to whom the responsibility for finance is assigned.

10. Related party balances

A party is related to the Corporation if:

- (a) The party is an associate of the Corporation;
- (b) The party is, directly or indirectly, either under common control with the Corporation or has significant or joint control over the Corporation;
- (c) The party is a close family member of a person who is part of key management personnel or who controls the Corporation;
- (d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Corporation;
- (e) The party is a joint venture in which the Corporation is a venture partner;
- (f) The party is a member of the Corporation's or its parent's key management personnel;

Significant aspects of the relationship between the Corporation and the Central Bank of Trinidad and Tobago (the Central Bank) are as follows:

(a) Capital contribution

The paid-up capital has been contributed entirely by the Central Bank.

(b) Representation on the Board of Management (Section 44Q (1) (a))

Two members represent the Central Bank on the Board of Management of the Corporation.

	2019 \$'000	2018 \$'000
Transactions with the Central Bank of Trinidad and Tobago		
Balance as at October 1, 2018	(3)	(1)
Personnel and administration expenses reimbursable to the Central Bank of Trinidad and Tobago	(6)	(13)
Reimbursements made by the Corporation	8	11
Balance as at September 30, 2019	\$(1)	\$(3)

Key management personnel compensation

Short-term employee benefits	2,379	2,333
Post-employment benefits	143	128
	\$2,522	\$2,461

Investments held with the Government of Trinidad and Tobago are disclosed in Note 6. Also, cash held with the Central Bank of Trinidad and Tobago is disclosed in note 8.

11. Retirement benefit

The Corporation does not operate a pension plan, but a non-compulsory arrangement exists whereby the Corporation contributes 150% of an employee's contribution to an approved individual annuity or the Individual Retirement Unit Account of the Trinidad and Tobago Unit Trust Corporation up to a maximum of 10% of an employee's base salary. Costs incurred during the year ended September 30, 2019 were \$298,146 (2018: \$384,823).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

12. Staff costs

	2019 \$'000	2018 \$'000
Salaries and overtime	5,390	4,900
Staff allowances	1,278	1,266
Gratuity	402	-
Directors' fees	324	320
Pension contributions (Note 11)	298	385
National Insurance contributions	268	284
Staff benefits	156	185
Medical and workmen compensation insurance	156	137
	\$8,272	\$7,477
Number of employees	21	21

13. General and administrative expenses

	2019 \$'000	2018 \$'000
Information technology	694	502
Professional fees	688	976
Security services	655	682
Repairs and maintenance	626	457
Conferences and official visits	544	331
Public relations and advertising	317	74
Training and education	273	307
Janitorial services	252	260
Utilities	203	193
Telecommunications	138	120
International Association of Deposit Insurers membership fees	121	124
Printing and stationery	86	94
Motor vehicle repairs and maintenance	58	81
Property services	56	56
Equipment rental	46	46
Meeting expenses	31	13
Loss on disposal of property and equipment	22	69
Archiving	20	27
Miscellaneous	15	(13)
Library services	6	6
	\$4,851	\$4,405

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Financial risk management

Financial risk factors

The Corporation is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Corporation to manage these risks are discussed below:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest-bearing financial assets and liabilities, including investments in bonds and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

(i) Bonds

The Corporation invests mainly in medium to long term bonds consisting of both floating-rate and fixed-rate instruments.

The market values of the floating rate bonds are not very sensitive to changes in interest rates. The market values of the fixed-rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market values will not impact net income.

The Corporation actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

(ii) Interest rate sensitivity gap

The Corporation's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

	Effective rate %	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non-interest bearing \$'000	Total \$'000
Year ended September 30, 2019						
Financial assets						
Investments	1.06-12.25	1,331,532	740,598	1,433,612	31,625	3,537,367
Cash and cash equivalents	0-2.5	11,157	-	-	-	11,157
Other financial assets		-	-	-	654	654
		1,342,689	740,598	1,433,612	32,279	3,549,178
Financial liabilities						
Other financial liabilities		-	-	-	1,246	1,246
Net gap		\$1,342,689	\$740,598	\$1,433,613	\$31,032	\$3,547,932
Cumulative gap		\$1,342,689	\$2,083,287	\$3,516,900	\$3,547,932	\$-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Financial risk management (continued)

Financial risk factors (continued)

(a) Interest rate risk (continued)

(ii) Interest rate sensitivity gap (continued)

	Effective rate %	Up to one year \$'000	Two to five years \$'000	Over five years \$'000	Non- interest bearing \$'000	Total \$'000
Year ended September 30, 2018						
Financial assets						
Investments	1.06-12.25	1,479,059	821,717	887,294	36,350	3,224,420
Cash and cash equivalents	0-2.5	66,502	-	-	-	66,502
Other financial assets		-	-	-	1,596	1,596
		1,545,561	821,717	887,294	37,946	3,292,518
Financial liabilities						
Other financial liabilities		-	-	-	1,224	1,224
Net gap		\$1,545,561	\$821,717	\$887,294	\$36,722	\$3,291,294
Cumulative gap		\$1,545,561	\$2,367,278	\$3,254,572	\$3,291,294	\$-

The Corporation is not subject to significant interest rate changes as interest rates are fixed on investments at amortised cost (2018: held to maturity). Therefore, changes in interest rates will not have a significant impact on the Corporation.

(b) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

Cash balances are held with high credit quality financial institutions and the Corporation has policies to limit the amount of exposure to any single financial institution.

The Corporation also actively monitors global economic developments and Government policies that may affect the growth rate of the local economy.

The Corporation's maximum exposure to credit risk is represented by amounts included for investments, liquidation advances recoverable, accounts receivables and cash and cash equivalents on the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to fulfil claims and other liabilities incurred. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Corporation has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Corporation is able to make daily calls on its available cash resources to settle financial and other liabilities. The Corporation's liabilities at the reporting date are due within the next six months and are not considered material for disclosure purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Financial risk management (continued)

Financial risk factors (continued)

(d) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Corporation's measurement currency. The Corporation is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Corporation's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Corporation's net exposure to currency risk is as follows:

	2019 \$'000	2018 \$'000
United States Dollars	\$1,180	\$1,402

(e) Price risk

Price risk is the risk that the value of a financial investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all investments traded in the market. The Corporation has no significant exposure to other price risks.

(f) Operational risk

Operational risk is the risk derived from deficiencies relating to the Corporation's information technology and control systems, as well as the risk of human error and natural disasters. The Corporation's systems are evaluated, maintained and upgraded continuously. Supervisory controls are also installed to minimize human error.

(g) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Central Bank of Trinidad and Tobago, as well as by the monitoring controls applied by the Corporation.

(h) Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Corporation's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Corporation. The Corporation engages in public social endeavours to engender trust and minimize this risk.

(i) Capital Management - Adequacy of the Deposit Insurance Fund

The Corporation's capital comprises stated capital and the Deposit Insurance Fund (DIF). The Corporation is not subject to externally imposed capital requirements, and there were no changes in what the Corporation considers as capital, and management of capital was performed on a basis consistent with that of prior years. The key mechanisms used to manage the level of capital are premium assessments and borrowings, if necessary.

The Corporation's principal objective is to establish and manage a scheme for the insurance of deposits, or part thereof, held by Policyholders against the risk of loss of deposits up to a maximum of \$125,000 per depositor, in each right and capacity, in each institution.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Financial risk management (continued)

Financial risk factors (continued)

(i) Capital Management - Adequacy of the Deposit Insurance Fund (continued)

As at September 30, 2019, there were 24-member institutions with total eligible deposits estimated at \$82 billion (2018: \$82.1 billion), of which the Corporation covered at a flat rate of 0.2% (2018: 0.2%). The adequacy of the DIF will be based primarily on the assessed risk posed by Policyholders. In relation to its insurance obligations, the Corporation's main exposure is to unexpected loss from the non-viability or insolvency of a Policyholder that is not readily estimated due to the unavailability of data on specific loss experience.

If a Policyholder's future viability or solvency is deemed to be at risk or the Policyholder becomes insolvent and the DIF is required to intervene by providing financial assistance or pay out depositors in accordance with its resolution powers under the Act, and if the DIF is insufficient to meet the obligation, the Corporation has the power to borrow, as well as, with the approval of the Minister of Finance, prescribe the levying of additional premiums payable by Policyholders.

15. Fair value of financial instruments

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Corporation determines fair values using other valuation techniques.

(a) Valuation models

The Corporation's accounting policy on fair value measurements is discussed in accounting policy 2.6 (vii).

The Corporation measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued 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 where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorization from the prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

15. Fair value of financial instruments (continued)

(b) Financial instruments measured at fair value - fair value hierarchy

At year-end, the following financial instruments were measured at fair value.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at September 30, 2019				
Investments - equities	\$31,625	-	-	\$31,625

As at September 30, 2018				
Investments - equities	\$36,350	-	-	\$36,350

The following financial instruments were not measured at fair value.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair value \$'000	Carrying amount \$'000
As at September 30, 2019					
Investments at amortised cost	\$-	\$3,573,715	\$-	\$3,573,715	\$3,505,742

As at September 30, 2018					
Investments at amortised cost	\$-	\$2,764,603	\$-	\$2,764,603	\$3,188,070

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

(Expressed in Trinidad and Tobago Dollars)

16. Classification of financial assets and financial liabilities

The following table provides a reconciliation between line items in the statement of financial position and the categories of financial instruments

	Fair value through other comprehensive income \$'000	Amortised cost \$'000	Total \$'000
Year ended September 30, 2019			
Assets			
Investments	31,625	3,505,742	3,537,367
Liquidation advances recoverable	-	18	18
Accounts receivable	-	636	636
Cash and cash equivalents	-	11,157	11,157
Total financial assets	\$31,625	\$3,517,553	\$3,549,178
Liabilities			
Balance due to Central Bank		1	1
Accounts payable		1,245	1,245
Total financial liabilities	-	\$1,246	\$1,246
Year ended September 30, 2018			
Assets			
Investments	36,350	3,188,070	3,224,420
Liquidation advances recoverable	-	852	852
Accounts receivable	-	744	744
Cash and cash equivalents	-	66,502	66,502
Total financial assets	\$36,350	\$3,256,168	\$3,292,518
Liabilities			
Balance due to Central Bank	-	3	3
Accounts payable	-	1,221	1,221
Total financial liabilities	\$-	\$1,224	\$1,224

17. Reclassifications

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year. The following are the details of the changes made to the comparative information.

Area	As previously reported \$'000	Reclassifications \$'000	2018 reclassified \$'000
Investments	3,186,378	38,042	3,224,420
Accounts receivable	39,032	(38,042)	990
Staff costs	(7,439)	(38)	(7,477)
General and administrative	(4,443)	38	(4,405)

18. Subsequent events

Management has evaluated the possibility of subsequent events existing in the Corporation's financial statements from October 1, 2019, through December 19, 2019, the date the financial statements were available to be issued. Management has determined that there are no material events that would require adjustment or disclosure in the Corporation's financial statement.

