Deposit Insurance Corporation

STRIVING FOR INTERNATIONAL BEST PRACTICES

ANNUAL REPORT 2013

DIC Deposit Insurance Corporation


aim
best practices
DIC
international

About the DIC

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 in all institutions licensed to operate under the Financial Institutions Act, 2008. Deposit insurance is payable only when an institution has been closed as a result of action taken by the Central Bank of Trinidad and Tobago (CBTT).

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 financed mainly 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 member of 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.

Our Vision

To become a pro-active and efficient deposit insurance system, evolving to meet the ever changing needs of a modern society.

Our Mission

To contribute to the stability, safety and integrity of and public confidence in the financial system of Trinidad and Tobago by providing protection and support for eligible depositors and member institutions and by the prudent and profitable management of the Deposit Insurance Fund.

CONTENTS

Chairman's Remarks

Deposit insurance is a key element of the national safety net but has proved to be inadequate at alleviating financial distress in many countries. Here at home, the failure of CLICO and CLICO Investment Bank Limited (CIB) demonstrated that an effective resolution framework was conspicuously missing from Trinidad and Tobago's financial safety net. This compelled the Government of Trinidad and Tobago to provide guarantees to CLICO's liabilities and the DIC to liquidate CIB's assets in what is now turning out to be the most complex liquidation exercise in the Caribbean. These rescue actions tempt other financial institutions to take on even more risks in the future because they expect to be bailed out if their actions misfire.

In its quest to help build a safer financial system, the DIC is rethinking the design of its deposit insurance system. Some of the main elements of this rethinking are as follows:

- Enact legislative amendments to close several gaps in DIC's enabling legislation and to harmonize it with the Companies Act and the Financial Institutions Act 2008;
- Explore the feasibility of moving from a pure pay box model, in which the DIC comes in at the back end of a financial crisis, to that of a risk minimizer model, in which the DIC raises red flags for financial institutions to undertake prompt corrective actions;
- Prepare the DIC to become fully compliant with the Core Principles for Effective Deposit Insurance Systems by the Basel Committee on Banking Supervision and the International Association of Deposit Insurers. This would include an evaluation of the DIC as part of an IMF Financial Stability Assessment Programme, known as FSAP; and
- Establish a Memorandum of Understanding between CBTT and DIC to facilitate information sharing on member institutions and adequate alerts for a possible pay-out in the event of a pending failure/closure.

Even as we strive to redesign the DIC, we must remember that a well-designed deposit insurance system is, at best, just one component of a sound financial safety net. Strong corporate governance, constructive market discipline and effective prudential regulation and supervision must support deposit insurance. The objective is, of course, to get to a position where taxpayers' monies are never used to provide solvency support to a failing financial institution, no matter how large or complex.

In closing, I thank the Board, Management and Staff of the DIC for their continued dedication towards fulfilment of the Corporation's mission. I look forward to their continued support and collaboration as we further strengthen the national financial safety net in the service of the people of Trinidad and Tobago.

Board Members

Mr. Jwala Rambarran

CHAIRMAN

Mr. Rambarran was appointed to the position of Governor of the Central Bank of Trinidad and Tobago on July 17, 2012.

Mr. Rambarran is no stranger to the Central Bank having worked with the Bank for approximately fourteen (14) years. During his tenure at the Bank, he represented Trinidad and Tobago as Technical Assistant in the Office of the Executive Director of the International Monetary Fund (IMF) from April 1, 2001 to March 31, 2003. In the IMF, Trinidad and Tobago is part of a constituency that includes Brazil, Columbia, Dominican Republic, Ecuador, Guyana, Haiti, Panama and Suriname.

Mr. Rambarran left the Bank in March 2004 to assume the position of Chief Economist at Caribbean Money Market Brokers (CMMB) before he embarked on his own business, CAP-M Research. He was the Chairman of the Board of Governors of The National Institute of Higher Education, Research, Science and Technology (NIHERST) and a member of the National Commission for Higher Education. Mr. Rambarran is a former Fatima College student and a past Government Scholar having attained a scholarship in 1987.

He holds a Bachelor of Science (Upper Second Class Honours) Degree in Economics and Mathematics from the University of the West Indies, St. Augustine Campus and a Masters of Science (Honours) Degree in Financial Economics from the University of London. Mr. Rambarran is also a Graduate of executive economic and financial training programmes from Harvard Kennedy School of Government, the IMF Institute and the Federal Reserve Bank of New York.

Most recently, Mr. Rambarran was recognized by the University of the West Indies, St. Augustine Campus, as one of the 50 Distinguished Alumnus in celebration of the Campus' 50th anniversary celebrations.

Michelle Durham-Kissoon

DIRECTOR

(Appointment as a Director effective August 16, 2012)

Ms. Durham-Kissoon is an Assistant Director in the Economic Management Division in the Ministry of Finance and the Economy. She heads a team of economists involved in preparation of periodic Medium Term Economic Frameworks and continuous surveillance of the domestic economy. In overseeing this surveillance, Ms. Durham-Kissoon, works closely with the Central Bank and the Central Statistical Office and engages in frequent dialogue with the IMF, World Bank and the major Credit Rating Agencies, Moodys, Standard & Poors and CariCRIS.

After graduating in 1989 with a degree in Social Sciences and History from the St. Augustine Campus of the University of the West Indies, Ms. Durham-Kissoon launched her professional career in the then Ministry of Planning and Mobilization. As a project analyst in that Ministry, she navigated Ministries and Departments for fifteen (15) years in securing financing from multilateral financing agencies, for their respective development programmes and the application of the relevant procurement guidelines. In that capacity, Ms. Durham-Kissoon developed a close relationship with the Inter-American Development Bank and the European Commission.

She spent three (3) years at the Ministry of Public Utilities in which she was part of a team of professionals that steered the Postal Sector Reform Programme, Determination of the Rating Structure for Electricity Transmission and Distribution sector and preparation of an overall strategy for the management and operations of the water and sewerage sector.

Ms. Durham-Kissoon is currently pursuing a Post Graduate Diploma in Public Financial Management under the Centre for Financial and Management Studies (CeFIMS) of the University of London.

Ms. Wendy Ho Sing

DIRECTOR

(Directorship ended December 6, 2012)

Ms. Wendy Ho Sing, Deputy Inspector of Financial Institutions, joined the Central Bank of Trinidad and Tobago in November 2004 as Industry Advisor and was appointed Deputy Inspector on February 1, 2005. During the period June 2006 to December 2006, Ms. Ho Sing held the positions of Acting Inspector and Inspector of Financial Institutions.

Ms. Ho Sing is the holder of a Bachelor of Arts Degree in Psychology and a Masters in Business Administration from York University, Ontario.

Ms. Ho Sing is a Trinidad and Tobago citizen who has spent over twenty five (25) years in Canada. Her previous appointments were Director, Supervision, in the Office of the Superintendent for Financial Institutions (OSFI), Canada and Assistant Vice President, Manulife Financial of Ontario.

Dr. Earl Boodoo

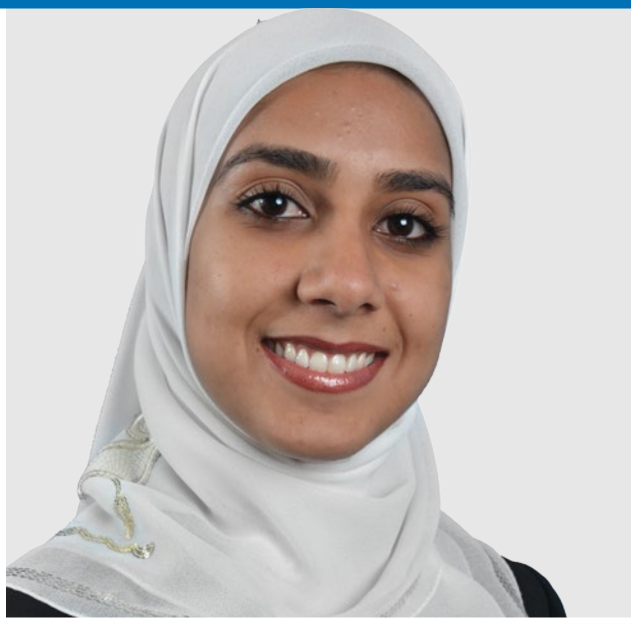
DIRECTOR

(Appointment as a Director effective May 28, 2013)

Dr. Earl T. Boodoo was appointed Chief Economist and Director of Research at the Central Bank of Trinidad and Tobago on April 16, 2013. This followed his serving as General Manager of the DIC. During the latter employment he was a member of the Executive Council of International Association of Deposit Insurers (IADI) as well as the Audit Committee, Membership Committee and Governance Committee of IADI. Dr. Boodoo was also the Chairman of the Caribbean Region Committee (CRC) of Deposit Insurers during his tenure at DIC.

Prior to joining the DIC, Dr. Boodoo held the post of Assistant Manager in the Research Department of the Central Bank. He also tutored and lectured both at the University of the West Indies and the University of Nottingham's (England) main campus and Business School. During his career as an economist Dr. Boodoo was a member of various research teams that contributed to a number of regional studies commissioned by the Caribbean Regional Negotiating Machinery, the Commonwealth Secretariat and the Tobago House of Assembly. Dr. Boodoo also functioned as a Public Utilities Analyst, with the Public Utilities Commission of Trinidad and Tobago.

He holds a Bachelor of Science Degree in Economics and a Masters in Economics from the University of the West Indies, and earned a PhD in Economics from the University of Nottingham.



Ms. Saleema Nazia Hosein

DIRECTOR

Ms. Saleema Nazia Hosein, though coming from a business background at Holy Faith Convent, Couva, went on to obtain a Bachelors of Law (LL.B) graduating with Honours from the University of the West Indies in 2006.

As part of her training at the Hugh Wooding Law School, she worked at the Office of the Director of Public Prosecution (South) under the esteemed Mr. Roger Gaspard, DPP of Trinidad and Tobago. She also worked as a trainee at the Trinidad and Tobago Securities and Exchange Commission and was thereafter enrolled on the list of Attorneys at Law in 2008.

Ms. Hosein has been in private practice since becoming an Attorney at Law and has been managing her own practice for over a year. Her main areas of practice are Civil, Conveyancing, Family and Criminal Law.

Mr. Vickram Joadsingh

DIRECTOR

(Appointment as a Director effective November 3, 2011)

Mr. Vickram Joadsingh is a Fellow member of the Association of Chartered Certified Accountants (FCCA), a Certified Internal Auditor (CIA), a Certified Fraud Examiner (CFE), a member of the Institute of Internal Auditors, a member of the Association of Certified Fraud Examiners and also a member of the Institute of Chartered Accountants of Trinidad and Tobago.

Mr. Joadsingh who has over a decade of internal audit service experience from one of the top 4 audit firms, was a former Chief Financial Officer of a local bank, was a former Chief Audit Executive at a special purpose state entity and at present is the Head Internal Auditor at a leading $20 Billion dollar financial institution.

At the DIC, Mr. Joadsingh was appointed to the Board of Management in November 2011 and at present he is also a member of its Audit Committee.

Corporate Profile

Office

Level 11

Central Bank Building

Eric Williams Plaza

Independence Square

Port of Spain

Tel: 868 625-5020/1

Hotline: 800-4DIC

Fax: 868 623-5311

E-Mail: info@dictt.org

Website: www.dictt.org

Banker

Central Bank of Trinidad and Tobago

Eric Williams Plaza

Independence Square

Port of Spain

Auditor

PKF

Pannell Kerr Forster

Chartered Accountants &

Business Advisors

245 Belmont Circular Road

Belmont

Port of Spain

Member Institutions

AIC Finance Limited

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

FirstCaribbean International Bank (Trinidad and Tobago) Limited

First Citizens Bank Limited

First Citizens Asset Management Limited

First Citizens Trustee Services Limited

General Finance Corporation Limited

Guardian Asset Management Limited

Intercommercial Bank Limited

Intercommercial Trust and Merchant Bank Limited

Island Finance Trinidad and Tobago 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

Republic Finance and Merchant Bank Limited

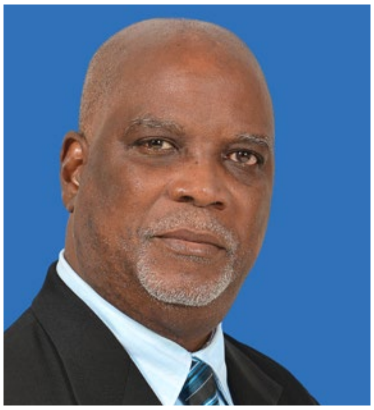
Scotiabank Trinidad and Tobago Limited

Scotiatrust and Merchant Bank Trinidad and Tobago Limited

The DIC Team

Arjoon Harripaul
General Manager

Jacqueline Fermin
Head, Corporate Services and Finance



Roland Yorke
Assistant Manager, Surveillance & Early Intervention

Gemma Henry
Executive Secretary

Maurice Duprey
Office Assistant/Courier

Onifa Olusegun-Murray
Hospitality Attendant

Noel Nunes
Senior Insurance & Planning Officer

Raisa Gomez
Research Officer

Riad Mohammed
Research/Database Assistant

Ingrid White-Wilson
Legal Counsel/Corporate Secretary

Dixie-Ann Thom
Communications Technician

Crystal-Ann Graham
Liquidations Assistant

Shivana Khan
Finance, Research & Market Analyst

Allison Field
Assistant Accountant

Jacqueline Davis-McKree
Accounting Assistant

Eon Crichlow
Technical Analyst

Nicholas Ramsey
Business Analyst

Carmani Harry-Ramoutar
Administrative Assistant

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

BALANCE SHEET AS AT	SEPT 30, 2013 $M	SEPT 30, 2012 $M	SEPT 30, 2011 $M	SEPT 30, 2010 $M	SEPT 30, 2009 $M
Total Assets	2,167.8 (10%)	1,973.7 (11%)	1,784.1 (12%)	1,595.2 (13%)	1,414.2 (14%)
Fund Balance	2,165.9 (10%)	1,972.0 (11%)	1,782.3 (12%)	1,593.3 (13%)	1,412.3 (14%)
INVESTMENT PORTFOLIO	2,129.0 (10%)	1,934.1 (11%)	1,750.3 (12%)	1,566.3 (13%)	1,380.0 (14%)
STATEMENT OF NET INCOME AND DEPOSIT INSURANCE FUND FOR THE YEAR ENDED	**SEPT 30, 2013 $M**	**SEPT 30, 2012 $M**	**SEPT 30, 2011 $M**	**SEPT 30, 2010 $M**	**SEPT 30, 2009 $M**
Net Income	194.9 (3%)	188.8 (-0.05%)	188.9 (4%)	181.0 (6%)	170.0 (11%)
INTEREST EARNED	89.7 (0.1%)	89.6 (-8.76%)	98.2 (-5%)	103.0 (0.20%)	102.8 (14%)
PREMIUM INCOME	125.2 (10%)	114.2 (10%)	103.6 (16%)	89.0 (16%)	77.0 (13%)
EXPENSES	20.3 (30%)	15.6 (18%)	13.2 (23%)	10.7 (55%)	6.9 (35%)

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

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

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, 2013 was $2,165.9 million, an increase of 10 per cent 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 (5) years is illustrated in Chart I.

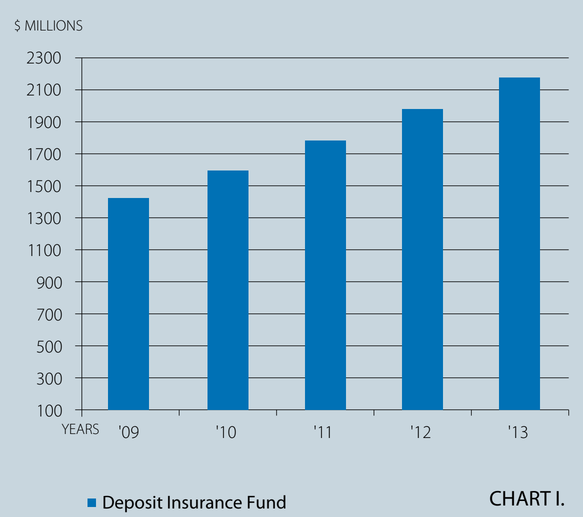


CHART I.

Net Income, which represents Total Income less Operating Expenses, for the financial year ended September 30, 2013 amounted to $194.9 million compared to $188.8 million year-on-year. This represented an increase of $6.1 million or 3 per cent more than the amount recorded for the previous financial year.

Total Income realized over the period amounted to $215.2 million, an increase of $10.9 million more than the amount recorded for the period ended September 30, 2012. The ***Total Expenses*** used to manage the Fund amounted to $20.3 million; representing an increase of $4.7 million when compared to the 2012 figure.

The two main contributors to income are ***Interest Earned*** and ***Annual Premiums***. The annual increases in these items provide the impetus to the growth of the Fund. These two areas are examined below in greater detail.

Interest Income

Interest or investment income is generated by the Corporation's investment activity. During the fiscal year which ended September 30, 2013, the portfolio earned $89.7 million compared with $89.6 million for the previous financial year; representing a year-on-year increase of 0.10 per cent. Over fiscal 2013, market rates remained very low when compared with previous years. The average yield on short-term securities stood at 1.00 per cent at the end of the fiscal period. On long-term securities, the average yield was 4.95 per cent down from 5.68 per cent, year-on-year. Overall, the average yield on the investment portfolio for the financial year ended September 30, 2013 was 4.25 per cent compared to 4.74 per cent for the previous financial year end. Chart II below illustrates the interest earned over the past five (5) years.

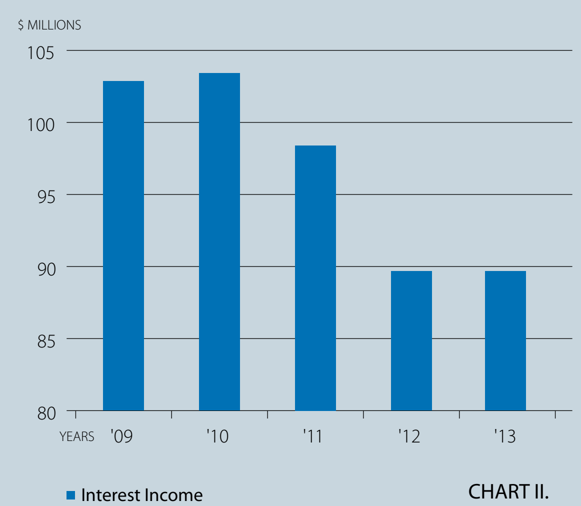


CHART II.

Annual Premiums

The Corporation is mandated by law to levy contributions to the Deposit Insurance Fund from each member institution; 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 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 that were levied and collected from the twenty-five (25) member institutions for the financial year ended September 30, 2013 amounted to $125.2 million; an increase of 10 per cent compared with $114.2 million collected in 2012. Chart III below illustrates the growth of annual premiums over the past five (5) years.

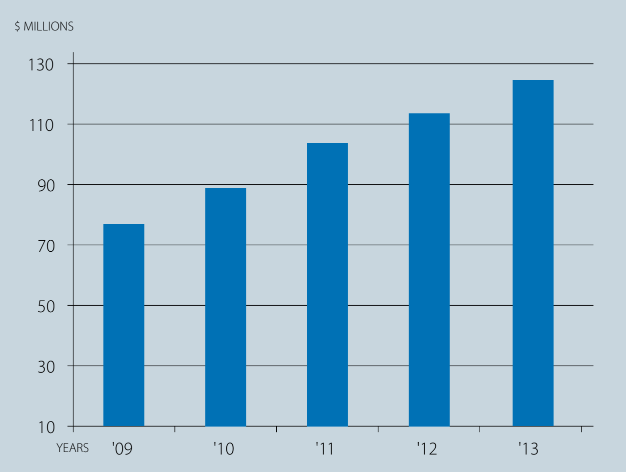


CHART III.

Annual premiums increased between 2012 and 2013 mainly due to the growth in deposit liabilities of member institutions between the calendar years 2011 and 2012. (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). In relation to the membership of the Fund, there were no changes over the reporting period and the membership stood at twenty-five (25) member institutions as at the September 30, 2013.

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 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.

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

(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 (0-20 per cent of the portfolio).
- Corporate Securities (0-20 per cent of the portfolio).
- Trinidad and Tobago Government Securities (20 per cent -100 per cent of the portfolio).
- Foreign Investments (0-30 per cent of the portfolio).

(b) Status of the Investment Portfolio

The size of the investment portfolio as at September 30, 2013 was $2,129.0 million; an increase of $194.9 million or 10 per cent year-on-year. Chart IV below illustrates the growth of the investment portfolio over the past five (5) years.

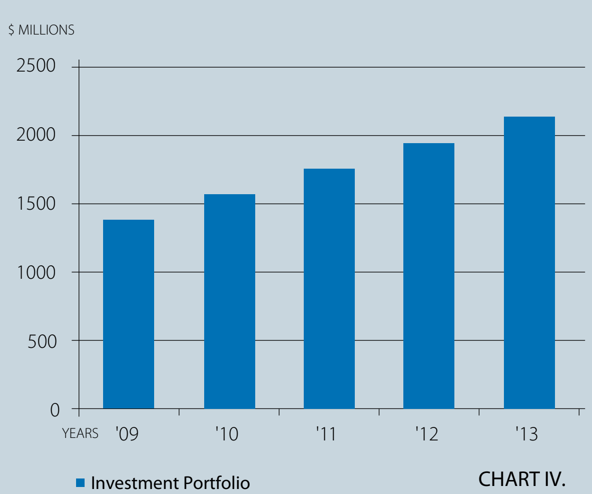


CHART IV.

The investment mix of the portfolio as at September 30, 2013 and one year prior was as follows:

INVESTMENT CATEGORY	% OF PORTFOLIO SEPTEMBER 30, 2013	% OF PORTFOLIO SEPTEMBER 30, 2012
Government Securities	96	88
Corporate Securities	3	5
[1]Deposits and MMFs	1	7

As mentioned previously, the average yield on the portfolio fell during the financial year; 4.25 per cent as at September 30, 2013 compared to 4.74 per cent one year prior. This fall in yield was experienced across all categories of investments and was a reflection of the depressed market conditions which persisted into fiscal 2013.

Deposits

Within the financial year, deposit balances were significantly reduced. The balance as at September 30, 2013 was $3.0 million compared to $12.8 million as at September 30, 2012. Similarly, holdings of fixed income mutual funds as at September 30, 2013 were $7.8 million; down from $115.1 million one year prior. Deposits represented 1 per cent of the investment portfolio as at September 30, 2013.

Corporate Securities

As at the end of the financial year 2013, corporate securities stood at $77.8 million compared to $96.8 million one year prior; representing a decrease by $19.0 million. Corporate securities represented 3 per cent of the investment portfolio as at September 30, 2013.

Government Securities

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

[1] *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.*

Treasury Bills

At the start of the financial year 2013, holdings of Treasury Bills stood at $115.6 million however; by year end September 30, 2013 there were no holdings of Treasury Bills within the investment portfolio. There was no investment in Treasury Bills during the financial year due to the very low returns. As at September 30, 2012 Treasury Bills represented 5 per cent of government securities and the average yield was 0.45 per cent.

Treasury Notes

Holdings of Treasury Notes increased significantly during the financial year to $544.2 million by September 30, 2013, up from $370.3 million as at September 30, 2012. Treasury Notes represented 26 per cent of the portfolio as at the end of financial year compared to 19 per cent one year prior. The average yield on Treasury Notes dropped to 2.32 per cent as at September 30, 2013 from 3.87 per cent one year prior.

Government Bonds

Holdings of Government Bonds increased over the period to $1,473.4 million as at September 30, 2013 from $1,245.6 million one year prior; an increase of $227.8 million. As at the end of the financial year 2013, Government Bonds represented 70 per cent of the portfolio compared to 64 per cent as at September 30, 2012. Consistent with the downward trend on yields experienced in the other investment categories, the average yield on Government Bonds also dropped to 4.95 per cent from 5.68 per cent year-on-year.

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 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.

To date, three (3) of the liquidations have been completed, while six (6) institutions remain under the Corporation's purview. The Corporation is still in the process of liquidating the assets of CIB. The other five (5) companies in liquidation are all awaiting resolution of legal matters before official winding up can be completed.

Risk Assessment

During the 2013 financial year, risk assessment focused on the following critical areas:

- Further exploratory work on the possible adoption of an Integrated Protection Scheme model to incorporate an expansion of the Corporation's mandate to cater for a similar protection system for members of credit unions to that which currently exists for depositors of financial institutions licensed under the FIA 2008 and;
- Research on expansion of the existing DIC business modality to a derivative of a risk minimizer model which may include additional resolution methodologies such as open bank assistance and purchase and assumption, among others.

International Outreach

The Corporation's staff participated in international conferences and meetings hosted by the International Association of Deposit Insurers (IADI) and the Jamaica Deposit Insurance Corporation (JDIC) as shown below.

Meetings/Conferences

MEETINGS/CONFERENCES	DATE	PLACE
IADI - 11th Annual Conference & Annual General Meeting	October, 2012	London, England
IADI – 38th Executive Council Meeting and Conference on "Cross Border Resolutions and Bridge Banking"	February, 2013	Ottawa, Canada
IADI – Research Conference	April, 2013	Basel, Switzerland
IADI – 39th Executive Council Meeting and International Conference	June, 2013	Manila, Philippines
JDIC – Symposium on Financial Markets	August, 2013	Kingston, Jamaica

Changes in the Board of Management

Over the financial year 2013, changes in the Board of Management took place as follows:

TERMINATIONS

NAME	EXPIRATION OF APPOINTMENT	DATE
Ms. Wendy Ho Sing	Director	December 6, 2012
Ms. Michelle Francis-Pantor	Alternate Director to Ms. Wendy Ho Sing	December 6, 2012

APPOINTMENTS

NAME	APPOINTMENT	DATE OF APPOINTMENT
Dr. Alvin Hilaire	Alternate Director to Mr. Jwala Rambarran for a period co-terminus with Mr. Rambarran ending August 15, 2015	January 23, 2013
Dr. Earl Boodoo	Director for a period of three (3) years from the date of appointment; representing the Central Bank of Trinidad and Tobago replacing Ms. Wendy Ho Sing	May 28, 2013
Ms. Nicole Crooks	Alternate Director to Dr. Earl Boodoo for a period of three (3) years from the date of appointment	May 28, 2013

Performance Report

Building the Foundation for International Recognition

At the start of fiscal year 2013, the DIC embarked on the journey of greater independence and autonomy from the CBTT, an initiative that had been in the pipeline for the past five (5) years. This initiative was driven by several internal and external factors and driven by the new Chairman, Mr. Jwala Rambarran. The findings from the Core Principles Workshop conducted in March 2013 and the need to satisfy international best practices added momentum to this drive.

Mr. Rambarran was appointed the Chairman of the DIC on August 16, 2012. Soon after his appointment, his vision for the DIC was conveyed to the Board of Management and then to the Management Team and Staff of the DIC. Mr. Rambarran supported the call for the DIC to become less dependent upon CBTT for core functions and more reliant on the capabilities within the corporation. The modality through which this can be accomplished is to transition the Corporation from a strict pay-box model to one of an expanded mandate such as a limited risk minimizer or a close derivative thereof. Under the expanded mandate the DIC would be empowered to undertake risk analyses of member institutions, increased resolution capability through open bank assistance, purchase and assumption to name a few. These powers would facilitate the DIC in becoming more autonomous, proactive and systemically beneficial to all stakeholders.

One of the changes that would accompany the expanded mandate is the premium pricing mechanism. The DIC may be given the authority to apply premiums based on the level of risks each member institution engages in. In so doing, the DIC would have some influence over the risks that members take which would provide an added layer of protection against moral hazard.

Another factor that influenced the impetus for the DIC to become more autonomous was the Corporation's self-assessment exercise based on the Core Principles for Effective Deposit Insurance. The DIC successfully executed a Caribbean Regional Workshop on the self-assessment of Deposit Insurance Systems using the Basel Committee on Banking Supervision (BCBS) and the International Association of Deposit Insurers (IADI) Core Principles for Effective Deposit Insurance Systems during March 2013. The findings revealed major gaps in the DIC's current operating modality and the international standards set out in the Core Principles referred, the major source lay at the step of an overhaul of the DIC's legislation.

Although the DIC's main objective is to contribute to the promotion and maintenance of financial stability in Trinidad and Tobago, the DIC also acknowledges that it has a role to play in aligning its capability and capacity to international best practices. In fact, it has evolved into a pressing matter given that the world is more interconnected than ever before. The Core Principles of Effective Deposit Insurance are the standards by which each deposit insurer should strive to achieve in an attempt to secure financial soundness. Presently, these standards are being incorporated into the International Monetary Fund's (IMF) Financial Sector Assessment Program (FSAP). The FSAP analyses a country's financial stability, therefore, the effectiveness of the DIC would play an integral role in the overall rating of the health of Trinidad and Tobago's financial system. Hence, there is definitely an external drive for the DIC to ensure that all standards consistent with IADI's Core Principles for effective deposit insurance are achieved.

The gaps highlighted in the legislation poses as impediments to the DIC fulfilling its mandate, including but not limited to: issuing guidelines pertaining to deposit insurance; access to member institutions' information on an ongoing basis to promptly meet obligations to depositors and the authority to share information with other safety net participants. Currently, the DIC is in the process of drafting a policy proposal regarding the development of its own legislation that would certainly remedy the shortcomings of the current legislation. In essence, the policy proposal would encompass proposed changes to the legislation that may assist the DIC in furthering its objective to effectively promote financial stability in Trinidad and Tobago. Additionally, the intent is to decouple the new DIC legislation from the Central Bank Act to give it more flexibility to adjust to rapidly changing market conditions.

Also as a member of the Caribbean Regional Committee (CRC) the DIC recognizes the importance of information sharing among member countries in each deposit insurer's responsibility to protect stakeholders. Cross border issues are one of the Core Principles for Effective Deposit Insurance and is a significant factor in promoting financial stability. Given that information sharing among deposit insurers in different jurisdictions can be helpful and relevant to fulfilling a deposit insurer's functions, it is necessary that confidentiality is ensured and a formal structure for information sharing is established. As such a Memorandum of Cooperation among the CRC members is being developed to allow deposit insurers from member countries in the Caribbean region to make information sharing easily accessible. The Memorandum of Cooperation is currently being refined to make certain that confidentiality is secured and all other requirements are satisfied.

In 2013 and beyond the DIC will continue to implement the Core Principles for Effective Deposit Insurance. By implementing these principles the DIC intends to grow and develop into a deposit insurer that is well-equipped to effectively provide deposit insurance and maintain financial stability in Trinidad and Tobago. Most importantly, by attaining these best practices the DIC would be strategically positioned to build a foundation for international recognition.

The DIC's theme of building the foundation for international recognition is consistent with other deposit insurance systems in the international arena. Many deposit insurance systems around the globe have established international offices to leverage the opportunities that arise. Memoranda of Understandings are executed between members for sharing various levels of expertise between and among deposit insurance systems globally.

IADI has also partnered and continues to work with the Financial Stability Board (FSB) on developing Key Attributes of Effective Resolution regimes for Financial Institutions (the 'Key Attributes'). The Key Attributes set out the core elements that the FSB considers to be necessary for an effective resolution regime.

IADI has also pursued international recognition through the adoption of many initiatives including the acceptance and inclusion of the Core Principles into the International Monetary Fund (IMF) Financial System Assessment Programme (FSAP). In furtherance of its international endeavours, IADI has undertaken to recognize the contribution of deposit insurance systems for specific contributions to certain aspects of deposit insurance. In fiscal 2013, the Philippines Deposit Insurance Corporation was awarded the Deposit Insurer of the Year Award; the Deposit Insurance Agency of Russian Federation received the award of achievement in Banking Resolutions and Payouts; the award for Core Principles and International Participation was awarded to the Bank Guarantee Fund of Poland; and Kazakhstan Deposit Insurance Fund received the award for Deposit Insurance Systems Improvements.

REFERENCES

Financial Stability Board, Key Attributes of Effective Resolution regimes for Financial Institutions, October 2011

http://www.financialstabilityboard.org/publications/r_111104cc.pdf

FINANCIAL STATEMENTS 2013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1/31.5729
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ANNUAL REPORT 2013
STRIVING FOR INTERNATIONAL BEST PRACTICES

PKF
Chartered Accounts
& Business Advisors

INDEX

DEPOSIT INSURANCE CORPORATION
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Independence SquarePort of Spain, Trinidad, West Indies
Tel: 625-5020/1, Fax No: 623-5311, E-mail: info@dictt.org

STATEMENT OF MANAGEMENT RESPONSIBILITIES

It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Deposit Insurance Corporation as at the end of the financial year and of the operating results of the Deposit Insurance Corporation for the year. It is also management's responsibility to ensure that the Deposit Insurance Corporation keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Deposit Insurance Corporation. They are also responsible for safeguarding the assets of the Deposit Insurance Corporation.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Deposit Insurance Corporation and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Deposit Insurance Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

Arjoon Harripaul
Arjoon Harripaul
General Manager

Date: May 02, 2014

Jacqueline Fermin
Head – Corporate Services & Finance

Date: May 02, 2014

Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Deposit Insurance Corporation, which comprise the statement of financial position as at 30 September 2013, the statements of net comprehensive income and Deposit Insurance Fund, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Deposit Insurance Corporation as of 30 September 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF

Port-of-Spain

TRINIDAD AND TOBAGO

2 May 2014

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Partners Ainsley A. Mark | Michael G. Toney | Reneé-Lisa Philip | Mark K. Superville

STATEMENT OF FINANCIAL POSITION

ASSETS

	Notes	30 September 2013 $'000	2012 $'000
Current Assets:			
Cash and cash equivalents	6	33,587	132,130
Held-to-maturity investments - Current	7 (a)	480,763	343,472
Accounts receivable	8	34,114	30,700
Liquidation advances recoverable		1,774	881
Total Current Assets		550,238	507,183
Non-Current Assets:			
Held-to-maturity investments – Non-current	7 (b)	1,614,699	1,462,784
Security deposit – Central Bank	2 (e)	53	45
Intangible assets	9	1,843	2,846
Property, plant and equipment	10	952	893
Total Non-Current Assets		1,617,547	1,466,568
Total Assets		**2,167,785**	**1,973,751**

LIABILITIES AND EQUITY

	Notes	2013 $'000	2012 $'000
Current Liabilities:			
Current balance due to Central Bank	14 (c)	187	480
Accounts payable		677	1,244
Total Liabilities		864	1,724
Equity:			
Capital (authorised and paid up)	14 (a)	1,000	1,000
Deposit Insurance Fund		2,165,921	1,971,027
Total Equity		2,166,921	1,972,027
Total Liabilities and Equity		**2,167,785**	**1,973,751**

These audited financial statements have been approved by the Board of Management on 2 May 2014.

Mr. Jwala Rambarran
Chairman

Michelle Durham-Kissoon
Director

(The accompanying notes form part of these financial statements)

STATEMENT OF NET COMPREHENSIVE INCOME AND DEPOSIT INSURANCE FUND

	Notes	30 September 2013 $'000	2012 $'000
Income:			
Interest earned		89,686	89,640
Initial contributions and annual premia	2 (k)	125,182	114,237
Amortisation of discounts on investments		241	240
Liquidation/receivership fees		54	210
Other		11	13
		215,174	204,340
Expenses:			
Personnel	11	6,834	5,058
General and administrative	12	3,363	2,566
Amortisation of premiums on investments		8,624	6,570
Loss on disposal of fixed assets		148	-
Depreciation and amortisation	2(h), 2(i) 9,10	1,311	1,379
		20,280	15,573
Net income for the year		194,894	188,767
Fund balance at beginning of year		1,971,027	1,782,260
Fund balance at end of year		**2,165,921**	**1,971,027**

(The accompanying notes form part of these financial statements)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Stated Capital $'000	Deposit Insurance Fund $'000	Total $'000
Balance as at 1 October 2011	1,000	1,782,260	1,783,260
Net income for the year	-	188,767	188,767
Balance as at 1 October 2012	1,000	1,971,027	1,972,027
Net income for the year	-	194,894	194,894
Balance as at 30 September 2013	**1,000**	**2,165,921**	**2,166,921**

(The accompanying notes form part of these financial statements)

STATEMENT OF CASH FLOWS

	30 September	
	2013	2012
	$'000	$'000
Cash Flows from Operating Activities:		
Net income for the year	194,894	188,767
Adjustments for:		
Amortisation of premiums on investments	8,624	6,570
Depreciation and amortisation	1,311	1,379
(Gain)/ loss on disposal of fixed assets	148	-
Amortisation of discounts on investments	(241)	(240)
Operating surplus before working capital changes:	204,736	196,476
Net change in liquidation advances recoverable	(893)	(878)
Net change in accounts receivable	(3,414)	(3,978)
Net change in security deposit	(8)	(5)
Net change in current balance due to Central Bank	(293)	371
Net change in accounts payable	(567)	530
Cash provided by operating activities	199,561	192,516
Cash Flows from Investing Activities:		
Purchase of Government Treasury Bills - Local	-	(216,648)
Proceeds from redemption of Government Treasury Bills - Local	93,584	238,701
Purchase of Government Treasury Notes	(289,967)	(2,694)
Proceeds from redemption of Government Treasury Notes	115,500	-
Purchase of Corporate Bonds	(4,212)	(4,183)
Proceeds from redemption of Corporate Bonds	23,134	-
Purchase of Government Bonds - Local	(739,018)	(270,714)
Proceeds from redemption of Government Bonds	503,390	67,530
Additions to property, plant and equipment and intangible assets	(515)	(202)
Cash used in investing activities	(298,104)	(188,210)
Net change in cash and cash equivalents	(98,543)	4,306
Cash and cash equivalents, beginning of year	132,130	127,824
Cash and cash equivalents, end of year	**33,587**	**132,130**

(The accompanying notes form part of these financial statements)

1. Principal Activity:

The Deposit Insurance 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. (All references made to legislation in the ensuing paragraphs unless specifically stated otherwise, relate to the Central Bank Act Chapter 79:02). The Corporation is a statutory body, the authorised capital of which is fixed by the Act in the amount of **$1,000,000**. However, an increase may be approved by the Minister to whom the responsibility for finance is assigned.
The Corporation's principal objective is to manage a Deposit Insurance 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. It should be noted that in accordance with Legal Notice No. 10, effective 17 January 2012, the maximum coverage limit was increased to **$125,000** per depositor in each capacity and right in each institution.

Section 44W of the Act authorises 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. Summary of Significant Accounting Policies:

(a) Basis of preparation

These financial statements are expressed in Trinidad and Tobago dollars, rounded to the nearest thousand and are prepared under the historical cost convention in accordance with International Financial Reporting Standards (IFRS).

(b) Use of estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Corporation's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(c) New Accounting Standards and Interpretations -

i) The Corporation has not early applied the following standards, revised standards and interpretations which are in issue but not yet effective:

<u>Effective for annual periods beginning on or after 1 January 2013</u>

IFRS 1	First-time Adoption of International Financial Reporting Standards - Government Loans
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other entities
IFRS 13	Fair Value Measurements
IAS 19	Employee benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

<u>Effective for annual periods beginning on or after 1 January 2014</u>

IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities

<u>Effective for annual periods beginning on or after 1 January 2015</u>

IFRS 9	Financial Instruments - Classification and measurement of financial assets
IFRS 9	Financial Instruments - Accounting for financial liabilities and derecognition.

The adoption of IFRS 9 Financial Instruments may result in significant changes in the Corporation's classification and presentation of financial instruments.

(d) Investments -

The Corporation has classified all investments into the following categories:

Available-for-sale

These securities are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, available-for-sale investments are measured at fair value with unrealised gains or losses recognised in the Investment Re-measurement Reserve.

For actively traded investments, fair value is determined by reference to the Stock Exchange quoted market prices at the Statement of Financial Position date, adjusted for transaction costs necessary to realise the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

Held to maturity

These are securities which are held with the positive intention of holding them to maturity and are stated at amortised cost less provisions made for any permanent diminution in value.

(e) Financial instruments -

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 recognised on the Corporation's Statement of Financial Position when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date on which the Corporation commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

(e) Financial instruments (cont'd) -

Impairment of financial assets

The Corporation assesses at each Statement of Financial Position 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 assets or group of financial assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

i) Significant financial difficulty of the issuer or obligor.

ii) A breach of contract, such as default or delinquency in interest or principal payments.

iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.

iv) The disappearance of an active market for that financial asset because of financial difficulties.

v) 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.

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 recognised are not included in a collective assessment of impairment.

(e) Financial instruments (cont'd) -

Impairment of financial assets (cont'd)

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

i) Financial assets measured at amortised cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate is recognised in the Statement of Comprehensive Income.

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 recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

ii) 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 recognised in the Statement of Comprehensive Income. These losses are not reversed.

Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

(e) Financial instruments (cont'd) -

Cash and cash equivalents

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

Accounts receivable

Accounts receivable are initially measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

Non-current assets

The security deposit attached to the rental agreement with Central Bank of Trinidad and Tobago has been presented as a non-current asset. The security deposit amounts to **$53,000**.

Accounts payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(f) Provisions

Provisions are recognised 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position 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.

(g) Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rates ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at year end average rates. Exchange gains and losses are reflected in the Statement of Net Comprehensive Income and Deposit Insurance Fund.

2. Summary of Significant Accounting Policies (Cont'd)

(h) Property, plant and equipment

Property, plant 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 computer equipment and software. The rates used are as follows:

Motor vehicles	-	25%	per annum
Furniture and fixtures	-	10%	per annum
Office equipment	-	15%	per annum
Leasehold improvements	-	33 1/3%	per annum

The method of depreciation on computer equipment and software is the straight-line method, however in fiscal 2011; the estimated useful life on computer equipment was changed from a period of five (5) years to four (4) years.

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

(i) 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 recognised as intangible assets in accordance with IAS 38 Intangible Assets. Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Computer software costs recognised as assets are amortised over their estimated useful lives of five (5) years.

(j) Comparative figures

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

(k) Levy of initial contributions and annual premia

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 (Section 44M) Bank.

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.

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.

(l) Exemption from the provisions of taxation and insurance legislation

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

3. 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, loans, customer deposits and other funding instruments. It should be noted that within fiscal 2013, notwithstanding the increase in the investment portfolio, Interest Earned decreased due to the continued fall in market interest rates.

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 profit or loss.

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.

3. Financial Risk Management (cont'd)

	2013					
	Effective Rate	Up to 1 year	2 to 5 years	Over 5 years	Non-Interest Bearing	Total
Financial Assets						
Cash and cash equivalent	0% to 2.5%	$ 7,835	$ 3,000	$ -	$ 22,752	$ 33,587
Held-to-maturity investment	0.3% to 12.25%	360,657	994,373	740,432	-	2,095,462
Other financial assets	0% to 12.25%	6,010	13,835	13,891	2,205	35,941
		374,502	1,011,208	754,323	24,957	2,164,990
Financial Liabilities						
Other financial liabilities		164	-	-	700	864
Net Gap		**374,338**	**1,011,208**	**754,323**	**24,257**	**2,164,126**
Cumulative Gap		**374,338**	**1,385,546**	**2,139,869**	**2,164,126**	

	2012					
	Effective Rate	Up to 1 year	2 to 5 years	Over 5 years	Non-Interest Bearing	Total
Financial Assets						
Cash and cash equivalent	0% to 2.5%	$ 127,923	$ -	$ -	$ 4,207	$ 132,130
Held-to-maturity investment	0.3% to 12.25%	343,472	802,366	660,418	-	1,806,256
Other financial assets	0% to 12.25%	30,297	106	-	1,223	31,626
		501,692	802,472	660,418	5,430	1,970,012
Financial Liabilities						
Other financial liabilities		162	-	-	1,562	1,724
Net Gap		**501,530**	**802,472**	**660,418**	**3,868**	**1,968,288**
Cumulative Gap		**501,530**	**1,304,002**	**1,964,420**	**1,968,288**	

3. Financial Risk Management (cont'd)

(b) Credit risk -

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date. The Corporation relies heavily on its written Accounting Procedures document.

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.

(c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Corporation has procedures with the object of minimising 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.

i) Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Corporation. The Corporation employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Corporation's assets.

To manage and reduce liquidity risk the Corporation's management actively seeks to match cash inflows with liability requirements.

ii) Liquidity gap

The Corporation's exposure to liquidity risk is summarised in the table below which analyses financial assets and liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

3. Financial Risk Management (cont'd)

	2013				
	Up to 1 year	2 to 5 years	Over 5 years	Undated	Total
Financial Assets					
Cash and cash equivalent	$ -	$ 3,000	$ -	$ 30,587	$ 33,587
Held-to-maturity investment	360,657	994,373	740,432	-	2,095,462
Other financial assets	6,003	13,835	13,891	2,212	35,941
	366,660	1,011,208	754,323	32,799	2,164,990
Financial Liabilities					
Other financial liabilities	164	-	-	700	864
Net Gap	**366,496**	**1,011,208**	**754,323**	**32,099**	**2,164,126**
Cumulative Gap	**366,496**	**1,377,704**	**2,132,027**	**2,164,126**	

	2012				
	Up to 1 year	2 to 5 years	Over 5 years	Undated	Total
Financial Assets					
Cash and cash equivalent	$ 12,800	$ -	$ -	$ 119,330	$ 132,130
Held-to-maturity investment	343,472	802,366	660,418	-	1,806,256
Other financial assets	30,297	151	-	1,178	31,626
	386,569	802,517	660,418	120,508	1,970,012
Financial Liabilities					
Other financial liabilities	162	-	-	1,562	1,724
Net Gap	**386,407**	**802,517**	**660,418**	**118,946**	**1,968,288**
Cumulative Gap	**386,407**	**1,188,924**	**1,849,342**	**1,968,288**	

3. Financial Risk Management (cont'd)

(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 recognised 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:

	30 September	
	2013	**2012**
	$'000	**$'000**
United States Dollars	**25**	**23**

(e) 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 minimise human error.

(f) 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.

(g) 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.

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Corporation's accounting policies. See Note 2 (b).

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 recognised in the Statement of Comprehensive Income 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 recognised in the financial statements, are as follows:

i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.

ii) Whether leases are classified as operating leases or finance leases.

iii) Which depreciation method for property, plant and equipment is used.

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 Statement of Financial Position 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 the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Property, Plant and Equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

5. Assets Under Administration:

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

• Commercial Finance Company 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 Company 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 30 September 2013. In relation to the table, the following points should be noted:

- Column (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.
- Column (B) – The liabilities at closure represent the total amount owing by the failed institutions, inclusive of deposit liabilities, as at the date of closure.
- Column (C) – Liabilities incurred represent liquidation expenses from the date of closure up to the end of the reporting period.
- Column (D) – Total realisations represent the amount received to date from the sale of liquidated assets.
- Column (E) – Total payments represent liquidation expenses paid and insurance payments recovered as at the reporting date.
- Column (B+C-E) – Remaining liabilities represent the balance due to unsecured creditors as at the reporting date.
- The legislation authorises the DIC to recover insurance paid from the sales proceeds of liquidated assets in priority to unsecured creditors.

Total Value of Assets at Closure	Total Liabilities at Closure	Total Liabilities incurred as at 30 September 2013	Total Realisations as at 30 September 2013	Total Payments as at 30 September 2013	Remaining Liabilities as at 30 September 2013
(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(B+C-E)**
$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
6,148,206	12,072,221	206,811	1,315,615	1,399,915	10,879,117

By High Court Order No. CV2010-01442 dated 17 October 2011 under the Honourable Justice Ronnie Boodoosingh, the Court ruled that Clico Investment Bank Limited be wound up under the provisions of the Companies Act, Chapter 18:01 and the Deposit Insurance Corporation was appointed Liquidator of the company. This appointment contributed to the significant increase in Liquidation Fees recorded for the previous financial year **($54: 2013; $210: 2012)**.

6. Cash and Cash Equivalents:

	30 September 2013 $'000	2012 $'000
Cash and bank balances	22,777	4,230
Term deposits	3,000	12,800
Money Market deposits	7,810	115,100
	33,587	**132,130**

7. Held-to-Maturity Investments:

	30 September 2013 $'000	2012 $'000
a. Current		
Corporate Bonds	22,358	22,575
Government Treasury Bills	-	93,584
Government Treasury Notes	207,351	115,519
Government Bonds	251,054	111,794
b. Non-Current	480,763	343,472
Corporate Bonds	55,482	74,188
Government Treasury Notes	336,864	254,783
Government Bonds	1,222,353	1,133,813
	1,614,699	1,462,784
	2,095,462	**1,806,256**

8. Accounts Receivable:

	30 September 2013 $'000	2012 $'000
Interest Receivable	33,643	30,220
Other Receivable	471	480
	34,114	**30,700**

9. Intangible Assets:

	30 September	
	2013	**2012**
	$'000	**$'000**
Computer Software		
Cost		
Balance at start of year	5,480	3,179
Transfer from Work-in-Progress	-	2,301
Balance at end of year	5,480	5,480
Accumulated Amortisation		
Balance at start of year	2,634	1,538
Charge for the year	1,003	1,096
Balance at end of year	3,637	2,634
Balance at end of year	**1,843**	**2,846**

10. Property, Plant and Equipment:

	Leasehold Improvements $'000	Motor Vehicles $'000	Furniture and Fixtures $'000	Office Equipment $'000	Computer Equipment $'000	Total $'000
Cost						
Balance as at 1 October 2012	370	579	627	402	837	2,815
Additions	21	410	2	10	72	515
Disposals	-	(350)	-	-	-	(350)
Balance as at 30 September 2013	391	639	629	412	909	2,980
Accumulated Depreciation						
Balance as at 1 October 2012	367	316	413	202	624	1,922
Charge for the year	8	131	21	32	116	308
Disposals	-	(202)	-	-	-	(202)
Balance as at 30 September 2013	375	245	434	234	740	2,028
Net Book Value						
Balance as at 30 September 2013	**16**	**394**	**195**	**178**	**169**	**952**
Balance as at 30 September 2012	**3**	**263**	**214**	**200**	**213**	**893**

10. Property, Plant and Equipment (Cont'd):

	Leasehold Improvements $'000	Motor Vehicles $'000	Furniture and Fixtures $'000	Office Equipment $'000	Computer Equipment $'000	Work-in-Progress $'000	Total $'000
Cost							
Balance as at 1 October 2012	370	579	627	268	700	2,370	4,914
Additions	-	-	-	65	137	-	202
Transfers	-	-	-	69	-	(2,370)	(2,301)
Balance as at 30 September 2013	370	579	627	402	837	-	2,815
Accumulated Depreciation							
Balance as at 1 October 2012	365	210	389	167	508	-	1,639
Charge for the year	2	106	24	35	116	-	283
Balance as at 30 September 2013	367	316	413	202	624	-	1,922
Net Book Value							
Balance as at 30 September 2013	**3**	**263**	**214**	**200**	**213**	**-**	**893**
Balance as at 30 September 2012	**5**	**369**	**238**	**101**	**192**	**2,370**	**3,275**

11. Personnel Expenses:

	30 September 2013 $'000	30 September 2012 $'000
Allowances	1,341	906
Salaries and overtime	4,291	3,288
Staff benefits	431	208
Directors' fees	310	299
Gratuity	-	-
Pension contributions	221	143
National Insurance contributions	161	144
Medical and Workmen Compensation Insurance	79	70
	6,834	5,058

In fiscal 2013, a provision for an increase in salaries and allowances was provided for in anticipation of the settlement of the Collective Agreement between the BIGWU and the Corporation for the bargaining period 2009-2011.

12. General and Administrative Expenses:

	30 September 2013 $'000	30 September 2012 $'000
Office rental and related expenses	951	881
Repairs and maintenance	12	38
Equipment rental	52	51
Property services	11	11
Motor vehicle	105	94
Information technology	293	286
Printing and stationery	79	48
Public relations and advertising	450	318
Telecommunications	182	159
Professional fees	521	108
Library services	6	12
Archiving	23	25
Meetings	18	21
Training and education	83	120
Foreign exchange loss	-	3
International Association of Deposit Insurers (IADI) membership fees	82	90
Management contract (Administrative services provided by the Central Bank of Trinidad and Tobago)	50	50
Conferences and official visits	433	233
Miscellaneous	12	18
	3,363	2,566

13. Retirement Benefits:

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 for 2013 were **$221,000.00** (2012: $143,000.00)

14. Related Party Transactions:

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 of Trinidad and Tobago.

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

Two (2) members represent the Central Bank of Trinidad and Tobago on the Board of Management of the Corporation.

(c) Current liabilities

	30 September 2013 $'000	2012 $'000
Personnel and administration expenses reimbursable to the Central Bank	187	480
	187	**480**

In fiscal 2012, the significant increase in Personnel and Administrative Expenses reimbursable to the Central Bank represents personnel expenses applicable to four employees in 2012 compared to one employee in 2013 and rental expenses payable for additional office accommodation.

(d) Operational arrangements between the Central Bank and the Corporation

During the financial year, the Central Bank provided under contract, office accommodation and other administrative services to the Corporation. The costs incurred for the year ended 30 September 2013 under these arrangements were **$1,001,000.00** (2012: $931,000.00). Limited commercial banking type facilities are also provided by the Central Bank.

(e) Key management personnel compensation

	30 September	
	2013	**2012**
	$'000	**$'000**
Short-term employee benefits	2,456	1,689
Post-employment benefits	105	46
	2,561	**1,735**

In fiscal 2013, Key Management Personnel Compensation represents amounts applicable to four employees in 2013 compared with three employees in 2012. The expense recorded in 2013 compared to 2012 also represents increases in salaries and allowances and related arrears payments made in 2013.

15. Employees:

At 30 September 2013 the Corporation had in its employ a staff of 18 persons (2012: 17).

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