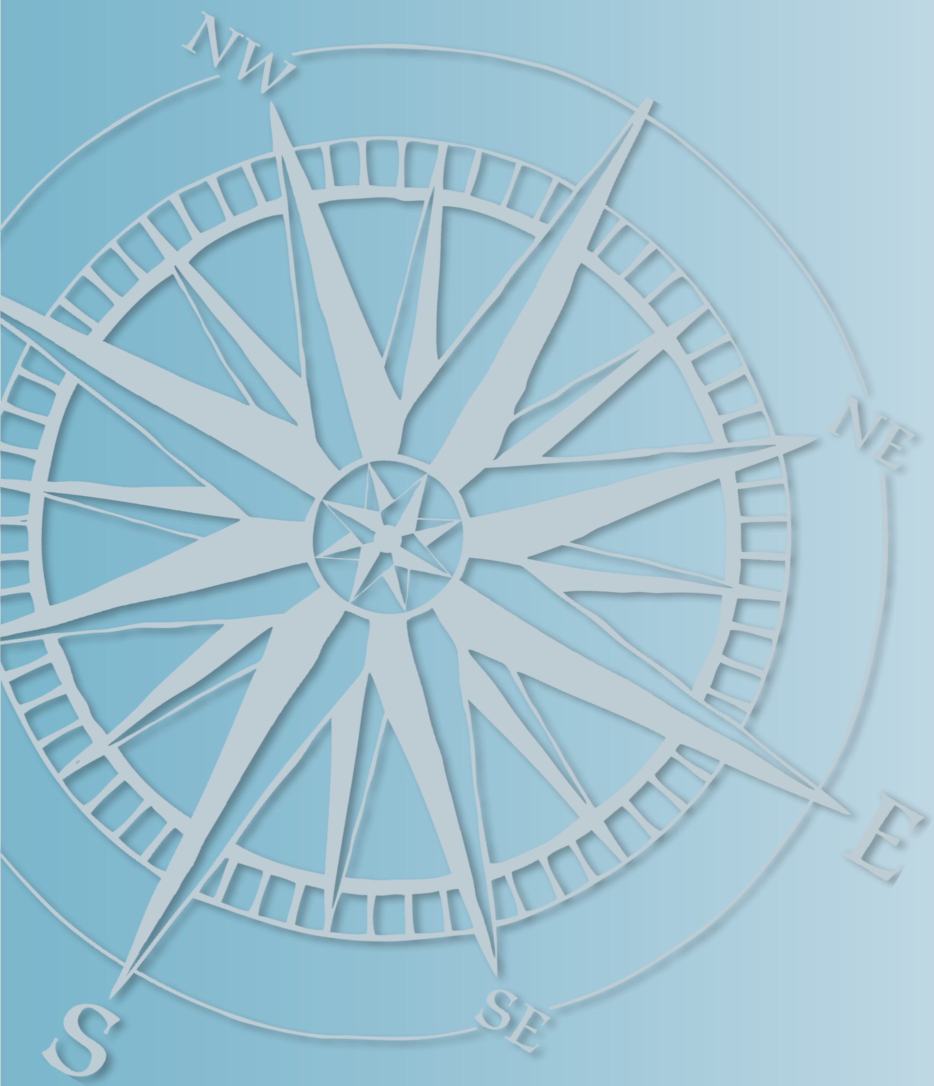
DEPOSIT INSURANCE CORPORATION



DEPOSIT INSURANCE CORPORATION

ANNUAL REPORT 2009

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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.

Depositors in all licensed financial institutions are insured up to a maximum of TT $75,000. 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. The DIC is empowered to borrow and special premiums may be levied on all member institutions should the demand on the Fund exceed its resources.

The Deposit Insurance System has contributed to the building of confidence in Trinidad and Tobago's financial institutions and the financial system as a whole. The Financial Institutions Act, 2008, and other improvements in the system of inspection and supervision of licensed financial institutions have also helped to reduce the risk of failure.

OUR VISION

"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."

OUR MISSION

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

DIC DEPOSIT INSURANCE CORPORATION

BACK OF ONION PAPER

Chairman's Remarks

THERE ARE TENTATIVE SIGNS IN THE FIRST FEW MONTHS OF 2010 THAT A WEAK ECONOMIC RECOVERY MAY BE UNDER WAY, WITH GROWTH CONCENTRATED IN THE ENERGY SECTOR.

The year 2009 proved to be a difficult and challenging one, as the global economy was plunged into recession following the international financial crisis that occurred in the previous year. The developed countries experienced a deep contraction in economic activity and a consequent sharp rise in unemployment levels, a result of a negative feedback loop between real activity and financial markets. The Governments and Central Banks of these countries responded by taking a wide range of policy actions that included large fiscal stimulus packages as well as monetary easing, aimed at stimulating real economic activity and providing additional capital support to the financial markets. Against this background, international institutions struggled to promote and provide financial support to developing countries affected by the crisis.

By the third quarter of 2009, the global economy had stabilised and some developed countries returned to positive if somewhat weak growth, although unemployment remained at elevated levels. The economic recovery has continued into the first half of 2010, led by emerging market countries in Asia and Latin America.

The countries in the Caribbean region were also buffeted by the global turmoil, many suffering steep declines in tourism and remittance inflows. Indeed, all of the Caribbean economies with the exception of Guyana, Suriname and Belize contracted in 2009. The latest data indicate that for 2010 a slow process of recovery has only just begun.

The Trinidad and Tobago economy did experience some indirect impact from the international crisis. As a result of a relatively high level of international reserves as well as fiscal space, the government was able to take policy action. In 2009, economic activity contracted by an estimated 3 per cent, reflecting weak performances in both the energy and non-energy sectors. Despite cuts in budgeted expenditure, the government recorded an overall deficit of 5.3 per cent of GDP for fiscal year 2008/2009, the first since 1993, which was mainly due to a drop in energy sector revenues. While some decline in gross official reserves was experienced, they remained sizeable, reaching the equivalent of about a year of import cover at the end of 2009. There are tentative signs in the first few months of 2010 that a weak economic recovery may be under way, with growth concentrated in the energy sector.

In 2009 the Central Bank of Trinidad and Tobago intervened in two financial institutions – Clico and Clico Investment Bank Limited (CIB) – under Article 44(D) of the Central Bank Act, in order to protect policy holders and contain financial contagion. In the case of CIB, depositors were given a choice between two options, either transfer their deposit accounts to First Citizens Bank Limited or to file claims under the depositor guarantee scheme with the Deposit Insurance Corporation (DIC). The majority of depositors opted for the former. The DIC settled one hundred and twenty-eight (128) claims for a total amount of TT$4.3 million.

The contagion effects from the difficulties faced by CL Financial Limited were well contained. The downturn experienced by the economy weakened credit quality, with a rise in banks' non-performing loans to 4 per cent of total loans by May 2010 from a low of 1 per cent in 2008. While this is a significant increase, it primarily reflects the situation of a few banks that lent heavily (through demand loans) to finance the construction of luxury apartments. Despite the rise in loan delinquency, the banking system remains fundamentally strong with more than ample capital (the capital/asset ratio stands at 22 per cent at the end of March 2010, well in excess of the 8 per cent regulatory requirement). Moving forward, considerable effort is being expended to fortify the legislative and supervisory framework in order to position the Central Bank to deal with potential risks in individual institutions and the financial system as a whole.

Over the past year, the DIC has undertaken initiatives that were designed to improve its responsiveness. Through the use of technology, the DIC was able to build new capacity as well as enhance existing capabilities; examples of these actions include automating part of the deposit insurance payout process with the implementation of an Insurance Payout System. Additionally, a Deposit Insurance Calculator has been added to the Corporation's website. The calculator is designed to be used as a major tool to increase the public's awareness and understanding of how deposit insurance works in Trinidad and Tobago. Indeed, since its launch, the calculator has been the second most visited webpage on the DIC's website. The Corporation is continuing to explore new and innovative means of meeting the changing demands of its various stakeholders.

The Board of Management and the staff remain committed to ensuring that the DIC can attain its goals, as well as, respond to challenges that may arise from the external environment. The Corporation has adopted a number of initiatives to shore up depositor confidence during these uncertain times and will continue to embark on projects that contribute to the financial stability of the sector. I am certain that we can go through these challenging times and not be defeated. In fact, the DIC with the enhancement of its capacity will move forward and face the many difficulties with confidence.

BOARD OF DIRECTORS

MR. EWART S. WILLIAMS
Chairman

MR. MICHAEL ALEXANDER
Director

Mr. Ewart S. Williams was appointed Governor of the Central Bank of Trinidad and Tobago in July 2002 following a thirty-year career with the International Monetary Fund (IMF). In his various positions at the IMF he has provided economic policy advice and hands-on policy support to many Governments and Central Banks in Africa, Latin America and the Caribbean.

During his Fund career he was the International Monetary Fund's (IMF) Resident Representative to Jamaica; Assistant Director in charge of Central America and Mexico; and Deputy Director in the Western Hemisphere Department. In 1988-89, he returned to this country for eighteen months, as the Advisor to then Central Bank Governor, Mr. William Demas, under a UNDP sponsored technical assistance Project.

Mr. Williams holds a Bachelor of Science Degree in Economics and a Masters in Economics from the University of the West Indies, and has a wealth of experience in monetary and fiscal affairs.■

Mr. Michael Alexander was appointed as a Director on the Board of the Deposit Insurance Corporation in February 2009.

He began his career with Barclays Bank – New York in 1976 and on his return home worked at the National Commercial Bank for three (3) years.

Mr. Alexander had been with the Trinidad and Tobago Unit Trust Corporation since its inception in 1982 and retired as the Executive Director in 2006. During this time he served as the Executive Manager, Investments and Trust Accounting and was the President of the Chaconia Fund Services. He also served on the Board of the Trinidad Cement Limited.

Educated at Queen's Royal College, he earned his Masters in Business Administration in Finance & Investments from the Baruch College of the City University of New York and has been in the financial industry for the last 30 years.

Presently, Mr. Alexander volunteers his time teaching and is a member of the Queen's Royal College Old Boys Association and the Harvard Club.■

MS. WENDY HO SING
Director

MR. MICHAEL S. MENDEZ
Director

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 (MBA) from York University, Ontario.

Ms. Ho Sing is a Trinidad and Tobago citizen who has spent over 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.■

Mr. Mendez aspires to bring his unique blend of training and experience to a team working collectively to impact positively on the socio-economic development in Trinidad and Tobago. He possesses extensive experience in social-economic policy analysis and formulation. Mr. Mendez was appointed Acting Deputy Permanent Secretary in the Ministry of Finance in 2007 following a thirty (30) year career with the Ministry.

Mr. Mendez joined the Ministry of Finance in 1978 as a Senior Research Officer. During his career at the Ministry, he was the Advisor to the Executive Director of the World Bank Group in Washington 2005-2006. Mr. Mendez holds an Executive Master of Business Administration from the Institute of Business, University of the West Indies and a Bachelor of Science, Economics from McMaster University, Hamilton, Ontario, Canada.■

MS. NICOLE CROOKS
Director

Ms. Nicole Crooks currently holds the position of Senior Manager Human Resource & Communications at the Central Bank of Trinidad and Tobago. She is an experienced Human Resource practitioner with over 15 years in the field. She is responsible for providing the senior leadership in the development and execution of creative human resource strategies. This involves planning, organising and directing the full range of human resource functions including recruitment, staffing and retention; compensation and benefits administration; performance and career management; competency development, training and succession planning; employee and industrial relations and change management.

Ms. Crooks has led the human resource function in diverse organisations having worked in unionised and

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
RBTT Bank Limited
RBTT Merchant Bank Limited
RBTT Trust Limited
Republic Bank Limited
Republic Finance and Merchant Bank Limited
Scotiabank Trinidad and Tobago Limited
Scotiatrust and Merchant Bank Trinidad and Tobago Limited

Board of Directors (continued)

non-unionised environments; medium and large sized companies in the financial services, manufacturing and energy sectors.

Ms. Crooks has also provided leadership of the Corporate Communications function with responsibility for developing and executing a strategy of open and direct communications with employees and key external stakeholders.

Ms. Crooks has several years experience as a senior management team member and a key contributor to policy formulation, strategic planning and budget development.

Ms. Crooks is a graduate of the University of the West Indies with a Bachelor of Science Degree in Management Studies (Upper Second Class Honours). She is also the holder of the Post Graduate Advanced Diploma in Human Resource Management from the UWI Institute of Business graduating with Distinction and as the Top Student. She possesses several insurance related qualifications from the Life Office Management Association including the FLMI (Fellow Life Management Institute) Distinction; ACS (Associate Customer Service) Honours and AIAA (Associate Insurance Agency Administration) Honours & Top Student in the world.

Ms. Crooks is passionate about the creation, maintenance and development of an employer of choice work environment characterised by a skilled, diverse and committed workforce with high employee retention and leadership potential. She adopts a hands-on approach and enjoys the day to day challenges of managing people.■

DIC Team

MR. JUNIOR FREDERICK
General Manager

MS. JACQUELINE FERMIN
Head, Corporate Services and Finance

(from L-R):

Ms. Allison Field,
Accounts Clerk

Mr. Anil Ramlochan,
Business Analyst

Mr. Eon Crichlow,
Technical Analyst

Ms. Jacqueline Davis-McKree,
Accounts Clerk

DIC TEAM





(from L-R):

Ms. Onifa Olusegun,
Hospitality Attendant

Ms. Yolande de Silva,
Secretary/Receptionist

Mr. Maurice Duprey,
Office Assistant/Driver

Ms. Gemma Henry,
Executive Secretary

Ms. Dixie-Ann Thom,
Secretary/Stenographer

DIC Team

(from L-R)
Ms. Ingrid White-Wilson,
Legal Counsel, Corporate Secretary

Mr. Noel Nunes,
Risk Assessment, Insurance and
Liquidations Officer

Ms. Nisha Mohit,
Risk Assessment Clerk

Ms. Crystal-Ann Graham,
Liquidations Clerk

MANAGEMENT DISCUSSION AND ANALYSIS 2009

DIC DEPOSIT INSURANCE CORPORATION

BACK OF ONION PAPER

Financial Highlights 2009

BALANCE SHEET

AS AT

	SEPT 30, 2009 $M	SEPT 30, 2008 $M	SEPT 30, 2007 $M	SEPT 30, 2006 $M	SEPT 30, 2005 $M
TOTAL ASSETS AT THE END OF THE YEAR	1,414.2 (14)	1,244.4 (14)	1,090.5 (14)	956.5 (14)	841.9 (13)
FUND BALANCE AT THE END OF THE YEAR	1,412.3 (14)	1,242.2 (14)	1,088.4 (14)	954.3 (14)	839.8 (13)
INVESTMENT PORTFOLIO	1,380.0 (14)	1,207.7 (14)	1,060.8 (15)	924.8 (13)	821.6 (14)

Notes: All values are denominated in Trinidad and Tobago dollars.
The figures in parenthesis represent percentage changes from the previous year. All are increases except where shown with (-).

STATEMENT OF NET INCOME AND DEPOSIT INSURANCE FUND

FOR THE YEAR ENDED

	SEPT 30, 2009 $M	SEPT 30, 2008 $M	SEPT 30, 2007 $M	SEPT 30, 2006 $M	SEPT 30, 2005 $M
NET INCOME FOR THE YEAR	170.0 (11)	153.8 (14)	134.2 (17)	114.4 (16)	98.6 (9)
INTEREST EARNED	102.8 (14)	90.5 (19)	76.3 (21)	62.9 (12)	56.7 (8)
PREMIUM INCOME	77.0 (13)	68.3 (14)	59.7 (20)	49.7 (17)	42.3 (5)
EXPENSES	6.9 (35)	5.1 (4)	4.9 (-4)	5.1 (1)	5.0 (34)

Notes: All values are denominated in Trinidad and Tobago dollars.
The figures in parenthesis represent percentage changes from the previous year. All are increases except where shown with (-).

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 is compulsory for all institutions licensed by the Central Bank of Trinidad and Tobago under the Financial Institutions Act, 2008.

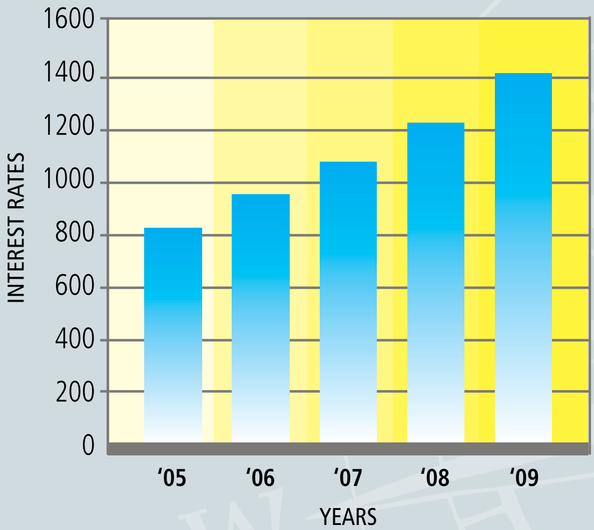
The balance on the Deposit Insurance Fund as at the 30th September, 2009 stood at $1,412.28 million, an increase of 14 per cent over the amount of $1,242.24 million existing at the corresponding date in 2008. Growth in the Fund from one year to another is generated mainly from premiums and interest income (after expenses). This amount remaining after operating expenses are covered, is referred to as Net Income and is a central item on the Statement of Net Income and Deposit Insurance Fund. The Statement shows the income earned and expenses incurred for the current and previous fiscal years, in addition to movements in the Deposit Insurance Fund during the same periods. The growth of the Fund over the past five years is illustrated in Chart I.

Net Income for the financial year ended 30th September, 2009 amounted to $170.0 million compared to $153.8 million year-on-year. This represented an increase of $16.2 million or 11 per cent higher than the previous financial year.

Total Income amounted to $180.8 million, an increase by $21.9 million in 2009 over 2008, whilst Total Expenses amounted to $6.9 million, an increase by $1.8 million compared to 2008. Within fiscal 2009, an amount of $3.8 million was paid to depositors of Clico Investment Bank representing settlement of claims. This amount was charged against net income resulting in reported Net Income in the amount of $170.0 million.

The two main contributors to income on the Statement of Net Income and Deposit Insurance Fund 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 closer detail.

Chart I DEPOSIT INSURANCE FUND



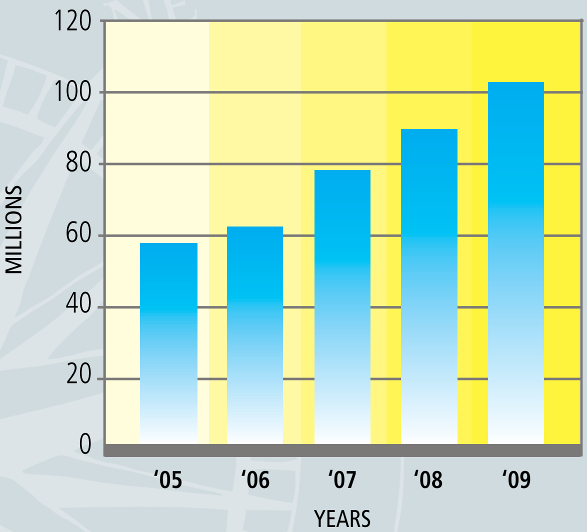
INTEREST INCOME

Interest or investment income is earned from the Corporation's investment portfolio. For the fiscal year ended 30th September 2009, the portfolio generated earnings of $102.8 million compared with $90.5

All dollar values found in this section represent Trinidad and Tobago dollars

million for the previous fiscal year, a rise of 14 per cent. The increase resulted primarily from the returns on new investments which were funded from annual premiums as well as the re-investment of income from previously established investments. Chart II below illustrates interest income earned over the past five years. Over fiscal 2009, market rates on short-term securities trended downwards from 7.8 per cent at the start of the period to 2.8 per cent at the end of the period. The average yield on the investment portfolio for the financial year ended 30th September, 2009 was 7.29 per cent compared with 8.19 per cent for the previous financial year.

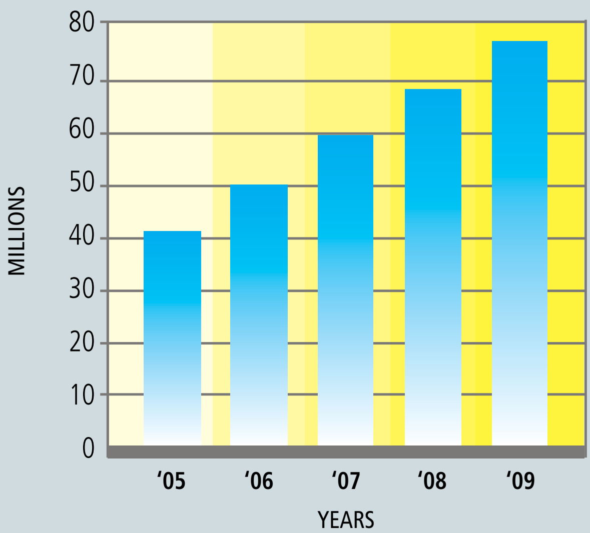
Chart II INTEREST INCOME



ANNUAL PREMIUMS

The Corporation is mandated by law to levy contributions to the Deposit Insurance Fund from each member institution, the first occurring six months after the institution attains membership status (initial contribution). Another levy follows twelve 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. For the initial contribution which must be matched equally by a contribution from the Central Bank, the rate is fixed at 0.4 per centum of the aggregate of the deposit liabilities whereas for the first and subsequent annual premia, 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.

Chart III PREMIUMS RECEIVED



Annual Premiums levied and collected from twenty four member institutions in fiscal 2009 amounted to $77.0 million compared with $68.3 million in fiscal 2008 from twenty five member institutions, an increase of 13 per cent. Chart III below illustrates the growth in annual premiums over the past five years.

The increase in annual premiums between 2008 and 2009 was as a result of the growth in deposit liabilities of member institutions between the calendar years

All dollar values found in this section represent Trinidad and Tobago dollars

2007 and 2008. (Annual Premiums for a calendar year are levied using a quarterly average of the prior calendar year's aggregate deposit liabilities to which a fixed rate is applied).

On the 31st January, 2009 the Central Bank exercised its statutory authority to intervene into the operations of Clico Investment Bank (CIB). The intervention was part of an overall Government bailout (restructuring) plan for four (4) major companies of the CL Financial Group. CIB was considered closed by the Central Bank and its membership within the Fund came to an end as of that date, as such, no premiums were levied on the institution for calendar year 2009.

Former CIB Depositors were given the option of transferring their deposit balances to First Citizens Bank or submitting a claim to the DIC and receiving a deposit insurance payout. Out of all the CIB depositors, only one hundred and twenty five (125) claims were received and settled by September, 2009 which amounted to $3.8 million.

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 to guide the Corporation's investment activities in terms of investment objectives and approved investment categories.

The primary investment objectives with respect to the management of the portfolio, which represents the Fund, are as follows:-

(i) Maintenance of Capital Security

This requires that all investments should 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 insurance payouts and conditions operating in the banking and financial sectors. To this end 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 in as short a time frame as possible, this should be undertaken subject to the other two (2) objectives described at (i) and (ii), above. A standard of what would be considered reasonable would be based on a margin above the risk free interest rate. It must be emphasized that growth of the Fund will be pursued only after it is determined that capital security is achieved and maintained.

The approved investment categories are as follows:-

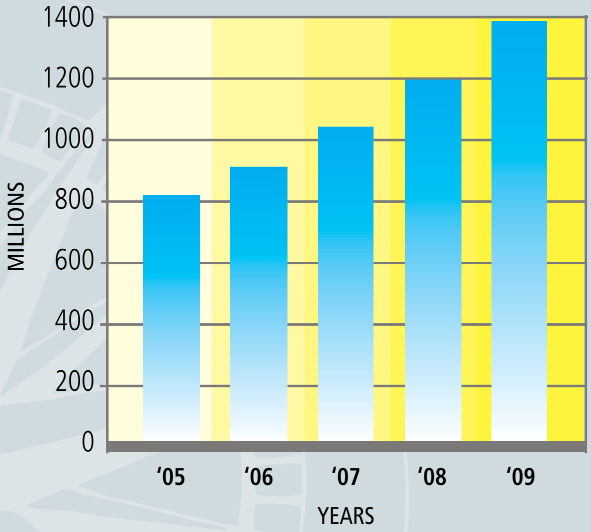
- Deposits in Member Institutions and fixed income mutual funds (0-20 per cent of the portfolio).
- Trinidad and Tobago Government Securities (20-100 per cent of the portfolio).
- Foreign Investments (0-30 per cent of the portfolio).

All dollar values found in this section represent Trinidad and Tobago dollars

(b) Status of the Investment Portfolio

The investment portfolio at 30th September, 2009 increased to $1,380.0 million from $1,207.7 million at the end of the previous fiscal year, an increase of 14 per cent. This increase mirrored the increase in the Deposit Insurance Fund balance during the corresponding period as growth of the Deposit Insurance Fund is largely represented by investment instruments. Chart IV illustrates the growth of the investment portfolio over the past five years.

Chart IV INVESTMENT PORTFOLIO



The investment mix changed year-on-year. At the end of fiscal 2009, 89 per cent of the portfolio was represented by Trinidad and Tobago Government Securities and 11 per cent in deposits in member institutions and money market investments placed with the Trinidad and Tobago Unit Trust Corporation and the Home Mortgage Bank. As at the end of fiscal 2008, the percentage holdings in these categories were 97 per cent in Government Securities and 3 per cent in deposits and money market investments. As mentioned previously, the average yield on the portfolio fell during fiscal 2009; 7.29 per cent as at the 30th September, 2009 compared to 8.19 per cent one year prior. This fall in yield was experienced across all categories of investments and was a reflection of the prevailing market conditions during fiscal 2009.

DEPOSITS

As the availability of government securities for purchase diminished within the secondary market, this led to a growth in deposits during fiscal 2009. As at the 30th September, 2009 deposit balances grew to $60.1 million compared to $28.4 million, one year prior; an increase by $31.7 million. Even more significant growth was experienced by fixed income mutual funds which had balances as at the 30th September, 2009 of $87.3 million compared to $7.4 million the previous year; an increase by $79.9 million.

GOVERNMENT SECURITIES

Approved Government Securities held by the Corporation include Treasury Bills, Treasury Notes and Government Bonds. During the financial year, holdings of Treasury Bills decreased by $108.4 million from $309.6 million which represented 25 per cent of the portfolio as at 30th September, 2008, to $201.2 million as at 30th September, 2009. This represented 15 per cent of the portfolio. The average yield on Treasury Bills was 4.10 per cent as at 30th September, 2009 compared to 7.67 per cent one year prior.

Holdings of Treasury Notes increased by $63 million, from $395.5 million as at 30th September, 2008 to $458.5 million as at 30th September, 2009. Treasury Notes represented 33 per cent of the portfolio as at the end of both fiscal periods and the average yield on Treasury Notes remained constant at 8.05 per cent from one fiscal period to the other.

All dollar values found in this section represent Trinidad and Tobago dollars

The Corporation's holdings of Government Bonds increased over the period under review from $466.9 million as at the end of fiscal 2008 to $572.9 million as at the end of fiscal 2009; an increase by $106 million. As at the end of fiscal 2009, Government Bonds represented 42 per cent of the portfolio compared to 39 per cent as at the end of fiscal 2008. The average yield on Government Bonds dropped from 8.21 per cent to 7.59 per cent year-on-year.

LIQUIDATION

Since its establishment, the Corporation has paid insurance claims to the depositors of eight institutions which were closed by the Central Bank. For each of these failures, the Corporation was the liquidator that was appointed. To date, three of the appointments have been completed and five institutions remain under the Corporation's purview. These five companies in liquidation are all awaiting resolution of legal matters before official winding up can be completed.

RISK ASSESSMENT

As indicated in our previous annual report 2007/2008, risk assessment will focus on research to upgrade key activities within the scope of the Corporation's existing legislation, pending the passage of legislative amendments necessary to enable the Corporation to incorporate the role to minimize exposure of loss to the Fund.

INTERNATIONAL OUTREACH

The Corporation's staff participated in the International Association of Deposit Insurers (IADI) conferences and meetings as follows:

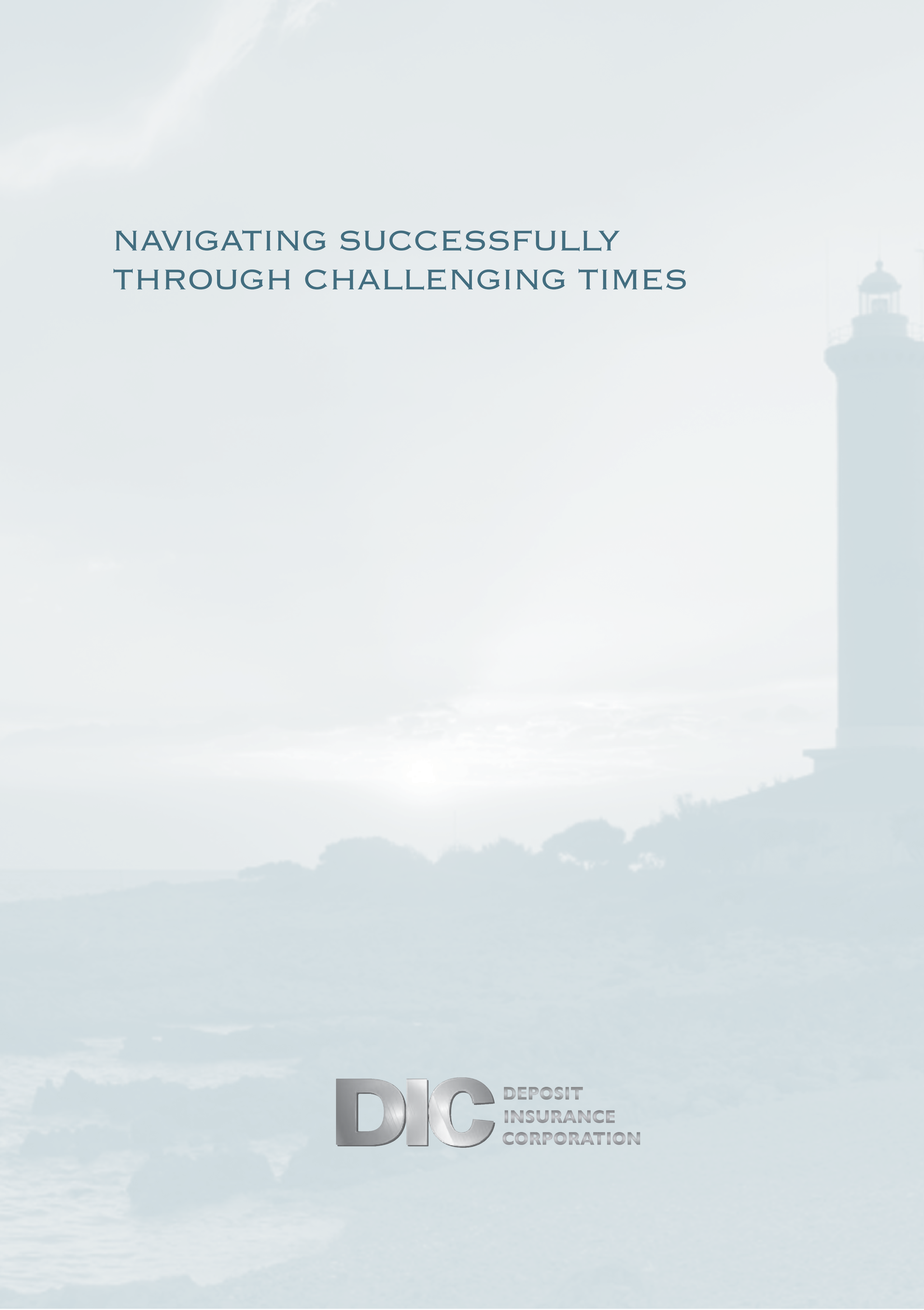
CONFERENCES/MEETINGS

- **IADI - 7th Annual Conference & Annual General Meeting, Standing Committees and Executive Council Meeting.**
  October - November, 2008 ▪ Washington, USA.
- **ADI - 8th Annual Conference & Annual General Meeting, Standing Committees & Executive Council Meeting.**
  September, 2009 ▪ Basel, Switzerland.
- **FSI-IADI-BCBS Conference on Core Principles for Effective Deposit Insurance Systems.**
  September, 2009 ▪ Basel, Switzerland.

CHANGES IN THE BOARD OF MANAGEMENT

Effective February, 2009 Mr. Ewart Williams was re-appointed for a three year term. In addition, two new directors, Mr. Michael Mendez and Mr. Michael Alexander joined the Board; both for a term of three years initially. Mr. Mendez represents the Ministry of Finance while Mr. Alexander represents the private/public sector possessing knowledge in financial management. Messrs. Mendez and Alexander replaced Ms. Shelley Collymore and Mr. Patrick Ferreira respectively. ■

All dollar values found in this section represent Triniad and Tobago dollars



NAVIGATING SUCCESSFULLY THROUGH CHALLENGING TIMES

DIC
DEPOSIT
INSURANCE
CORPORATION

BACK OF ONION PAPER

Navigating Successfully Through Challenging Times

While some economies were spared the direct impact of the Global Financial Crisis, despite the actions taken by Governments and Central Banks around the world to address the crisis, their actions were unable to prevent the negative impacts in real global output. Accordingly, as a deposit insurer we must contemplate these developments and respond appropriately- "Navigate the Global Financial and Economic Crisis". In response to the crisis, many deposit Insurers raised their coverage limits and others adopted full protection for deposits. Additionally, Government bailouts, restructuring plans, liquidity support and stimulus packages were introduced to bolster economic demand which was affected by the financial crisis. Further, some Governments also adopted nationalisation or takeover of banks to address the issues of stability, liquidity and confidence among others.

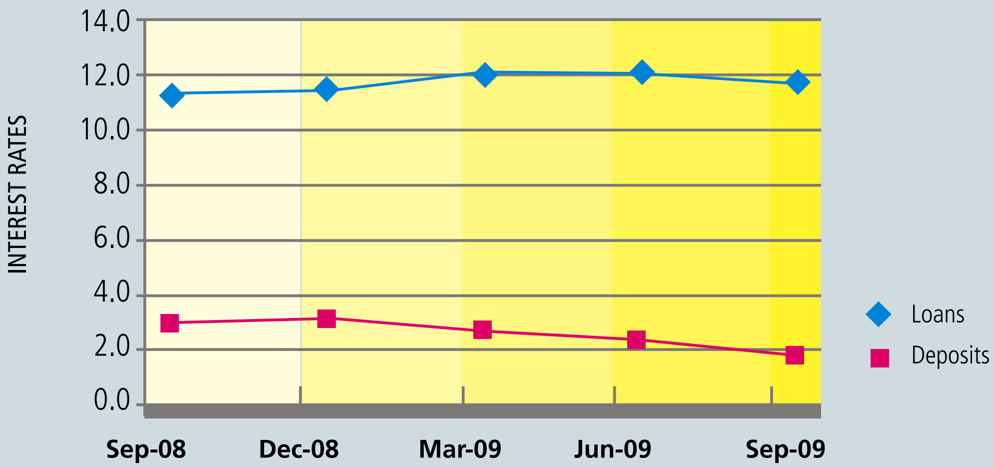
The Global Financial and Economic Crisis has left few economies unaffected. In April 2009, the leaders of the world's major economies assembled at the G20 Summit in ExCel Centre in London. The G20 nations committed to inject US$1 trillion into the world economy in an effort to curb the global financial crisis. The objective was to help spark a global recovery for financial markets.

In the local context, the Trinidad and Tobago's domestic banking system was fairly resilient during the past fiscal year, characterised primarily by the existence of excess liquidity. Total deposit liabilities (Banks and Non-Banks) grew by 27.9 per cent to TT$65,344.8 million, up from TT$51,093.7 million for the comparative period end September 30th, 2008[1].

Commercial Banks loans (net) decreased marginally to TT$43,878 million by 0.04 per cent from TT$43,897 million as at September 30th, 2008[2]. The loan concentration was spread among demand loans 42.1 per cent (43.1 per cent 2008), instalment 21 per cent (19.8 per cent 2008) and real estate 19.7 per cent (18.1 per cent 2008). The Prime lending rate declined by 150 basis points from 12.75 per cent to 11.25 per cent per annum. Lending rates of commercial banks increased marginally while deposit rates declined at a faster pace further widening the gap in interest rate spreads. The weighted average lending rate for commercial banks increased from 11.26 per cent as at September 30th 2008 to 11.79 per cent as at September 30th, 2009, up 53 basis points while the weighted average deposit rate for commercial banks decreased by 109 basis points from 2.88 per cent as at September 30th 2008 to 1.79 per cent as at September 30th, 2009. Spreads between lending and deposit rates widened to 10.00 per cent at September 2009 from 8.38 per cent one year earlier. (See Chart V)

1 Central Bank of Trinidad and Tobago Monthly Statistical Digest December 2009
2 Central Bank of Trinidad and Tobago Statistical Digest December 2009 Vol. IX No. 2

Chart V WEIGHTED AVERAGE LOAN AND DEPOSIT RATES FOR COMMERCIAL BANKS September 2008 to September 2009



On January 31st, 2009, the Central Bank of Trinidad and Tobago (CBTT) exercised its statutory power to intervene into the operations of Clico Investment Bank Limited (CIB). This intervention was part of an overall Government bailout (restructuring) package for four (4) major subsidiaries of the CL Financial Limited group of companies. The Central Bank action was intended to prevent contagion to other financial institutions. In response to Central Bank's closure of CIB, the Corporation did make a payout to depositors of the institution. While the local banking system was not directly impacted by the global financial crisis, there were several channels through which the crisis was transmitted to the real sectors of the domestic economy. Oil and Gas, the major drivers of the national economy experienced major declines in prices and this put downward pressure on the overall performance of the domestic economy.

Notwithstanding these local developments, the banking system remained well capitalized with an aggregate capital adequacy ratio of close to 18 per cent and relatively low level non-performing loans. The commercial banks high dependency on deposit liabilities as a source of liquidity to fund their loan portfolios has helped to limit the exposure of the domestic commercial banking system in Trinidad and Tobago. There were no changes to the deposit insurance coverage limit or to the payout time to reimburse depositors.

Further afield in the Caribbean region, the financial system in Jamaica did not have any failures. Some of the non-banking financial institutions did indicate minimal exposure and in this regard the Bank of Jamaica, in an unprecedented move, had actually stepped in and offered a guarantee on margin calls to these institutions.

UNITED STATES OF AMERICA

During our fiscal period ended September 30, 2009, one hundred and seven (107) FDIC insured institutions failed, up from fifteen (15) institutions in the comparative fiscal period 2007/2008. The number of institutions on FDIC's "Problem List" increased from one hundred and seventy-one (171) at the end of the 3rd quarter 2008 to five hundred and fifty-two (552) at the end of the third quarter in 2009. Additionally, assets of

3 FDIC Quarterly Banking Profile Third Quarter 2008; FDIC Quarterly Banking Profile First Quarter 2009; FDIC Quarterly Banking Profile Second Quarter 2009; FDIC Quarterly Banking Profile Third Quarter 2009.

the problem institutions also increased from US$115.6 billion to US$345.9 billion[3].

These bank failures negatively impacted the Deposit Insurance Fund's reserve ratio which declined from 0.76 per cent as at September 30, 2008 to – 0.16 per cent as at September 30, 2009. The FDIC insurance coverage limit stood at US$250,000 at our year end date. On Feb. 11, 2009, the US Congress gave final approval to a US$787 billion Bill, the American Recovery and Reinvestment Act.

CANADA

During the past fiscal year the Canadian Banking system did not have any failures. A high level of risk averse behaviour on the part of the Banks was the main factor that contributed to this position. In addition to the bank's conservative approach, other factors such as strong regulation, proactive deposit insurance, the strong policies adopted by the policy makers all played an important role in buttressing the Canadian financial system from fallout associated with the global financial crisis. A high risk-based capital ratio of 7 per cent tier 1 and 10 per cent total capital, less reliance on wholesale funding were instrumental. CDIC (Canada) has held its coverage limit at Canadian $100,000.

LATIN AMERICA

The financial crisis had a stark but varied effect on Latin American countries. The economies of major oil exporters like Venezuela and Mexico were buffered as prices rose through the early part of 2008. However, the oil price slump during the second half of the year had the reverse effect. Brazil, Argentina, and Ecuador were beset, to a lesser degree, by similar problems. Venezuela was forced to pare back its regional spending, which had been made possible in large part through commodity exports.

In response to the crisis, Columbia, Peru and Paraguay increased their coverage limits to US$9,270, US$27,800 and US$21,000 respectively. Additionally, Brazil experienced three (3) bank failures.

EUROPE (EU Countries only)

The leaders of Germany, France and other European nations combined massive infusions of capital with guarantees for short-term loans. The rolling wave of bailout announcements was the continent's first coordinated response to the global financial crisis.

The combined rescue packages of France and Germany, continental Europe's two largest economies, exceeded US$1 trillion, far more than the US$700-billion package approved by the United States earlier. France promised to make as much as US$490 billion in state funds available to keep the country's banks afloat, including US$54 billion for capital injections. Germany proposed a US$653-billion bailout package, the largest emergency program in Germany's postwar history and more than 1 1/2 times the government's entire 2008 budget. Under the plan passed by Parliament, US$109 billion would be earmarked for recapitalising the banks, and the remainder would take the form of loan guarantees. In the United Kingdom (UK), the Government announced a rescue package of £500 billion. Additionally extra capital was promised to eight of the largest banks and building societies in the UK in exchange for preference shares[4].

Together, Germany, France and the United Kingdom announced more than 163 billion euros (US$222 billion) of new bank liquidity and 700 billion euros (nearly US$1 trillion) in interbank loan guarantees[5].

Across the EU countries, deposit insurance coverage limits were raised in response to the crisis. Some EU countries increased their coverage limits to full blanket coverage with varying time limits (Austria – Dec 31, 2009, Denmark – Sept 30, 2010, Germany – Dec 30,

4 European Forum of Deposit Insurers. Deposit guarantee Coverage levels/payout limits in EU-27 in 2008, 2009 and early 2010

5 Sweeping bank bailouts unite Europe. Henry Chu and Christian Retzlaff, Times Staff Writers October 14, 2008.

2010, Greece – 3 years, Hungary – no time limit, Ireland – 2 years, Slovakia, Slovenia – Dec 31, 2010) while other EU countries increased their coverage limits to either 50,000 euros (Czech Republic, Estonia, Finland, Latvia, Poland, Romania, Sweden) or 100,000 euros (Spain, Lithuania, Luxembourg, Malta, Netherlands, Portugal). In addition to increasing deposit insurance coverage levels many EU countries also focused on reducing the payout time in some instances from 3 months to between 20 and 30 working days.

ICELAND

Iceland which has a population of just over 300,000 was one of the early victims of the financial crisis. In the fall of 2008, the wide spread financial difficulties experienced by Iceland arose in the wake of the global financial crisis. Three of the country's largest commercial banks had difficulties in refinancing their short-term debt. This lack of available credit, despite substantial assets, resulted in the government having to take the three banks into administration.

Against the backdrop of the financial system's disproportionate size in the Icelandic economy, investors began to pull out. The crisis in the financial sector spilled over into the rest of the Icelandic economy. Included among the effects were a 70 per cent loss in the value of the country's currency the króna, a 90 per cent decline in the value of the stock market and a sharp increase in the external debt, unemployment as well as inflation.

In response, Iceland formulated a comprehensive program to tackle the fallout from the crisis, for which it requested IMF support. On October 24, an IMF package totalling US$2.1 billion was announced under the Fund's fast-track emergency financing mechanism[6]. Landsbanki was nationalised and the government took control of Glitnir, another lending institution.

ASIA AND PACIFIC

Much of the spill over from the global financial crisis experienced in fiscal 2008 continued into fiscal 2009 with greater impact on the real economy. Gross Domestic Product in emerging Asia (excluding China and India) declined by as much as 15 per cent on a seasonally adjusted annualised basis in the 4th quarter of 2008. Much of Asia relies heavily on technologically sophisticated manufacturing exports, products for which demand had collapsed. At the same time Asia's financial ties with the rest of the world have deepened over the past decade, exposing the region to the forces of global deleveraging[7].

China's heavy dependence on international trade has exposed its economy to greater exogenous shocks arising from the Global Financial Crisis. This increase in international trade in the recent past pushed China to accumulate such huge foreign reserves which now stand at about US$1.95 trillion, with more than half invested in US government and agency bonds. China's economic fortunes are therefore now tied to global markets and world development. With the fall off in global demand for commodities, China had to adopt an economic stimulus package like other major economies around the world.

India has by and large been spared much of the turmoil associated with the fallout from the global financial crisis. India's growth has been largely domestically demand driven with relatively low reliance on foreign savings[8].

The Indian banking system has had no direct exposure to the sub-prime mortgage assets or to the failed institutions. It has very limited off-balance sheet

6 Bank Restructuring. Iceland Gets Help to Recover from Historic Crisis. Camilla Andersen. IMF Survey Online. December 2, 2008.
7 Regional Economic Outlook: Asia and Pacific Global Crisis The Asian Context. May 2009.
8 Global Financial Crisis and Key Risks: Impact on India and Asia. Rakesh Mohan, Deputy Governor Reserve Bank of India October 2008.

activities or securitised assets. In fact, banks operating in India continue to remain safe and healthy.

Despite the fact that India's financial system has had no direct exposure to the finanical crisis, India's rapid and growing integration into the global economy has resulted in increased vulnerability throughtout the real economy.

Recognising the depth and extraordinary impact of this crisis, India's central government invoked the emergency provisions of the Fiscal Responsibility and Budget Management (FRBM) Act to seek relaxation from the fiscal targets and launched two fiscal stimulus packages in December 2008 and January 2009[9].

SOUTH KOREA

Korea has been hit most severely by the Global Financial Crisis among Asian countries due to its dependency on large trade volumes and financial integration with the rest of the world.

Already weak investor confidence, further eroded following Lehman's failure, and foreign investors withdrew capital from South Korea at an accelerated pace. The flight of capital has been fueled by the emergence of a current account deficit of US$12.6 billion (January through August), chiefly the result of a falling trade surplus caused by high raw-materials prices.

It should be noted that bank balance sheets are far more robust than was the case during the financial crisis in Asia 10 years ago, although several have taken losses from exposure to U.S. markets. Despite this underlying robustness, South Korean banks are regarded as vulnerable. Their liquidity is being dented by slow deposit growth: Loan-to-deposit ratios rose from 150 per cent to 180 per cent in the second quarter[10].

The policy interest rate is likely to come down and a fiscal stimulus to be provided in the budget for next year.

TAIWAN

Taiwan, an export oriented economy, was not insulated from global economic (especially cyclical) factors. However, Taiwan's relatively healthy financial position with solid foreign currency reserves and a 5-8 per cent current account surplus should provide a buffer for the downturn. Their Economist Intelligence Unit expects Taiwan's economic growth to fall from a forecast of around 4 per cent in 2008 to 1.3 per cent in 2009.

Taiwan's growing economic dependence on China has its benefits. Growing consumption in China will help offset some of the drop in demand from the US, Europe and Japan.

Incidentally, Taiwan had one bank failure but this was related to problems that existed prior to the crisis. Additionally, the deposit insurance coverage limit was increased to full blanket guarantee for all insured financial institutions until December 21, 2010.

CONCLUSION

With all the advanced economies – the United States, Europe and Japan – having firmly gone into recession, the contagion of the crisis from the financial sector to the real sector has been unforgiving and total. Recent evidence suggests that contractionary forces are strong: demand has slumped, production is plunging, job losses are rising and credit markets remain illiquid. Of great concern is the outlook for world trade – the

9 Impact of the Global Financial Crisis on India. Collateral Damage and Response. (Speech delivered at the Symposium on "The Global Crisis and Challenges for the Asian Economy in a Changing World" Institute for International Monetary Affairs, Tokoyo, February 18, 2009. Duvvuri Subbarao, Governor)

10 Global Financial Crisis Hits South Korea. Oxford Analytica. Forbes.com

main channel through which the downturn has been transmitted – which is projected to contract by 2.8 per cent in 2009.

Governments have adopted stimulus packages, bank bailouts mainly through liquidity support in an effort to increase demand and restore confidence in the markets. Many jurisdictions adopted policies to enhance depositor protection differing both in terms of scope and intensity. Some jurisdictions, like Trinidad and Tobago, opted to rely on the existing framework of deposit insurance while others increased their coverage levels to strengthen private sector confidence. Other jurisdictions provided full depositor guarantees. Additionally, some jurisdictions even reduced the length of time taken to make payouts to depositors.

There are signs that the measures that have been introduced are beginning to take effect. However, this recovery brings to the fore the issue – when to implement an exit strategy. Timing exit policies correctly is challenging, because it is difficult to tell a policy-driven rebound from a genuine turning point in economic activity where the private sector is back to a self-sustaining expansion.

International coordination of exit strategies will be critical to a successful exit process. The rapid expansion of the crisis led to a global coordination of unprecedented policy measures. However, the recovery may be less synchronised. In particular, the leakage from fiscal policies could lead to free-rider problems and sub-optimal provision. Additionally, spillovers from monetary policies require careful coordination at the international level.

To ensure consistency of national policies, G20 leaders have agreed in Pittsburg on a process of mutual assessment. As part of this process the IMF is asked to report regularly to the G20 on global economic developments, patterns on growth, and suggested policy adjustments, building on its existing bilateral and multilateral surveillance analysis[11].

Notwithstanding the foregoing, the Deposit Insurance Corporation (Trinidad and Tobago) continues to monitor these global developments and has put measures in place to navigate what ever challenges that may arise in the future. ■

11 Impact of the Global Financial Crisis and Its Implications for the East Asian Economy. Keynote Speech by Mr. Takatoshi Kato Deputy Managing Director, International Monetary Fund At the Korea International Financial Association First International Conference Seoul, Korea, October 16, 2009.

FINANCIAL STATEMENTS 2009

DEPOSIT INSURANCE CORPORATION

BACK OF ONION PAPER

AUDITOR'S REPORT

PKF

Chartered Accountants
& Business Advisors

We have audited the accompanying financial statements of Deposit Insurance Corporation, which comprise the balance sheet as at 30 September 2009, the statements of net 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 notes.

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. 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.

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 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The previous year's financial statements were audited by the Auditor General's Department.

Port-of-Spain
TRINIDAD AND TOBAGO
28 January 2010

BALANCE SHEET

	Notes	30 September 2009 $'000	2008 $'000
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	6	147,627	36,633
Held-to-maturity investments - Current	7 (a)	346,427	418,156
Accounts receivable	8	31,541	35,074
Liquidation advances recoverable		–	15
Total Current Assets		525,595	489,878
NON-CURRENT ASSETS:			
Held-to-maturity investments – Non-current	7 (b)	886,150	753,638
Security deposit – Central Bank	2 (e)	29	29
Property, plant and equipment	9	2,418	864
Total Non-Current Assets		888,597	754,531
Total Assets		**1,414,192**	**1,244,409**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Current balance due to Central Bank	13 (c)	162	577
Accounts payable		749	595
Total Liabilities		**911**	1,172
EQUITY:			
Capital (authorised and paid up)	13 (a)	1,000	1,000
Deposit Insurance Fund		1,412,281	1,242,237
Total Equity		**1,413,281**	**1,243,237**
Total Liabilities and Equity		**1,414,192**	**1,244,409**

(The accompanying notes form part of these financial statements)

These audited financial statements have been approved by the Board of Directors on 25 February 2010 and signed on its behalf by:

Ewart Williams
Chairman

Michael Mendez
Director

STATEMENT OF NET INCOME & DEPOSIT INSURANCE FUND

	Notes	30 September 2009 $'000	2008 $'000
INCOME:			
Interest earned		102,829	90,537
Initial contributions and annual premia	2 (i)	77,038	68,261
Amortisation of discounts on investments		591	9
Gains on revaluation of investments		269	–
Foreign exchange gains		2	–
Liquidation/receivership fees		28	39
Other		7	8
		180,764	158,854
EXPENSES:			
Personnel	10	2,701	2,654
General and administrative	11	2,434	2,085
Foreign exchange losses		–	1
Amortisation of premiums on investments		1,477	87
Depreciation on property, plant and equipment	2(h), 9	325	237
		6,937	5,064
Net income		173,827	153,790
Less: Insurance claims (CIB depositors)		(3,783)	–
Net income for the year		170,044	153,790
Fund balance at beginning of year		1,242,237	1,088,447
Fund balance at end of year		**1,412,281**	**1,242,237**

(The accompanying notes form part of these financial statements)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Stated Capital $'000	Deposit Insurance Fund $'000	Total $'000
Balance as at 1 October 2007	1,000	1,088,447	1,089,447
Net income for the year	–	153,790	153,790
Balance as at 1 October 2008	1,000	1,242,237	1,243,237
Net income for the year	–	170,044	170,044
Balance as at 30 September 2009	**1,000**	**1,412,281**	**1,413,281**

(The accompanying notes form part of these financial statements)

STATEMENT OF CASH FLOWS

	Year Ended 30 September 2009 $'000	2008 $'000
Cash Flows from Operating Activities:		
Net income	173,827	153,790
Adjustments for:		
Amortisation of premiums on investments	1,477	87
Depreciation	325	237
Foreign exchange gains	(2)	–
Gains on revaluation of investments	(269)	–
Amortisation of discounts on investments	(591)	(9)
Operating surplus before working capital changes:	174,767	154,105
Net change in liquidation advances recoverable	15	223
Net change in accounts receivable	3,533	(6,341)
Net change in current balance due to Central Bank	(415)	55
Net change in accounts payable	154	51
Cash provided by operating activities	178,054	148,093
Cash Flows from Investing Activities:		
Net decrease in Government Treasury Bills – Local	108,381	45,383
Purchase of Government Treasury Notes	(143,438)	(395,559)
Proceeds from redemption of Government Treasury Notes	80,244	92,590
Purchase of Government Bonds – Local	(166,829)	(15,171)
Proceeds from redemption of Government Bonds	60,244	118,015
Additions to property, plant and equipment	(1,879)	(571)
Cash used in investing activities	(63,277)	(155,313)
Cash Flows from Financing Activities:		
Reduction in Deposit Insurance Fund	(3,783)	–
Cash used in financing activities	(3,783)	–
Net change in cash and cash equivalents	110,994	(7,220)
Cash and cash equivalents, beginning of year	36,633	43,853
Cash and cash equivalents, end of year	**147,627**	**36,633**

(The accompanying notes form part of these financial statements)

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2009

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 **$75,000.** 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, 1993.

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 applied the following IFRIC interpretations that became effective during the current year, as they do not apply to the activities of the Corporation:

IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

ii) The Corporation has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Corporation or have no material impact on its financial statements:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendment relating to cost of an investment on first time adoption (effective for accounting periods beginning on or after 1 January 2009).

NOTES TO THE FINANCIAL STATEMENTS
30TH SEPTEMBER, 2009 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **New Accounting Standards and Interpretations (continued)**

IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations (effective for accounting periods beginning on or after 1 January 2009).
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method (effective for accounting periods beginning on or after 1 July 2009).
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 July 2009).
IFRS 8	Operating Segments (effective for accounting periods beginning on or after 1 January 2009).
IAS 1	Presentation of Financial Statements – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 16	Property, Plant and Equipment – Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 19	Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 20	Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 23	Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 27	Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 28	Investment in Associates - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 29	Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 31	Interest in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 July 2009).
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009).
IAS 36	Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **New Accounting Standards and Interpretations (continued)**

IAS 38	Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 39	Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 40	Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IAS 41	Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2009).
IFRIC 15	Agreements for the Construction of Real Estate (effective for accounting periods beginning on or after 1 January 2009).
IFRIC 17	Distributions of Non-cash Assets to Owners (effective for accounting periods beginning on or after 1 July 2009).
IFRIC 18	Transfer of Assets from Customers (effective for accounting periods beginning on or after 1 July 2009).

(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 Balance Sheet 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 Balance Sheet when the Corporation becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS
30TH SEPTEMBER, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) **Financial instruments (continued)**

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.

Impairment of financial assets
The Corporation assesses at each Balance Sheet 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:

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) **Financial instruments (continued)**

Impairment of financial assets (continued)

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 asset's original effective interest rate is recognised in the Statement of 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 in recognised in the Statement of 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 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 Income.

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 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 **$29,250**.

Accounts payable

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

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 Balance Sheet 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 Income and Deposit Insurance Fund.

(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 over a period of five (5) years, which is being regarded as the estimated useful life of all computer related items.

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

(i) **Comparative figures**

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

(j) **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 Bank (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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) **Exemption from the provisions of taxation and insurance legislation**

The Corporation is exempt from the provisions of any Act relating to income taxation or company 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.

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

(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 Balance Sheet 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.

<u>Risk management</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2009

3. FINANCIAL RISK MANAGEMENT (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 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.

(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 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:

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 Balance Sheet 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 Balance Sheet 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 five (5) 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

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 Balance Sheet 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 2009. 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.

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2009

5. ASSETS UNDER ADMINISTRATION (continued)

- 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 (A)	TOTAL LIABILITIES AT CLOSURE (B)	TOTAL LIABILITIES INCURRED AS AT 30-SEP-2009 (C)	TOTAL REALISATIONS AS AT 30-SEP-2009 (D)	TOTAL PAYMENTS AS AT 30-SEP-2009 (E)	REMAINING LIABILITIES AS AT 30-SEP-2009 (B+C-E)
$'000	$'000	$'000	$'000	$'000	$'000
156,765	492,316	15,500	57,849	57,082	450,734

6. CASH AND CASH EQUIVALENTS

	30 September 2009 $'000	30 September 2008 $'000
Cash and bank balances	191	787
Term deposits	60,176	28,400
Money Market deposits	87,260	7,446
	147,627	**36,633**

7. HELD-TO-MATURITY INVESTMENTS

	30 September 2009 $'000	30 September 2008 $'000
(a) CURRENT		
Government Treasury Bills	201,220	309,601
Government Treasury Notes	65,026	70,900
Government Bonds	80,181	37,655
	346,427	**418,156**
(b) NON-CURRENT		
Government Treasury Notes	393,474	324,602
Government Bonds	492,676	429,291
Less: Provision for Diminution in Value	–	(255)
	886,150	753,638
	1,232,577	**1,171,794**

8. ACCOUNTS RECEIVABLE

	2009 $'000	2008 $'000
Interest Receivable	31,307	34,753
Other Receivable	234	321
	31,541	**35,074**

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2009

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements $'000	Motor Vehicles $'000	Furniture and Fixtures $'000	Office Equipment $'000	Computer Equipment $'000	Computer Software $'000	Work-in-Progress $'000	Total $'000
Cost								
Balance as at 1 October 2008	370	407	528	172	538	465	–	2,480
Additions	–	–	63	2	78	514	1,222	1,879
Balance as at 30 September 2009	370	407	591	174	616	979	1,222	4,359
Accumulated Depreciation								
Balance as at 1 October 2008	352	278	321	122	450	93	–	1,616
Charge for the year	6	32	27	8	56	196	–	325
Balance as at 30 September 2009	358	310	348	130	506	289	–	1,941
Net Book Value								
Balance as at 30 September 2009	**12**	**97**	**243**	**44**	**110**	**690**	**1,222**	**2,418**
Balance as at 30 September 2008	**18**	**129**	**207**	**50**	**88**	**372**	**–**	**864**

The Corporation purchased an Integrated Banking On-Line Solutions Package for **$1,022,600**. Payments spanned a two (2) year period over 2008 and 2009. In 2009, the Corporation commenced development of an Insurance Payout System. The contracted price of this package is **$1,936,420** and will be paid over a two (2) year period. Payments made as at 30 September 2009 are recorded as Work-in-Progress.

10. PERSONNEL EXPENSES

	30 September 2009 $'000	30 September 2008 $'000
Allowances	415	422
Salaries and overtime	1,794	1,709
Staff benefits	90	98
Directors' fees	98	128
Gratuity	77	86
Pension contributions	81	82
National Insurance contributions	98	82
Medical and Workmen Compensation Insurance	48	47
	2,701	**2,654**

The Corporation is engaged in negotiations for a new Collective Agreement for the period 2006 to 2008. No provision was made in the accounts to reflect increases in salaries and benefits as reasonable estimates did not exist as at the Balance Sheet date. Although negotiations commenced in May 2007, reasonable estimates representing increases have not yet been determined.

11. GENERAL AND ADMINISTRATIVE EXPENSES

	30 September 2009 $'000	30 September 2008 $'000
Office rental and related expenses	503	503
Repairs and maintenance	16	19
Equipment rental	46	46
Property services	9	9
Motor vehicle	69	61
Information technology	118	90
Printing and stationery	55	39
Public relations and advertising	772	614
Telecommunications	109	96
Professional fees	385	126
Library services	2	10
Archiving	14	13
Meetings	13	18
Training and education	30	90
International Association of Deposit Insurers (IADI) membership fees	65	63
Management contract (Administrative services provided by the Central Bank of Trinidad and Tobago)	50	50
Conferences and official visits	166	221
Miscellaneous	12	17
	2,434	**2,085**

NOTES TO THE FINANCIAL STATEMENTS

30TH SEPTEMBER, 2009

12. 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 2009 were **$81,000** (2008: $82,000).

13. 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 2009 $'000	30 September 2008 $'000
Personnel and administration expenses reimbursable to the Central Bank	162	577
	162	**577**

(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 2009 under these arrangements were $618,000 (2008: $609,000). Limited commercial banking type facilities are also provided by the Central Bank.

(e) **Key management personnel compensation**

	30 September 2009 $'000	30 September 2008 $'000
Short-term employee benefits	880	891
Post-employment benefits	87	87
	967	**978**

14. EMPLOYEES

At 30 September 2009 the Corporation had in its employ a staff of 16 persons (2008: 15).

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