

# Independent Auditors' Report and Financial Statements

*The financial statements of the Eastern Caribbean Central Bank comprise the statement of financial position as at March 31, 2023, the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.*

*The financial statements were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing (ISAs).*



## Independent auditors' report

To the Participating Governments of Eastern Caribbean Central Bank

### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eastern Caribbean Central Bank (the Bank) as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *What we have audited*

The Bank's financial statements comprise:

- the statement of financial position as at 31 March 2023;
- the statement of profit or loss for the year then ended;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

---

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

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

### *Independence*

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

---

### Other information

The Directors are responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditors' report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PricewaterhouseCoopers East Caribbean, P.O. Box 535, Ram's Complex, Bird Rock, St. Kitts  
T: (246) 626 6700, F: (246) 436 1275, [www.pwc.com/bb](http://www.pwc.com/bb)

A full listing of the partners of PricewaterhouseCoopers East Caribbean is available upon request.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

---

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

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

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

---

### **Auditors' responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

---

*PricewaterhouseCoopers*

Chartered Accountants  
29 June 2023

# **Eastern Caribbean Central Bank**

Financial Statements

**31 March 2023**

(Expressed in Eastern Caribbean dollars)



# Eastern Caribbean Central Bank

## Table of Contents

	Pages
Statement of Financial Position	1
Statement of Profit or Loss	2
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Changes in Equity	4 - 5
Statement of Cash Flows	6 - 7
Notes to the Financial Statements	8 - 119

---

# Eastern Caribbean Central Bank

## Statement of Financial Position

As of 31 March 2023

(Expressed in Eastern Caribbean dollars)

	Notes	31 March 2023 \$	31 March 2022 \$
<b>Assets</b>			
<b>Foreign assets</b>			
Regional and foreign currencies		137,783,494	155,391,151
Balances with other central banks	5	17,814,003	13,482,886
Balances with foreign banks	5	1,020,689	692,982
Money market instruments and money at call	6	1,125,192,909	780,769,312
Derivative financial instruments	7	-	60,473
Foreign investment securities	9	3,990,588,778	4,290,360,787
		<u>5,272,399,873</u>	<u>5,240,757,591</u>
<b>Domestic assets</b>			
Cash and balances with local banks		1,150,207	600,759
Domestic investment securities	9	624,186	624,186
Participating governments' securities	10	225,602,673	216,834,892
Participating governments' advances	11	152,201,810	91,017,282
Accounts receivable, prepaid expenses and other assets	12	30,401,927	30,928,080
Investments in associated undertakings using the equity method	13	26,764,949	26,692,155
Intangible assets	14	7,963,998	5,991,182
Property and equipment	15	186,706,837	183,990,157
Right-of-use assets	16	2,684,546	2,209,083
Pension asset	22	30,976,000	34,197,000
		<u>665,077,133</u>	<u>593,084,776</u>
<b>Total Assets</b>		<u>5,937,477,006</u>	<u>5,833,842,367</u>
<b>Liabilities</b>			
Demand and deposit liabilities - domestic	17	5,680,620,668	5,521,949,281
Demand and deposit liabilities - foreign	18	72,055,416	55,169,474
IMF government general resource accounts	19	1,176,612	1,256,870
Derivative financial instruments	20	485,367	1,595,349
Lease liabilities	16	2,918,573	2,414,020
		<u>5,757,256,636</u>	<u>5,582,384,994</u>
<b>Total Liabilities</b>		<u>5,757,256,636</u>	<u>5,582,384,994</u>
<b>Equity</b>			
General reserve		134,889,895	190,598,694
Other reserves	21	45,330,475	60,858,679
		<u>180,220,370</u>	<u>251,457,373</u>
<b>Total Equity</b>		<u>180,220,370</u>	<u>251,457,373</u>
<b>Total Liabilities and Equity</b>		<u>5,937,477,006</u>	<u>5,833,842,367</u>

Approved for issue by the Board of Directors on 29 June 2023 and signed on its behalf by:

 Governor  Director, Accounting Department

The notes on pages 8 to 119 are an integral part of these financial statements.

# Eastern Caribbean Central Bank

## Statement of Profit or Loss

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
Interest income	26	<b>90,053,738</b>	40,417,716
Interest expense	26	<b>(1,610,296)</b>	(164,949)
<b>Net interest income</b>		<b>88,443,442</b>	40,252,767
Commission income – foreign transactions		<b>9,414,149</b>	6,662,083
Commission income – other transactions		<b>5,316,992</b>	4,026,103
Net losses on sale of foreign investment securities at fair value through other comprehensive income (FVOCI)	9	<b>(35,247,720)</b>	(3,063,789)
Net losses on foreign investment securities at fair value through profit or loss (FVTPL)	27	<b>(44,115,415)</b>	(25,532,215)
Other income	28	<b>4,566,773</b>	7,055,015
<b>Operating income</b>		<b>28,378,221</b>	29,399,964
Salaries, pensions and other staff benefits	29	<b>39,024,868</b>	39,363,057
Currency expenses		<b>3,472,368</b>	4,086,625
Amortisation	14	<b>957,798</b>	900,176
Depreciation	15, 16	<b>7,097,894</b>	6,064,033
Administrative and general expenses	31	<b>31,836,379</b>	24,189,271
Net impairment losses on financial assets	30	<b>1,194,873</b>	6,475,644
<b>Operating expenses</b>		<b>83,584,180</b>	81,078,806
<b>Operating loss for the year</b>		<b>(55,205,959)</b>	(51,678,842)
Share of net profit of associates	13	<b>685,160</b>	2,579,828
<b>Net loss for the year</b>		<b>(54,520,799)</b>	(49,099,014)

*The notes on pages 8 to 119 are an integral part of these financial statements.*



# Eastern Caribbean Central Bank

## Statement of Profit or Loss and Other Comprehensive Income

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

	Notes	2023 \$	2022 \$
<b>Net loss for the year</b>		<b>(54,520,799)</b>	(49,099,014)
<b>Other comprehensive loss:</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement loss on defined benefit pension plan	22	<b>(4,409,000)</b>	(7,565,000)
<i>Items that are or may be subsequently reclassified to profit or loss</i>			
Net losses from changes in the fair value of foreign debt investment securities at FVOCI	21	<b>(47,368,141)</b>	(140,325,169)
Losses on sale of foreign debt investment securities at FVOCI recycled to profit or loss	9	<b>35,247,720</b>	3,063,789
Expected credit losses (reversals) on foreign debt investment securities at FVOCI	21	<u><b>(186,783)</b></u>	<u>190,097</u>
<b>Total other comprehensive loss for the year</b>		<u><b>(16,716,204)</b></u>	<u>(144,636,283)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(71,237,003)</b></u>	<u>(193,735,297)</u>

*The notes on pages 8 to 119 are an integral part of these financial statements.*

# Eastern Caribbean Central Bank

## Statement of Changes in Equity

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

	Retained Earnings \$	General Reserve \$	Capital Reserve \$	Revaluation Reserve: Property and Equipment \$	Revaluation Reserve: Investment Securities \$	Export Credit Guarantee Fund \$	Self- Insurance Reserve Fund \$	Pension Reserve \$	Total \$
<b>Balance, 31 March 2022</b>	-	190,598,694	6,537,928	118,910,732	(115,084,402)	1,808,877	14,488,544	34,197,000	251,457,373
Net loss for the year	(54,520,799)	-	-	-	-	-	-	-	(54,520,799)
Remeasurement loss on defined benefit pension plan (note 22)	-	-	-	-	-	-	-	(4,409,000)	(4,409,000)
Net change in fair value of investment securities at FVOCI	-	-	-	-	(12,307,204)	-	-	-	(12,307,204)
<b>Total comprehensive loss</b>	(54,520,799)	-	-	-	(12,307,204)	-	-	(4,409,000)	(71,237,003)
Allocation from general reserve	55,708,799	(55,708,799)	-	-	-	-	-	-	-
Allocation to pension reserve (note 21)	(1,188,000)	-	-	-	-	-	-	1,188,000	-
<b>Balance, 31 March 2023</b>	-	134,889,895	6,537,928	118,910,732	(127,391,606)	1,808,877	14,488,544	30,976,000	180,220,370

*The notes on pages 8 to 119 are an integral part of these financial statements.*

# Eastern Caribbean Central Bank

Statement of Changes in Equity *(continued)*

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

	Retained Earnings \$	General Reserve \$	Capital Reserve \$	Revaluation Reserve: Property and Equipment \$	Revaluation Reserve: Investment Securities \$	Export Credit Guarantee Fund \$	Self- Insurance Reserve Fund \$	Pension Reserve \$	Total \$
<b>Balance, 31 March 2021</b>	-	241,335,708	6,537,928	118,910,732	21,986,881	1,808,877	14,488,544	40,124,000	445,192,670
Net loss for the year	(49,099,014)	-	-	-	-	-	-	-	(49,099,014)
Remeasurement loss on defined benefit pension plan (note 22)	-	-	-	-	-	-	-	(7,565,000)	(7,565,000)
Net change in fair value of investment securities at FVOCI	-	-	-	-	(137,071,283)	-	-	-	(137,071,283)
<b>Total comprehensive loss</b>	(49,099,014)	-	-	-	(137,071,283)	-	-	(7,565,000)	(193,735,297)
Allocation from general reserve	50,737,014	(50,737,014)	-	-	-	-	-	-	-
Allocation to pension reserve (note 21)	(1,638,000)	-	-	-	-	-	-	1,638,000	-
<b>Balance, 31 March 2022</b>	-	190,598,694	6,537,928	118,910,732	(115,084,402)	1,808,877	14,488,544	34,197,000	251,457,373

*The notes on pages 8 to 119 are an integral part of these financial statements.*

# Eastern Caribbean Central Bank

## Statement of Cash Flows

For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

	Notes	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Net loss for the year		(54,520,799)	(49,099,014)
Adjustments for:			
Depreciation of property and equipment	15	6,309,524	5,336,227
Depreciation of right-of-use assets	16	788,370	727,806
Amortisation of intangible assets	14	957,798	900,176
Net loss (gain) on sale of foreign investment securities at FVOCI	9	35,247,720	3,063,789
Share of profit of associates	13	(685,160)	(2,579,828)
Net pension cost during the year	29	1,701,000	1,177,000
Gain on sale of property and equipment	28	(8,631)	725
Net losses on foreign investment securities at FVTPL	27	46,937,350	23,432,278
Net impairment losses on financial assets	30	1,194,873	6,475,644
Interest income	26	(90,053,738)	(40,417,716)
Interest expense – demand and deposit liabilities	26	1,457,982	-
Interest expense on lease liabilities	26	152,314	164,949
<b>Cash flows used in operations before changes in operating assets and liabilities</b>		<b>(50,521,397)</b>	<b>(50,817,964)</b>
Changes in operating assets and liabilities			
Term deposits		-	1,124,419
Money market instruments	6	167,985,238	(15,786,877)
Participating governments' securities	10	(8,645,491)	(6,313,095)
Participating governments' advances	11	(60,759,671)	66,612,126
Accounts receivable and prepaid expenses	12	(886,343)	(2,056,482)
Derivative financial asset	7	60,473	26,920
Derivative financial liabilities	20	(1,109,982)	937,833
Demand and deposit liabilities - domestic and foreign	17, 18	175,557,329	585,009,383
IMF government general resource accounts	19	(80,258)	60,910
<b>Cash from operations before interest and pension contributions</b>		<b>221,599,898</b>	<b>578,797,173</b>
Interest received		87,459,663	47,870,038
Interest paid		(1,610,296)	(164,949)
Pension contributions paid		(2,889,000)	(2,815,000)
<b>Net cash generated from operating activities</b>		<b>304,560,265</b>	<b>623,687,262</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	15	(9,292,781)	(8,659,640)
Purchase of intangible assets	14	(2,665,156)	(2,971,268)
Proceeds from sale of property and equipment		9,750	200
Proceeds from sales and maturities of foreign investment securities at FVOCI		2,655,464,534	4,304,324,266
Purchase of foreign investment securities at FVOCI		(2,684,596,821)	(4,832,522,003)
Purchase of foreign investment securities at FVTPL		(120,795,390)	(182,878,449)
Principal collections on foreign investment securities at FVTPL		30,491,473	82,298,396
Proceeds from sale of foreign investment securities at FVTPL		325,146,786	112,687,044
Dividends received from associates	13	612,366	746,654
<b>Net cash generated from (used in) investing activities</b>		<b>194,374,761</b>	<b>(526,974,800)</b>

# Eastern Caribbean Central Bank

Statement of Cash Flows (*continued*)

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## Cash flows from financing activities

Repayment of lease liabilities	16	<u>(759,280)</u>	<u>(650,371)</u>
<b>Net cash used in financing activities</b>		<u><b>(759,280)</b></u>	<u><b>(650,371)</b></u>
Net increase in cash and cash equivalents		<b>498,175,746</b>	96,062,091
Cash and cash equivalents, beginning of year	25	<u><b>689,502,233</b></u>	<u>593,440,142</u>
<b>Cash and cash equivalents, end of year</b>	25	<u><b>1,187,677,979</b></u>	<u>689,502,233</u>

*The notes on pages 8 to 119 are an integral part of these financial statements.*

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 1. Incorporation and principal activity

The Eastern Caribbean Central Bank (“ECCB” or the “Bank”) was established under the Eastern Caribbean Central Bank Agreement Act 1983 (the “Act”) on July 5, 1983 with the ratification of the Act by Governments participating in the Eastern Caribbean Currency Authority (the “Authority”). In accordance with Article 54(2) of the Act, the ECCB was formally established on October 1, 1983 on which date the Authority ceased to exist. Effective from that date, all the assets and liabilities of the Authority, together with all its rights and obligations that are consistent with the provisions of the Act were deemed to have been transferred to and vested in the Bank.

The principal activity of the ECCB is to issue, manage and safeguard the international value of the Eastern Caribbean currency, to regulate the availability of money and credit, to promote and maintain monetary stability and a sound financial structure, and to promote economic development in the territories of the Participating Governments.

The Participating Governments include Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, Saint Christopher (St Kitts) and Nevis, Saint Lucia and Saint Vincent and the Grenadines, which also compose the Eastern Caribbean Currency Union (“ECCU”).

The primary office of the ECCB is at Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis and its agency offices are located in the other seven member territories.

## 2. Summary of significant accounting policies

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

### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, except for the following:

- Financial assets measured at fair value through other comprehensive income;
- Financial assets and liabilities measured at fair value through profit or loss;
- Land and buildings measured at fair value.

On the statement of financial position, domestic assets and liabilities are those which are located within the Eastern Caribbean Currency Union, and include certain regional assets and liabilities, which are located within other Caribbean territories. Foreign assets and liabilities are those which are located outside of the Caribbean.

The financial statements were authorised for issue by the Board of Directors on 29 June 2023.

Neither the Bank’s member governments nor others have the power to amend the financial statements after issue.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies (*continued*)

### a) Basis of preparation (*continued*)

#### **New standards, interpretations and amendments to existing standards effective in the current financial year**

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Bank has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following are relevant to its operations:

**Amendments to IAS 37, Provision, Contingent Liabilities and Contingent Assets** (effective for annual periods beginning on or after 1 January 2022) and clarifies those costs that comprise the costs of fulfilling the contract. The amendments clarify that the ‘costs of fulfilling a contract’ comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the ‘incremental cost’ approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. This amendment had no impact on the financial statements of the Bank.

**Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before Intended Use** (effective for annual periods beginning on or after 1 January 2022). The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. This amendment had no material impact on the financial statements of the Bank.

**Annual Improvements to IFRS Standards 2018-2020** cycle contain amendments to certain standards. Those standards that affect the Bank’s operations are *IFRS 9 Financial Instruments and IFRS 16 Leases* (effective for annual periods beginning on or after 1 January 2022).

- (i) IFRS 9, Financial Instruments amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.
- (ii) IFRS 16, Leases amendment removes the illustration of payments from the lessor relating to leasehold improvements.

These amendments had no significant impact on the Bank’s financial statements.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies (*continued*)

### a) Basis of preparation (*continued*)

#### **New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted**

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued, which are not yet effective and have not been early-adopted by the Bank. The ECCB has assessed and determined that the following new and amended standards and interpretations are relevant to its operations.

**Amendments to IAS 1, Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgements** (effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 1 require entities to disclose their material accounting policies rather than their significant accounting policies. The amendments aim to help entities provide useful accounting policy disclosures. The key amendments include:

- requiring companies to disclose their material accounting policies instead of their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

The amendments are consistent with the following refined definition of material:

*“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those statements.”*

To support the amendments to IAS 1, the IASB also amended IFRS Practice Statement 2, Making Materiality Judgements”, to provide guidance on the concept of materiality and its application to accounting policy disclosures.

The Bank is currently assessing the impact of these amendments on the Bank’s financial statements.

**Amendments to IAS 8, Definition of Accounting Estimates Accounting Policies, Changes in Accounting Estimates and Errors** (effective for annual periods beginning on or after January 1, 2023). The amendments clarify how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively. The amendments also clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The Bank is currently assessing the impact of these amendments on the Bank’s financial statements.



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### a) Basis of preparation *(continued)*

**New standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted** *(continued)*

**Amendments to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-current**, will apply retrospectively for annual reporting periods beginning on or after 1 January 2024. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance.

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as noncurrent if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability. If a liability has any conversion options, then those generally affect its classification as current or noncurrent, unless these conversion options are recognized as equity under IAS 32, Financial Instruments: Presentation.

The Bank does not expect the amendments to have a significant impact on its financial statements.

**Amendments to IAS 1/IFRS 16, Leases – Lease Liability in a Sale and Leaseback** (effective for annual periods beginning on or after January 1, 2024). The amendments require a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction as follows:

- On initial recognition, include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognized.

Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

The Bank does not expect the amendments to have a significant impact on its financial statements.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies (*continued*)

### b) Associates

Associates are all entities over which the Bank has significant influence but not control, generally accompanied by a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Bank's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in other comprehensive income or loss is recognised in other comprehensive income or loss with a corresponding adjustment to the carrying amount of the investment.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Bank's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Bank determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit (loss) of associates' in the statement of profit or loss.

Unrealised gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For the preparation of the financial statements, common accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the statement of profit or loss.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### c) Fair value measurement

The Bank measures financial instruments, such as investment securities, certain money market instruments and derivatives at fair value at each financial reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or the liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

IFRS 13 requires that the fair value of a liability or equity instrument of the entity be determined under the assumption that the instrument would be transferred on the measurement date, but would remain outstanding. Accordingly, the fair value of a liability must take account of non-performance risk, including the entity's own credit risk.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described in Note 3(e).

### d) Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, income and expenses. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Actual results may differ from those estimates.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### d) Use of judgements and estimates *(continued)*

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### e) Foreign currency translation

#### **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the ECCB operates (the “functional currency”). The financial statements are presented in Eastern Caribbean dollars, which is the ECCB’s functional and presentation currency.

#### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Changes in fair value of monetary securities denominated in foreign currency are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income or loss.

All foreign exchange gains and losses recognised in the statement of profit or loss are presented net. Foreign exchange gains and losses on other comprehensive income or loss items are presented in other comprehensive income or loss.

### f) Comparative information

The Bank’s financial statements provide comparative information in respect of the preceding period for all amounts reported in the current period. Except when an IFRS permits or requires otherwise, comparative information shall be disclosed in respect of the preceding period for all amounts reported in the financial statements. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities

#### (i) *Initial recognition and measurement of financial assets and liabilities*

A financial instrument (financial asset or financial liability) is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are initially recognised on the settlement date, which is the date that an asset is delivered to or by the Bank. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition or issue of the instrument, such as fees and commissions. Subsequent measurement of financial assets and financial liabilities is described below.

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

The Bank classifies its financial assets in the following measurement categories based on the business model for managing the assets and the assets' contractual cash flow characteristics under IFRS 9:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVTPL).

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other equity investments are classified as measured at FVTPL.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### (ii) *Classification and measurement of financial assets (continued)*

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### (iii) *Business model assessment*

Business model assessment entails a determination of the way financial assets are managed in order to generate cash flows. There are three business models available under IFRS 9:

- Hold to collect: it is intended to hold the asset to maturity to earn interest, collecting repayments of principal and interest from the counterparty.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity elects to sell some or all of the assets before maturity as circumstances change or to hold the assets for liquidity purposes.
- Other: all those models that do not meet the 'hold to collect' or 'hold to collect and sell' qualifying criteria.

The assessment of business model requires judgement based on facts and circumstances at the date of initial application. The business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios per instrument type and is based on observable factors.

The Bank determines its business model at the portfolio level (foreign reserves and domestic assets portfolios) as this best reflects the way the Bank manages its financial assets to achieve its business objective. The Bank's business model assessment considers the following qualitative and observable factors:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolios is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how asset managers are compensated (e.g. whether compensation is based on the fair value of the asset managed or the contractual cash flows collected); and

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(iii) Business model assessment (continued)*

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

#### *(iv) Assessment of whether contractual cash flows are solely payments of principal and interest*

The second criteria in the classification process is the Bank's assessment of the contractual terms of financial assets to determine whether they meet the solely payments of principal and interest (SPPI) test. Contractual cash flows that represent solely payments of principal and interest on the principal amount outstanding are consistent with basic lending arrangements.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic lending risks (e.g. liquidity risk) and costs (e.g. administrative costs) associated with holding the financial asset for a particular period of time, and a profit margin that is consistent with a basic lending arrangement.

If a financial asset is held in either a 'Hold to Collect' or a 'Hold to Collect and Sell' business model, then assessment to determine whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding at initial recognition is required to determine the classification. The SPPI test is performed on an individual instrument basis.

In assessing whether the contractual cash flows are SPPI, the Bank considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument, which could affect whether the instrument is considered to meet the SPPI test. If the SPPI test is failed, such financial assets are measured at FVTPL with interest earned recognised in other interest income.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(v) Debt instruments measured at amortised cost*

Debt instruments are measured at amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost. Interest income on these instruments is recognised in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of expected credit losses (ECL) in the statement of financial position.

#### *(vi) Debt instruments measured at FVOCI*

The Bank measures debt investment securities at FVOCI when both of the following categories are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt investment securities are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(vii) Equity instruments*

Equity instruments are classified into one of the following measurement categories:

- Fair value through profit or loss (FVTPL); or
- Designated at fair value through other comprehensive income (FVOCI).

#### *Equity instruments measured at Fair value through profit or loss (FVTPL)*

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognised immediately in profit or loss. Subsequent to initial recognition the changes in fair value are recognised in the statement of profit or loss. Equity instruments at FVTPL are primarily assets held for trading.

#### *Equity instruments measured at FVOCI (designated)*

The Bank made an irrevocable election to classify certain equity instruments at FVOCI when they are not held for trading as these investments are expected to be held for the long-term and for strategic purposes. This election is made on an instrument-by-instrument basis and is not available for equity instruments that are held for trading purposes. Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the statement of profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to profit or loss on sale of the security.

#### *(viii) Financial assets at fair value through profit or loss*

Groups of financial assets for which the business model is other than held to collect and held to collect and sell are measured at FVTPL. Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(ix) Impairment of financial assets*

IFRS 9 requires the Bank to record ECLs on all debt instruments measured at amortised cost or FVOCI.

The Bank conducted ECL assessment for the following categories of financial assets:

- Financial assets measured at amortised cost; and
- Financial assets measured at FVOCI.

Equity investment securities are not subject to impairment testing under IFRS 9.

The Bank measures loss allowances at an amount equal to 12-month ECL on the following:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

#### **Expected credit loss impairment model**

The Bank applies a three-stage approach to measure the allowance for credit losses as required under IFRS 9. The ECL allowance is based on credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months’ expected credit loss.

The Bank’s policies for determining if there has been a significant increase in credit risk are set out in Note 3(b)(iii). The 12-month ECL is the portion of lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both lifetime and 12-month expected credit losses are calculated on an individual basis.

The Bank has established a policy to perform an assessment of whether a financial instrument’s credit risk has increased significantly since initial recognition, at the end of each reporting period. This is undertaken by considering the change in the risk of default occurring over the remaining life of the financial instrument.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(ix) Impairment of financial assets (continued)*

##### **Expected credit loss impairment model *(continued)***

Based on the above process, the Bank classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

##### Stage 1: 12 months ECL

The Bank assesses ECLs on financial assets where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. When financial assets are first recognised and continue to perform in accordance with the contractual terms and conditions at initial recognition, the Bank recognises a loss allowance based on 12 months ECLs. This represents the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date.

##### Stage 2: Lifetime ECL – not credit impaired

The Bank collectively assesses ECLs on exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired. For these exposures, the Bank recognises as a collective provision a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset).

##### Stage 3: Lifetime ECL – credit impaired

The Bank identifies, both collectively and individually, ECLs on those exposures that are assessed as credit impaired based on whether one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. If the asset is no longer credit impaired, then the calculation of the interest income reverts to the gross basis.

Financial instruments within the scope of the impairment requirements of IFRS 9 are classified into one of the above three stages. Unless purchased or originated credit impaired, newly originated assets are classified as Stage 1 and remain in that stage unless there is considered to have been a significant increase in credit risk since initial recognition, at which point the asset is reclassified to Stage 2.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(ix) Impairment of financial assets (continued)*

##### **Measurement of expected credit losses (ECL)**

The Bank derives ECLs from probability-weighted estimates of expected loss, and are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the effective interest rate. The cash shortfall is the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD – The Probability of Default (PD) is an estimate of the likelihood of default over a given period of time. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PDs is further explained in Note 3.

EAD – The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(ix) Impairment of financial assets (continued)*

##### **Measurement of expected credit losses (ECL) *(continued)***

The mechanics of the ECL method are summarised below:

##### Stage 1

The 12 months ECL is calculated as the portion of the lifetime expected credit losses that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD.

##### Stage 2

When a financial asset has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

##### Stage 3

For financial assets considered credit-impaired, the Bank recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Purchased or originated credit-impaired (POCI) assets are financial instruments that are credit-impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted effective interest rate. Expected credit losses are recognised to the extent that there is a subsequent change where ECLs are calculated based on lifetime expected credit loss. Once the financial asset is recognised as POCI, it retains this status until derecognised.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(ix) Impairment of financial assets (continued)*

#### Measurement of expected credit losses (ECL) *(continued)*

##### Macroeconomic factors

The standard requires incorporation of macroeconomic factors in models for ECLs. In its models, the Bank utilises an automated solution which incorporates an assessment of a broad range of forward-looking economic information as possible inputs, such as: GDP growth, unemployment rates, inflation and interest rates.

##### Incorporation of forward looking information

IFRS 9 requires the incorporation of forward looking information in the estimation of expected credit losses for each stage and the assessment of significant increases in credit risk. It considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

##### Definition of default

The Bank considers a financial asset to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Financial assets classified as 'default' are transferred to stage 3 and impairment loss is measured based on lifetime expected credit losses.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(ix) Impairment of financial assets (continued)*

#### **Measurement of expected credit losses (ECL) *(continued)***

#### **Credit-impaired financial assets**

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that secure the loan;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise.

#### **Significant increase in credit risk**

A significant increase in credit risk is defined as a significant increase in the probability of a default occurring since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information and analysis based on historical experience and credit risk assessment. As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

IFRS 9 also requires that (other than for purchased or originated credit impaired financial instruments) if a significant increase in credit risk that had taken place since initial recognition, has reversed by a subsequent reporting period then the loss allowance reverts from lifetime ECL to 12-month.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(ix) Impairment of financial assets (continued)*

##### **Measurement of expected credit losses (ECL) *(continued)***

##### **Write-offs**

Financial assets and the related impairment allowances, are written off, either partially or in full, when there is no realistic prospect of recovery.

##### **Presentation of allowance for ECL**

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at fair value through OCI - the ECLs are not recognised in the statement of financial position because the carrying amounts of these assets remain their fair values. However, the loss allowance is disclosed and is recognised in the fair value reserve in equity with a corresponding charge to the statement of profit or loss. The accumulated loss recognised in OCI is recycled to profit or loss upon derecognition of the financial assets.



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(x) Financial Liabilities*

##### **Initial recognition and measurement**

The Bank classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. Financial liabilities are classified as measured at amortised cost or FVTPL.

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss (FVTPL) include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Bank that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

##### **Financial liabilities at amortised cost**

Other financial liabilities are initially recognised at fair value net of any transaction costs. After initial recognition, interest-bearing financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

#### *(xi) Derecognition of financial assets and financial liabilities*

##### **Financial assets**

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(xi) Derecognition of financial assets and financial liabilities (continued)*

##### **Financial liabilities**

The Bank derecognises a financial liability when its contractual obligations are discharged, or cancelled, or expire.

#### *(xii) Modification of financial assets and financial liabilities*

##### **Financial assets**

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

— fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

— other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(xii) Modification of financial assets and financial liabilities (continued)*

##### **Financial liabilities**

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

#### *(xiii) Measurement and gains and losses*

The 'foreign investment securities' caption in the statement of financial position includes:

- debt securities measured at FVOCI;
- U.S. Government Agency Residential Mortgage-Backed Securities measured at FVTPL;
- equity investment securities designated as at FVOCI; and
- debt investment securities measured at amortised cost which are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL charges and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(xiii) Measurement and gains and losses (continued)*

The Bank elects to present in OCI, changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

#### *(xiv) Other financial instruments*

##### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with other banks, short-term highly-liquid funds and investments with original maturities of 90 days or less from the date of acquisition, which are readily convertible to known amounts of cash, and subject to an insignificant risk of change in value.

##### **Accounts receivable**

Trade and other receivables are measured at amortised cost, less expected credit loss.

##### **Derivative financial instruments**

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of the Bank's derivative instruments are recognised immediately in the statement of profit or loss.

The best evidence of the fair value of a derivative at initial recognition is the transaction price that is, the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Bank's derivative financial instruments are foreign currency forward contracts and "to-be-announced" (TBA) contracts. Derivative financial instruments are measured at fair value and disclosed in Notes 7 and 20. None of the Bank's derivative instruments have been designated as hedging instruments.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### g) Financial assets and financial liabilities *(continued)*

#### *(xiv) Other financial instruments (continued)*

#### **Demand and deposit liabilities - domestic**

Demand and deposit liabilities – domestic are the Bank’s Eastern Caribbean dollar obligations to clients/institutions in the Organisation of Eastern Caribbean States (OECS) settled on demand and are measured at amortised cost. Note 2(p) sets out information regarding notes and coins in circulation.

#### **Demand and deposit liabilities - foreign**

Demand and deposit liabilities – foreign are the Bank’s obligations to clients/institutions outside of the OECS that are settled on demand and are measured at amortised cost.

#### **IMF government general resource accounts**

The ECCB acts as fiscal agent of the participating governments in their transactions with the International Monetary Fund (IMF). To facilitate its role as fiscal agent, governments IMF general resource accounts are held at the ECCB. The accounts with the IMF, which records all transactions with the IMF, have been included in these financial statements. Participating governments position in the general resource accounts is reported on a net asset or net liability basis. IMF related assets and liabilities accounts are measured at amortised cost.

#### **Other liabilities and payables**

Other liabilities and payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### *(xv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when, and only when, there is a current legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### h) Property and equipment and depreciation

Property and equipment are stated at historical cost or revalued amount less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings are shown at fair value based on external independent valuations less subsequent depreciation for buildings. Revaluations are carried out with sufficient regularity to ensure that the carrying value of land and buildings approximates fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income or loss and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income or loss and debited against other reserves directly in equity; all other decreases are charged to the statement of profit or loss.

Depreciation is calculated using the straight-line method at rates estimated to write down the cost or valuation of such assets to their residual values over their estimated useful lives as follows:

Buildings	50 years;
Furniture and Equipment	5 – 15 years;
Motor vehicles	5 – 7 years;
Land improvements	10 years;
Building improvements	10 years;
Computer systems	3 – 5 years.

Land is not depreciated. Donated property is recorded at fair value at the time of receipt.

Property and equipment are periodically reviewed for impairment or when indicators exist that there may be impairment. When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. No property and equipment were impaired as at 31 March 2023 (2022: nil).

Gains and losses on the disposal of property and equipment are determined by comparing proceeds with carrying amount and are taken into account in determining operating profit. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### i) Intangible assets

Intangible assets are substantially comprised of acquired computer software programmes. These are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. The Bank chooses to use the cost model for the measurement after recognition. These costs are amortised using the straight-line method on the basis of the expected useful life of three years. Generally, the identified intangible assets of the Bank have a definite useful life. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

At each reporting date, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

### j) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less costs to sell or the value in use can be determined reliably. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

### k) Provisions

Provisions are recognised when the Bank 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. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### 1) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Bank recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Bank's activities, as described below.

#### *Interest income and expense*

Interest income and expense for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the statement of profit or loss for all instruments measured at amortised cost, FVOCI and FVTPL using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

#### *Commissions' income*

Commissions income are generally charged on transactions with commercial banks and other institutions except participating governments, and are generally recognised when the Bank transfers control of a product or service to a customer. Transactions that attract commissions include purchase and sale of foreign currency notes and balances and issue and redemption of Eastern Caribbean currency notes. Revenue related to transactions is recognised at the point in time when the transaction takes place.

#### *Other income*

Licence fees due under the Banking Act, are fixed and non-cancellable and are recorded in profit or loss when due. Pension fund administrative and management fees are charged for administrative and investment management services on behalf of the scheme, and are recognised as the related services are performed. Income from banking licence fees and pension fund administrative and management fees are reported in the statement of profit or loss in the 'other income' grouping.



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### m) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

#### *As a lessee*

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank by the end of the lease term.

In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. The Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### m) Leases *(continued)*

#### *As a lessee (continued)*

- the exercise price under a purchase option that the Bank is reasonably certain to exercise;
- lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets and lease liabilities separately in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Bank has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and low-value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### *Leases as lessor*

##### *Operating lease*

The Bank leases out office spaces to associated institutions under operating leases with rentals payable monthly. These leases are classified as operating leases, as they do not transfer all of the risks and rewards incidental to ownership of the assets. Note 28 sets out information about the operating leases.

### n) Employee benefits

#### **Staff pension plan**

The Bank operates a defined benefit pension plan for its eligible employees. The assets of the plan are held in a single trustee administered fund, established by the Eastern Caribbean Central Bank. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension benefit is based on the final salary of the employee.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### n) Employee benefits *(continued)*

#### Staff pension plan *(continued)*

An asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. An approximate value of the defined benefit obligation is calculated every year by independent actuaries using the projected unit credit method based on detailed calculations carried out for the most recent triennial funding valuation. Under this method, the cost of providing pensions is charged to the statement of profit or loss so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income. Net interest expense and other expense related to defined benefit plan are recognised in profit or loss. Past-service costs are recognised immediately in the statement of profit or loss. The pension plan is funded by payments from employees and the Bank, taking into account the recommendations of independent qualified actuaries.

#### Prepaid employee short term benefit

The Bank facilitates loans to its staff at rates that are relatively low in comparison to the normal market rates in the Eastern Caribbean Currency Union (ECCU). These loans are recognised at fair value using a normal market rate, and the difference between the fair value and the consideration given to the employees is recorded as a pre-paid short term employee benefit. The pre-paid short-term employee benefit is amortised through the statement of profit or loss over the expected service life of the relevant individual employees or the expected life of the relevant individual loans, whichever is shorter.

### o) Commemorative coins

The nominal value of commemorative coins sold is excluded from the balance of 'Notes and Coins in circulation' while the net proceeds from sales are included in the statement of profit or loss.

### p) Currency in circulation

In accordance with the ECCB Agreement Act, the Bank is the sole authority to issue currency notes and coins for circulation in the Eastern Caribbean Currency Union. Bank notes and coins in circulation are non-interest bearing and are redeemable on demand.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 2. Summary of significant accounting policies *(continued)*

### p) Currency in circulation *(continued)*

#### DCash in circulation

The Digital Eastern Caribbean Dollar (DCash) is a securely minted digital version of the Eastern Caribbean dollar issued by the ECCB. DCash is compliant with the legal parameters for legal tender and only the ECCB (as the monetary authority) can issue the digital currency.

The values of notes and coins in circulation and DCash in circulation are disclosed in Note 17.

### q) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 Related Party Disclosures as the “reporting entity, in this case, the Bank”).

(a) A person or a close member of that person’s family is related to the Bank if that person:

- (i) has control or joint control over the Bank;
- (ii) has significant influence over the Bank; or
- (iii) is a member of the key management personnel of the Bank or of a parent of the Bank.

(b) An entity is related to the Bank if any of the following conditions applies:

- (i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity or its parent is provided with key management personnel services by the management entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

### r) Taxation

In accordance with Article 50 (8) (a) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank’s income is exempt from any form of taxation.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management

### a) Introduction and overview

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. By its nature, the Bank's activities are principally related to the use of financial instruments. The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

The strategy for using financial instruments is embedded in the mission of the Bank to maintain the stability of the Eastern Caribbean Dollar and the integrity of the banking system in order to facilitate the balanced growth and development of member states.

The activities of the Bank require the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. In executing its duties as a central bank, there are significant inherent risks, which the Bank faces, both at the macro and micro levels of its operations. These risks arise primarily through the Bank's execution of its reserve management function, the provision of banking services to governments and commercial banks and from the broad areas of monetary policy, financial sector stability, management of the payment system and the daily operational tasks undertaken to support these functions.

The Bank's aim is therefore to achieve an appropriate balance between risk and the objectives of its reserve management function which are: (i) preservation of capital, (ii) meeting liquidity requirements and (iii) realizing a satisfactory return. The Bank also seeks to minimise potential adverse effects on the Bank's financial performance.

### **Risk Management Structure**

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices. In addition, the Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their role and obligations.

The Bank's Board of Directors has overall responsibility for the establishment of the Bank's risk management framework. The Board has established committees for managing and monitoring risks.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### a) Introduction and overview *(continued)*

##### **Risk Management Structure** *(continued)*

The key committees for managing risks are as follows:

##### **Board Audit and Risk Committee**

The Board Audit and Risk Committee (BARC) assists the Board in relation to the oversight of the Bank's governance, risk, internal controls and the Bank's financial reporting processes. The BARC reviews the Bank's risk appetite in line with strategy, identifies and monitors risk exposure and the risk management infrastructure, oversees the implementation of strategy to address risk, and assesses the strength and effectiveness of the risk management and internal control framework. Additionally, the BARC monitors the integrity of the financial statements and is responsible for oversight of both the Internal Audit and Enterprise Risk Management functions and reports back to the Board. The BARC reviews the effectiveness of the policies, procedures and systems in place related to, among others, operational risks, compliance, Information Technology (IT) (including cyber-security) and internal security.

##### **Board Investment Committee**

The purpose of the Board Investment Committee (BIC) is to assist the Board in fulfilling its responsibilities in the management of the foreign reserves as per Part VI of the ECCB Agreement. The BIC is responsible for submitting recommendations to the Board for approval regarding the following:

- (i) Changes to the Foreign Reserve Investment Policy;
- (ii) Changes to the Strategic Asset Allocation;
- (iii) The retention and termination of asset managers and custodian; and
- (iv) Changes to the Terms of Reference for the Reserve Management Committee.

The BIC also receives and considers periodic reports on the following:

- (i) Compliance of the external fund managers and the internal fund manager with the Investment Guidelines;
- (ii) Performance of the external fund money managers and the internal fund manager; and
- (iii) A review of the custodian's performance.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### a) Introduction and overview *(continued)*

#### **Risk Management Structure** *(continued)*

The Bank has also established internal committees and departments for managing and monitoring risks.

#### **Executive Committee**

The Executive Committee of the Bank has the responsibility to ensure that efficient and effective risk management mechanisms are in place. Key to the management of risk within the context of the reserve management function is the reserve management framework which embodies the Bank's risk tolerance. Included in this framework are the Bank's Investment Policy, Strategic Asset Allocation and investment guidelines which establish the parameters within which the reserve management function is executed. The Board approves the written policies for overall risk management as well as specific policies relating to the reserve management function. Additionally, the provision of banking services is governed by policy decisions of the Board.

#### **Office of Corporate Strategy and Risk Management**

The Office of Corporate Strategy and Risk Management (OCSRSM) has responsibility for designing and implementing an Enterprise Risk Management Framework, development and monitoring of the Bank's strategic plan and management of the Bank's Business Continuity Management System (BCMS). The Office reports on risk matters, including the review of risk management and the controls environment, to the Executive Committee and the Board Audit and Risk Committee.

#### **Internal Audit Department**

The Internal Audit Department is responsible for providing independent assurance that the Bank's risk management, internal control and governance processes are adequately designed and operating effectively. The Internal Audit Department discusses the results of all assessments with the Executive Committee, and reports its findings and recommendations to the Board Audit and Risk Committee. The Internal Audit Department also monitors the departments' implementation of audit recommendations and reports progress to the Executive Committee and the BARC.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### b) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer, client or counterparty to a financial instrument fail to meet its contractual obligations. The Bank is exposed to credit risk primarily on account of its reserve management activities. These exposures arise mainly through investments in debt securities of international governments, government agencies, supranational agencies and official institutions. The Bank also has exposures through investments in debt securities of participating governments and through lending to governments and commercial banks.

#### Management of credit risk

The Bank manages and controls credit risk in the foreign reserves at the issuer level by specification of minimum rating levels according to international rating agencies in the Foreign Reserves Investment Policy. Credit risk is also managed via Investment Guidelines, which stipulate issue and issuer concentration limits and by monitoring exposures in relation to such limits. Credit risk is important to the Bank's business; therefore, management carefully manages the Bank's exposure to credit risk. As it relates to lending to Member Governments and commercial banks, credit risk is managed based on strict adherence to exposure limits outlined in the ECCB agreement Act and the ECCB Board approved policy decision on the matter.

The estimation of credit risk of a portfolio of assets entails estimations as to the likelihood of defaults. The Bank measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

The Bank manages the credit risk on items exposed to such risk as follows:

#### Debt investment securities at FVOCI

The Bank manages credit risk by placing limits on its exposure to international governments, government agencies, supranational agencies and official institutions. It places limits on the amount of risk accepted in relation to one borrower and country. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The investment policy and guidelines approved by the Board of Directors, stipulate the limits on the level of credit risk by borrower, product, industry, sector and country. They also stipulate the minimum required ratings issued by Moody's, Standard & Poor's (S&P) or Fitch for its international investments. The Bank further manages this risk by ensuring that business is only conducted with approved banks and by monitoring those banks' deposit ratings via the aforementioned rating agencies. The activities of the global custodian are also monitored daily and their overall performance is periodically reviewed.

The Bank's debt investment securities at FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected credit losses. Foreign investment securities measured at fair value through other comprehensive income (FVOCI) include listed securities. PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures.



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management (*continued*)

### b) Credit risk (*continued*)

#### **Debt investment securities at FVOCI (*continued*)**

Management considers 'low credit risk' for listed securities to be an investment grade credit rating from Moody's, S&P or Fitch.

#### **Debt investment securities at Amortised Cost**

Other debt instruments (including unlisted participating government securities) are considered to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. PDs and LGDs for non-traded instruments were based on proxy ratings where they existed.

#### **Cash and cash equivalents**

Cash and cash equivalents are held in financial institutions which management considers as strong and there is no significant concentration. Balances with other central banks, balances with foreign banks, cash and balances with local banks and term deposits are short term funds and the Bank therefore considers the risk of default to be very low.

#### **Accounts receivable**

Exposure to credit risk is managed by regular analysis of the ability of customers and other counter parties to meet repayment obligations.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management (*continued*)

### b) Credit risk (*continued*)

#### (i) Credit quality of financial assets

The credit quality of financial assets is managed by the Bank through external credit ratings used in ECL calculations. The table below shows internal and external grades used in ECL calculation.

Moody's	S&P	Fitch	Grade Description
Aaa	AAA	AAA	Investment Grade
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Standard Grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Low Grade
Caa2	CCC		
Caa3	CCC-		
Ca	CC	CC	
	C	C	
C	D	D	Default

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

#### (ii) Credit quality analysis

The following tables set out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments without taking into account collateral or other credit enhancement. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in Note 2(g)(ix).

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
<b>Foreign Investment Debt Securities at FVOCI</b>					
<b>Investment grade</b>	<b>3,990,510,573</b>	-	-	-	<b>3,990,510,573</b>
<b>Gross carrying amount</b>	<b>3,990,510,573</b>	-	-	-	<b>3,990,510,573</b>
<b>Loss allowance (recognised in other comprehensive income)</b>	<b>(919,573)</b>	-	-	-	<b>(919,573)</b>
<b>Carrying amount - fair value</b>	<b>3,990,510,573</b>	-	-	-	<b>3,990,510,573</b>

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
<b>Foreign Investment Debt Securities at FVOCI</b>					
<b>Investment grade</b>	<b>4,006,973,465</b>	-	-	-	<b>4,006,973,465</b>
<b>Gross carrying amount</b>	<b>4,006,973,465</b>	-	-	-	<b>4,006,973,465</b>
<b>Loss allowance (recognised in other comprehensive income)</b>	<b>(1,146,632)</b>	-	-	-	<b>(1,146,632)</b>
<b>Carrying amount - fair value</b>	<b>4,006,973,465</b>	-	-	-	<b>4,006,973,465</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

#### (ii) Credit quality analysis *(continued)*

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Money Market Instruments at FVOCI					
Investment grade	254,367,980	-	-	-	254,367,980
Gross carrying amount	254,367,980	-	-	-	254,367,980
Loss allowance (recognised in other comprehensive income)	(40,276)	-	-	-	(40,276)
Carrying amount	254,367,980	-	-	-	254,367,980

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Money Market Instruments at FVOCI					
Investment grade	369,340,454	-	-	-	369,340,454
Gross carrying amount	369,340,454	-	-	-	369,340,454
Loss allowance (recognised in other comprehensive income)	-	-	-	-	-
Carrying amount	369,340,454	-	-	-	369,340,454

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

#### (ii) Credit quality analysis *(continued)*

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
<b>Money Market Instruments at Amortised Cost</b>					
Investment grade	785,777,420	-	-	-	785,777,420
Unrated	85,059,946	-	-	-	85,059,946
<b>Gross carrying amount</b>	<b>870,837,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>870,837,366</b>
<b>Loss allowance</b>	<b>(12,437)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,437)</b>
<b>Carrying amount</b>	<b>870,824,929</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>870,824,929</b>

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
<b>Money Market Instruments at Amortised Cost</b>					
Investment grade	397,928,858	-	-	-	397,928,858
Unrated	13,500,000	-	-	-	13,500,000
<b>Gross carrying amount</b>	<b>411,428,858</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>411,428,858</b>
<b>Loss allowance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount</b>	<b>411,428,858</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>411,428,858</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

#### (ii) Credit quality analysis *(continued)*

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Participating Governments' Securities at Amortised Cost					
Standard grade	226,075,491	-	-	-	226,075,491
Gross carrying amount	226,075,491	-	-	-	226,075,491
Loss allowance	(472,818)	-	-	-	(472,818)
Carrying amount	225,602,673	-	-	-	225,602,673

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit-Impaired	
	\$	\$	\$	\$	\$
Participating Governments' Securities at Amortised Cost					
Standard grade	217,331,211	-	-	-	217,331,211
Gross carrying amount	217,331,211	-	-	-	217,331,211
Loss allowance	(496,319)	-	-	-	(496,319)
Carrying amount	216,834,892	-	-	-	216,834,892

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

#### (ii) Credit quality analysis *(continued)*

	2023				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit- Impaired	
	\$	\$	\$	\$	\$
<b>Participating Governments' Advances at Amortised Cost</b>					
<b>Standard grade</b>	<b>152,257,816</b>	-	-	-	<b>152,257,816</b>
<b>Gross carrying amount</b>	<b>152,257,816</b>	-	-	-	<b>152,257,816</b>
<b>Loss allowance</b>	<b>(56,006)</b>	-	-	-	<b>(56,006)</b>
<b>Carrying amount</b>	<b>152,201,810</b>	-	-	-	<b>152,201,810</b>

	2022				Total
	Stage 1	Stage 2	Stage 3	Purchased Credit- Impaired	
	\$	\$	\$	\$	\$
<b>Participating Governments' Advances at Amortised Cost</b>					
<b>Standard grade</b>	<b>91,093,064</b>	-	-	-	<b>91,093,064</b>
<b>Gross carrying amount</b>	<b>91,093,064</b>	-	-	-	<b>91,093,064</b>
<b>Loss allowance</b>	<b>(75,782)</b>	-	-	-	<b>(75,782)</b>
<b>Carrying amount</b>	<b>91,017,282</b>	-	-	-	<b>91,017,282</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

#### (ii) Credit quality analysis *(continued)*

*Investment securities and money market instruments and money at call*

The table below sets out the credit quality of the Bank's foreign debt securities (note 9) and money market instruments and money at call (note 6) by rating agency designation at 31 March 2023 and 31 March 2022, based on Moody's, S&P or Fitch:

#### Foreign investment securities

Rated (Moody's, S&P or Fitch)	2023	2022
Foreign debt securities	\$	\$
Aaa	3,585,624,333	3,504,119,059
Aa1	40,409,547	33,886,216
Aa2	117,994,909	109,274,646
Aa3	142,797,500	223,243,797
AA+	70,725,412	69,997,436
AA-	21,452,083	57,199,381
	<b>3,979,003,784</b>	<b>3,997,720,535</b>
	2023	2022
U.S. agency mortgage-backed securities	\$	\$
Aaa	-	282,648,739
	-	282,648,739
Unrated	2023	2022
	\$	\$
Foreign equity securities at FVOCI	78,205	78,205
Domestic equity securities at FVOCI	624,186	624,186
	<b>702,391</b>	<b>702,391</b>

---



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### b) Credit risk *(continued)*

##### (ii) Credit quality analysis *(continued)*

*Investment securities and money market instruments and money at call (continued)*

#### Money market instruments and money at call

##### Rated (Moody's and S&P)

##### Commercial paper, certificate of deposits, term deposits and money at call

	2023	2022
	\$	\$
Aa1	109,223,246	51,799,255
Aa2	309,575,268	273,279,288
Aa3	135,939,679	129,365,295
A1	212,204,762	144,358,126
AA+	262,710,001	156,870,000
A+	9,062,227	11,532,375
	<u>1,038,715,183</u>	<u>767,204,339</u>

##### Unrated

	2023	2022
	\$	\$
Term deposits	<u>85,059,946</u>	<u>13,500,000</u>

##### Total rated and unrated money market instruments And money at call

	<u>1,123,775,129</u>	<u>780,704,339</u>
--	----------------------	--------------------

##### *Participating governments advances*

Advances are based on Board approved credit allocation limits. Requests for advances by member governments are reviewed to ensure that the amounts are within the approved allocated limits. These approved limits are calculated and assigned to the governments annually.

##### *Due from local banks*

Advances are granted to commercial banks in accordance with Part VIII, Article 31(2) and Part IIa, Article 5B of the ECCB Agreement Act 1983. Under Part VIII, Article 31(2), the borrowing bank must pledge collateral with the Central Bank and can only borrow ninety per cent of the collateral amount pledged. As at 31 March 2023 and 2022, the Bank did not grant any advances to commercial banks; hence, there was no collateral pledged with the ECCB.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### b) Credit risk *(continued)*

##### (iii) Amounts arising from ECL

###### (i) Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘Stage 1’ and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Please refer to below for a description of how the Bank determines when a significant increase in credit risk has occurred.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The key inputs, judgements and assumptions adopted by the Bank in addressing the requirements of the standard are set out below:

##### a) *Significant increase in credit risk*

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank’s historical experience and third party policies including forward-looking information.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

#### (iii) Amounts arising from ECL *(continued)*

##### (i) Expected credit loss measurement *(continued)*

##### a) Significant increase in credit risk *(continued)*

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- external credit ratings;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The Bank uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. For debt securities, external rating agency credit grades are used. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

#### *Determining whether credit risk has been increased significantly*

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

The Bank continuously monitors foreign and domestic financial assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank applies credit rating grades to determine whether there has been a significant increase in credit risk. Movements within investment grade are not construed as significant increases in credit. The Bank considers that there is a significant increase in credit risk for an investment security when there is a decrease in credit rating as follows: a three-notch downgrade from investment grade to standard grade; a two-notch downgrade within or outside the standard grade; or a one-notch downgrade within or outside the low grade bucket, as set out in Note 3(b)(i).

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition. If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### b) Credit risk *(continued)*

##### (iii) Amounts arising from ECL *(continued)*

###### (i) Expected credit loss measurement *(continued)*

###### a) Significant increase in credit risk *(continued)*

*Determining whether credit risk has been increased significantly (continued)*

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up to-date payment performance against the modified contractual terms.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

###### b) Incorporation of forward-looking information

The Bank incorporates forward-looking information into the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and in the measurement of expected credit losses (ECL). The Bank has performed analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. The Bank applied judgment to select macroeconomic factors that would most likely impact credit risk. Forecasts of these macroeconomic variables are provided through the Bank's ECL solution on a frequent basis and provides the best and worst view of economic conditions based on the expected impact of macro-economic factors, including but are not limited to the following:

- Gross domestic product (GDP) per capita;
- GDP growth rate;
- Interest rates;
- Unemployment rates;
- Inflation.

PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 expected credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are closely correlated with credit losses in the relevant portfolios.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

#### (iii) Amounts arising from ECL *(continued)*

(i) Expected credit loss measurement *(continued)*

b) *Incorporation of forward-looking information (continued)*

The Bank formulates three macroeconomic scenarios: a base case, which is the median scenario, one upside scenario and one downside scenario. The base case scenario captures our view of the most likely economic future outcome and is assigned the highest weighting. The upside and downside scenarios are set relative to the base scenario based on reasonably possible alternative macroeconomic conditions. Scenarios are probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes. After the ECL calculation has been generated for each scenario, a probability weight is applied to each scenario based on the likelihood of occurrence to arrive at a final probability-weighted ECL.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macroeconomic factors will affect ECLs. Hence, the methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

c) *Computation of the expected credit losses*

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by LGD and EAD.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next twelve (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.

LGD is the magnitude of the likely loss if there is a default. LGD's are determined based on the factors which impact the recoveries made post default. These vary by product type. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### b) Credit risk *(continued)*

#### (iii) Amounts arising from ECL *(continued)*

##### c) Computation of the expected credit losses *(continued)*

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. EAD is computed as the sum of the amortised amount and accrued interest to reflect contractual cash flows.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### b) Credit risk *(continued)*

##### Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposure relating to on-balance sheet financial assets is as follows:

##### As at 31 March

	2023	2022
	\$	\$
<b>Assets</b>		
<b>Foreign assets</b>		
Balances with other central banks	17,814,003	13,482,886
Balances with foreign banks	1,020,689	692,982
Money market instruments and money at call	1,125,192,909	780,769,312
Derivative financial instruments	-	60,473
Foreign investment securities	3,990,588,778	4,290,360,787
	<u>5,134,616,379</u>	<u>5,085,366,440</u>
<b>Domestic assets</b>		
Cash and balances with local banks	1,150,207	600,759
Participating governments' securities	225,602,673	216,834,892
Participating governments' advances	152,201,810	91,017,282
Accounts receivable	3,995,102	3,279,268
Domestic investment securities	624,186	624,186
	<u>383,573,978</u>	<u>312,356,387</u>
<b>Total on-balance sheet credit risk</b>	<u>5,518,190,357</u>	<u>5,397,722,827</u>

The above table represents a worst-case scenario of credit risk exposure as at 31 March 2023 and 2022 without taking account of any collateral held or other credit enhancements attached.

For statement of financial position assets, the exposures set out in the above table are net of loss allowance as reported in the statement of financial position.

As depicted in the table above, 72.36% (2022 – 79.48%) of the total on-balance sheet exposure is derived from foreign investment securities and 20.39% (2022 – 14.46%) represents money market instruments and money at call.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

The following tables break down the Bank's main credit exposure at the carrying amounts, as categorised by geographical regions as of 31 March 2023 and 31 March 2022. In these tables, the Bank has allocated exposure to regions based on the country of domicile of the counterparties.

#### Geographical concentration of financial assets

	Eastern Caribbean Currency Union \$	United States of America and Canada \$	Europe and other territories \$	Regional states \$	Total \$
<b>As of 31 March 2023</b>					
Balances with other central banks	-	1,017,358	264,346	16,532,299	17,814,003
Balances with foreign banks	-	1,020,689	-	-	1,020,689
Money market instruments and money at call	-	471,491,035	653,701,874	-	1,125,192,909
Foreign investment securities	-	3,389,563,896	601,024,882	-	3,990,588,778
Cash and balances with local banks	1,150,207	-	-	-	1,150,207
Participating governments' securities	225,602,673	-	-	-	225,602,673
Participating governments' advances	152,201,810	-	-	-	152,201,810
Accounts receivable	3,995,102	-	-	-	3,995,102
Domestic investment securities	202,500	-	-	421,686	624,186
	<b>383,152,292</b>	<b>3,863,092,978</b>	<b>1,254,991,102</b>	<b>16,953,985</b>	<b>5,518,190,357</b>



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### b) Credit risk *(continued)*

#### Geographical concentration of financial assets *(continued)*

	Eastern Caribbean Currency Union \$	United States of America and Canada \$	Europe and other territories \$	Regional states \$	Total \$
<b>As of 31 March 2022</b>					
Balances with other central banks	-	867,287	163,894	12,451,705	13,482,886
Balances with foreign banks	-	692,982	-	-	692,982
Money market instruments and money at call	-	292,781,801	487,987,511	-	780,769,312
Derivative financial instruments	-	60,473	-	-	60,473
Foreign investment securities	-	3,491,313,866	799,046,921	-	4,290,360,787
Cash and balances with local banks	600,759	-	-	-	600,759
Participating governments' securities	216,834,892	-	-	-	216,834,892
Participating governments' advances	91,017,282	-	-	-	91,017,282
Accounts receivable	3,279,268	-	-	-	3,279,268
Domestic investment securities	202,500	-	-	421,686	624,186
	<b>311,934,701</b>	<b>3,785,716,409</b>	<b>1,287,198,326</b>	<b>12,873,391</b>	<b>5,397,722,827</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### c) Market risk

The Bank is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Bank's reserve management mandate permits investment in a number of instruments. The Bank is exposed to general and specific market movements and volatility of market rates and prices such as interest rates, credit spreads and foreign exchange rates. The Bank enters into currency forward contracts to manage its exposure to fluctuations in foreign exchange rates for non-USD securities. The Bank also has a structured management process, which entails the following:

- Careful monitoring of the international market and taking positions to achieve objectives;
- Regular reporting to internal management committees and to the Board of Directors.

#### i) Interest rate risk

The Bank invests in securities and money market instruments and maintains demand deposit accounts as a part of its normal course of business. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is the risk of loss arising from changes in prevailing interest rates. The Bank manages this risk by monitoring interest rates daily, and seeks to minimize the exposure by devising a comprehensive risk assessment and tolerance strategy known as "Customised benchmarking". The effect of this tool is to reflect the risk tolerance level of the Bank and to measure the performance of portfolio managers. The table below analyses the effective interest rates for each class of financial asset and financial liability:

	<b>2023</b>	<b>2022</b>
	%	%
<b>Foreign Assets</b>		
Money market instruments and money at call	2.78	0.19
Foreign investment securities	1.18	1.26
<b>Domestic Assets</b>		
Balances with local banks	0.02	0.02
Participating governments' securities	3.37	3.41
Participating governments' advances	2.00	2.00
<b>Liabilities</b>		
Government call accounts	1.75	0.00
Governments operating accounts	0.96	0.00
Demand and deposit liabilities - foreign	0.00	0.00

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

### 3. Financial risk management *(continued)*

#### c) Market risk *(continued)*

##### i) Interest rate risk *(continued)*

The Bank's investments in foreign securities, money market instruments and money at call for which rates vary with market movements, exposed the Bank to cash flow and fair value interest rate risk.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments, categorised by the earlier of contractual repricing or maturity dates.

<b>As of 31 March 2023</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Non-Interest bearing</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>							
Regional and foreign currencies	-	-	-	-	-	137,783,494	137,783,494
Balances with other central banks	-	-	-	-	-	17,814,003	17,814,003
Balances with foreign banks	-	-	-	-	-	1,020,689	1,020,689
Money market instruments and money at call	881,971,722	56,247,378	177,911,581	-	-	9,062,228	1,125,192,909
Foreign investment securities	85,897,338	178,205,907	946,797,103	2,779,610,225	-	78,205	3,990,588,778
Cash and balances with local banks	1,150,207	-	-	-	-	-	1,150,207
Participating governments' securities	1,258,546	5,524,107	21,916,338	92,728,578	104,175,104	-	225,602,673
Participating governments' advances	85,744,511	34,398,008	32,059,291	-	-	-	152,201,810
Accounts receivable	7,328	14,997	62,197	93,492	-	3,817,088	3,995,102
Domestic investment securities	-	-	-	-	-	624,186	624,186
	<b>1,056,029,652</b>	<b>274,390,397</b>	<b>1,178,746,510</b>	<b>2,872,432,295</b>	<b>104,175,104</b>	<b>170,199,893</b>	<b>5,655,973,851</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

### 3. Financial risk management *(continued)*

#### c) Market risk *(continued)*

##### i) Interest rate risk *(continued)*

As of 31 March 2023	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-Interest bearing \$	Total \$
<b>Financial liabilities</b>							
Demand and deposit liabilities - domestic	145,792,690	-	-	-	-	5,534,827,978	5,680,620,668
Lease liabilities	67,567	136,065	634,094	1,756,650	324,197	-	2,918,573
Demand and deposit liabilities - foreign	-	-	-	-	-	72,055,416	72,055,416
Derivative financial instruments	-	-	-	-	-	485,367	485,367
IMF Government general resource accounts	-	-	-	-	-	1,176,612	1,176,612
	<b>145,860,257</b>	<b>136,065</b>	<b>634,094</b>	<b>1,756,650</b>	<b>324,197</b>	<b>5,608,545,373</b>	<b>5,757,256,636</b>
<b>Total interest sensitivity gap</b>	<b>910,169,395</b>	<b>274,254,332</b>	<b>1,178,112,416</b>	<b>2,870,675,645</b>	<b>103,850,907</b>	<b>(5,438,345,480)</b>	<b>(101,282,785)</b>
<b>Cumulative gap</b>	<b>910,169,395</b>	<b>1,184,423,727</b>	<b>2,362,536,143</b>	<b>5,233,211,788</b>	<b>5,337,062,695</b>	<b>(101,282,785)</b>	<b>-</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### c) Market risk *(continued)*

#### i) Interest rate risk *(continued)*

As of 31 March 2022	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-Interest bearing \$	Total \$
<b>Financial assets</b>							
Regional and foreign currencies	-	-	-	-	-	155,391,151	155,391,151
Balances with other central banks	-	-	-	-	-	13,482,886	13,482,886
Balances with foreign banks	621,000	-	-	-	-	71,982	692,982
Money market instruments and money at call	437,068,866	82,326,493	261,373,953	-	-	-	780,769,312
Derivative financial instruments	54,632	5,841	-	-	-	-	60,473
Foreign investment securities	103,835,060	65,422,811	241,896,236	3,601,095,473	278,033,002	78,205	4,290,360,787
Cash and balances with local banks	600,759	-	-	-	-	-	600,759
Participating governments' securities	1,480,008	300,827	15,528,364	97,237,827	102,287,866	-	216,834,892
Participating governments' advances	55,151,588	26,791,297	9,074,397	-	-	-	91,017,282
Accounts receivable	10,964	22,270	85,887	190,906	6,413	2,962,828	3,279,268
Domestic investment securities	-	-	-	-	-	624,186	624,186
	<b>598,822,877</b>	<b>174,869,539</b>	<b>527,958,837</b>	<b>3,698,524,206</b>	<b>380,327,281</b>	<b>172,611,238</b>	<b>5,553,113,978</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

### 3. Financial risk management *(continued)*

#### c) Market risk *(continued)*

##### i) Interest rate risk *(continued)*

As of 31 March 2022	Up to 1 month \$	1 to 3 months \$	3months to 1 year \$	1 to 5 years \$	Over 5 years \$	Non-Interest bearing \$	Total \$
<b>Financial liabilities</b>							
Demand and deposit liabilities - domestic	149,700,815	-	-	-	-	5,372,248,466	5,521,949,281
Lease liabilities	57,107	93,353	414,083	1,432,100	417,377	-	2,414,020
Demand and deposit liabilities - foreign	-	-	-	-	-	55,169,474	55,169,474
Derivative financial instruments	217,463	-	-	-	-	1,377,886	1,595,349
IMF Government general resource accounts	-	-	-	-	-	1,256,870	1,256,870
	<b>149,975,385</b>	<b>93,353</b>	<b>414,083</b>	<b>1,432,100</b>	<b>417,377</b>	<b>5,430,052,696</b>	<b>5,582,384,994</b>
<b>Total interest sensitivity gap</b>	<b>448,847,492</b>	<b>174,776,186</b>	<b>527,544,754</b>	<b>3,697,092,106</b>	<b>379,909,904</b>	<b>(5,257,441,458)</b>	<b>(29,271,016)</b>
<b>Cumulative gap</b>	<b>448,847,492</b>	<b>623,623,367</b>	<b>1,151,168,432</b>	<b>4,848,260,538</b>	<b>5,228,170,442</b>	<b>(29,271,016)</b>	<b>-</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### c) Market risk *(continued)*

##### i) Interest rate risk *(continued)*

Sensitivity to interest rate movements

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on profit or loss and other components of equity.

The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on the variable rate non-trading financial assets and financial liabilities. The sensitivity of other comprehensive income is calculated by revaluing fixed rate FVOCI financial assets for the effects of the assumed changes in interest rates.

	<b>2023</b>	
	<b>Impact on profit</b>	<b>Impact on other components of equity</b>
	\$	\$
Interest rates - increase by 100 basis points	13,463,131	(52,920,750)
Interest rates - decrease by 50 basis points	(6,731,566)	26,460,375

  

	<b>2022</b>	
	<b>Impact on profit</b>	<b>Impact on other components of equity</b>
	\$	\$
Interest rates - increase by 100 basis points	11,570,145	(85,153,252)
Interest rates - decrease by 50 basis points	(5,785,073)	42,576,626

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### c) Market risk *(continued)*

#### ii) Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Bank is exposed to foreign currency risk due to fluctuations in the prevailing foreign currency exchange rates on transactions and balances denominated in currencies other than the USD. Management seeks to manage this risk by setting limits on the level of exposure by currency, which are monitored daily.

#### *Foreign investment securities*

The Bank's investment guidelines require that all non-US dollar securities be hedged back to the US dollar. As of 31 March 2023, the non-US securities in the foreign securities portfolio was nil (2022: nil). The investment managers have entered into forward contracts to sell the non-USD positions forward on a periodic rolling basis. All gains and losses arising from currency revaluation of these assets and the forward contracts are reported in the statement of profit or loss as they occur.

#### *Regional and foreign currencies*

The Bank facilitates the repatriation of foreign currency notes collected by member banks during their normal course of operations. The notes are purchased from the commercial banks and shipped to Bank of America on a monthly basis. To manage the foreign currency risk of holding these notes, the Bank forward sells these notes on the same day of purchase for value on the date that the counterparty receives them.

#### Sensitivity to foreign exchange rate movements

The Bank's exposure to foreign exchange risk is limited to the minimum balances held on non-USD demand accounts and investment in non-USD foreign securities. A 5 per cent (2022: 5 per cent) change in exchange rates would have increase or decrease profit or loss and equity by \$1,285,229 (2022: \$2,198,890). This analysis assumes that all other variables, in particular, interest rates, remain constant.



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### c) Market risk *(continued)*

#### ii) Currency risk *(continued)*

The table below analyses assets and liabilities of the Bank into the respective currency positions as of 31 March 2023:

	Eastern Caribbean Dollar \$	United States Dollar \$	British Pound \$	Euro \$	Other \$	Total \$
<b>Financial assets</b>						
Regional and foreign currencies	-	111,956,580	4,475,570	11,975,834	9,375,510	137,783,494
Balances with other central banks	-	17,450,971	264,346	-	98,686	17,814,003
Balances with foreign banks	-	1,020,689	-	-	-	1,020,689
Money market instruments and money at call	-	1,125,192,909	-	-	-	1,125,192,909
Foreign investment securities	-	3,990,588,778	-	-	-	3,990,588,778
Cash and balances with local banks	1,150,207	-	-	-	-	1,150,207
Participating governments' securities	225,602,673	-	-	-	-	225,602,673
Participating governments' advances	152,201,810	-	-	-	-	152,201,810
Accounts receivable	3,995,102	-	-	-	-	3,995,102
Domestic investment securities	624,186	-	-	-	-	624,186
	<b>383,573,978</b>	<b>5,246,209,927</b>	<b>4,739,916</b>	<b>11,975,834</b>	<b>9,474,196</b>	<b>5,655,973,851</b>
<b>Financial liabilities</b>						
Demand and deposit liabilities – domestic	5,680,620,668	-	-	-	-	5,680,620,668
Lease liability	2,918,573	-	-	-	-	2,918,573
Demand and deposit liabilities – foreign	71,101,412	954,004	-	-	-	72,055,416
Derivative financial instruments	-	-	127,837	306,718	50,812	485,367
IMF government general resource accounts	1,176,612	-	-	-	-	1,176,612
	<b>5,755,817,265</b>	<b>954,004</b>	<b>127,837</b>	<b>306,718</b>	<b>50,812</b>	<b>5,757,256,636</b>
<b>Net assets (liabilities)</b>	<b>(5,372,243,287)</b>	<b>5,245,255,923</b>	<b>4,612,079</b>	<b>11,669,116</b>	<b>9,423,384</b>	<b>(101,282,785)</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### c) Market risk *(continued)*

#### ii) Currency risk *(continued)*

The table below analyses assets and liabilities of the Bank into the respective currency positions as of 31 March 2022:

	Eastern Caribbean Dollar \$	United States Dollar \$	British Pound \$	Euro \$	Other \$	Total \$
<b>Financial assets</b>						
Regional and foreign currencies	-	111,500,820	5,812,954	14,897,447	23,179,930	155,391,151
Balances with other central banks	-	13,219,643	163,894	-	99,349	13,482,886
Balances with foreign banks	-	692,982	-	-	-	692,982
Money market instruments and money at call	-	780,769,312	-	-	-	780,769,312
Derivative financial instruments	-	18,793	-	-	41,680	60,473
Foreign investment securities	-	4,290,360,787	-	-	-	4,290,360,787
Cash and balances with local banks	600,759	-	-	-	-	600,759
Participating governments' securities	216,834,892	-	-	-	-	216,834,892
Participating governments' advances	91,017,282	-	-	-	-	91,017,282
Accounts receivable	3,279,268	-	-	-	-	3,279,268
Domestic investment securities	624,186	-	-	-	-	624,186
	<b>312,356,387</b>	<b>5,196,562,337</b>	<b>5,976,848</b>	<b>14,897,447</b>	<b>23,320,959</b>	<b>5,553,113,978</b>
<b>Financial liabilities</b>						
Demand and deposit liabilities – domestic	5,521,949,281	-	-	-	-	5,521,949,281
Lease liability	2,414,020	-	-	-	-	2,414,020
Demand and deposit liabilities – foreign	51,602,396	3,567,078	-	-	-	55,169,474
Derivative financial instruments	-	1,377,886	13,783	139,338	64,342	1,595,349
IMF government general resource accounts	1,256,870	-	-	-	-	1,256,870
	<b>5,577,222,567</b>	<b>4,944,964</b>	<b>13,783</b>	<b>139,338</b>	<b>64,342</b>	<b>5,582,384,994</b>
<b>Net assets (liabilities)</b>	<b>(5,264,866,180)</b>	<b>5,191,617,373</b>	<b>5,963,065</b>	<b>14,758,109</b>	<b>23,256,617</b>	<b>(29,271,016)</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management (*continued*)

### d) Liquidity risk

Liquidity risk is the risk that the Bank is unable to provide adequate liquidity support for the financial system to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. It also refers to the risk of financial loss associated with the conversion of assets to cash to meet financial obligations. This would result in the Bank's failure to maintain monetary and financial stability. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts and maturing deposits. Liquidity is a key criterion in determining the composition of the Bank's foreign reserves portfolio. The liquidity tranche is closely monitored in accordance with a cash flow management policy. Additionally, there is consistent monitoring and checking for compliance with approved portfolio diversification, asset allocation and asset quality.

The liquidity management process forms part of the Bank's wider mandate for reserve management and is carried out in accordance with approved guidelines by the Reserve Management Committee and monitored by management. The liquidity tranche is comprised of highly marketable assets that can easily be liquidated to meet unexpected demands. The process entails the following:

- Daily monitoring of balances on the Bank's call accounts to ensure that adequate funds are available to meet current and future requirements.
- Projections of cash inflows and outflows based on historical trends.
- Laddering of money market instruments in the liquidity tranche to ensure that adequate funds are available to meet current liquidity needs.
- Assets held to manage liquidity risk include balances with other central banks, balances with foreign banks, money market instruments and money at call, derivative financial instruments, foreign investment securities and cash and balances with local banks. At the reporting date, the Bank held \$5,133,766,586 (2022: \$5,085,967,199) of these instruments that are expected to readily generate cash inflows.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### d) Liquidity risk *(continued)*

Maturities of liabilities and assets, 31 March 2023	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
<b>Financial Liabilities</b>						
Demand and deposit liabilities – domestic	5,680,620,668	-	-	-	-	5,680,620,668
Lease liability	67,567	136,065	634,094	1,756,650	324,197	2,918,573
Demand and deposit liabilities – foreign	72,055,416	-	-	-	-	72,055,416
Derivative financial instruments	485,367	-	-	-	-	485,367
IMF government general resource accounts	1,176,612	-	-	-	-	1,176,612
	<b>5,754,405,630</b>	<b>136,065</b>	<b>634,094</b>	<b>1,756,650</b>	<b>324,197</b>	<b>5,757,256,636</b>
<b>Financial Assets</b>						
Regional and foreign currencies	137,783,494	-	-	-	-	137,783,494
Balances with other central banks	17,814,003	-	-	-	-	17,814,003
Balances with foreign banks	1,020,689	-	-	-	-	1,020,689
Money market instruments and money at call	891,033,950	56,247,378	177,911,581	-	-	1,125,192,909
Foreign investment securities	85,897,338	178,205,907	946,797,103	2,779,610,225	78,205	3,990,588,778
Cash and balances with local banks	1,150,207	-	-	-	-	1,150,207
Participating governments' securities	1,258,546	5,524,107	21,916,338	92,728,578	104,175,104	225,602,673
Participating governments' advances	85,744,511	34,398,008	32,059,291	-	-	152,201,810
Accounts receivable	3,752,101	16,817	62,197	163,987	-	3,995,102
Domestic investment securities	-	-	-	-	624,186	624,186
	<b>1,225,454,839</b>	<b>274,392,217</b>	<b>1,178,746,510</b>	<b>2,872,502,790</b>	<b>104,877,495</b>	<b>5,655,973,851</b>
<b>Net assets/(liabilities)</b>	<b>(4,528,950,791)</b>	<b>274,256,152</b>	<b>1,178,112,416</b>	<b>2,870,746,140</b>	<b>104,553,298</b>	<b>(101,282,785)</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### d) Liquidity risk *(continued)*

Maturities of liabilities and assets, 31 March 2022	Up to 1 month \$	1 to 3 months \$	3 months to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
<b>Financial Liabilities</b>						
Demand and deposit liabilities – domestic	5,521,949,281	-	-	-	-	5,521,949,281
Lease liability	57,107	93,353	414,083	1,432,100	417,377	2,414,020
Demand and deposit liabilities – foreign	55,169,474	-	-	-	-	55,169,474
Derivative financial instruments	1,463,777	131,572	-	-	-	1,595,349
IMF government general resource accounts	1,256,870	-	-	-	-	1,256,870
	<b>5,579,896,509</b>	<b>224,925</b>	<b>414,083</b>	<b>1,432,100</b>	<b>417,377</b>	<b>5,582,384,994</b>
<b>Financial Assets</b>						
Regional and foreign currencies	155,391,151	-	-	-	-	155,391,151
Balances with other central banks	13,482,886	-	-	-	-	13,482,886
Balances with foreign banks	692,982	-	-	-	-	692,982
Money market instruments and money at call	437,068,866	82,326,493	261,373,953	-	-	780,769,312
Derivative financial instruments	54,632	5,841	-	-	-	60,473
Foreign investment securities	103,835,060	65,422,811	241,896,236	3,601,095,473	278,111,207	4,290,360,787
Cash and balances with local banks	600,759	-	-	-	-	600,759
Participating governments' securities	1,480,008	300,827	15,528,364	97,237,827	102,287,866	216,834,892
Participating governments' advances	55,151,588	26,791,297	9,074,397	-	-	91,017,282
Accounts receivable	2,914,447	22,270	100,537	235,601	6,413	3,279,268
Domestic investment securities	-	-	-	-	624,186	624,186
	<b>770,672,379</b>	<b>174,869,539</b>	<b>527,973,487</b>	<b>3,698,568,901</b>	<b>381,029,672</b>	<b>5,553,113,978</b>
<b>Net assets/(liabilities)</b>	<b>(4,809,224,130)</b>	<b>174,644,614</b>	<b>527,559,404</b>	<b>3,697,136,801</b>	<b>380,612,295</b>	<b>(29,271,016)</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### d) Liquidity risk *(continued)*

#### Derivative cash flows

The following table shows the derivative financial instruments (forward contracts) that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

#### At 31 March 2023

##### Derivatives (Currency forwards)

	0-3 Months \$	3-6 Months \$	Total \$
Foreign exchange derivatives			
- Outflow	(18,852,066)	-	(18,852,066)
- Inflow	-	-	-

#### At 31 March 2022

##### Derivatives (Currency forwards)

	0-3 Months \$	3-6 Months \$	Total \$
Foreign exchange derivatives			
- Outflow	(20,226,282)	-	(20,226,282)
- Inflow	3,863,372	-	3,863,372

#### At 31 March 2022

##### Derivatives (TBA forward contracts)

	0-3 Months \$	3-6 Months \$	Total \$
Foreign exchange derivatives			
- Outflow	(76,012,552)	-	(76,012,552)
- Inflow	6,971,570	-	6,971,570

---

# Eastern Caribbean Central Bank

Notes to Consolidated Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### e) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The fair value of a liability must take account of non-performance risk, including the entity's own credit risk.

#### *Determination of fair value*

The following methods and assumptions have been used to estimate the fair value of each class of financial instrument for which it is practical to estimate a value:

- Short-term financial assets and liabilities: The carrying value of these financial assets and liabilities is a reasonable estimate of their fair value because of the short maturity of these instruments. Short-term financial assets are comprised of regional and foreign currencies, balances with other central banks, balances with foreign banks, money market instruments and money at call, treasury bills, balances with local banks, due from participating governments, interest receivable, and accounts receivable. Short-term financial liabilities are comprised of demand and deposit liabilities – domestic and foreign, interest payable and certain other liabilities.
- Long-term financial instruments: The estimated fair value of long-term loans and receivables is based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and remaining terms to maturity. Some of the financial assets included in participating governments' securities and accounts receivable are long term.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### e) Fair value *(continued)*

#### *(i) Financial instruments not measured at fair value*

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented in the Bank's statement of financial position at their fair value:

	Carrying value		Fair value	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Financial assets</b>				
Balances with other central banks	17,814,003	13,482,886	17,814,003	13,482,886
Balances with foreign banks	1,020,689	692,982	1,020,689	692,982
Money market instruments and money at call	870,824,928	411,428,858	870,824,928	411,428,858
Cash and balances with local banks	1,150,207	600,759	1,150,207	600,759
Participating governments' securities	225,602,673	216,834,892	225,602,673	192,520,577
Participating governments' advances	152,201,810	91,017,282	152,201,810	91,017,282
Account receivable	3,995,102	3,279,268	3,995,102	3,279,268
	<b>1,272,609,412</b>	<b>737,336,927</b>	<b>1,272,609,412</b>	<b>713,022,612</b>
<b>Financial liabilities</b>				
Demand and deposit liabilities – domestic	5,680,620,668	5,521,949,281	5,680,620,668	5,521,949,281
Lease liabilities	2,918,573	2,414,020	2,918,573	2,414,020
Demand and deposit liabilities – foreign	72,055,416	55,169,474	72,055,416	55,169,474
IMF government general resource accounts	1,176,613	1,256,870	1,176,613	1,256,870
	<b>5,756,771,270</b>	<b>5,580,789,645</b>	<b>5,756,771,270</b>	<b>5,580,789,645</b>



# Eastern Caribbean Central Bank

## Notes to Consolidated Financial Statements

### For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

#### 3. Financial risk management (continued)

##### e) Fair value (continued)

###### (i) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

#### 31 March 2023

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Balances with other central banks	-	17,814,003	-	17,814,003	17,814,003
Balances with foreign banks	-	1,020,689	-	1,020,689	1,020,689
Money market instruments and money at call	-	870,824,928	-	870,824,928	870,824,928
Cash and balances with local banks	-	1,150,207	-	1,150,207	1,150,207
Participating governments' securities	-	-	225,602,673	225,602,673	225,602,673
Participating governments' advances	-	-	152,201,810	152,201,810	152,201,810
Accounts receivable	-	-	3,995,102	3,995,102	3,995,102
<b>Financial liabilities</b>					
Demand and deposit liabilities – domestic	-	5,680,620,668	-	5,680,620,668	5,680,620,668
Lease liabilities	-	2,918,573	-	2,918,573	2,918,573
Demand and deposit liabilities – foreign	-	72,055,416	-	72,055,416	72,055,416
IMF government general resource accounts	-	1,176,613	-	1,176,613	1,176,613

# Eastern Caribbean Central Bank

Notes to Consolidated Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 3. Financial risk management *(continued)*

### e) Fair value *(continued)*

#### *(i) Financial instruments not measured at fair value (continued)*

31 March, 2022	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Balances with other central banks	-	13,482,886	-	13,482,886	13,482,886
Balances with foreign banks	-	692,982	-	692,982	692,982
Money market instruments and money at call	-	411,428,858	-	411,428,858	411,428,858
Cash and Balances with local banks	-	600,759	-	600,759	600,759
Participating governments' securities	-	-	192,520,577	192,520,577	216,834,892
Participating governments' advances	-	-	91,017,282	91,017,282	91,017,282
Accounts receivable	-	-	3,279,268	3,279,268	3,279,268
<b>Financial liabilities</b>					
Demand and deposit liabilities – domestic	-	5,521,949,281	-	5,521,949,281	5,521,949,281
Lease Liabilities	-	2,414,020	-	2,414,020	2,414,020
Demand and deposit liabilities – foreign	-	55,169,474	-	55,169,474	55,169,474
IMF government general resource accounts	-	1,256,870	-	1,256,870	1,256,870

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### e) Fair value *(continued)*

#### Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Quoted prices in active markets for identical assets and liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the assets or liabilities that are not based on observable market data. This level includes equity investments and debt instruments with significant unobservable components.

The hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in valuations where possible.

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 March 2023:

	Level 1 \$	Level 2 \$	Level 3 \$
<b>Financial assets</b>			
Commercial paper	-	254,367,980	-
Foreign investment securities	3,179,042,521	811,468,052	78,205
Domestic investment securities	-	-	624,186
	<b>3,179,042,521</b>	<b>1,065,836,032</b>	<b>702,391</b>
	Level 1 \$	Level 2 \$	Level 3 \$
<b>Financial liabilities</b>			
Derivative financial instruments	-	485,367	-

During the current year, the Bank reassessed its fair value levelling process and identified securities of \$1,401,058,876 with observable prices that were not traded in an active market as at 31 March 2022. The corresponding disclosures have been revised to include those securities within Level 2 as at 31 March 2022.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 3. Financial risk management *(continued)*

### e) Fair value *(continued)*

#### Fair value hierarchy *(continued)*

The following table presents the Bank's financial assets and liabilities that are measured at fair value at 31 March 2022:

	Level 1 \$	Level 2 \$	Level 3 \$
<b>Financial assets</b>			
Commercial paper	237,093,094	112,812,679	-
Certificate of deposits	-	19,434,681	-
Derivative financial instruments	18,793	41,680	-
Foreign investment securities	2,889,223,706	1,401,058,876	78,205
Domestic investment securities	-	-	624,186
	<b>3,126,335,593</b>	<b>1,533,347,916</b>	<b>702,391</b>
	Level 1 \$	Level 2 \$	Level 3 \$
<b>Financial liabilities</b>			
Derivative financial instruments	-	1,595,349	-

There has been no transfer in/out from level 3.

### f) Capital risk management

The Bank's objectives when managing capital are:

- Safeguard the Bank's ability to continue as a going concern;
- Manage and safeguard the value of the Eastern Caribbean currency; and
- Maintain a strong capital base to support its developmental activities.

The Bank manages capital through the maintenance of a general reserve according to prescribed guidelines as mandated in the ECCB Agreement Act 1983.

#### General reserve

For the year ended 31 March 2023, an amount of \$54,520,799 was allocated from the General Reserve to cover the net loss position of the Bank. In 2022, an amount of \$49,099,014 was transferred from General Reserve. As of 31 March 2023, the general reserve ratio stood at 2.34% (2022: 3.42%), which was 2.66% (2022: 1.58%) below the 5% target. As at 31 March 2023, the general reserve was \$134,889,895 (2022: \$190,598,694).

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### f) Capital risk management *(continued)*

##### Foreign reserve assets

Under Article 24 (2) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank is required to maintain a reserve of external assets not less than 60% of its notes and coins in circulation, and other demand liabilities. The percentage of foreign reserve assets to demand liabilities at 31 March 2023 was 91.60% (2022: 93.89%).

#### g) Operational risk

Operational risk is the risk of direct or indirect loss in both financial and non-financial terms arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure. It may also arise from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all departments. Managing operational risk in the Bank is seen as an integral part of day-to-day operations and management, which includes explicit consideration of both the opportunities and the risks of all business activities. The Bank's objective is to manage operational risk so as to balance an avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management team of each department. This responsibility is supported by bank-wide corporate policies which describe the standard of conduct required of staff and specific internal control systems designed around the particular characteristics of various Bank activities.

Compliance with corporate policies and departmental control systems are managed by:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of the controls and procedures to assess the risks identified;
- Development and periodic testing of contingency plans;
- Training and professional development;
- Ethical and business standards;
- Risk mitigation, including insurance where it is effective;
- Weekly reporting to the senior management;
- Quarterly management affirmation by each department's Risk Liaison Officer that corporate policies and departmental internal control systems have been complied with; and
- A structured induction program for new employees.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

### 3. Financial risk management *(continued)*

#### g) Operational risk *(continued)*

Compliance with the Bank's Standards is supported by a programme of periodic reviews undertaken by the Internal Audit Department. The results of the reviews are discussed with the management of the department to which they relate and summaries are submitted to the Board Audit and Risk Committee and Executive Committee of the Bank.

#### h) Strategic risk

The ECCB's Strategic Plan 2022-2026 guides the Bank's operation. The Strategic Plan 2022-2026 hinges on five (5) strategic themes, which reflect the purpose of the Bank, namely:

- a. Financial stability;
- b. Payments modernization and financial inclusion;
- c. Digital transformation;
- d. Organizational effectiveness and development; and
- e. Environment, social and corporate governance.

The effective delivery of the strategic initiatives as contained in the plan is heavily dependent on the supporting policies and operations, which have attendant risks. These risks may be influenced by a wide range of internal and external factors, including an inappropriate use of resources or a fundamental change in the circumstances on which the assumptions were predicated. The Bank has therefore identified specific monitoring frameworks and reporting lines to minimize any negative impact of a perceived or actual failure to deliver on its strategic objectives.

### 4. Critical accounting estimates and judgements in applying accounting policies

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which have to be made in the course of preparation of the financial statements. All estimates and assumptions required are in conformity with IFRS and are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements 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 resulting accounting estimates will, by definition, seldom equal the related actual results. Management also exercises judgement in applying the Bank's accounting policies. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 4. Critical accounting estimates and judgements in applying accounting policies *(continued)*

### Estimated pension obligation

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the pension asset.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations.

The Bank considers the interest rates of high-quality instruments, normally long-term government bonds that are denominated in Eastern Caribbean currency which is the currency in which the benefits will be paid and that have terms of maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions. Refer to Note 22 for further details.

### Impairment of financial assets

The measurement of expected credit loss (ECL) allowance for financial assets measured at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. In determining ECL, management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 2 (g) (ix).

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- The Bank's criteria for determining if there has been a significant increase in credit risk with qualitative factors integrating the wider macroeconomic environment;
- Selecting appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking macroeconomic scenarios for each type of product or market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL; and
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP growth, unemployment rates and inflation, and the effect on PDs, EADs and LGDs.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 5. Balances with other central banks and foreign banks

	2023	2022
	\$	\$
<b>Balances with other central banks</b>		
Balances with Regional central banks	16,532,299	12,451,705
Balances with European central banks	264,346	163,894
Balances with North American central banks	<u>1,017,358</u>	<u>867,287</u>
<b>Total balances with other central banks</b>	<u>17,814,003</u>	<u>13,482,886</u>
<b>Balances with foreign banks</b>		
Current accounts denominated in United States dollars	<u>1,020,689</u>	<u>692,982</u>
<b>Current</b>	<u>18,834,692</u>	<u>14,175,868</u>

These balances are non-interest bearing.

## 6. Money market instruments and money at call

	2023	2022
	\$	\$
<b>By currency</b>		
Balances denominated in United States dollars	1,123,775,129	780,704,339
Interest receivable	<u>1,430,217</u>	<u>64,973</u>
<b>Total money market instruments and money at call</b>	1,125,205,346	780,769,312
Less: allowance for impairment	<u>(12,437)</u>	<u>-</u>
<b>Total money market instruments and money at call, net</b>	<u>1,125,192,909</u>	<u>780,769,312</u>

### By financial instrument type

Money market instruments maturing in less than ninety days:

	2023	2022
	\$	\$
Term deposits	597,634,921	243,000,000
Commercial paper	160,502,437	91,736,978
Certificate of deposits	-	16,195,102
Money at call	<u>271,772,228</u>	<u>168,402,375</u>
Included in cash and cash equivalents (note 25)	<u>1,029,909,586</u>	<u>519,334,455</u>



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 6. Money market instruments and money at call *(continued)*

Money market instruments maturing after ninety days:	2023	2022
	\$	\$
Commercial paper	93,865,543	258,168,796
Certificate of deposits	-	3,201,088
	<u>93,865,543</u>	<u>261,369,884</u>
Interest receivable	<u>1,430,217</u>	<u>64,973</u>
<b>Total money market instruments and money at call</b>	<b>1,125,205,346</b>	<b>780,769,312</b>
Less: allowance for impairment	<u>(12,437)</u>	<u>-</u>
<b>Total money market instruments and money at call, net</b>	<b><u>1,125,192,909</u></b>	<b><u>780,769,312</u></b>

Money market instruments include commercial paper purchased at discounts, term deposits and certificate of deposits with interest rates ranging from 0.19% to 5.17% (2022: 0.03% to 2.26%) during the year.

Money at call includes cash balances available to the Bank's money managers and funds held at the United States Federal Reserve Bank for the day-to-day operations of the Bank. These balances earned interest at 0.0% to 4.80% (2022: 0.0%) during the year.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 7. Derivative financial instruments

### a) To-be-announced forward contracts

To-be-announced (TBAs) are forward contracts to buy or sell Agency Residential Mortgage-Backed Securities at a future date. TBA contracts specify the coupon rate, issue, term and face value of the bonds to be delivered, with the actual bonds to be delivered identified shortly before the TBA settlement date.

The Bank held no To-be-announced forward contracts as of 31 March 2023.

The following is an analysis of the TBA contracts held with positive fair value as at 31 March 2022:

Currency	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
USD	1,874,844	5,062,079	13, 18 and 21 April, 2022	<b>12,952</b>
USD	707,219	<u>1,909,491</u>	13 June, 2022	<u><b>5,841</b></u>
		<u>6,971,570</u>		<u><b>18,793</b></u>

### b) Foreign currency forward contracts

Currency forwards represent commitments to purchase foreign currency. These contracts are initially recognised at fair value on the date that a derivative contract is established and are subsequently remeasured at fair value.

The Bank held no foreign currency forwards with positive fair value as of 31 March 2023.

The following is an analysis of the currency forwards held with positive fair value as at 31 March 2022:

Currency sold /purchased	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
GBP	1,078,000	<u>3,863,372</u>	4 April, 2022	<u><b>41,680</b></u>
		<u>3,863,372</u>		<u><b>41,680</b></u>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 8. Financial instruments

### a) Classification of financial assets and liabilities

The accounting policies for financial assets and liabilities are set out in note 2(g) above.

The Bank has assessed which business models apply to the financial assets and has classified its financial instruments into the appropriate classification and measurement categories.

#### (i) Financial assets measured at FVOCI

##### Money market instruments

Money market instruments consists of commercial paper, certificate of deposits held in the Bank's foreign reserves core portfolio. Money market instruments also includes term deposits, which are held in the liquidity portfolio. The Bank has assessed its business model at the portfolio level as described in note 2 (g) (iii). The Bank concluded the following:

- Money market instruments held in the core foreign reserves portfolio are managed within a business model to hold to collect and sell financial assets and meet the SPPI criteria.

##### Investment securities other than equity instruments

Foreign debt investment securities are managed within a business model of collecting contractual cash flows and selling the financial assets and meet the SPPI criteria. Accordingly, these investments are classified and measured at FVOCI.

##### Equity investment instruments

The Bank has elected to irrevocably designate equity investment securities as fair value through other comprehensive income as permitted under IFRS 9.

#### (ii) Financial assets measured at amortised cost

##### Money market instruments

Money market instruments (term deposits) held in the liquidity portfolio are managed within a business model of held to collect the contractual cash flows and meet the SPPI criteria.

##### Domestic financial assets

Financial assets in the domestic portfolio are managed within a business model to collect contractual cash flows and meet the SPPI criteria.

# Eastern Caribbean Central Bank

## Notes to the Financial Statements

### For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

#### 8. Financial instruments (continued)

##### a) Classification of financial assets and liabilities (continued)

The following table provides a reconciliation between line item in the statement of financial position and categories of financial instruments as at 31 March 2023:

Financial assets	Mandatorily Designated at at FVTPL	Designated at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Regional and foreign currencies	-	-	-	-	137,783,494	137,783,494
Balances with other central banks	-	-	-	-	17,814,003	17,814,003
Balances with foreign banks	-	-	-	-	1,020,689	1,020,689
Money market instruments and money at call	-	-	254,367,980	-	870,824,929	1,125,192,909
Foreign investment securities	-	-	3,990,510,573	78,205	-	3,990,588,778
Cash and balances with local banks	-	-	-	-	1,150,207	1,150,207
Domestic investment securities	-	-	-	624,186	-	624,186
Participating governments securities	-	-	-	-	225,602,673	225,602,673
Participating governments advances	-	-	-	-	152,201,810	152,201,810
Accounts receivable	-	-	-	-	3,995,102	3,995,102
<b>Total Financial Assets</b>	-	-	4,244,878,553	702,391	1,410,392,907	5,655,973,851
Demand and deposit liabilities – domestic	-	-	-	-	5,680,620,668	5,680,620,668
Lease liabilities	-	-	-	-	2,918,573	2,918,573
Demand and deposit liabilities – foreign	-	-	-	-	72,055,416	72,055,416
Derivative financial instruments	485,367	-	-	-	-	485,367
IMF government general resource accounts	-	-	-	-	1,176,612	1,176,612
<b>Total Financial Liabilities</b>	485,367	-	-	-	5,756,771,269	5,757,256,636

# Eastern Caribbean Central Bank

## Notes to the Financial Statements

### For the year ended 31 March 2023

(Expressed in Eastern Caribbean dollars)

#### 8. Financial instruments (continued)

##### a) Classification of financial assets and liabilities (continued)

The following table provides a reconciliation between line item in the statement of financial position and categories of financial instruments as of 31 March 2022:

Financial assets	Mandatorily at FVTPL	Designated at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Regional and foreign currencies	-	-	-	-	155,391,151	155,391,151
Balances with other central banks	-	-	-	-	13,482,886	13,482,886
Balances with foreign banks	-	-	-	-	692,982	692,982
Money market instruments and money at call	-	-	369,340,454	-	411,428,858	780,769,312
Derivative financial instruments	60,473	-	-	-	-	60,473
Foreign investment securities	-	283,309,117	4,006,973,465	78,205	-	4,290,360,787
Cash and balances with local banks	-	-	-	-	600,759	600,759
Domestic investment securities	-	-	-	624,186	-	624,186
Participating governments securities	-	-	-	-	216,834,892	216,834,892
Participating governments advances	-	-	-	-	91,017,282	91,017,282
Accounts receivable	-	-	-	-	3,279,268	3,279,268
<b>Total Financial Assets</b>	<b>60,473</b>	<b>283,309,117</b>	<b>4,376,313,919</b>	<b>702,391</b>	<b>892,728,078</b>	<b>5,553,113,978</b>
Demand Liabilities - domestic	-	-	-	-	5,521,949,281	5,521,949,281
Lease liabilities	-	-	-	-	2,414,020	2,414,020
Demand Liabilities - foreign	-	-	-	-	55,169,474	55,169,474
Derivative financial instruments	1,595,349	-	-	-	-	1,595,349
IMF government general resource accounts	-	-	-	-	1,256,870	1,256,870
<b>Total Financial Liabilities</b>	<b>1,595,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,580,789,645</b>	<b>5,582,384,994</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 9. Investment securities

	2023 \$	2022 \$
<b>Foreign investment securities measured at fair value through other comprehensive income</b>		
Debt securities		
- quoted, at fair value	3,979,003,784	3,997,720,535
Interest receivable	<u>11,506,789</u>	<u>9,252,930</u>
<b>Total foreign debt securities at fair value through other comprehensive income</b>	<u><b>3,990,510,573</b></u>	<u><b>4,006,973,465</b></u>
<b>Foreign investment Securities designated at fair value through profit or loss</b>		
U.S. agency mortgage-backed securities		
- at fair value	-	282,648,739
Interest receivable	<u>-</u>	<u>660,378</u>
<b>Total foreign investment securities at fair value through profit or loss</b>	<u><b>-</b></u>	<u><b>283,309,117</b></u>
<b>Equity securities designated at fair value through other comprehensive income</b>		
Society for Worldwide Interbank Financial Telecommunication (SWIFT) 5 (2022: 5) ordinary shares of \$15,641 each - unquoted	<u>78,205</u>	<u>78,205</u>
<b>Total foreign investment securities</b>	<u><b>3,990,588,778</b></u>	<u><b>4,290,360,787</b></u>
<b>Domestic investment securities</b>		
<b>Equity securities designated at fair value through other comprehensive income</b>		
Caribbean Information and Credit Rating Agency Services Ltd. 156,180 (2022: 156,180) ordinary shares of \$2.70 each - unquoted	421,686	421,686
Eastern Caribbean Automated Clearing House Services Inc. (2022: 20,500) ordinary shares of \$10.00 each - unquoted	<u>202,500</u>	<u>202,500</u>
	<u><b>624,186</b></u>	<u><b>624,186</b></u>
<b>Total investment securities</b>	<u><b>3,991,212,964</b></u>	<u><b>4,290,984,973</b></u>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 9. Investment Securities *(continued)*

	2023	2022
	\$	\$
<b>Current</b>	<b>1,210,900,348</b>	411,154,107
<b>Non-current</b>	<b>2,780,312,616</b>	3,879,830,866
	<b><u>3,991,212,964</u></b>	<u>4,290,984,973</u>

### Allowance for impairment losses on investment securities at FVOCI

The loss allowance on investment securities at FVOCI is recognised in other comprehensive income as the carrying amount of these investments is their fair value.

The following table shows the allowance for impairment losses on investment securities measured at FVOCI:

	2023			2022	
	12-month ECL	Lifetime ECL not Credit-impaired	Lifetime ECL credit-impaired	Total	Total
<b>Debt securities at FVOCI</b>					
Balance at 1 April 2022	1,146,632	-	-	<b>1,146,632</b>	956,535
Increase (decrease) in loss allowance recognised in profit or loss during the year	(186,783)	-	-	<b>(186,783)</b>	190,097
<b>Balance as at 31 March 2023</b>	<b>959,849</b>	-	-	<b>959,849</b>	1,146,632

The movement in investment securities measured at FVOCI is summarised as follows:

	Domestic Securities \$	Foreign Investment Securities \$
<b>Balance as of 31 March 2021</b>	624,186	3,608,827,439
Additions	-	4,832,522,003
Sales, maturities and redemptions	-	(4,307,388,055)
Net loss transfer to equity	-	(139,304,641)
Net loss transfer from equity	-	<u>3,063,789</u>
<b>Balance as of 31 March 2022</b>	624,186	3,997,720,535
Additions	-	2,684,596,821
Sales, maturities and redemptions	-	(2,690,712,254)
Net loss transfer to equity	-	(47,849,012)
Net loss transfer from equity	-	<u>35,247,720</u>
<b>Balance as of 31 March 2023</b>	<b><u>624,186</u></b>	<b><u>3,979,003,784</u></b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 9. Investment securities *(continued)*

The Bank transferred losses of \$35,247,720 (2022: \$3,063,789) from equity into the statement of profit or loss.

Gains less losses from investment securities comprise:

	2023	2022
	\$	\$
Net realised (losses) gains from disposal of foreign investment securities	<u>(35,247,720)</u>	<u>(3,063,789)</u>

## 10. Participating governments' securities

Participating government securities measured at amortised cost

	Nominal value 2023 \$	Amortised cost 2023 \$	Nominal value 2022 \$	Amortised cost 2022 \$
<b>Government of Antigua and Barbuda</b>				
Debenture maturing 2027	35,078,863	35,078,863	41,399,205	41,399,205
Debenture maturing 2025	38,274,609	36,646,390	52,674,876	52,108,945
Debenture maturing 2027	10,000,000	10,000,000	-	-
<b>Government of the Commonwealth of Dominica</b>				
Debenture maturing 2034	25,154,231	24,084,134	26,980,436	26,855,829
<b>Government of Saint Lucia</b>				
Debenture maturing 2035	54,000,000	51,018,608	54,000,000	52,508,108
<b>Government of Saint Vincent and the Grenadines</b>				
Debenture maturing 2030	10,000,000	9,645,755	10,000,000	9,769,922
Debenture maturing 2035	15,000,000	14,481,389	15,000,000	14,667,639
Debenture maturing 2036	17,500,000	17,500,000	17,500,000	17,500,000
Debenture maturing 2037	25,000,000	25,000,000	-	-
	<u>230,007,703</u>	<u>223,455,139</u>	217,554,517	214,809,648
Interest receivable	-	2,620,352	-	2,521,563
<b>Total participating governments' securities: debentures, gross</b>	<u>230,007,703</u>	<u>226,075,491</u>	217,554,517	217,331,211
Less: allowance for impairment losses	-	(472,818)	-	(496,319)
<b>Total participating governments' securities: debentures, net</b>	<u>230,007,703</u>	<u>225,602,673</u>	217,554,517	216,834,892



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 10. Participating governments' securities *(continued)*

### Participating government securities measured at amortised cost *(continued)*

	2023	2022
	\$	\$
<b>Current</b>	<b>28,698,991</b>	17,309,199
<b>Non-Current</b>	<b><u>196,903,682</u></b>	<u>199,525,693</u>
	<b><u>225,602,673</u></b>	<u>216,834,892</u>

During the year, the Governments of Antigua and Barbuda and Saint Vincent and the Grenadines issued debentures to the ECCB totalling \$35,000,000 (2022: \$17,500,00) through the member governments' access to their long-term credit allocation at the Bank.

The movement in participating governments' securities may be summarized as follows:

	<b>Debentures</b>
	<b>\$</b>
<b>Balance as of 31 March 2021</b>	<b><u>208,496,553</u></b>
Additions	17,500,000
Payment of principal	(14,884,149)
Net effect of modification of debentures	<u>3,697,244</u>
<b>Balance as of 31 March 2022</b>	<b><u>214,809,648</u></b>
Additions	35,000,000
Payment of principal	(22,546,815)
Net effect of modification of debentures	<u>(3,807,694)</u>
<b>Balance as of 31 March 2023</b>	<b><u>223,455,139</u></b>

During the year, participating governments' securities accrued interest at rates ranging from 2% to 3.5% (2022: 2% to 3.5%).

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 11. Participating governments' advances

### Participating government advances measured at amortised cost

	2023	2022
	\$	\$
Operating accounts:		
- Government of Saint Lucia	85,744,510	53,333,962
<b>Total operating accounts</b>	<b>85,744,510</b>	<b>53,333,962</b>
<b>Temporary advances</b>		
- Government of Antigua and Barbuda	50,290,000	23,000,000
- Government of Saint Vincent and the Grenadines	15,662,531	14,603,408
	65,952,531	37,603,408
Interest receivable	560,775	155,694
<b>Total temporary advances</b>	<b>66,513,306</b>	<b>37,759,102</b>
<b>Total participating governments' advances</b>	<b>152,257,816</b>	<b>91,093,064</b>
<b>Less: allowance for impairment losses</b>	<b>(56,006)</b>	<b>(75,782)</b>
<b>Total participating governments' advances, net</b>	<b>152,201,810</b>	<b>91,017,282</b>
<b>Current</b>	<b>152,201,810</b>	<b>91,017,282</b>

Amounts due from participating governments for temporary advances and operating account overdraft balances are unsecured and accrued interest at rates ranging from 0.0% to 2.0% per annum (2022: 0.0% to 2.0%).

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 12. Accounts receivable, prepaid expenses and other assets

	2023	2022
	\$	\$
Accounts receivable	13,499,549	11,232,793
Staff loans	178,014	316,440
Prepaid expenses	8,217,174	7,885,070
Notes and coins inventory	18,189,651	19,763,742
	<u>40,084,388</u>	<u>39,198,045</u>
<b>Less: Allowance for impairment on receivables</b>	<u>(9,682,461)</u>	<u>(8,269,965)</u>
	<u>30,401,927</u>	<u>30,928,080</u>
<b>Current</b>	<b>14,923,003</b>	16,203,943
<b>Non-current</b>	<u>15,478,924</u>	<u>14,724,137</u>
	<u>30,401,927</u>	<u>30,928,080</u>

Staff loans accrue interest at a rate of 4% per annum with variable repayment terms. As the loans are granted at a preferential interest rate, this has given rise to a short-term employee benefit asset in the amount of \$39,074 (2022: \$55,237) at the statement of financial position date. This amount is included in prepaid expenses.

The cost of notes and coins inventory includes cost of the production of notes and coins by printers/minters, freight and other related charges.

The Bank's receivables have been assessed for indicators of impairment as required by IFRS 9. The Bank applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure ECL on a collective basis, receivables are grouped on similar credit risk and ageing. Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the entity, and a failure to make contractual payments for a period of greater than 90 days past due.

As of 31 March 2023, receivables had lifetime expected credit losses of \$9,682,461 (2022: \$8,269,965).

### Allowance for impairment on accounts receivable

The movement in allowance for impairment on accounts receivable is as follows:

	2023	2022
	\$	\$
Balance, beginning of year	8,269,965	1,925,544
Allowance during the year	<u>1,412,496</u>	<u>6,344,421</u>
<b>Balance at end of year</b>	<u>9,682,461</u>	<u>8,269,965</u>

---

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## **13. Investments in associated undertakings using the equity method**

Article 42 (1) of the Eastern Caribbean Central Bank Agreement Act 1983 empowers the Bank, with the approval of the Monetary Council, to administer or participate in corporations or schemes established for the purpose of promoting the development of money, capital or securities markets in the territories of participating governments.

Article 42 (2) of the Eastern Caribbean Central Bank Agreement Act 1983 authorises the Bank, with the approval of the Monetary Council, to subscribe to hold and sell shares of a corporation organised with the approval or under the authority of the participating governments for any of the purposes specified in Article 42 (1). The following are institutions, which were established under Article 42 (1):

### **Eastern Caribbean Home Mortgage Bank (ECHMB)**

The Bank holds 24.8% (2022: 24.8%) of the share capital of the ECHMB – 25,000 Class “A” shares at a cost of \$100 each and 41,812 Class “A” shares at a cost of \$160 each. The Company was established as a vehicle to foster the development of the money market and secondary market for mortgages in the territories of the participating governments of the ECCB Agreement Act 1983. The ECHMB’s principal place of business is Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis.

### **Eastern Caribbean Securities Exchange (ECSE)**

The Bank holds 32.74% (2022: 32.74%) of the share capital of the ECSE – 327,419 Class “A” shares at a cost of \$10 each. The ECSE was established to enhance and increase investment opportunities, and to foster the development of a securities market in the territories of participating governments of the ECCB Agreement Act 1983. The Eastern Caribbean Central Securities Depository Limited (ECCSD) is a wholly owned subsidiary of the ECSE. The ECSE’s principal place of business is Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis.

### **Organisation of Eastern Caribbean States Distribution and Transportation Company (ODTC)**

The Bank holds 20% of the share capital of the ODTC – 2,001 Class “A” shares at a cost of \$10 each. The Company was established as a vehicle to foster the development of the distribution and transportation sector in the territories of the participating governments of the ECCB Agreement Act 1983. The company has not commenced operations as of 31 March 2023. The company’s secretariat is located at Bird Rock, Basseterre, Saint Christopher (St Kitts) and Nevis.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 13. Investments in associated undertakings using the equity method *(continued)*

The Bank's investments in associates are detailed below:

	2023 \$	2022 \$
<b>Eastern Caribbean Home Mortgage Bank (ECHMB)</b>		
Balance at beginning of year	21,938,502	20,551,891
Share of profit for the year	428,478	1,887,701
Dividend received in year	<u>(334,060)</u>	<u>(501,090)</u>
<b>Balance at end of year</b>	<b><u>22,032,920</u></b>	<b><u>21,938,502</u></b>
 <b>Eastern Caribbean Securities Exchange (ECSE)</b>		
Balance at beginning of year	4,733,643	4,287,080
Share of profit for the year	256,682	692,127
Dividend received during the year	<u>(278,306)</u>	<u>(245,564)</u>
<b>Balance at end of year</b>	<b><u>4,712,019</u></b>	<b><u>4,733,643</u></b>
 <b>OECS Distribution and Transportation Company (ODTC)</b>		
Balance at beginning and end of year	<u>20,010</u>	<u>20,010</u>
 <b>Total investments in associated undertakings</b>	 <b><u>26,764,949</u></b>	 <b><u>26,692,155</u></b>
 <b>Non-current</b>	 <b><u>26,764,949</u></b>	 <b><u>26,692,155</u></b>

The total share of profit of associates recognised in the statement of profit or loss was \$685,160 (2022: \$2,579,828).

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 13. Investments in associated undertakings using the equity method *(continued)*

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of 31 March 2023:

<b>Entity</b>	<b>Assets \$</b>	<b>Liabilities \$</b>	<b>Revenues \$</b>	<b>Profit \$</b>	<b>% Interest held %</b>
<b>ECHMB</b>	480,806,060	(423,207,918)	4,944,177	1,727,733	24.80
<b>ECSE</b>	78,454,785	(62,796,400)	5,272,850	784,000	32.74

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of 31 March 2022:

<b>Entity</b>	<b>Assets \$</b>	<b>Liabilities \$</b>	<b>Revenues \$</b>	<b>Profit \$</b>	<b>% Interest held %</b>
<b>ECHMB</b>	517,742,565	(458,033,996)	10,063,470	7,591,693	24.80
<b>ECSE</b>	74,414,335	(58,984,059)	5,485,727	1,762,969	32.74

The Bank's interest has been determined on the basis of the unaudited financial statements for these entities as the timing for receipt of the audited financial statements is after the scheduled date for finalization of the ECCB's accounts. The 2022 comparatives represent audited financial results for these entities, which were not materially different to the unaudited amounts used in the preparation of the Bank's financial statements for the year ended 31 March 2022.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 14. Intangible assets

	<b>Computer software</b>
	<b>\$</b>
<b>Cost</b>	
<b>Balance at 1 April 2021</b>	21,866,064
Additions	<u>2,971,268</u>
<b>Balance at 31 March 2022</b>	<u>24,837,332</u>
<b>Balance at 1 April 2022</b>	<b>24,837,332</b>
Additions	2,665,156
Transfers	<u>265,458</u>
<b>Balance at 31 March 2023</b>	<b><u>27,767,946</u></b>
<b>Accumulated amortisation</b>	
<b>Balance at April 1, 2021</b>	17,945,974
Amortisation	<u>900,176</u>
<b>Balance at 31 March 2022</b>	<u>18,846,150</u>
<b>Balance at 1 April 2022</b>	<b>18,846,150</b>
Amortisation	<u>957,798</u>
<b>Balance at 31 March 2023</b>	<b><u>19,803,948</u></b>
<b>Net book value</b>	
<b>At 31 March 2021</b>	<u>3,920,090</u>
<b>At 31 March 2022</b>	<u>5,991,182</u>
<b>At 31 March 2023</b>	<b><u>7,963,998</u></b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 15. Property and equipment

	Land	Buildings	Furniture and equipment	Computer systems	Land improvements	Building improvements	Motor vehicles	Capital work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>									
<b>Balance at 1 April 2021</b>	21,826,175	138,084,045	35,829,775	8,787,617	64,215	-	1,267,672	7,813,080	213,672,579
Transfers	-	1,134,402	241,072	2,342,527	191,260	64,645	-	(3,973,906)	-
Additions	-	1,282,204	1,366,119	142,734	1,146,089	611,452	195,000	3,916,042	8,659,640
Derecognition/disposals	-	-	(906,667)	(2,425)	-	-	-	-	(909,092)
<b>Balance at 31 March 2022</b>	<b>21,826,175</b>	<b>140,500,651</b>	<b>36,530,299</b>	<b>11,270,453</b>	<b>1,401,564</b>	<b>676,097</b>	<b>1,462,672</b>	<b>7,755,216</b>	<b>221,423,127</b>
<b>Cost</b>									
<b>Balance at 1 April 2022</b>	<b>21,826,175</b>	<b>140,500,651</b>	<b>36,530,299</b>	<b>11,270,453</b>	<b>1,401,564</b>	<b>676,097</b>	<b>1,462,672</b>	<b>7,755,216</b>	<b>221,423,127</b>
Transfers	-	-	4,198,079	468,141	-	415,875	-	(5,082,095)	-
Additions	-	-	6,459,527	180,545	-	580,794	-	2,071,915	9,292,781
Derecognition/disposals	-	-	(116,218)	(152,735)	-	-	-	(265,458)	(534,411)
<b>Balance at 31 March 2023</b>	<b>21,826,175</b>	<b>140,500,651</b>	<b>47,071,687</b>	<b>11,766,404</b>	<b>1,401,564</b>	<b>1,672,766</b>	<b>1,462,672</b>	<b>4,479,578</b>	<b>230,181,497</b>



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 15. Property and equipment *(continued)*

	Land \$	Buildings \$	Furniture and equipment \$	Computer systems \$	Land improvements \$	Building improvements \$	Motor vehicles \$	Capital work in progress \$	Total \$
<b>Accumulated depreciation</b>									
<b>Balance at April 1, 2021</b>	-	176,834	25,043,903	6,926,422	14,704	-	843,047	-	33,004,910
Depreciation charge	-	2,857,606	1,396,941	789,462	78,012	29,566	184,640	-	5,336,227
Depreciation write-back	-	-	(905,742)	(2,425)	-	-	-	-	(908,167)
<b>Balance at 31 March 2022</b>	-	3,034,440	25,535,102	7,713,459	92,716	29,566	1,027,687	-	37,432,970
<b>Balance at 1 April 2022</b>	-	3,034,440	25,535,102	7,713,459	92,716	29,566	1,027,687	-	37,432,970
Depreciation charge	-	2,893,855	1,719,297	1,325,725	140,521	106,855	123,271	-	6,309,524
Depreciation write-back	-	-	(115,099)	(152,735)	-	-	-	-	(267,834)
<b>Balance at 31 March 2023</b>	-	5,928,295	27,139,300	8,886,449	233,237	136,421	1,150,958	-	43,474,660
<b>Net book value</b>									
<b>At April 1, 2021</b>	21,826,175	137,907,211	10,785,872	1,861,195	49,511	-	424,625	7,813,080	180,667,669
<b>At 31 March 2022</b>	21,826,175	137,466,211	10,995,197	3,556,994	1,308,848	646,531	434,985	7,755,216	183,990,157
<b>At 31 March 2023</b>	21,826,175	134,572,356	19,932,387	2,879,955	1,168,327	1,536,345	311,714	4,479,578	186,706,837

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 15. Property and equipment *(continued)*

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of 31 March 2023:

	<b>Land</b> \$	<b>Buildings</b> \$	<b>Total</b> \$
Cost	8,319,630	82,884,163	91,203,793
Accumulated depreciation	<u>-</u>	<u>(60,239,763)</u>	<u>(60,239,763)</u>
<b>Net book value</b>	<u>8,319,630</u>	<u>22,644,400</u>	<u>30,964,030</u>

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of 31 March 2022:

	<b>Land</b> \$	<b>Buildings</b> \$	<b>Total</b> \$
Cost	8,319,630	82,884,163	91,203,793
Accumulated depreciation	<u>-</u>	<u>(57,345,908)</u>	<u>(57,345,908)</u>
<b>Net book value</b>	<u>8,319,630</u>	<u>25,538,255</u>	<u>33,857,885</u>

The Bank undertakes independent valuation of land and buildings every three years. A revaluation was performed by an independent Professional Appraiser as of 31 March 2021. Valuations are based on market value. The revaluation of the land and buildings categories as of March 31, 2021 resulted in a revaluation surplus, which was credited to revaluation reserve.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 15. Property and equipment *(continued)*

Measurement of fair values

### *Valuation techniques and significant unobservable inputs*

The Bank's land and buildings were revalued as of 31 March 2021 by a professional, independent property appraiser. The properties are stated at fair market value, as appraised by the appraiser. The values for the properties were determined using the following methodologies which best reflect the nature of the property: the comparable sales approach and the cost approach.

Land and buildings shown at revalued amounts are included in in Level 3 on the fair value hierarchy.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

<b>Category</b>	<b>Valuation techniques</b>	<b>Significant unobservable Inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
Land	Sales Comparable Approach	<ul style="list-style-type: none"><li>• Adjustment to price based on land sales in the area – EC\$20 to EC\$30 per square foot for commercial; EC\$20 to EC\$25 per square foot for residential</li></ul>	The estimated fair value would increase /(decrease) if: <ul style="list-style-type: none"><li>• Sales value of comparable properties were higher/(lower)</li><li>• Comparability adjustment were higher/(lower)</li></ul>
Commercial Property	Cost Approach	<ul style="list-style-type: none"><li>• Condition of building</li><li>• Construction cost per square foot - EC\$1,800 to EC\$2,200</li><li>• Mark-up based on standard scale</li></ul>	The estimated fair value would increase /(decrease) if: <ul style="list-style-type: none"><li>• the estimated costs of construction for buildings were higher/(lower)</li></ul>
Residential Property	Sales Comparable Approach	<ul style="list-style-type: none"><li>• Details of sales of comparable properties – Sale price EC\$1.5m to EC\$1.8m for the area</li><li>• Comparable adjustment</li></ul>	The estimated fair value would increase /(decrease) if: <ul style="list-style-type: none"><li>• Sales value of comparable properties were higher/(lower)</li><li>• Comparability adjustment were higher/(lower)</li></ul>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 16. Leases

The Bank leases properties mainly for its Agency Offices operations with lease terms ranging from 1 to 10 years. The leases include an option to renew for the same or shorter duration after the end of the contract term, which the Bank is expected to exercise. The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and leases for which the lease term ends within 12 months.

Information about leases for which the Bank is a lessee is presented below:

### (a) Amounts recognised in the statement of financial position:

#### (i) Right-of-use asset

The carrying amounts of right-of-use assets recognised and movements during the year are as follows:

	<b>Buildings</b>
	\$
At 1 April 2022	2,209,083
Effect of modification of lease	1,263,833
Depreciation	<u>(788,370)</u>
Balance at 31 March 2023	<u>2,684,546</u>

	<b>Buildings</b>
	\$
At 1 April 2021	2,809,271
Effect of modification of lease	127,618
Depreciation	<u>(727,806)</u>
Balance at 31 March 2022	<u>2,209,083</u>

#### (ii) Lease liabilities

The carrying amounts of lease liabilities and movements during the year are as follows:

	<b>Buildings</b>
	\$
At 1 April 2022	2,414,020
Effect of modification of lease	1,263,833
Interest expense	152,314
Lease payments	<u>(911,594)</u>
Balance at 31 March 2023	<u>2,918,573</u>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 16. Leases (continued)

### (a) Amounts recognised in the statement of financial position (continued)

#### (ii) Lease liabilities (continued)

	<b>Buildings</b>
	\$
At 1 April 2021	2,936,773
Effect of modification of lease	127,618
Interest expense	164,949
Lease payments	(815,320)
	<hr/>
Balance at 31 March 2022	2,414,020

	<b>2023</b>	<b>2022</b>
	\$	\$
Maturity analysis of contractual undiscounted cash flows of lease liability		
Less than one year	<b>977,395</b>	668,348
One to five years	<b>1,984,446</b>	1,650,761
More than five years	<b>335,677</b>	445,686
	<hr/>	<hr/>
	<b>3,297,518</b>	2,764,795
	<hr/>	<hr/>
Current	<b>977,395</b>	668,348
Non-current	<b>2,320,123</b>	2,096,447
	<hr/>	<hr/>
	<b>3,297,518</b>	2,764,795

### (b) Amounts recognised in profit or loss

The following amounts are recognised in profit or loss:

	<b>2023</b>	<b>2022</b>
	\$	\$
Depreciation charge on right-of-use assets	<b>788,370</b>	727,806
Interest expense on lease liabilities	<b>152,314</b>	164,949
Expenses relating to short-term leases	<b>238,450</b>	233,820
	<hr/>	<hr/>
	<b>1,179,134</b>	1,126,575

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 17. Demand and deposit liabilities - domestic

	2023	2022
	\$	\$
Bankers' reserves - current accounts	3,448,830,595	3,340,692,037
Currency in circulation	1,486,583,458	1,402,299,532
Bankers' collateral account	334,561,371	341,597,368
Bankers' dormant accounts	119,587,165	106,031,430
Participating governments' call accounts	83,532,638	116,363,329
Participating governments' fiscal reserve tranche II	55,995,679	56,495,679
Eastern Caribbean Securities Exchange accounts	24,678,090	19,566,605
Participating governments' operating accounts	23,598,664	52,198,457
Eastern Caribbean Partial Credit Guarantee Corporation	19,790,974	4,094,994
ECHMB operating account	19,439,281	6,007,031
Participating governments' drug service accounts	9,556,835	10,535,871
Participating governments' sinking fund call accounts	7,922,411	14,018,302
Accounts payable, accruals and provisions	7,747,776	10,067,890
Eastern Caribbean Automated Clearing House	7,052,742	4,901,569
Participating governments' fiscal tranche I call accounts	6,355,938	12,410,745
Bankers' call accounts	4,943,758	901,408
BAICO Recapitalisation Holding account	4,463,848	4,463,848
British American Liquidity Support	3,417,002	3,664,530
Eastern Caribbean Asset Management Corporation (formerly Resolution Trust Corporation)	2,876,255	5,965,210
British Caribbean Currency Board Coins in Circulation	2,564,824	2,564,824
DCash in circulation	2,450,000	2,270,000
Commemorative coins in circulation	1,379,972	1,379,972
Improving AML/CFT frameworks within ECCU	1,048,319	-
Organisation of Eastern Caribbean States operating accounts	996,219	425,391
British Caribbean Currency Board Residual Fund	833,628	833,628
Eastern Caribbean Asset Management Corporation	198,950	1,585,200
Government of Antigua and Barbuda Road Infrastructure	75,351	75,170
Government of Antigua & Barbuda Recovery & Reconstruction Project	45,263	45,155
Statutory and legislative bodies' operating accounts	33,503	26,065
ECSRC crowdfunding development fund account	31,611	-
OECS Distribution and Transportation Company Limited	22,380	22,380
Participating governments' debt restructuring escrow accounts	6,168	398,013
Local governments' operating accounts	-	47,176
CANEC Debt Management Advisory Services	-	472
<b>Total demand and deposit liabilities - domestic</b>	<b>5,680,620,668</b>	<b>5,521,949,281</b>
<b>Current</b>	<b>5,680,620,668</b>	<b>5,521,949,281</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 17. Demand and deposit liabilities – domestic *(continued)*

During the year, the following balances earned interest at 0.0% to 1.40% (2022: 0.0%): fiscal tranche I, bankers' call accounts and fixed deposits, participating governments' and statutory bodies' fixed deposits and ECHMB's operating accounts.

### Participating governments' fiscal reserve tranche II

The Monetary Council has approved the establishment of a fiscal reserve fund. In accordance with the Bank's profit distribution policy, forty per cent (40%) of the annual share of distributable profits to member governments' is transferred to the participating governments' fiscal tranche II call account. As the Bank recorded a net loss, there was no transfer to the fund in the current financial year (2022: nil).

	2023 \$	2022 \$
Balance at beginning of year	56,495,679	57,911,565
Loan repayments during the year	-	334,114
COVID-19 grant	(500,000)	(750,000)
Volcano relief grant	-	(1,000,000)
	<hr/>	<hr/>
<b>Balance at end of year</b>	<b>55,995,679</b>	<b>56,495,679</b>

### Participating governments' fiscal tranche I call accounts

These accounts earn interest at the prevailing call rate offered by the Bank and are readily accessible by the respective governments.

	2023 \$	2022 \$
Balance at beginning of year	12,410,745	7,099,521
Transfers	900,000	5,311,224
Interest on account	75,193	-
Withdrawals	(7,030,000)	-
	<hr/>	<hr/>
<b>Balance at end of year</b>	<b>6,355,938</b>	<b>12,410,745</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 18. Demand and deposit liabilities - foreign

	2023	2022
	\$	\$
Caribbean Development Bank accounts	5,155,523	1,731,066
Caribbean Financial Services Corporation account	105,608	63,288
Regional central banks and agency accounts	82,034	20,300
Other regional and international organisations	66,712,251	53,354,820
<b>Total demand and deposit liabilities – foreign</b>	<b>72,055,416</b>	<b>55,169,474</b>
<b>Current</b>	<b>72,055,416</b>	<b>55,169,474</b>

These balances earned interest at 0.0% to 1.40% (2022: 0.0%) during the year.

## 19. IMF government general resource accounts

	2023	2022
	\$	\$
Saint Lucia	426,780	455,890
Antigua and Barbuda	226,830	242,307
Grenada	166,321	177,667
Saint Christopher (St Kitts) and Nevis	123,786	132,228
Commonwealth of Dominica	116,531	124,480
Saint Vincent and the Grenadines	116,364	124,298
<b>Total IMF government general resource accounts</b>	<b>1,176,612</b>	<b>1,256,870</b>
<b>Current</b>	<b>1,176,612</b>	<b>1,256,870</b>



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 20. Derivative financial instruments

### a) To-be-announced forward contracts

The Bank held no To-be-announced (TBA) forward contracts as at 31 March 2023.

The following is an analysis of the TBA contracts held with negative fair value as at 31 March 2022:

Currency	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
USD	22,818,641	61,610,331	13, 18 and 21 April 2022	1,203,842
USD	5,334,156	<u>14,402,221</u>	13 June 2022	<u>174,044</u>
		<u>76,012,552</u>		<u>1,377,886</u>
			Current	<u>1,377,886</u>

### b) Foreign currency forward contracts

The following is an analysis of the currency forwards held with negative fair value as of 31 March 2023:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
CAD	1,472,400	2,883,784	11 April 2023	50,518
CHF	3,000	8,554	11 April 2023	294
EUR	4,053,100	11,611,365	4 and 11 April 2023	306,718
GBP	1,340,300	<u>4,348,363</u>	11 April 2023	<u>127,837</u>
		<u>18,852,066</u>		<u>485,367</u>
			Current	<u>485,367</u>

The following is an analysis of the currency forwards held with negative fair value as of 31 March 2022:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC\$ equivalent	Value date of contracts	Fair value of contracts \$
CAD	1,649,600	3,490,694	4 April 2022	64,342
EUR	4,963,400	14,758,109	4 April 2022	139,338
GBP	562,100	<u>1,977,479</u>	4 April 2022	<u>13,783</u>
		<u>20,226,282</u>		<u>217,463</u>
			Current	<u>217,463</u>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 21. Other reserves

	2023	2022
	\$	\$
Revaluation reserve – property and equipment	<b>118,910,732</b>	118,910,732
Pension reserve	<b>30,976,000</b>	34,197,000
Self-insurance reserve fund	<b>14,488,544</b>	14,488,544
Capital reserve	<b>6,537,928</b>	6,537,928
Export Credit Guarantee fund	<b>1,808,877</b>	1,808,877
Revaluation reserve – investment securities	<b>(127,391,606)</b>	(115,084,402)
<b>Total reserves</b>	<b>45,330,475</b>	60,858,679

### Export Credit Guarantee Fund

Under Article 42 (1) of the Eastern Caribbean Central Bank Agreement Act 1983, the Bank is empowered to administer or participate in an export credit guarantee scheme. In exercise of this power, the Bank has assigned to one of its departments, the objective of providing pre-shipment export credit guarantees to commercial banks in respect of advances made to exporters from the Organisation of Eastern Caribbean States. Article 42 (4) of the Eastern Caribbean Central Bank Agreement Act 1983 provides for the Bank to make discretionary contributions out of its profits towards a guarantee fund for administering the Export Credit Guarantee Scheme. The Board of Directors have agreed to maintain the fund at a minimum of \$1,000,000.

### Capital reserve

Capital reserve includes the land (8.3568 acres) on which the Bank's headquarters (phase I and II) are constructed, which was donated by the Government of St. Kitts and Nevis. The land was independently valued at \$629,528 in 1991 for phase I and \$2,720,000 in 2001 for phase II. In 2003 the Government of St. Kitts and Nevis donated an additional 0.61 acres to the Bank, which was independently valued at \$498,400. In 2005, the Government of St. Kitts and Nevis donated an additional 2 acres of land, which was independently valued at \$2,690,000.

### Self-insurance reserve

The Board of Directors has agreed to appropriate annually to the Self-insurance reserve, from net income, such amount equivalent to the quoted premium from an insurance carrier, to cover potential catastrophe in respect of the Bank's headquarters buildings and full coverage for the other properties. It also agreed to a funded cap of 20% of the replacement value of the relevant buildings (determined by independent valuation).

### Pension reserve

The Board of Directors has decided to make appropriations annually to or from net income for the amounts necessary to maintain a pension reserve equivalent to the pension asset.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 21. Other Reserves (continued)

### Revaluation reserve – property and equipment

This reserve represents the carrying amount arising on revaluation of land and buildings recognised in other comprehensive income.

### Revaluation reserve – investment securities

The investment revaluation reserve represents the net unrealised fair value gains/(losses) on the revaluation of the Bank's financial assets classified and measured at FVOCI and expected credit losses thereon.

The movements of the "revaluation reserve: investment securities" as a result of changes in the fair values are as follows:

	<b>Foreign investment securities \$</b>	<b>Money market instruments \$</b>	<b>Total \$</b>
<b>Balance at 31 March 2021</b>	21,981,747	5,134	21,986,881
Revaluation of foreign securities	(139,304,641)	(1,020,528)	(140,325,169)
Revaluation transfer to profit or loss on disposal of foreign securities	3,063,789	-	3,063,789
Impairment of investment securities at FVOCI	190,097	-	190,097
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2022</b>	(114,069,008)	(1,015,394)	(115,084,402)
Revaluation of foreign securities	(47,849,012)	480,871	(47,368,141)
Revaluation transfer to profit or loss on disposal of foreign securities	35,247,720	-	35,247,720
Impairment of investment securities at FVOCI	(186,783)	-	(186,783)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2023</b>	<b>(126,857,083)</b>	<b>(534,523)</b>	<b>(127,391,606)</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 22. Pension asset

The Bank contributes to a defined benefit pension plan (Eastern Caribbean Central Bank or ECCB Pension Plan/Fund) covering substantially all full-time employees. The assets of the ECCB Pension Plan are held separately in an independent trustee administered fund. The pension plan is valued every three years by a firm of independent qualified actuaries, Bacon Woodrow & de Souza Limited – Actuaries and Consultants. The latest available full valuation of the Pension Fund was at 31 March 2022; it used the projected unit credit method, and showed that the fair value of the Fund's assets at 31 March 2022 represented 119% of the benefits that had accrued to members as at that date. The fair value of the Fund's assets at that time was \$135.8 million (2019: \$115.3 million) and the required future service contribution rate was 20.8% (2019: 20.5%) of pensionable salaries. The actuary performed a roll-forward of the valuation to 31 March 2023. The next detailed full valuation will be conducted as at 31 March 2025.

	2023 \$	2022 \$
<b>Net asset in the statement of financial position:</b>		
Fair value of plan assets	127,734,000	135,830,000
Present value of defined benefit obligation	<u>(96,758,000)</u>	<u>(101,633,000)</u>
Present value of over funded surplus	<u>30,976,000</u>	<u>34,197,000</u>
<b>Net defined benefit asset recognised in the statement of financial position</b>	<u>30,976,000</u>	<u>34,197,000</u>
	2023 \$	2022 \$
<b>Reconciliation of amount reported in the statement of financial position:</b>		
Pension asset, beginning of year	34,197,000	40,124,000
Net pension costs during the year	(1,701,000)	(1,177,000)
Remeasurements recognised in other comprehensive income	(4,409,000)	(7,565,000)
Bank's contributions paid to pension plan	<u>2,889,000</u>	<u>2,815,000</u>
<b>Pension asset, end of year</b>	<u>30,976,000</u>	<u>34,197,000</u>

Effective April 1, 2007, the Bank adjusted its contribution to the Pension Fund from 16% to 12% to benefit from the current overfunded position of the pension fund and as prescribed by rule 4(3) of the Pension Fund Trust Deed and Rules (1992).

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 22. Pension asset (continued)

	2023 \$	2022 \$
<b>Movement in present value of defined benefit obligation over the year is as follows:</b>		
Beginning of year	101,633,000	92,281,000
Current service cost	3,970,000	3,864,000
Interest cost	6,912,000	6,320,000
Contributions by plan participants	722,000	704,000
Experience adjustments	(4,235,000)	2,522,000
Actuarial gains/(losses) from changes in financial assumptions	(6,365,000)	-
Benefits paid	(5,879,000)	(4,058,000)
	<b>96,758,000</b>	<b>101,633,000</b>

### The defined benefit obligation is allocated between the Plan's members as follows:

	2023 %	2022 %
Active members	66	70
Deferred members	-	-
Pensioners	34	30

The weighted average duration of the defined benefit obligation at the year end 14.0 years 14.5 years

23% of the benefits for active members are for those over age 55 and are vested.

33% of the defined benefit obligation for active members is conditional on future salary increases.

	2023 \$	2022 \$
<b>Movement in fair value of plan assets over the year</b>		
Plan assets at start of year	135,830,000	132,405,000
Interest income	9,422,000	9,242,000
Return on plan assets, excluding interest income	(15,009,000)	(5,043,000)
Bank's contributions	2,889,000	2,815,000
Members' contributions	722,000	704,000
Benefits paid	(5,879,000)	(4,058,000)
Expense allowance	(241,000)	(235,000)
	<b>127,734,000</b>	<b>135,830,000</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

## 22. Pension asset (continued)

Expense recognised in the statement of profit or loss:	2023	2022
	\$	\$
Current service cost	3,970,000	3,864,000
Net interest on net defined benefit liability (asset)	(2,510,000)	(2,922,000)
Administration expenses	241,000	235,000
<b>Net pension cost included in staff costs (note 29)</b>	<b>1,701,000</b>	<b>1,177,000</b>

	2023	2022
	\$	\$
<b>Remeasurements recognised in other comprehensive income</b>		
Experience losses	(4,409,000)	(7,565,000)

Remeasurement loss recognised in other comprehensive income	(4,409,000)	(7,565,000)
---	-------------	-------------

	2023	2022
	%	%
<b>The principal actuarial assumptions used were as follows:</b>		
Discount rate	7.5	7.0
Average individual salary increases	5.0	5.0
Future pension increases	0.0	0.0

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligations as at 31 March 2023 are as follows:

	2023	2022
Life expectancy at age 60 for current pensioners in years		
Male	21.9	21.8
Female	26.2	26.0
Life expectancy at age 60 for current members age 40 in years		
Male	22.8	22.7
Female	27.1	27.0

### Plan assets are comprised as follows:

	2023	2022
	\$	\$
Developed market equities	54,288,000	56,074,000
EC Government issued nominal bonds and treasury bills	8,309,000	6,499,000
USD denominated bonds	66,764,000	68,473,000
USD cash and cash equivalents	1,058,000	6,665,000
Net current assets	(2,685,000)	(1,881,000)
<b>Fair value of plan assets at end of year</b>	<b>127,734,000</b>	<b>135,830,000</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 22. Pension asset (continued)

The largest proportion of the Plan's assets is invested in debt instruments. Overseas equities in developed markets and USD denominated bonds have quoted prices.

The Plan's assets are invested based on a strategy agreed with the Trustees. There are no asset-liability matching strategies used by the Plan.

### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises the sensitivity of the defined benefit obligation to changes in the assumptions used:

2023			
Impact on defined benefit obligation			
	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
		\$	\$
Discount rate	1%	(11,419,000)	14,082,000
Future salary increases	1%	5,816,000	(5,173,000)
Life expectancy	1 year	1,119,000	-

2022			
Impact on defined benefit obligation			
	<u>Change in assumption</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
		\$	\$
Discount rate	1%	(12,358,000)	15,341,000
Future salary increases	1%	6,653,000	(5,868,000)
Life expectancy	1 year	1,118,000	-

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the year) has been applied as when calculating the pension plan asset recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 22. Pension asset *(continued)*

### Funding

The Bank meets the balance of the cost of funding the defined benefit Pension Plan and must contribute at least 12% of members' salaries to the Plan. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding required may differ from those set out above.

The estimated pension contributions to be paid into the defined benefit plan during the next financial year amounts to \$3.0 million (2022: \$2.942 million).

## 23. Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank considers the participating governments, board of directors and key management personnel as related parties.

### Participating governments

The receivables from and payables to participating governments arise mainly from the Bank carrying out one of its key roles as banker to participating governments as provided for in part nine (ix) of the ECCB Agreement Act 1983.

The year end balances arising from transacting with participating governments are as follows:

	2023	2022
	\$	\$
<b>Due from participating governments</b>		
Participating governments' securities (note 10)	<b>225,602,673</b>	216,834,892
Participating governments' advances (note 11)	<b>152,201,810</b>	91,017,282
<b>Due to participating governments (note 17)</b>		
Participating governments' call accounts	<b>83,532,638</b>	116,363,329
Participating governments' fiscal reserve tranche II	<b>55,995,679</b>	56,495,679
Participating governments' operating accounts	<b>23,598,664</b>	52,198,457
Participating governments' drug service accounts	<b>9,556,835</b>	10,535,871
Participating governments' sinking fund call accounts	<b>7,922,411</b>	14,018,302
Participating governments' fiscal tranche I call accounts	<b>6,355,938</b>	12,410,745
Participating governments' debt restructuring escrow accounts	<b>6,168</b>	398,013

Interest income earned on participating governments securities and advances during the year was \$6,459,084 (2022: \$13,167,886). These accounts carry interest rates of 2.0% to 3.5% (2022: 2.0% to 3.5%) during the year.



# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 23. Related party balances and transactions *(continued)*

### Participating governments *(continued)*

Interest expense on participating governments demand accounts during the year was \$1,457,982 (2022: nil). These accounts carry interest rate of 0.0% to 1.40% (2022: 0.0%) during the year.

### Eastern Caribbean Central Bank Pension Plan

The Bank provides management, investment and administrative support to the Pension Plan. Services in the amount of \$594,966 were fully recovered from the Pension Plan during the year (2022: \$794,623). Disclosures related to the Bank's post-employment benefit plans are included in Note 22.

### Key management personnel and compensation

The key management personnel responsible for planning, directing and controlling the activities of the Bank are the members of the Executive, the Senior Management and the Board of Directors.

The compensation of key management personnel is presented in the following table. Short-term employee benefits and post-employment benefits apply to Bank employees only.

	2023	2022
	\$	\$
Salaries and other short-term employee benefits	4,222,114	4,493,046
Board of Directors' fees	240,000	240,000
Post-employment benefits	169,595	165,967
	<u>4,631,709</u>	<u>4,899,013</u>

The value of other transactions during the year and outstanding balances related to key management personnel as of 31 March 2023 was nil (2022: nil).

### Transactions and balances with associated undertakings

	2023	2022
	\$	\$
Rental income	300,000	300,000
Dividends from associates	621,366	764,654
Demand and deposit liability accounts (note 17)		
Eastern Caribbean Securities Exchange	24,678,090	19,566,605
Eastern Caribbean Home Mortgage Bank	19,439,281	6,007,031
OECS Distribution and Transportation Company Limited	22,380	22,380

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 24. Commitments and contingencies

### Commitments

#### Capital commitments

As at 31 March 2023, commitments for capital expenditure amounted to \$16,624,910 (2022: nil). No provision has been made in these financial statements for the unexpended capital commitments as at reporting date although appropriate funding has been approved.

#### Credit limits to participating governments

Article 40 (1) of the ECCB Agreement Act 1983 stipulates that “the Bank may, subject to such terms and conditions as the Board may prescribe, make temporary advances to each Participating Government to meet its seasonal needs...”. This can take the form of ECCB’s direct investment in government securities, overdrafts on operating accounts and temporary advances.

The approved credit limits to participating governments for the current financial year is \$780,000,000 (2022: \$750,000,000). The details are presented in the table below:

	2023	2022
	\$	\$
Government of Saint Lucia	156,245,000	158,608,000
Government of Saint Christopher (St Kitts) and Nevis	152,112,000	145,784,000
Government of Antigua and Barbuda	142,297,000	131,219,000
Government of Grenada	111,254,000	109,228,000
Government of Saint Vincent and the Grenadines	94,573,000	88,591,000
Government of Commonwealth of Dominica	81,129,000	78,244,000
Government of Anguilla	34,585,000	30,808,000
Government of Montserrat	7,805,000	7,518,000
<b>Total credit limit</b>	<b>780,000,000</b>	<b>750,000,000</b>

The total credit available to participating governments as of 31 March 2023 amounts to \$398,424,000 (2022: \$441,600,000). The details are presented in the table below:

	2023	2022
	\$	\$
Government of Saint Christopher (St Kitts) and Nevis	152,112,000	145,784,000
Government of Grenada	111,254,000	109,228,000
Government of Commonwealth of Dominica	55,975,000	51,264,000
Government of Anguilla	34,585,000	30,808,000
Government of Saint Lucia	16,629,000	51,365,000
Government of Saint Vincent and the Grenadines	11,410,000	31,488,000
Government of Antigua and Barbuda	8,654,000	14,145,000
Government of Montserrat	7,805,000	7,518,000
<b>Total credit limit</b>	<b>398,424,000</b>	<b>441,600,000</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 24. Commitments and contingencies *(continued)*

### Commitments *(continued)*

#### Credit limits to participating governments *(continued)*

The Board has approved a total credit limit to participating governments for the 2023/24 financial year in the amount of \$840,000,000.

### Contingencies

#### Pending litigations

The Bank is subject to various claims, disputes and legal proceedings, in the normal course of business. There are several legal claims which have been brought against the Bank. Provision is made for such matters when, in the opinion of management as advised by the Bank's Legal Counsel, it is probable that a payment will be made by the Bank, and the amount can be reasonably estimated.

In respect of claims asserted against the Bank for which, according to the principles outlined above, no provision has been made, management is of the opinion that such claims are without merit and can be successfully defended.

## 25. Cash and cash equivalents

	2023	2022
	\$	\$
Money market instruments and money at call (note 6)	1,029,909,586	519,334,455
Regional and foreign currencies	137,783,494	155,391,151
Balances with other central banks (note 5)	17,814,003	13,482,886
Balances with local banks	1,150,207	600,759
Balances with foreign banks (note 5)	1,020,689	692,982
<b>Total cash and cash equivalents</b>	<b>1,187,677,979</b>	<b>689,502,233</b>

## 26. Net interest income

	2023	2022
	\$	\$
<b>Interest income</b> (calculated using the effective interest method)		
Foreign investment securities	53,512,398	22,111,706
Money market instruments and money at call	25,322,139	1,413,107
Mortgage-backed securities	4,699,040	3,689,930
Participating governments' securities and advances	6,459,084	13,167,886
Other interest income	61,077	35,087
	<b>90,053,738</b>	<b>40,417,716</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 26. Net interest income (continued)

### Interest expense

Demand liabilities: domestic	1,457,982	-
Lease liabilities	152,314	164,949
	<u>1,610,296</u>	<u>164,949</u>

<b>Net interest income</b>	<b>88,443,442</b>	<b>40,252,767</b>
----------------------------	-------------------	-------------------

## 27. Net losses on foreign investment securities at fair value through profit or loss (FVTPL)

	2023	2022
	\$	\$
Unrealised gains (losses) on investment securities at FVTPL	17,081,000	(19,510,182)
Realised (losses) gains on investment securities at FVTPL	<u>(61,196,415)</u>	<u>(6,022,033)</u>
	<u>(44,115,415)</u>	<u>(25,532,215)</u>

## 28. Other income

	2023	2022
	\$	\$
Income from banking licence fees and penalties	3,538,334	3,635,000
Pension fund administrative and management fees	594,966	794,623
Rental income	322,800	322,800
Gain on futures contracts	970,530	2,793,787
Loss on foreign exchange	(996,161)	(626,013)
Gain (loss) on disposal of property and equipment	8,631	(725)
Other income	<u>127,673</u>	<u>135,543</u>
<b>Total other income</b>	<b>4,566,773</b>	<b>7,055,015</b>

Rental income results from rental of office space to affiliate institutions, namely, ECHMB, ECSE and ECPCGC, which are covered by leasehold rental contracts.

## 29. Salaries, pensions and other staff benefits

	2023	2022
	\$	\$
Salaries, wages and other benefits	35,658,612	36,494,895
Pension (note 22)	1,701,000	1,177,000
Social security	1,228,644	1,245,989
Vacation leave	403,934	428,323
Prepaid employee benefit	<u>32,678</u>	<u>16,850</u>
<b>Total salaries, pensions and other staff benefits</b>	<b>39,024,868</b>	<b>39,363,057</b>

# Eastern Caribbean Central Bank

Notes to the Financial Statements

**For the year ended 31 March 2023**

(Expressed in Eastern Caribbean dollars)

---

## 30. Net impairment losses on financial assets

During the financial year, the following losses (gains) were recognised in the statement of profit or loss in relation to impaired financial assets

	2023	2022
	\$	\$
Impairment loss on financial assets at FVOCI	40,276	190,098
Impairment loss on financial assets at amortised cost	12,437	22,058
Impairment loss on receivables	1,412,497	6,344,421
Reversal of previous impairment losses on financial assets	(270,337)	(80,933)
<b>Net impairment losses on financial assets</b>	<b>1,194,873</b>	<b>6,475,644</b>

## 31. Administrative and general expenses

	2023	2022
	\$	\$
General supplies and services	11,426,058	8,573,083
Professional, legal and consulting fees	7,261,836	5,752,738
Special projects	2,321,477	2,434,902
Repairs and maintenance	1,247,940	517,289
Contribution to Eastern Caribbean Securities Regulatory Commission	1,125,276	1,100,778
Utilities expenses	1,066,746	990,147
Travel expenses	1,040,903	9,733
Training, recruitment and resettlement	1,005,655	914,512
Conference and meetings	965,125	223,388
Telephone expense	864,097	823,071
Insurance expense	684,087	841,054
Service grant	658,089	490,664
Other staff expenses and amenities	576,999	167,148
Subscriptions and fees	400,029	338,588
Community outreach	374,597	294,276
Rental expense	238,450	233,820
Affiliate groups	201,976	198,481
Public education and communication	141,249	151,278
Other expenses	109,786	63,409
Contribution to staff association	72,695	35,377
Printing and postage expenses	29,427	12,866
Directors' travel and other expenses	22,640	16,327
Advertising and promotion	1,242	6,342
<b>Total administrative and general expenses</b>	<b>31,836,379</b>	<b>24,189,271</b>



Eastern Caribbean Central Bank  
P O Box 89  
Bird Rock, Basseterre  
Saint Christopher (St Kitts) and Nevis  
Tel No: (869) 465 2537  
Fax: No: (869) 465-9562  
Email: [info@eccb-centralbank.org](mailto:info@eccb-centralbank.org)  
Website: [www.https://eccb-centralbank.org](https://eccb-centralbank.org)