EASTERN CARIBBEAN CENTRAL BANK

2018-2019
Annual Report

Report and Statement of Accounts

For the Financial Year Ended 31 March 2019

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The Eastern Caribbean Central Bank will launch a new $50, the first in its family of EC Polymer Notes, during the first quarter of the 2019-2020 financial year. The back of the note will bear the image of former Governor of the ECCB, the late Honourable Sir K Dwight Venner in honour of his legacy and dedicated service to the Bank and the people of the Eastern Caribbean Currency Union (ECCU).

Eastern Caribbean Central Bank

12 June 2019

Sirs

In accordance with Article 48(1) of the Eastern Caribbean Central Bank Agreement 1983, I have the honour to transmit herewith the Bank's Annual Report and Statement of Accounts for the year ended 31 March 2019, duly certified by the External Auditors.

I am,
Your Obedient Servant

Timothy N. J. Antoine
GOVERNOR

The Honourable Victor F Banks
Premier
ANGUILLA

The Honourable Gaston Browne
Prime Minister
ANTIGUA AND BARBUDA

The Honourable Roosevelt Skerrit
Prime Minister
COMMONWEALTH OF DOMINICA

Dr The Right Honourable Keith Mitchell
Prime Minister
GRENADA

The Honourable Donaldson Romeo
Premier
MONTSERRAT

Dr The Honourable Timothy Harris
Prime Minister
ST KITTS AND NEVIS

The Honourable Allen Chastanet
Prime Minister
SAINT LUCIA

The Honourable Camillo Gonsalves
Minister for Finance
ST VINCENT AND THE GRENADINES

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E-mail: info@eccb-centralbank.org • Website: www.eccb-centralbank.org
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MISSION STATEMENT

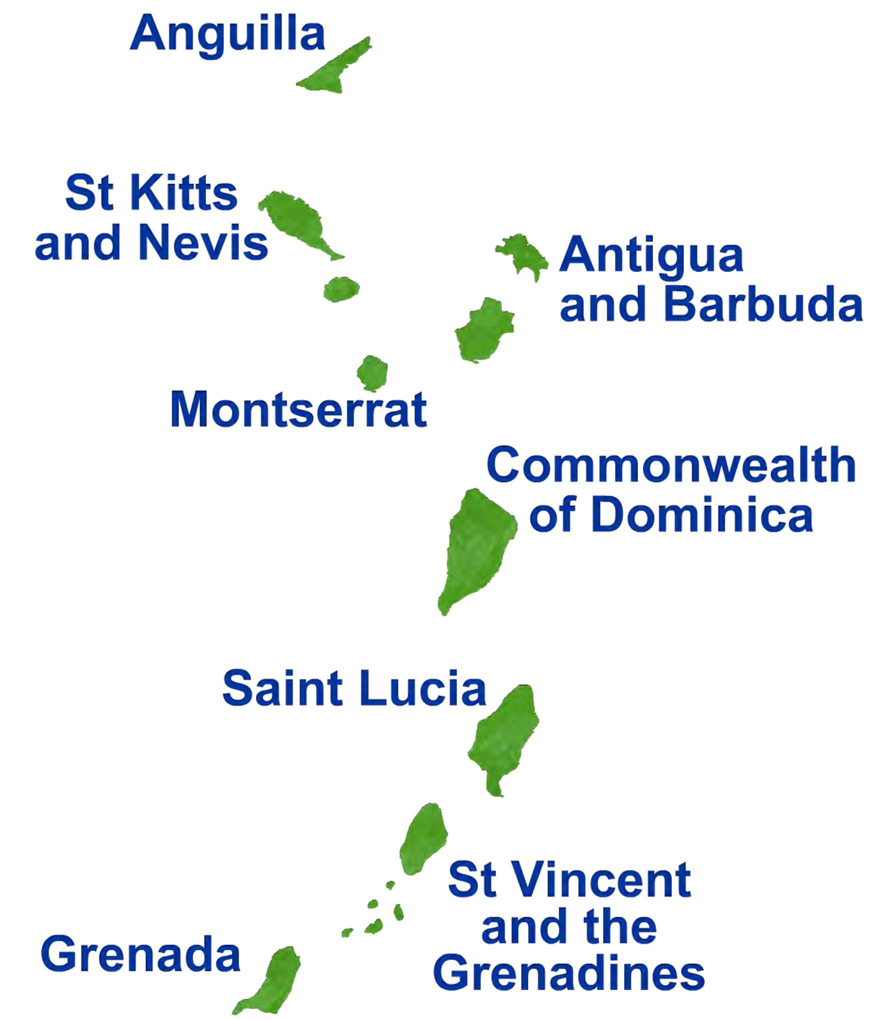
Advancing the good of the people of the currency union by maintaining monetary and financial stability and promoting growth and development.

VISION STATEMENT

To be a model institution delivering exceptional service and influential policy advice to support the development of a thriving currency union.

CORE VALUES

- Service Excellence
- Teamwork and Truth Telling
- Accountability
- Results



MONETARY COUNCIL

As at 31 March 2019

Dr The Right Hon Keith Mitchell
Grenada
CHAIRMAN

The Hon Victor Banks
Anguilla

The Hon Gaston Browne
Antigua and Barbuda

The Hon Roosevelt Skerrit
Commonwealth of Dominica

The Hon Donaldson Romeo
Montserrat

Dr The Hon Timothy Harris
St Kitts and Nevis

The Hon Allen Chastanet
Saint Lucia

The Hon Camillo Gonsalves
St Vincent and the Grenadines

BOARD OF DIRECTORS

As at 31 March 2019

Executive Directors

Timothy N. J. Antoine
Governor
CHAIRMAN

Trevor Brathwaite
Deputy Governor

Appointed Directors

Dr Aidan Harrigan
Anguilla

John Skerritt
Montserrat

Whitfield Harris, Jr
Antigua and Barbuda

Hilary Hazel
St Kitts and Nevis

Rosamund Edwards
Commonwealth of Dominica

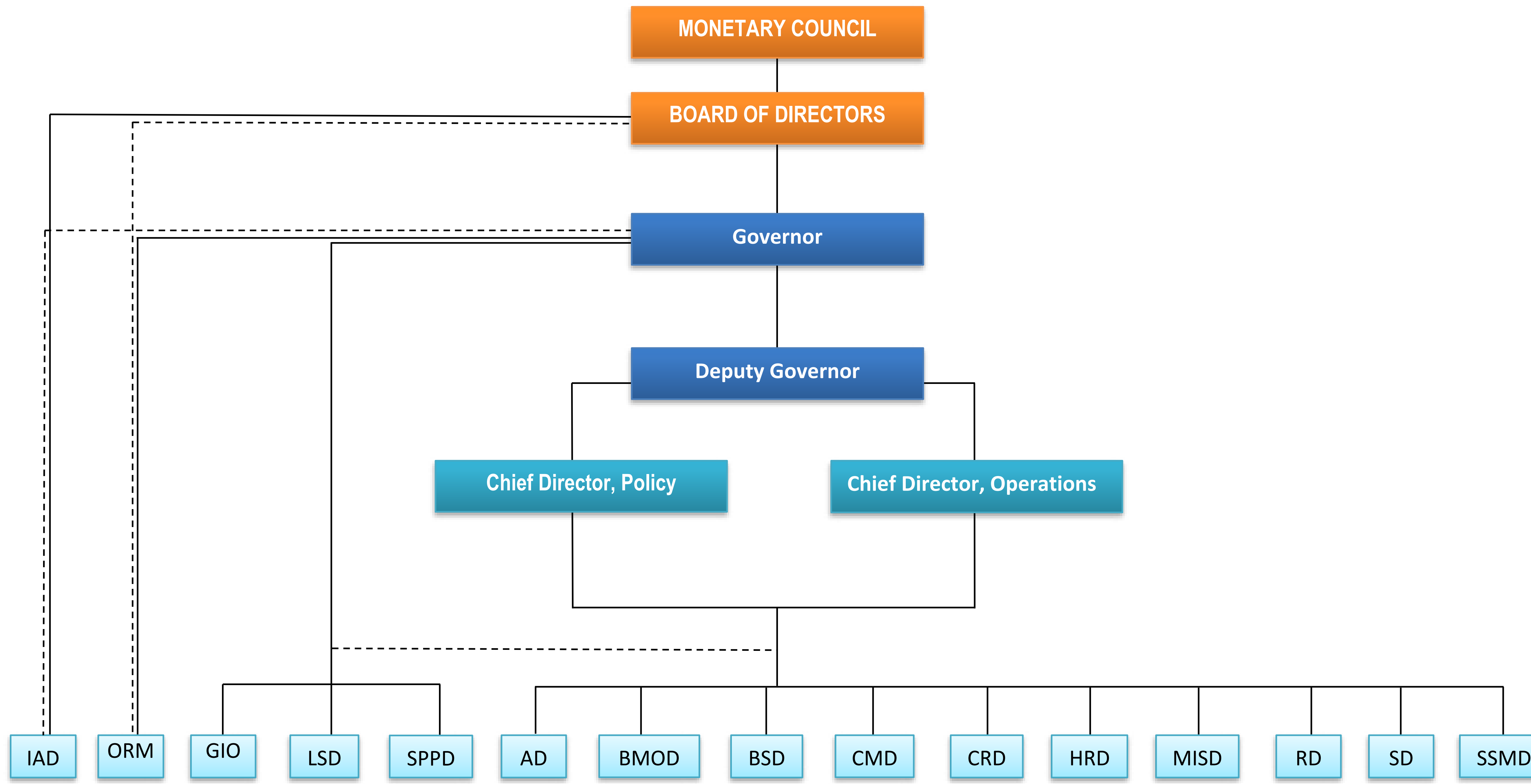
Cointha Thomas
Saint Lucia

Ophelia Wells-Cornwall
Grenada

Edmond Jackson
St Vincent and the Grenadines

ORGANISATIONAL CHART

As at 31 March 2019



KEY:

IAD:	Internal Audit Department	**BSD:**	Bank Supervision Department
ORM:	Office of Risk Management	**CMD:**	Currency Management Department
GIO:	Governor's Immediate Office	**CRD:**	Corporate Relations Department
LSD:	Legal Service Department	**HRD:**	Human Resource Department
SPPD:	Strategic Planning and Projects Department	**MISD:**	Management Information Systems Department
AD:	Accounting Department	**RD:**	Research Department
BMOD:	Banking and Monetary Operations Department	**SD:**	Statistics Department
		SSMD:	Support Services Management Department

*Chief Director, Operations (Vacant)

MANAGEMENT STRUCTURE

As at 31 March 2019

Executive Committee

Timothy N. J. Antoine
Governor

Trevor O B Brathwaite
Deputy Governor

D Tracy Polius
Chief Director (Policy)

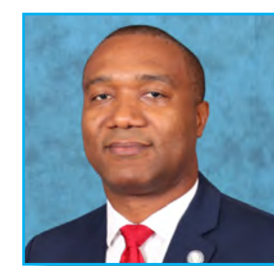
Senior Management Team

Ingrid O'Loughlin
Senior Director
Corporate Relations Department

Wayne Myers
Senior Director
Support Services Management Department

Yvonne Jean-Smith
Director
Internal Audit Department

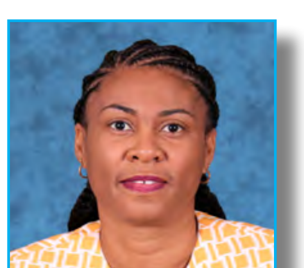
Raquel Leonce
Director
Banking and Monetary Operations Department



Christopher Louard
Director
Bank Supervision Department

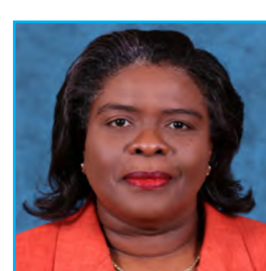
Merlese O'Loughlin
Director
Legal Services Department

Cindy Parris-Gilbert
Director
Management Information Systems Department



Sharmyn Powell
Director/
Chief Risk Officer
Governor Immediate Office

Senator Samuel
Director
Accounting Department



Térèsa Smith
Director
Statistics Department

Karen Williams
Director
Strategic Planning and **Projects Department**

Rosbert Humphrey
Director (Ag)
Currency Management Department

Jolene Newton
Director (Ag)
Human Resource Department

Patricia Welsh
Director (Ag)
Research Department

MANAGEMENT STRUCTURE

As at 31 March 2019

Advisers and Deputy Directors

Accounting Department
Shanna Herbert – ***Deputy Director***

Banking and Monetary Operations Department
Francis Fontenelle - ***Adviser***
Allison Stephen - ***Adviser***
Lynette Griffin – ***Deputy Director***
Niall Pistana – ***Deputy Director***

Bank Supervision Department
Humphrey Magloire - ***Adviser***
Shawn Williams - ***Adviser***
Allison Crossman – ***Deputy Director***
Laurel Seraphin Bedford – ***Deputy Director***
Angela Rouse – ***Deputy Director***

Corporate Relations Department
Shermalon Kirby - ***Adviser***

Currency Management Department
Norman Sabaroche – ***Deputy Director***

Governor's Immediate Office
Norma Hanley-Pemberton - ***Adviser***

Human Resource Department
Merva Mallalieu – ***Deputy Director (Ag)***

Internal Audit Department
Maria Cumberbatch - ***Adviser***

Legal Services Department
Gillian Skeritt – ***Deputy Director***

Management Information Systems Department
Aldrin Phipps - ***Adviser***
Lyle Mark – ***Deputy Director***

Research Department
Rohan Stowe – ***Deputy Director***
Shernnel Thompson – ***Deputy Director (Ag)***

Statistics Department
John Venner - ***Adviser***
Seana Benjamin-Mack – ***Deputy Director***
Juletta Edinborough – ***Deputy Director***
Leah Sahely – ***Deputy Director***

Strategic Planning and Project Department
Kennedy Byron - ***Adviser***
Sharon Welcome De Ramirez - ***Adviser***
Sybil Welsh - ***Adviser***
Daniel Arthurton - ***Adviser***
Hamilton Stephen – ***Adviser***

Support Services Management Department
Beverley Edwards-Gumbs – ***Deputy Director***
Danny Caine – ***Chief of Security***

AGENCY OFFICES

As at 31 March 2019

Resident Representatives/Country Managers

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SAINT LUCIA
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E-mail: eccbslu@eccb-centralbank.org

HIGHLIGHTS OF THE YEAR

- The Eastern Caribbean Payments Council was reconstituted in June 2018, with Deputy Governor of the Eastern Caribbean Central Bank, Trevor Brathwaite as Chairman.

- 1 October 2018 marked 35 years since the ECCB was established. The anniversary was commemorated under the theme: *Celebrating 35 Years of Existence, Service and Monetary Stability*.

- The Bank release the 100th episode of its weekly public education programme, ***ECCB Connects***, on 24 October 2018. As part of the Bank's communication thrust, the programme seeks to provide insights to the public about the work of the ECCB and how it affects the lives of the people of the ECCU.

- GlobalMarkets named Governor, Timothy N. J. Antoine, Central Bank Governor of the Year for the Caribbean in October 2018. GlobalMarkets is the featured newspaper for the meetings of the International Monetary Fund (IMF)/The World Bank, European Bank for Reconstruction and Development, Asian Development Bank and Inter-American Development Bank. It recognises the accomplishments of the world's outstanding policymakers during its annual awards event.

- In November 2018, Governor Timothy N. J. Antoine assumed Chairmanship of the CARICOM Central Banks Governors.

- The first Chief Director (Policy), D Tracy Polius, was appointed on 7 January 2019.

- The ECCB launched its EC Digital Currency Pilot Project on 12 March 2019. The launch followed the ECCB's signing of a contract with Barbados-based FinTech company, Bitt Inc. on 21 February 2019 to conduct a blockchain-issued Central Bank Digital Currency (CBDC) pilot within the ECCU.

CEO of Bitt Inc, Rawdon Adams (left) and Governor of the ECCB, Timothy N. J. Antoine (right), at regional media conference on the conduct of a blockchain-issued Central Bank Digital Currency (CBDC) pilot within the Easterm Caribbean Currency Union

Governor of the ECCB, Timothy N. J. Antoine, holding GlobalMarkets Governor of the Year for the Caribbean Award at Annual Awards Reception in Bali, Indonesia

GOVERNOR'S FOREWORD

Laying the Foundation for Transformation

However beautiful the strategy, you should occasionally look at the results.
~Unknown

Read full text of Governor Antoine's Foreword

Review of Performance

The ECCB Strategic Plan 2017-2021, was published in October 2017 and the end of this financial year 2018/2019, marked a year and a half of implementation. The Plan, outlines the Bank's work of protecting our currency and developing the region and continues to be appropriate and valid for the times. There is still need to improve competitiveness, increase productivity and generate economic growth. Over the past year, economic recovery in the ECCU solidified with real Gross Domestic Product (GDP) growth recorded at 2.7 per cent at the end of 2018, almost doubled the 2017 rate after the devastation of two category five hurricanes. This stronger growth helped reduce risks by improving the position of the private sector. However, from the environmental context, risks and uncertainty still abound.

The Bank is clear on its mandate and over the past financial year, identified a number of strategic priorities that would contribute to the vision of a thriving currency union namely:

Review and Adopt a Revised Reserve Management Framework for the Maintenance of Monetary Stability

The preservation and maintenance of the strong EC dollar policy is an anchor to the economic out-turn. In this regard, the Bank continued work on revising its foreign reserve management framework to achieve the investment objectives of preserving capital and meeting liquidity needs.

Over the past year, the foreign reserve portfolio performed positively. At the end of March 2019, the Backing Ratio stood at 99.5 per cent, well above the benchmark set by the ECCB Agreement and agreed to by the Board of Directors and Monetary Council. Monetary and credit conditions remained relatively stable; however, there were concerns that credit growth is still lagging, a decade after the global financial and economic crisis. With Non-Performing Loans (NPLs) still high, commercial banks remained cautious about extending credit. Thus, the ECCB, in collaboration with The World Bank and member countries, pursued improvement in the financing of the private sector.

Actively Promote the Economic Development of the ECCU Member Countries

To increase citizens' access to credit, the Bank advanced its efforts to operationalise the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC), which will provide guarantees on loans to micro, small, and medium-sized enterprises, enabling them to overcome the perennial challenge of credit availability. At the same time, an operator was selected for the Eastern Caribbean Credit Bureau to commence operation in 2019, which will alleviate the challenge of information asymmetry.

The ECCB recognises the pivotal role of the private sector in the advancement of the Currency Union. Likewise, it is aware of the need for collaboration between the private and public sectors in driving economic growth and development. Thus, the third Growth and Resilience Dialogue With ECCU Social Partners was held in February 2019 under the theme: "Building Resilient Institutions and Infrastructure for

> *"The Bank advanced its efforts to operationalise the Eastern Caribbean Partial Credit Guarantee Corporation, which will provide guarantees on loans to micro, small, and medium-sized enterprises, enabling them to overcome the perennial challenge of credit availability."*

Sustainable Growth". High on the agenda were two key regional issues: (i) improving the business climate in the region and (ii) the mode of connection/transportation among the ECCB member countries.

Ensure a Strong, Diversified and Resilient Financial Sector and Strengthen Market Development

The improving economy offered a window of opportunity to further strengthen the balance sheets of banks and non-banks. Banks accelerated their reduction of NPLs, which decreased from 12.1 per cent of total loans in 2017 to 11.4 per cent in of 2018. However, further efforts to reduce high NPL stocks remain necessary.

The ECCB therefore, continued to closely monitor financial stability risks in 2018 and implemented a number of initiatives to identify and mitigate the risks. The risk-based supervision approach is now being utilised to supervise licensed financial institutions. Revised and new prudential standards have been issued to strengthen the regulatory framework and increase the financial sector resilience. In 2016, the Monetary Council approved the transfer of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) supervision to the ECCB for financial institutions licensed under the 2015 Banking Act. Since then the ECCB has made significant progress in operationalising this mandate. An AML Supervisory Unit was established and a Multilateral Memorandum of Understanding was signed with the national competent authorities.

The 2018/19 financial year saw important developments in the payments architecture. The Eastern Caribbean Payments Council was reinstated to promote reliability in the payment systems. New standards were adopted for financial market infrastructures and the Electronic Funds Transfer (EFT) was introduced as a more cost effective payment option. Further, the Monetary Council approved the change in the EC notes substrate from paper to polymer, a move that will enhance the security and durability of the EC notes.

Improvement of Organisational Effectiveness

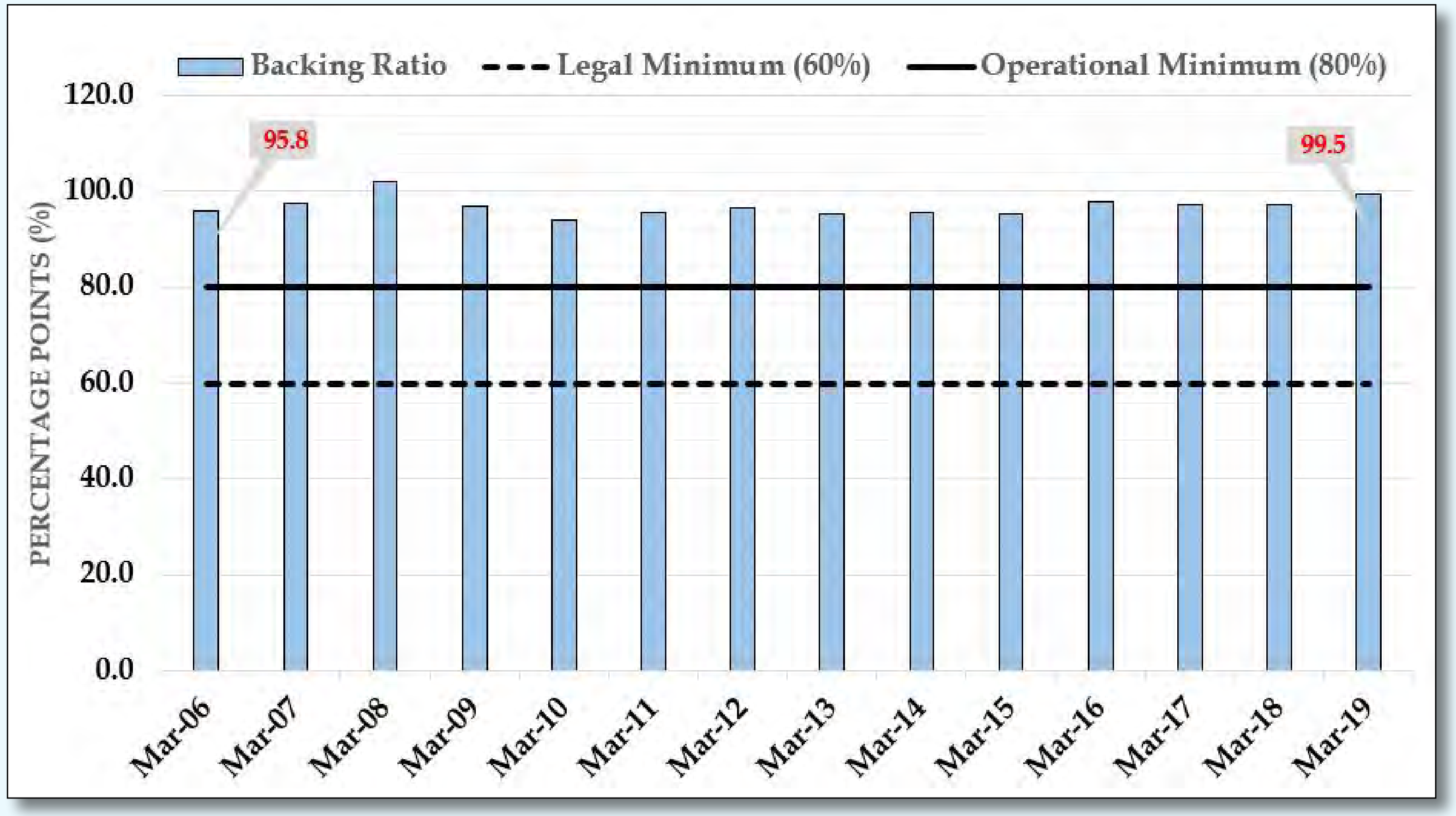
A consultancy firm was hired to develop a modern human resource strategy, review human resource polices, compensation and benefits, and provide training in performance management and job descriptions to staff. In addition, the Bank continued to pursue the delivery of a statistical enterprise solution to uplift capability in the management of data. This investment is underway and will benefit not just the ECCB, but the rest of the financial sector, as well as the National Statistical Offices.

In creating greater awareness and enhanced stakeholder engagement,the Bank continued to produce and disseminate its weekly public education programme: ***ECCB Connects***, reaching 100 episodes on 24 October 2018. The Bank also held a number of networking and consultative meetings with policy-makers including: the OECS Commission, Financial Secretaries, Comptrollers of Inland Revenue and Customs and Excise Departments, Accountants General and Budget Directors, Attorneys General, Heads of Social Security, National Statistical Offices and Policy Units.

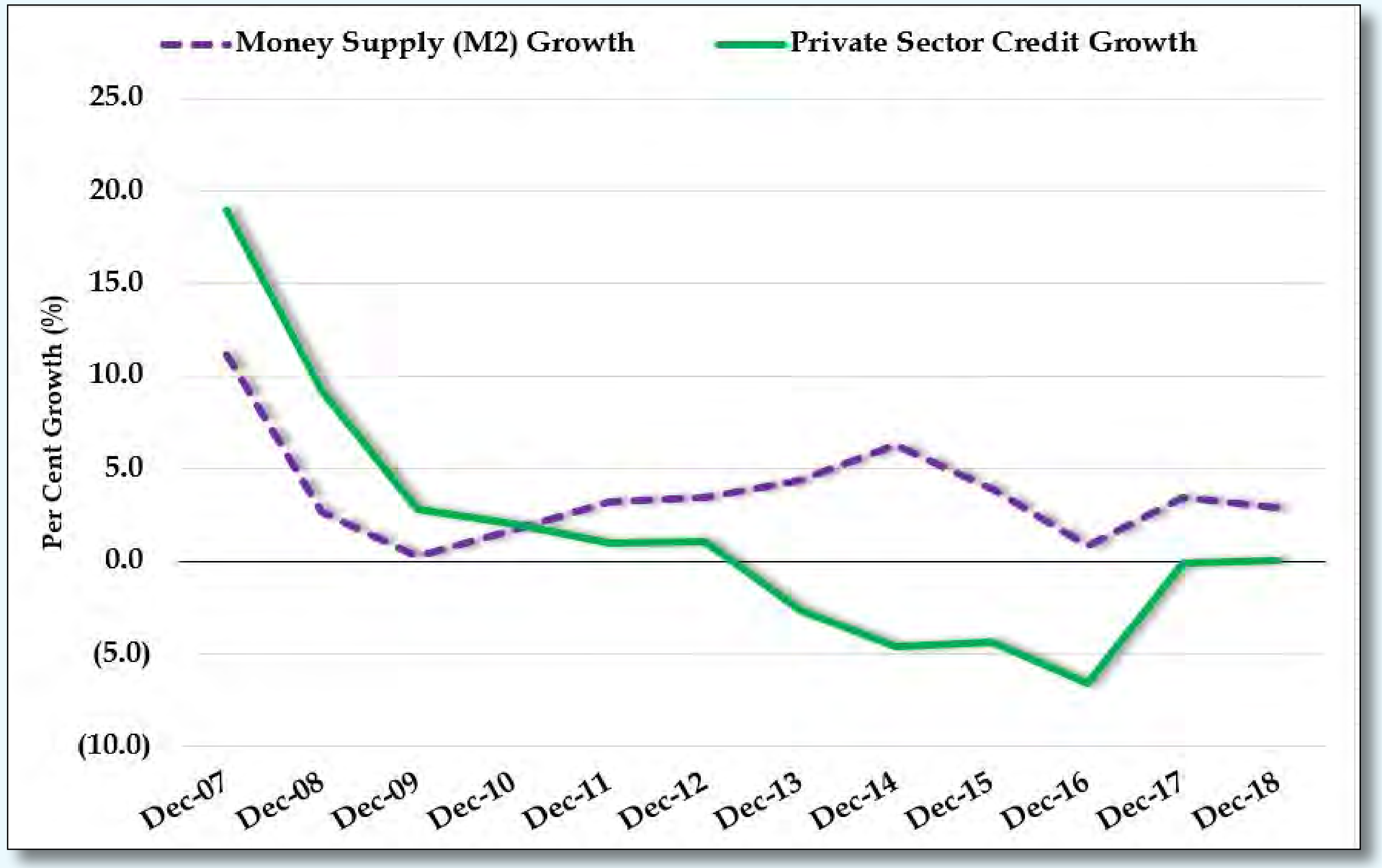
"The ECCB continued to closely monitor financial stability risks in 2018 and implemented a number of initiatives to identify and mitigate the risks."

1 Monetary Stability

Backing Ratio With Statutory and Operational Limits - 2006 to 2019



Growth Rate of Monetary Liabilities (M2) and Private Sector Credit



The backing ratio, which represents the amount of foreign assets held relative to the demand liabilities stood at 99.5 per cent as at 31 March 2019.

MONETARY STABILITY

Maintain Sufficient Foreign Reserves to Support the EC Dollar

The exchange rate arrangement remained firmly anchored during the financial year and continued to contribute to economic stability and confidence of the region. The backing ratio, which represents the amount of foreign assets held relative to the demand liabilities stood at 99.5 per cent as at 31 March 2019, well above the statutory and operational limits of 60.0 and 80.0 per cent respectively. The strong backing ratio reflects a faster pace of growth of reserve assets when compared to the growth of the domestic money supply.

Buoyant foreign direct investment inflows and export earning inflows contributed to the growth in foreign reserves. Real economic growth for the ECCU was estimated at 3.3 per cent in 2018 compared with 1.4 per cent in 2017. Antigua and Barbuda, Grenada, and St Kitts and Nevis led the growth pace in the ECCU.

Growth in the ECCU is expected to strengthen further in 2019 to 3.9 per cent but still falls below the regional target of 5.0 per cent. Downside risk to the outlook is high given the slowdown in global economic growth and growing geopolitical tensions.

Reserve Management

The financial year saw rising yields on shorter-dated debt issued by the United States amid continued increases in the Federal Funds Target Rate. The Federal Reserve continued its campaign of normalising US monetary policy by raising the policy rate three times during the year. Notwithstanding the increase in interest rates, the ECCB continued to achieve its foreign reserve investment objectives of preservation of capital and meeting liquidity needs.

Review and Adoption of a Revised Reserve Management Framework

Following the development and approval of key policy and operational proposals regarding management of foreign reserves in the prior financial year, the Bank continued to improve the Reserve Management Framework via capacity building provided by The World Bank Treasury's Reserves Advisory and Management Programme (RAMP). Key achievements, which the ECCB attained during the financial year, included:

- Development and approval of a foreign reserve money manager framework;
- Successful renegotiation of external money manager and custodian fees; and
- Increased share of foreign currency reserves under internal management.

Advise Monetary Council on Monetary and Credit Conditions Consistent with the ECCB Agreement

A key responsibility of the ECCB is the production of the Monetary and Credit Conditions Report which serves to advise the Monetary Council on the status of, and developments in monetary and credit aggregates in the ECCU. As mandated by the ECCB Agreement, three reports were produced during the financial year. They indicated that growth in monetary liabilities moderated to 3.0 per cent in 2018 compared with 3.5 per cent in 2017. The slower pace in the money supply reflects a general easing in the pace of growth of the narrow

Chart 1 - Real GDP Growth ECCU 2006-2020

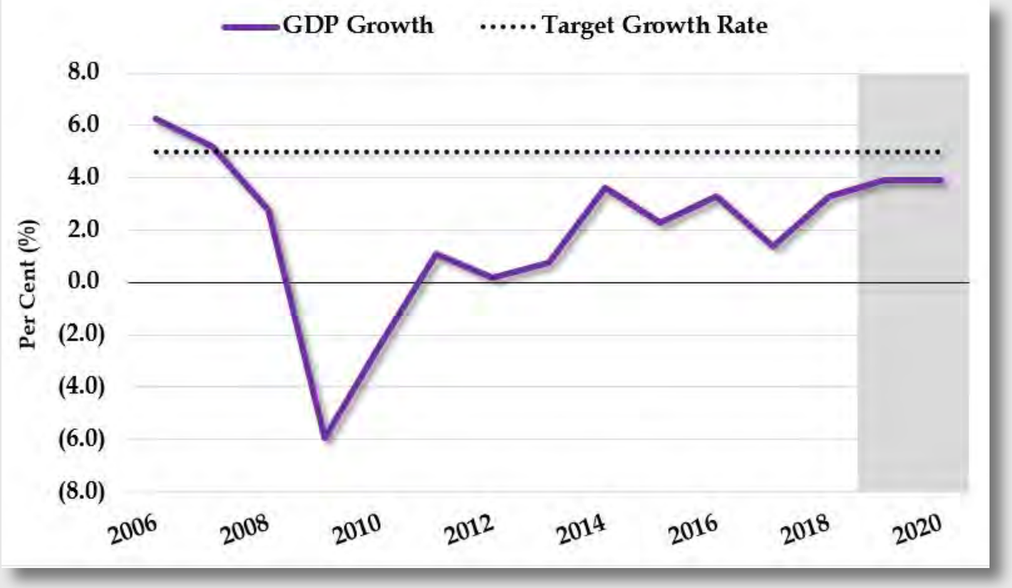
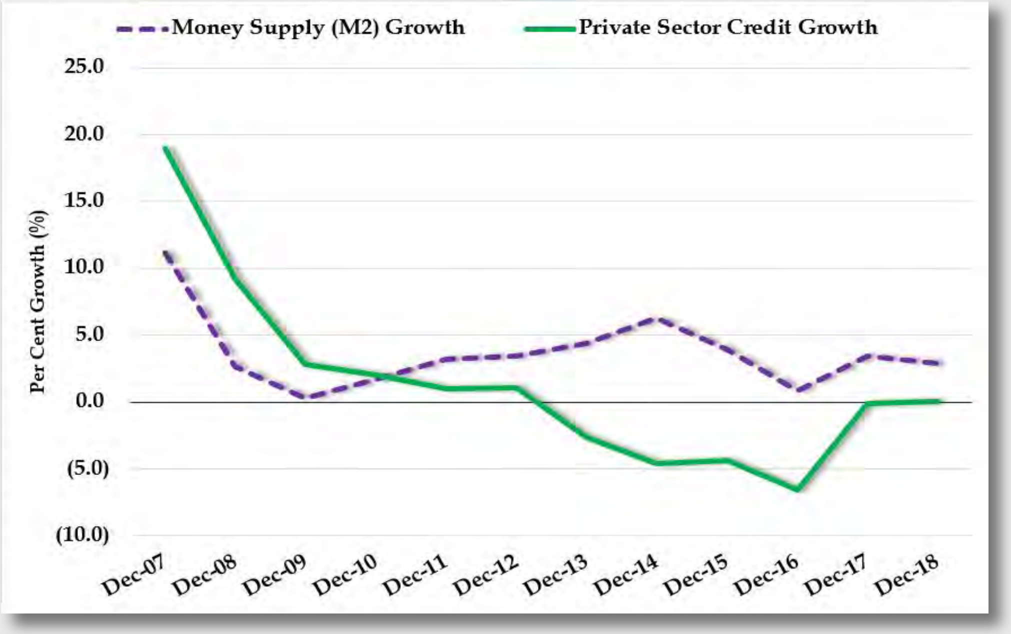


Chart 2 - Growth Rate of Monetary Liabilities (M2) and Private Sector Credit



money supply which moderated to 6.8 per cent in 2018 from 10.7 per cent in 2017. Credit extension to the private sector was unchanged from 2017, but remained favourable given the falling lending rates and high levels of liquidity in the financial sector. Consequently, the Monetary Council decided to maintain the Minimum Savings Rate at 2.0 per cent and Discount Rate at 6.5 per cent to maintain the Exchange Rate Peg at EC$2.7 to USD$1.

Plan to Maintain a Strong and Stable EC Dollar

Strength and stability must be measured to determine progress. In this regard, the Bank continued to compile and release the External Sector Statistics (ESS) during the reporting period. Given the implementation of the IMF Balance of Payments Manual, Sixth Edition (BMP6), there were two releases of the ESS during the year. The statistics for 2016 were released in September 2018, while the data for 2017 were released at the end of March 2019. Both series were disseminated with forecasts up to 2019 and 2020 respectively.

The Bank also held discussions with the External Sector Statistics Adviser at the Caribbean Regional Technical Assistance Centre (CARTAC) on the possibility of back-casting the series to make information available for research and policy purposes. Currently data are available for the period 2014 to 2017, with projections for 2019 to 2020. Work on the development of the country-specific metadata to support the compilation of the External Sector Statistics in the ECCU is ongoing.

2 Financial Sector Stability

TECHNOLOGY RISK SUPERVISION WORKSHOP: Providing a comprehensive perspective on the origin and drivers of various information technology risks as well as the identification and assessment of these risks.

FINANCIAL SECTOR STABILITY

Enhance Risk-Based Supervisory and Management Framework

Enhancing the risk-based supervisory and management framework requires the ECCB to report on risks emanating within the financial sector at the macroeconomic level. A key reporting tool of central banks globally is the Financial Stability Report.

The Bank's Financial Stability Team is responsible for this report and produces it based on analysis of the commercial banking, credit union and insurance sectors in the ECCU. To facilitate the analysis of these risks, the financial stability team works with the Single Regulatory Units in each member country to collect and analyse the data in the credit union and insurance sectors. The ECCB analyses data on the commercial banking sector.

In fulfilling its mandate to maintain financial stability, the Bank continued to play a critical role in the regulation and supervision of institutions licensed under the Banking Act 2015. The Bank implemented various initiatives to assess emerging trends in the financial system and to identify risks that threatened financial stability. The following activities were undertaken during the year:

Enhanced Supervision of Licensed Financial Institutions (LFIs):

The ECCB conducted two pilot on-site examinations under the Risk-based Supervision (RBS) Framework, which were implemented in March 2018.

Oversight of the receiverships of the ABI Bank Ltd in Antigua and Barbuda, and National Bank of Anguilla Ltd and Caribbean Commercial Bank (Anguilla) Ltd in Anguilla continued, subsequent to their resolution on 27 November 2015 and 22 April 2016, respectively. As part of the resolution strategy for the banks, certain assets and liabilities of the banks were placed in receivership. The main purpose of the receiverships was to facilitate the liquidation of certain assets and subsequent repayment of liabilities not covered in the various purchase and assumption agreements set out in the resolution strategies. To date, the receiverships have collected in excess of $90.0 million. This has facilitated the incremental repayment of claims to stakeholders. Efforts continue at the respective receiverships towards the further liquidation of assets and the repayment of claims.

Issuance of Prudential Standards

The ECCB continued to revise existing and draft new prudential standards to further strengthen its regulatory framework and increase financial sector resilience. In March 2019, three prudential standards, namely: Corporate Governance, Operational Risk and Outsourcing were introduced at the Joint Meeting With Banks and Non-Bank Financial Institutions licensed under the Banking Act 2015. The revised Fees and Charges Standards are being finalised for issuance and publication.

Prudential Standards for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) were also drafted, with input from the Office of Technical Assistance of the United States Department of the Treasury (OTA/USDOT). In relation to Basel II/III, a suite of six Prudential Standards has been drafted under a technical assistance programme facilitated by the CARTAC, along with the choice of national

"Prudential Standards for Anti-Money Laundering/ Combating the Financing of Terrorism were also drafted, with input from the Office of Technical Assistance of the United States Department of the Treasury."

discretion, the reporting template and standard instructions. These standards are needed to facilitate the successful implementation of Pillar I, which addresses minimum capital requirements. The standards are being finalised with comments solicited from the Basel Working Committee, all licensees and the Institute of Chartered Accountants of the Eastern Caribbean.

Operationalisation of the ECCB's Mandate for Anti-Money Laundering/Combating the Financing of Terrorism Supervision of LFIs:

The ECCB has made significant progress towards the development and implementation of its AML/CFT Framework:

The ECCB established the AML Supervisory Unit within the Bank Supervision Department in April 2018, to focus primarily on the development and implementation of the AML/CFT Risk-based Supervision Framework for LFIs.

- The Bank executed a Multilateral Memorandum of Understanding (MMoU) with competent authorities on 8 August 2018. The MMoU provides a framework for the mutual cooperation in the supervision of compliance with the legal obligations for licensees to establish and implement an effective AML/CFT system.

- Subsequent to the naming of the ECCB as the AML/CFT supervisory authority in Antigua and Barbuda, the Office of National Drug and Money Laundering Control Policy (ONDCP) officially handed over responsibility to the ECCB in September 2018. An official hand over of responsibilities between the Grenada Financial Intelligence Unit (FIU) and the Bank's AML Supervisory Unit was conducted over the period 14-15 January 2019.

- The ECCB conducted five AML/CFT on site examinations in the three territories: St. Vincent and the Grenadines, Grenada and Antigua and Barbuda, where it has been named as the AML/CFT supervisory authority. Two joint on site examinations were conducted with the ONDCP.

- The Bank continued to encourage its other member governments to amend the necessary AML/CFT legislation to name the ECCB as the AML/CFT supervisory authority for its licensees.

- The development of the relevant tools and documents to support the AML/CFT supervision framework is at an advanced stage. The AML/CFT Supervision Manual is being finalised with assistance from the OTA/USDOT. A prudential return, with the associated manual of instructions, has also been drafted.

- As part of its continuing technical assistance programme, over the period 16-18 January 2019, the OTA/USDOT assisted with the conduct of a limited scope gap analysis of the Grenada AML/CFT legislation and its compliance with the Financial Action Task Force

Front Row - fourth from left: Governor Antoine with officers from the Antigua and Barbuda Office of National Drug and Money Laundering Control Policy and the ECCB Bank Supervision Department along with Adviser, Sybil Welsh of the Strategic Planning and Projects Department

Officers from the Financial Compliance Unit of the Office of National Drug and Money Laundering Control Policy (ONDCP), Antigua and Barbuda met with the ECCB on 24 September 2018 to hand over AML/CFT supervisory responsibilities for institutions licensed under the Banking Act in Antigua and Barbuda, to the Bank.

During the meeting, the ONDCP provided an overview of the AML/CFT compliance position of commercial banks in Antigua and Barbuda, and a summary of the AML/CFT vulnerabilities faced by the commercial banking sector, as found in the country's National AML/CFT Risk Assessment.

FINANCIAL SECTOR STABILITY

- At a special meeting of the Regulatory Oversight Committee held on 18 January 2019, the OTA/USDOT presented on the FATF mutual evaluation process and financial sector supervision. The presentation focused on the role of the ECCB in the process for the domestic banking sector and the oversight required by other supervisory and competent authorities given the multi-jurisdictional supervisory regime in the ECCU.

- At the request of Governments of Saint Lucia, Grenada, Montserrat and St Vincent and the Grenadines, the ECCB appointed representatives to these jurisdictions' National Risk Assessment Working Groups.

- The ECCB circulated, to all LFIs, request for information to facilitate the conduct of an AML/CFT risk assessment, in November 2018. On completion of the risk assessment, all LFIs will be assigned a composite AML/CFT risk rating. The assigned risk rating will determine the level of supervisory oversight and frequency of on site examinations.

Basel II/III Implementation

In February 2018, the ECCB established a Basel II/III Implementation Group to give focused attention for implementation by the proposed date of June 2020. In facilitating the roll-out of the implementation road map, the group developed supporting standards, implemented the quantitative impact studies, and sensitised licensees and other key stakeholders.

International Financial Reporting Standard (IFRS) 9 Implementation

The ECCB continued to monitor its LFIs' implementation of measures to ensure compliance with International Financial Reporting Standard (IFRS) 9.

Develop a Macro-Prudential Framework

The establishment of a macro-prudential framework is key to ensuring financial stability. In July 2018, the Monetary Council approved the governance framework for undertaking macro-prudential surveillance via the establishment of a Regional Financial Stability Committee and a Macro-prudential Policy Committee. Additionally, the Bank requested the Monetary Council to support efforts aimed at collecting data from Single Regulatory Units (SRUs). The data collection aspect of this objective is ongoing and the SRUs in member countries continue to lend support to the task.

Promote the Development of the Financial Sector to Increase Citizen Access to Credit and Other Financial Services

Carmen Gomez-Triggs was appointed as the Chief Executive Officer of the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC). Current efforts are focused on the recruitment of three other initial staff members, Chief Financial Officer, Senior Operations Officer and Administrative Assistant. The Bank continues to work with the ECPCGC's Board of Directors and The World Bank on the final steps for operationalisation of the Corporation by the end of June 2019.

ABOUT BASEL II

Basel II is an international business standard that requires financial institutions to maintain enough cash reserves to cover risks incurred by operations. The Basel accords are a series of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision (BSBS).

ABOUT BASEL III

Basel III is an internationally agreed set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09. The measures aim to strengthen the regulation, supervision and risk management of banks. Basel III standards are minimum requirements which apply to internationally active banks. Members are committed to implementing and applying standards in their jurisdictions within the time frame established by the Committee.

Source: https://www.bis.org/bcbs/basel3.htm

INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS) 9

International Financial Reporting Standard (IFRS) 9 specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. IFRS 9 requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument.

Source: https://www.ifrs.org/issued-standards/list-of-standards/ifrs-9-financial-instruments/

FINANCIAL SECTOR STABILITY

Deliver New Risk Management Infrastructure to Support the ECCU Financial Sector

ECCU Deposit Insurance Fund

The Bank finalised its policy paper on deposit insurance, which was presented to the Monetary Council for approval. Going forward, stakeholders would be engaged to achieve consensus on a deposit insurance policy framework for the ECCU. The finalised policy framework will form the basis for drafting of the deposit insurance legislation, which will inform the type and scale of the deposit insurance fund. The establishment of an ECCU Deposit Insurance Fund will enhance the risk management infrastructure of the financial sector, thus contributing to financial stability.

ECCU Credit Bureau

An international credit bureau was selected to apply for a licence to own and operate a credit bureau to serve the ECCU. The licensing process is expected to be completed within the first two months of the 2019/20 financial year. In the interim, the Bank advances with its efforts to establish a comprehensive credit reporting regulatory framework and to coordinate pre-development process activities. The Bank will also be coordinating the delivery of public awareness and education activities, during the 2019/20 financial year.

Improve Payments Infrastructure to Adapt to Evolving Market Expectations

The Eastern Caribbean Payments Council was reinstituted in May 2018. The key objectives of the Payments Council is to promote operational efficiency, security and integrity of payment and settlement systems in the ECCU.

The National Automated Clearing House Association Pre-arranged Payment and Deposit (NACHA PPD) standard was introduced in the ECCU in May/June 2018 through an initiative undertaken to modernise the payment system by the Eastern Caribbean Automated Clearing House Services Incorporated. Under this initiative, citizens have the option to make Eastern Caribbean dollar payments to any recipient with an account held at any commercial bank across the ECCU. The Electronic Funds Transfer (EFT) product provides a safer, faster, more convenient and more cost-effective option for making payments.

The Committee on Payment and Settlement Systems and the International Organisation of Securities Commissions (CPSS-IOSCO) Principles for Financial Market Infrastructures (PFMI) was approved by the Monetary Council and has been adopted as the standard. Financial Market Infrastructures (FMIs) would be required to observe this standard within the ECCU.

Deputy Governor of the Eastern Caribbean Central Bank, Trevor Brathwaite and Chairman of the Eastern Caribbean Payments Council, explains how the council protects you, given the increase in the use of technology to make payments. Click to view.

Eastern Caribbean Payments Council

The Eastern Caribbean Payments Council was first established in 2006 to provide advice on and oversight of the operations and developments of the payments system. It is responsible for facilitating the efficient and stable functioning of the payments system in the ECCU. The Payments Council is also charged with ensuring the security and integrity of payments and settlement systems in the ECCU; and promoting the innovative nature of payments, the safety of cashless payments and their accessibility to users.

Deputy Governor of the Eastern Caribbean Central Bank, Trevor Brathwaite is the Chairman of the Payments Council. Brathwaite says the reconstitution of the Payments Council is timely given the increase in the use of technology to conduct payments and the need to ensure that citizens of the region are not adversely affected by developments taking place in the payments and settlements system.

The programme was designed for middle-to-senior level supervisors engaged in the supervisory oversight of information technology and related operational risks

Regional Technology Risk Supervision Workshop

ECCB Bank Examiners along with officers from regulatory and supervisory agencies and the private sector who are responsible for the supervisory oversight of information technology and related operational risks, participated in the Regional Technology Risk Supervision Workshop at the ECCB Headquarters from 3 - 7 December 2018.

The workshop was designed to help regulators/supervisors better understand: (i) the origin and drivers of various information technology (IT) risks as well as the identification and assessment of these risks, (ii) industry practices on IT governance to manage the IT risks and challenges, and (iii) prudential regulatory and supervisory practices that are aligned with international standards. Real-life case studies on information security, cybercrime and cyber security, IT outsourcing, business continuity management practices etc., were used to provide the participants with a practical approach to enhancing supervisory capacity in the area of technology risk supervision.

The ECCB and the Toronto Centre funded the workshop. The facilitators were: Programme Leaders: Abhilash Bhachech and Narindar Bhavnani and Programme Director: Shelina Visram of the Toronto Centre. Two key areas covered were: Gender Equality/Financial Inclusion and Climate Change. With respect to the session on gender equality and financial inclusion, participants were of the view that, in recent years, advances have been made in the region on achieving gender equality. Work has been done to promote equitable access for and build capacity of women in information and communication technology (ICT) sector through education and training.

Recommendations for the way forward:

- To foster peer learning, open and candid discussion among regional regulators and supervisors and to allow sufficient time for group exercises, presentations and plenary discussions for future programmes; and
- To promote ongoing collaboration and engagement with the private sector, the ECCB can host separate outreach events.

The 65 participants were from: Anguilla, Antigua and Barbuda, Barbados, the Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, Saint Lucia, St Vincent and the Grenadines, Trinidad and Tobago and the ECCB.

Participants of the workshop share their views on the key takeaways and how the information gained will be applied in their respective contexts. Click to view.

ECCB to Issue World's First Blockchain-Based Digital Currency

"The pilot is part of the ECCB's Strategic Plan 2017-2021 which aims to help reduce cash usage within the ECCU by 50 per cent, promote greater financial sector stability, and expedite the growth and development of our member countries. It would be a game-changer for the way we do business".

Governor of the ECCB, Timothy N. J. Antoine (left) and CEO of Bitt Inc, Rawdon Adams (right) following the signing of the contract to conduct a blockchain-issued Central Bank Digital Currency (CBDC) pilot within the ECCU

The ECCB Central Bank Digital Currency (CBDC) pilot will involve a securely minted and issued, digital version of the EC dollar (DXCD). This sovereign digital currency will be legal tender backed by the ECCB with the same parity as its physical XCD equivalent, DXCD $2.7:USD1.0 and will be distinct from cryptocurrencies which are not backed by any sovereign/central bank and are not legal tender. The digital EC dollar will be distributed and used by licensed bank and non-bank financial institutions in the ECCU. It will be used for financial transactions between consumers and merchants, including peer-to-peer transactions, all using smart devices.

The Bank signed the contract, to conduct the pilot within the ECCU, with the Barbados-based financial technology company, Bitt Inc. (Bitt) on 21 February 2019 at the ECCB Headquarters in Basseterre, St Kitts and Nevis.

Why the EC Digital Currency Project?

This initiative is being pursued as the ECCB seeks solutions to several challenges and frictions encountered in the ECCU payments and financial intermediation architecture. The objective of the project is to assess the potential efficiency and welfare gains from improvement in financial services as a result of the application of a digital sovereign currency leveraging blockchain/distributed ledger technology. Parallel to this is the need to propel private sector development and growth through appropriate institutional infrastructure and instruments that facilitate an enabling business ecosystem.

While one recognises the benefits of Distributed Ledger Technology, (shared ledger that allows records/blocks to be added and securely maintained in a way that prevents tampering), the ECCB acknowledges that network security is a must-have component for a central bank digital currency construct. In light of this, a private blockchain like IBM Hyperledger Fabric that affords the ability to control who can access the network and submit and read the ledger of verified transactions. IBM Hyperledger Fabric was selected as the blockchain protocol because of its strong security architecture and open source, which contribute to its security, flexibility and scalability among other desired attributes.

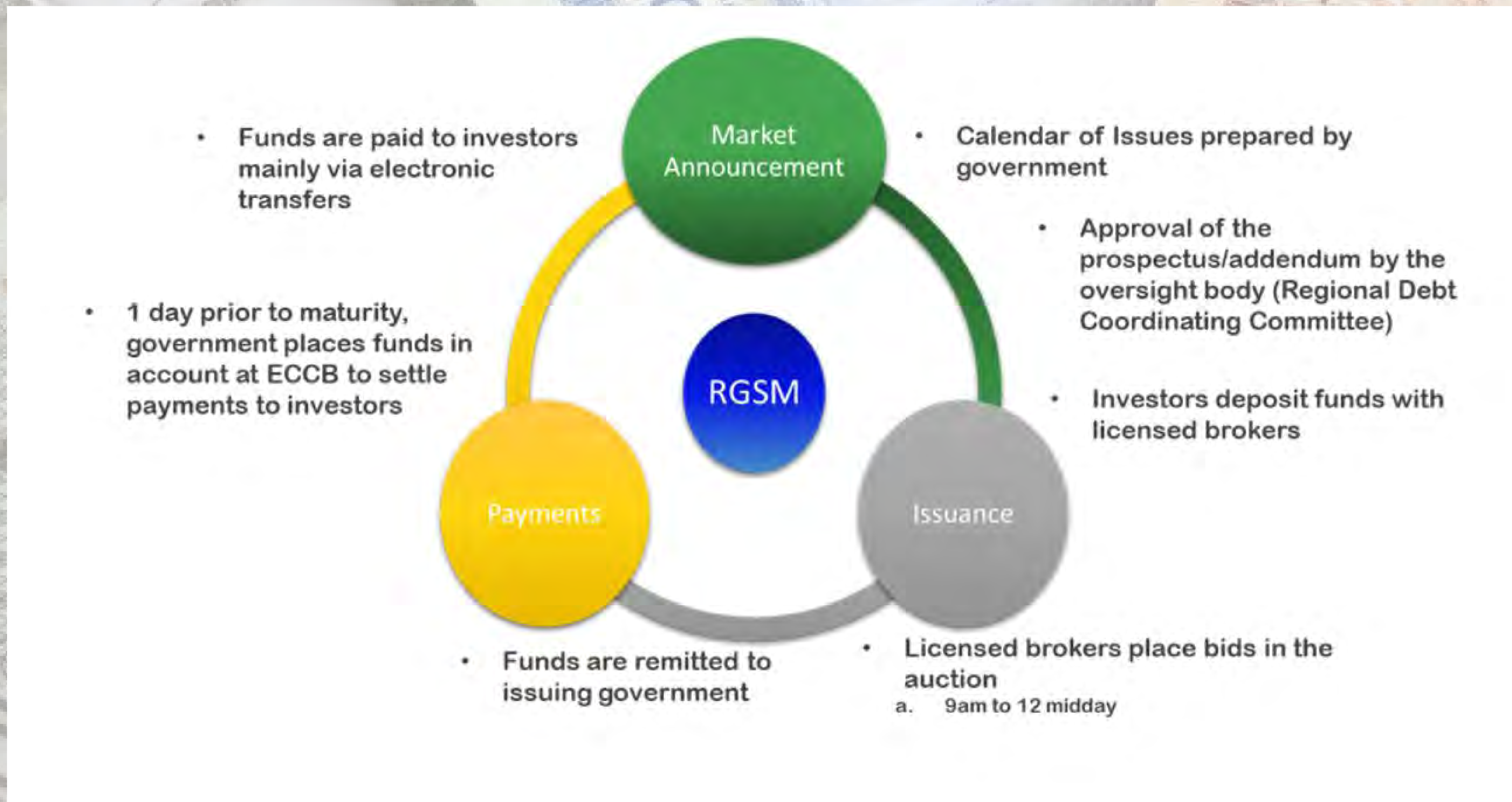
The Pilot

The pilot will be executed in two phases: development and testing for about 12 months, followed by roll-out and implementation in pilot countries for about six months, and education initiatives to facilitate active public engagement throughout all member countries. The pilot will be deployed in at least three ECCB member countries based on interest in participating in the pilot expressed by licensed financial institutions domiciled in the ECCB member countries, as well as other criteria, including institutional capacity, geographic representation and supporting technology infrastructure. It will be conducted under the supervision of the ECCB and controlled environments. It will also have the appropriate safeguards to ensure the stability of the financial and monetary systems.

Pinaka Consulting Ltd., the ECCB's Blockchain Technical Adviser, is providing technical support for the project.

3 Fiscal and Debt Sustainability

Regional Government Securities Market Life Cycle



FISCAL AND DEBT SUSTAINABILITY

Provide policy advice to Participating Governments and facilitate capacity building of member countries for effective debt management

The Bank, under the Canada-Eastern Caribbean Debt Management Advisory Service (CANEC-DMAS) Project, provided technical support to two of its member countries - Anguilla and Grenada - in the update of their Debt Sustainability Analysis (DSA) and Medium Term Debt Management Strategy (MTDS), important policy tools to guide both fiscal policy and debt management in these countries.

The CANEC-DMAS project, which was implemented to assist member countries to build capacity in debt management, ended in June 2018. The Bank and its member countries wish to express profound gratitude to the Government of Canada, through Global Affairs Canada, for its invaluable support to debt management in the region.

In collaboration with The World Bank, two Debt Management Performance Assessment (DeMPA) missions were undertaken in the Commonwealth of Dominica and Grenada.

In continuation of the efforts to build capacity to undertake the DSA, the Bank collaborated with the IMF and The World Bank to host a workshop on the revised DSA template for low income countries (LIC). The three ECCB member countries that are classified as LIC: the Commonwealth of Dominica, Grenada and St Vincent and the Grenadines, participated in the workshop along with other LICs – Guyana, Haiti, Honduras, Nicaragua - and staff from the ECCB.

Training in debt management was provided to the Auditor General's Office in Saint Lucia, to prepare the staff to undertake debt management performance audits. This was a follow-up to a Debt Management Performance Audit Training for Supreme Audit Institutions in the region hosted by the Bank in October 2017, with the support of the Government of Canada and the National Audit Office of the United Kingdom. The thrust is to facilitate capacity building in this area given that audit is a performance indicator under the DeMPA framework and is critical in strengthening accountability and transparency of debt management activities.

The Bank is partnering with the Commonwealth Secretariat to deploy its new web-based solution for debt management, Meridian. This solution will replace the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS). To this end, two ECCB member countries: St Kitts and Nevis and Saint Lucia, have been selected as pilot countries. Training on the functionalities of Meridian was provided to the staff in these two pilot countries and the ECCB. Pilot implementation has been ongoing to test the system.

Advocate for a High Standard of Fiscal Governance and functional cooperation

In an effort to ensure that government public accounts are in accordance with current international best practice, the Bank has been collaborating with the IMF for training and technical support in the application of the Government Finance Statistics Manual 2014 (GFS 2014). Most member countries are still using cash or modified cash basis accounting systems based on an old GFS 1986 methodology. To advance efforts for fiscal accounts to be compiled in accordance with GFS 2014, the IMF made a presentation to the Financial Secretaries from ECCB member countries, to sensitise them on the benefits of the new methodology.

ABOUT MERIDIAN

Meridian is a comprehensive solution that promotes effective and pro-active public debt management. It incorporates advanced and improved functionalities to better address emerging debt management requirements while also taking advantage of the latest state-of-the-art technologies.

Source: http://thecommonwealth.org/about-meridian

FISCAL AND DEBT SUSTAINABILITY

Track member countries' performance related to fiscal and debt sustainability and share information with member countries and other stakeholders

The monitoring framework for fiscal and debt sustainability is conducted through the Research Department and the Statistics Department. The Bank's economists use financial programming tools to analyse policy developments and produce the Economic and Financial Review (EFR). The EFR was produced in two separate issues: the Annual Economic and Financial Review (AEFR), for calendar year 2017, and a second issue which reported on the first half of 2018. The document is made available to the public via the Bank's website and electronic mail to key stakeholders. Additionally, the Bank plays an active role in providing advice to member countries through familiarisation missions and the IMF Article IV missions.

The newly designed ECCU Public Debt and Market Information web pages are intended to be used as the principal, one-stop delivery infrastructure for data dissemination and communication for the eight member states of the ECCB. It is the intention that all stakeholders, irrespective of geography, political suasion, affluence or influence, should receive information in a neutral and unbiased manner simultaneously. The guiding principles in the design and development of the web pages were to satisfy user informational requirements and be relevant, accessible, timely and reliable. The pages will be fully deployed for the next financial year where the intention is to build on content and be responsive to user needs.

Improve the functioning of the Regional Government securities Market (RGSM)

The Bank, in collaboration with the International Monetary Fund and the Government of Canada, conducted workshops on Investor Relations in five member countries: Grenada, St Vincent and the Grenadines, the Commonwealth of Dominica, Saint Lucia and Antigua and Barbuda. The objective of the workshop was to provide capacity building to staff of the Debt Management Units and other government units to design, implement and monitor investor relations programmes.

In an effort to advise member countries on the development of the domestic market and improving the function of the RGSM, a policy paper was prepared on the *Potential Impact of IFRS 9 on Debt Management Operations in the ECCU*. The paper was presented to the Regional Debt Coordinating Committee (RDCC) to apprise them of the possible spillover effects on government debt management activities as institutional investors implement this new accounting standard. The RDCC approved the recommendations regarding increasing coverage of public sector debt recording and reporting, provision of forward-looking information and regular publication of debt reports. It is anticipated that these measures will satisfy the information needs of participants of the RGSM in particular, and further mitigate against the effects of the implementation of IFRS 9.

The Bank has prepared a policy document on *The Viability of the RGSM as a Financing Option for the Government of Anguilla*, to help inform the Government of Anguilla's consideration of whether to enter the market.

ABOUT THE REGIONAL DEBT COORDINATING COMMITTEE

The Regional Debt Coordinating Committee (RDCC) currently has direct oversight for the RGSM. The RDCC was established by the Monetary Council to ensure that the market operates efficiently within the context of harmonised objectives, policies and procedures. The RDCC comprises Heads of the Ministries of Finance from each of the eight ECCB participating governments as well as the Governor of the ECCB.

The RGSM: A Viable Financing Option for Member Governments

ECCB member governments raised $1.3 billion on the Regional Government Securities Market (RGSM) in 2018, representing a 4.4 per cent increase over 2017. The increase was due to the growing number of residents of ECCB member countries, who are investing on the RGSM as an option for increasing their interest income and diversifying their asset portfolios.

The value of securities raised on the RGSM during 2018/2019 amounted to $1.3 billion, marginally above the $1.2 billion in the preceding year as five of the member governments continued to utilise the market to meet their borrowing requirements. There was a decline in the number of auctions on the RGSM during the year, mainly due to the cancellation of a series of Treasury bills by the Government of Grenada given the improvement in its fiscal performance.

Yields on the RGSM continued to trend downwards especially on the short end of the market. The Weighted Average Interest Rate (WAIR) on securities of three-month duration fell below 3.0 per cent at 2.6 per cent in 2018/19. Rates on the long end of the market remained stable with the 10-year bond increasing by 6bps to 7.3 per cent. Notwithstanding the decline, rates on the RGSM remained very competitive for residents and non-residents compared with commercial bank deposits and securities from other countries.

Although trading on the secondary market for government securities remained thin, there was an increase of $2.2 million (9.8 per cent) in trades amounting to $25 million during the year.

Chart 3 - Activity on the RGSM 2011- 2018

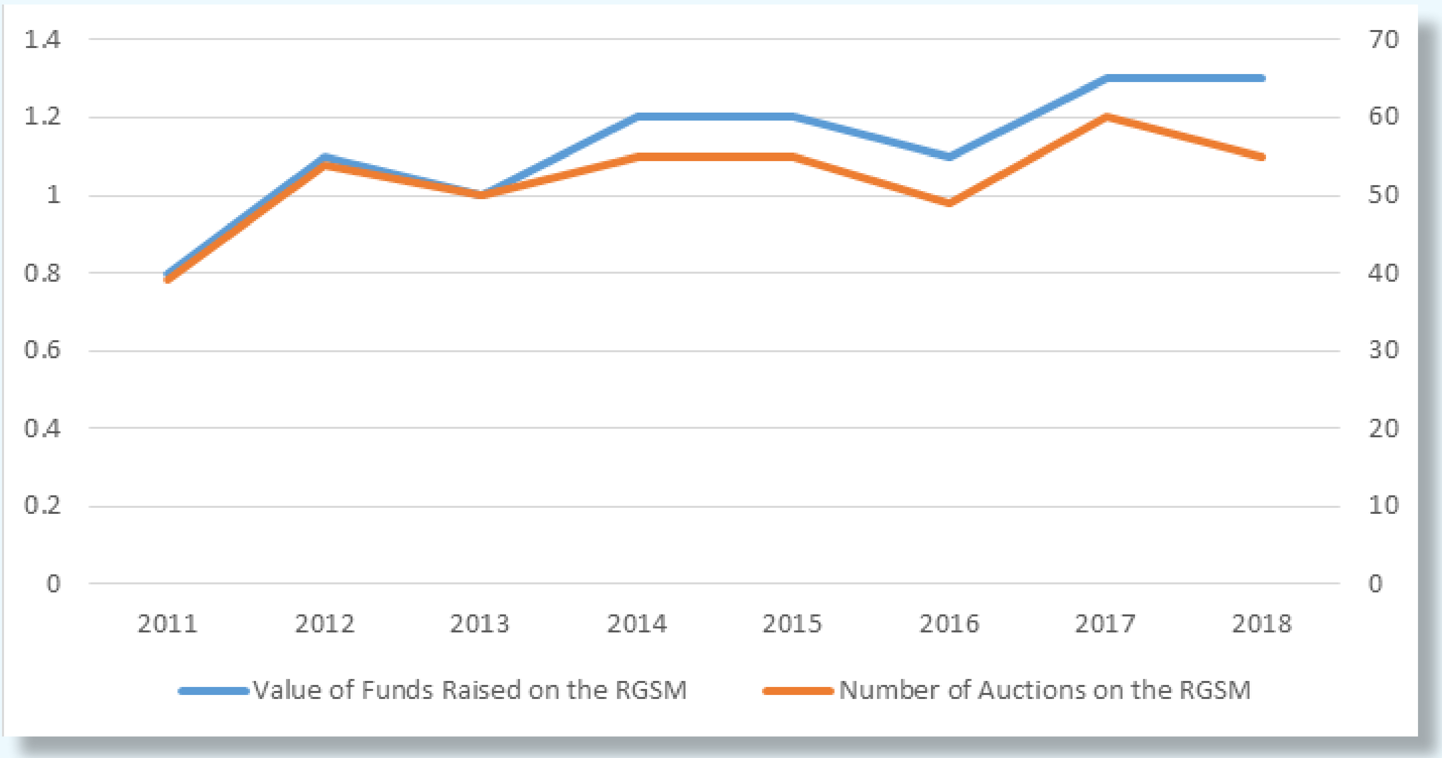
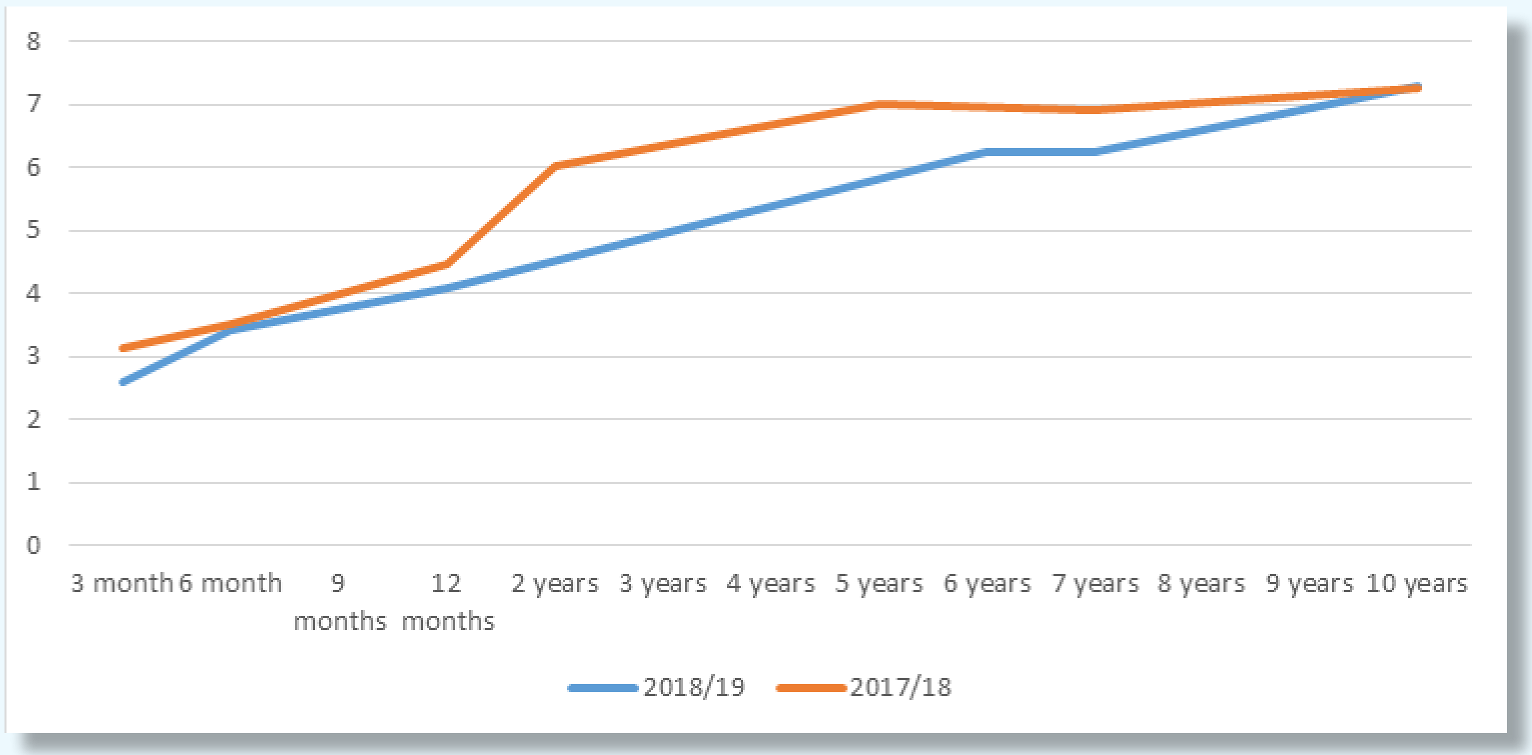


Chart 4 - Imputed Yield Curve on the RGSM



4 Growth, Competitiveness and Employment

3RD GROWTH AND RESILIENCE DIALOGUE WITH SOCIAL PARTNERS: "This Dialogue is premised on our firm conviction that effective and sustained progress is best fueled by a process of inclusive and sustained dialogue."
~ Governor, Timothy N. J. Antoine

3rd Growth and Resilience Dialogue With Social Partners

The Growth and Resilience Dialogue with Social Partners forms a critical part of the growth agenda of the ECCB and its strategic partners: the Caribbean Development Bank (CDB) and the OECS Commission. Social partners from across the Eastern Caribbean Currency Union met on 14 February 2019 at the ECCB Headquarters, St Kitts and Nevis for the 3rd Growth and Resilience Dialogue with Social Partners under the theme: *Building Resilient Institutions and Infrastructure for Sustainable Growth.*

The objectives of the session were to:

- focus with greater intensity on two thematic areas: Institutional Strengthening and Infrastructure;
- share effective best practices for growth and resilience from practitioners in other small states;
- encourage the exchange of ideas while providing clarity from present and past implementers of methodologies and technologies of productivity; and
- forge further consensus on the key elements of the Growth and Resilience Action Plan.

Five presenters shared their perspectives on three areas of focus:

1. Dr Jim Randall, Professor - University of Prince Edward Island explored institutional strengthening for governance in small states;
2. Ernesto Franco-Temple - The World Bank and Dr Kieron Swift - Compete Caribbean examined institutional building for 'Doing Business' to improve the global ranking of ECCU countries; and
3. Brian Samuel - CDB and Judith Green - International Finance Corporation focused on the role of a fit for purpose infrastructure to ensure trade facilitation, logistics and connectivity. The infrastructure is intended to guide the development of a long-term solution commencing with a viable regional fast ferry service.

Key Takeaways

- Most island states with the greatest opportunities for growth are not remote but are connected and are export-oriented. Oceans should be viewed as connectors rather than barriers. The "uniqueness" of islands allows entrepreneurs to provide creative solutions to many of the issues they face. Solutions utilised in larger, more advanced economies may not be suitable to these islands.
- The new paradigm for ensuring the *Doing Business* rankings are significantly improved are dependent on the potential for ECCU member states to learn from each other's best practices.
- A regional fast ferries system could best be realised if there is (i) joint strategy and a plan with full commitment by all member states; (ii) engagement of regional partners and stakeholders; (iii) implementation of the Damen Fast RoPax ferry model, which allows for the transportation of passengers, cargo and motor vehicles.

Click here to access presentations from the Annual Growth and Resilience Dialogue

Governor Antoine with the OECS Youth Ambassadors at 3rd Growth and Resilience Dialogue With Social Partners

Governor Antoine with members of the clergy at 3rd Growth and Resilience Dialogue With Social Partners

GROWTH, COMPETITIVENESS AND EMPLOYMENT

Support the OECS Commission in the continued refinement of the OGDS and implementation of an ECCU-wide economic development plan (including initiatives, targets and assigned responsibilities)

The ECCB worked closely with the OECS Commission to refine and finalise the OECS Growth and Development Strategy (OGDS), which includes a foreword by the Governor. The Strategy was launched at the end of the financial year on 26 March.

National consultations on growth and resilience were held in the member countries with constituent groups to finalise the Action Plan from the 2nd Growth and Resilience Dialogue, to harmonise with national priorities, and to advocate for continuity in country. Those discussions guided the development of the concept note and plans for the 3rd Annual Growth and Resilience Dialogue.

Provide technical assistance, policy advice and consultations to ECCU member countries on how to expand existing and attract new sectors and improve regional competitiveness and ease of doing business

Technical assistance was provided to the ECCB member countries in the compilation and/or review of the ECCU Gross Domestic Product (GDP) estimates. Two in-country compilation missions were conducted in the Commonwealth of Dominica and Montserrat respectively. Additionally, there was collaboration on the biannual revision of the annual GDP projections for the ECCB member countries. The Bank made significant progress in operationalising the interactive database for economic statistics on the ECCB website. Currently, monetary and financial, population and the real effective exchange rate statistics can be retrieved interactively on the ECCB website. To supplement macro-economic analysis, the Bank continued with the administration and conduct of the biannual Business Outlook Survey and the management of real sector and national accounts statistics.

Consistent with its strategic goal of actively promoting the economic development of its member countries, the Bank participated in the following training workshops:

- The System of National Accounts Methodology and Concepts at the ECCB Campus from 3 to 6 April 2018;
- The System of National Accounts Supply and Use Training in Montserrat from 9 to 13 April 2018;
- The CARTAC/Project for the Regional Advance of Statistics in the Caribbean (PRASC) Regional Planning Workshop on Real Sector Statistics in Saint Lucia from 1 to 4 October 2018; and
- The International Comparison Programme Technical Meeting for National Accounts in Trinidad and Tobago from 10 to 12 October 2018.

Provide capacity building to Participating Governments for effective cash flow management and operational efficiencies

In continuing to ensure a safe environment for the transmission of financial messages, member governments were migrated from SWIFT Alliance Lite to SWIFT Alliance Lite2 and provided with training to ensure that they had the requisite capacity in preparation for go-live.

“To supplement macro-economic analysis, the Bank continued with the administration and conduct of the biannual Business Outlook Survey and the management of real sector and national accounts statistics.”

GROWTH, COMPETITIVENESS AND EMPLOYMENT

Expand Access to Financing for the Private Sector Where Possible and Consistent With the Bank's Safety and Soundness Mandate

Micro-Business Simulation Workshops

Small business owners and aspiring entrepreneurs in Grenada and Antigua and Barbuda were the first to benefit from the ECCB-German Savings Bank Foundation for International Corporation Micro-Business Game Simulation Workshop held over the period 18 - 29 March 2018.

The German Savings Bank Foundation for International Corporation developed the Micro-Business Game as a tool to give entrepreneurs and business owners the experience of:

- managing and growing a small business;
- understanding basic business and accounting principles;
- developing an in-depth customer understanding and basic marketing knowledge; and
- understanding the interface between financial institutions and their clients as well as the respective implications.

The Do-Reflect-Apply-Implement approach is used to help participants understand these key concepts. Participants play the game in teams where they manage a fictitious juice store. Their operation includes: purchasing raw material, dealing with events and consequences, handling staffing matters, selecting options for improving their operatiions and preparing financial statements. Each of the four rounds of the game is followed by "Know How" sessions, which cover the key concepts from the respective rounds. These include: forecasting, supplier management, know your customers, technology, staffing/personnel, competition and financial consideration. A key component of the simulation is the preparation of financial statements: statement of financial position, profit and loss statement and satement of cash flows.

Each session ran for two days. The participants said it was time well-spent from their businesses and welcomed the hands-on approach to learning. They also said that playing the game helped them to understand and appreciate the importance of record keeping.

Feedback From Participants

1. The information was thought-provoking and helpful. The interactive and "fun" method of presentation made the two full days of learning both enjoyable and applicable.
2. Thank you for sharing and demonstrating the importance of planning and forecasting and also the fundamental steps of how we should carefully apply and manage funds to ensure profitability.
3. It was indeed very productive training session. The applied learning methodology I have found most effective.
4. I am now putting into practice what I have learnt.

Micro-Business Simulation Workshops in session in Antigua and Barbuda and Grenada

5 Organisational Effectiveness

ENTERPRISE RISK MANAGEMENT TRAINING: Building capacity in the risk management as the first line of defence.

ORGANISATIONAL EFFECTIVENESS

Return the Bank to Profitability Through Operational Cost Efficiencies

Indicative Rates Application

The ECCB developed an upgraded Indicative Rates Application which is expected to go live in the first quarter of the 2019/2020 financial year. The application will result in cost savings and improve efficiency as it facilitates the automatic distribution of the indicative rates to the Bank's clients.

IP Telephony Solution

Implementation of IP Telephony Phase II: The installation of SIP Trunks was completed in June 2018. The Bank is now realising a reduction in the cost for international calls.

Greening of the Campus Project

The Greening of the Campus inclusive of the Solar Canopy Project was conceptualised to serve as a cost effective measure for the Bank.

The pilot phase of the Solar Canopy component of the project commenced during the year. The design and engineering of the canopies were completed. The canopies are structured for parking beneath each one and will provide shade and light to the area and energy support to the Bank thereby positively contributing to the Banks organisational effectiveness mandate.

The selection process for the general contractor for the project has started and is expected to be completed by 30 April 2019. Phase I of the project is expected to be completed by September 2019. The Phase two preparation is concurrently being planned and that Phase is expected to be completed by the end of March 2020.

Change in Substrate of EC Banknotes

During the year, the Bank concentrated on the design phase for the implementation of the change in banknote substrate for the ECCB family of banknotes from paper to polymer as approved by the Monetary Council. The Bank, in collaboration with De La Rue International Ltd, completed the design and printing of the new family of polymer banknotes to start circulation in the first quarter of the 2019/20 financial year. In preparation for the launch of the New Family of ECCB Banknotes, the Bank executed a public education campaign throughout the ECCU on the use and features of the polymer banknotes. Through this initiative, it is expected that fewer banknotes would be issued, as the polymer banknotes would last longer in circulation.

Eliminate Loss-Making Coins

The Bank continued its thrust to eliminate loss-making coins and the withdrawal of the one and two-cent coins. This is projected to be completed in 2020.

ORGANISATIONAL EFFECTIVENESS

Transform citizen engagement and stakeholders' relations management built on transparency, accountability and knowledge sharing

Financial Information Month (FIM) October 2018

"Conducting and Protecting Your Business in a Digital Environment" was the focus for Financial Information Month (FIM) 2018. The ECCB, in collaboration with 87 partners from the eight ECCB member countries hosted a range of activities geared toward fulfilling the FIM theme of ***Financial Empowerment Through Education***.

The activities focused on the following areas:

- From standing in line to going online – information about online services offered by financial institutions;
- New Currency: Cryptocurrency, Bitcoins, Digital Wallets...Are We Ready for the Transformation?;
- Cyber security: use strong protection every time – how to protect oneself from identity theft, online fraud, hacking of accounts, guidelines for using ATM machines, credit cards and other online payment platforms; and
- Restructuring and transforming your business to take advantage of opportunities in the digital environment.

The activities which took place across the ECCU included: financial fairs, radio and television discussion programmes, children's library hour and financial workshops, financial walkathon, visits to schools, small business workshops, charity initiatives and the annual FIM Symposium.

Financial Information Month is a regional financial, economic, business and entrepreneurial education campaign executed in the ECCU since 2002, through the collaborative efforts of the Eastern Caribbean Central Bank (ECCB), ECCU member governments, financial and academic institutions, the media, other private and public sector institutions and community-based groups. The month forms part of an ECCU financial and economic education programme, executed by the ECCB in collaboration with partners from the ECCB member countries. *Visit the FIM Facebook page*

Financial Information Month in Anguilla

FIM Partners in Anguilla, having bounced back from the impact of Hurricanes Irma and Maria in 2017, came together to host FIM 2018. The partners started the month of activities by worshipping together at the Church of God Holiness on Sunday 30 September 2018. The highlight of the month was the FIM Financial Fair on 19 October.

Click here for a snapshot of FIM 2018 activities across the ECCU

FIM 2018 Financial Fair - First from right: ECCB Monetary Council Member for Anguilla, the Hon Victor Banks; fourth from right - ECCB Board Member, Dr Aidan Harrigan

ORGANISATIONAL EFFECTIVENESS

Primary School Mentorship Programme

The ECCB Primary School Mentorship Programme continued successfully over the past year with the engagement of over 500 students from across the ECCB member countries. The programme was initiated in 2007 and involves one primary school from each ECCB member country. ECCB officers and networking partners visit the schools weekly to engage students of grades four, five and six on a range of financial, economic, cultural and information technology issues.

Savings and Investment Course

After a break of almost one year due to the impact of Hurricane Maria, the ECCB Savings and Investment Course was conducted in the Commonwealth of Dominica at the end of 2018. The course was offered in five other ECCB member countries during the year. The sessions provided participants with information to help them develop basic budgeting techniques, improve their money management skills and understand the basics of investing, with particular focus on the Eastern Caribbean Securities Exchange.

During the year, the ECCB and the University of the West Indies agreed to solidify their relationship with a Memorandum of Understanding (MoU), which is expected to be fully executed in the first quarter of the next financial year. Through the MoU, the ECCB will collaborate with the UWI to develop the Savings and Investment Course in keeping with the UWI's standards for continuing education.

The New ECCB Creative Youth Competition

The Bank, in collaboration with the Regional Security System Asset Recovery Unit (RSS ARU) , launched the ECCB Creative Youth Competition for secondary school and community college students aged 13-19 in the ECCB member territories in September 2018. This initiative, which is part of the Bank's Community Outreach Programme, replaces the ECCB-sponsored OECS Essay Competition and is designed to allow students to demonstrate their creativity and critical thinking skills through various genres including: essay writing, poetry, song writing and art. The 2018 competition focused on essay writing. The two topics were:

1. Towards a Cashless Society: challenges, opportunities and the realities for the Eastern Caribbean Currency Union.
2. For the Eastern Caribbean Currency Union to become economically viable, we must strive towards financial sustainability through technology. Discuss

ECCB Connects: Who we are, What we do, How we serve you!

The Bank celebrated the airing of the 100th episode of *ECCB Connects* in October 2018. As at 31 March 2019, 117 episodes had been released. The topics covered during the 2018-2019 financial year included:

- Importance of Insuring Your Property
- Understanding Loan Agreements
- Impact of Household Debt on Economy
- Cryptocurrency and Crypto Assets

Grade four students and teacher from the T N Kirnon Primary School with Senior Administrative Assistant of the ECCB Agency Office, Antigua and Barbuda during their visit to the office for a mentorship session

2nd Row: First from right: ECCB Resident Representative for the Commonwealth of Dominica, Sherma John with facilitators and graduates of the ECCB Savings and Investment Course

29th Annual Conference With Commercial Banks

The 29th Annual Conference With Commercial Banks was held over the period 8 to 9 November 2018 under the theme, *"Fit for the Times! Transforming the ECCU Financial System."* The over 100 participants included, academicians and practitioners from across the ECCU and the international community. The Conference was divided into two sub-themes: (i) Financial Innovation and Inclusion in the ECCU and (ii) Protecting Our Financial System.

Financial Innovation and Inclusion in the ECCU

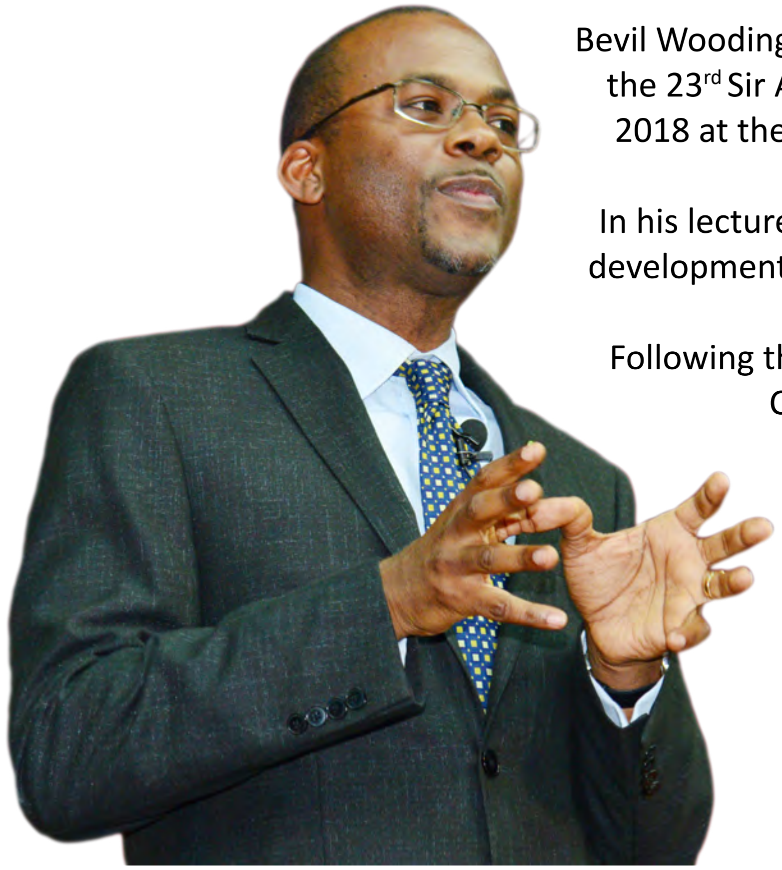
The three areas covered were: (1) The Cash-Less Transition, What's Next? (2) Integrated Payments Infrastructure: Implications for Commercial Banks and (3) Near Bank Financial Institutions? Are the Rules of Engagement Still Appropriate? The discussions highlighted the developments in the financial systems towards a cash less society and focussed on the nature of the payments by individuals within and outside the ECCU including: mobile banking, mobile money, digital currency and digital fiat currencies. The participants also analysed integrated payments infrastructures and their implications for commercial banks. The panellists noted that an integrated payments infrastructure could lead to cost effective financial products while allowing for collaboration with partners in the industry and empowering the consumer. The discussions also highlighted that with data, firms are able to generate revenue, make policy decisions, and develop the most appropriate infrastructure for achieving strategic objectives. The panellists explored the regulatory stance regarding Near-Bank Financial Institutions (NBFIs). During the discussion, it was noted that NBFIs are important for enhancing financial inclusion. Although these institutions continue to evolve, there is a need to relook the regulatory and supervisory framework for all institutions, including the NBFIs within the financial system.

Protecting Our Financial System.

The topic discussed was: ECCU Household Debt: A Crisis in the Making? In examining the issues of household debt, the presenters put forward thought provoking perspectives and discussed key facets of the topic, including the level of deposits relative to household debt, the ECCU's financial system in relation to other Latin American and Caribbean Countries and what steps can be taken, if any, to ensure that the financial system remains resilient.

The conference culminated with a closed business session with commercial banks and Non-Bank Financial Institutions, ECCU Ministries of Finance and the ECCB.

ORGANISATIONAL EFFECTIVENESS



23rd Sir Arthur Lewis Memorial Lecture and Book Award

Bevil Wooding, Strategic Advisor on Technology to the OECS Commission and one of the region's leading advocates for technology-enabled Caribbean Development, delivered the 23rd Sir Arthur Lewis Memorial Lecture. The Lecture titled: Leveraging ICT for Transformation in the Eastern Caribbean Currency Union, was presented on 7 November 2018 at the Sir Cecil Jacobs Auditorium.

In his lecture, Wooding emphasised that technology itself was never the reason things changed, but how people choose to apply technology was the real catalyst for development. He impressed on the audience that ICT efforts should not be withheld because they seemed different or unfamiliar from what we once knew.

Following the lecture Deputy Governor, Trevor Brathwaite presented the 10th Annual Sir Arthur Lewis Memorial Book Award to Hyram Forde, Principal, Antigua State College. The Book Award is presented annually in alphabetical order to a selected college in the respective ECCB member country.

Revamp the Human Resource Strategy to Support Talent Development and Management

The staff of the ECCB are its most important resource and their critical role in the Bank's quest towards the realisation of its strategic plans cannot be overemphasised, hence the need to develop and enhance skill sets of its staff. The Bank in its thrust to revamp its Human Resource Strategy to effectively support talent development and management, continued on its course to better align individual capabilities with suitable roles within the organisation, recruit best fit candidates and build capacity through various training initiatives. In addition, significant work was undertaken to modernise the Bank's HR strategy. Reformulation of the organisation's structure and operational framework was also conducted, with an aim to enhance organisational effectiveness and deliver service excellence.

Recruitment and Selection

The HRD's recruitment initiatives resulting in the hiring of 17 new staff. The external recruitment included the on-boarding of a Chief Director (Policy) as part of the Bank's Executive team, with a focus on policy development. Recruitment for this review period was deliberate, timely and targeted at filling key staffing gaps in 10 departments with best fit candidates to assist in the execution of the various departments' mandate. As at 31 March 2019, the ECCB's staff complement stood at 250.

Training and Development

In its pursuit to support talent and enhance capacity, the Bank provided training for its employees based on its priority areas identified in its strategic plan. The areas of training were wide-ranging and included training in Anti-Money Laundering/Combating Terrorist Financing, Human Resource Management, Public Finance Management Legislation, Domestic and External Debt Management, Strategic Planning and Management, Fintech and Payment Systems, Risk Management, Information and Communication Technology, Macroeconomics and Research, Accounting Standards and Internal Audit. Staff from various departments also represented the Bank at meetings and conferences locally, regionally and internationally. Participation in these trainings and meetings, while ensuring enhanced capacity and talent, provided new perspectives for staff in their respective areas and excellent opportunities for networking and building of important professional relationships. Additionally, the Bank conducted in-house training in performance management. The HR management also benefitted from networking opportunities, learning new skills and staying abreast of the latest HR strategies and opportunities beyond the regional scope, through attendance at international conferences.

ORGANISATIONAL EFFECTIVENESS

HR Consultancies

The Bank, determined to stay the course and work towards achieving its strategic objective of enhancing organisational effectiveness, undertook the task of developing a modern HR Strategy. Consultancy firm, VF Inc of the Commonwealth of Dominica led by principal consultant, Dr Valda Henry, partnered with the ECCB to this end. During the year, VF Inc continued to work with the Bank to review its HR policies, procedures, performance management, and its training, development and succession plans. A compensation survey and gap analysis were undertaken.

Policy Enhancement and Compliance

The HR consultant's review of HR policies and the recommendations from audit findings and general industry best practice alignment, resulted in the decision to formulate new policies and improve existing ones to better enhance the operational framework of the department.

Compensation and Benefits Management

The HR consultant reviewed the ECCB's compensation and benefits package to assess and determine whether the remunerations the Bank offered were in keeping with best practices. The HR consultant undertook surveys and research which ascertained that the Bank's remuneration packages were generally competitive.

The triennial practice of the review of compensation packages resulted in certain recommendations, which the Board of Director approved. The adjustments in compensation would be effective 1 April 2019.

Utilise technology to inform data-driven decision making

Meetings Management Solution

The Bank commenced implementing a paperless boardroom meetings management solution to facilitate the following objectives:

1. Provide a platform for a holistic approach for the coordination and management of the Bank's meetings; and
2. An enhanced protection protocol for the transmission of documents with minimized risk to the Bank, by ensuring the security of confidential documents.

The meetings management solution will be used to enhance the communication and information sharing for the Bank's statutory meetings. These stakeholders will be able to collaborate on papers and conduct meetings via a central platform with mobile access.

> *"The Bank, determined to stay the course and work towards achieving its strategic objective of enhancing organisational effectiveness, undertook the task of developing a modern HR Strategy."*

ORGANISATIONAL EFFECTIVENESS

Develop a Holistic Internal Risk Management Framework

Internal Management

The Internal Audit Department (IAD) is an independent appraisal function established within the Bank to examine and evaluate its activities as a service to the organisation. The department reports functionally to the Bank's Board Audit and Risk Committee and administratively to the Governor. The objectives of the department are to ensure:

- the achievement of organisational objectives;
- the integrity and reliability of information;
- compliance with established policies, procedures, laws and regulations; and
- the economical, efficient and effective use of resources.

The Bank outsourced and coordinated a comprehensive review of the its Management Information Systems Department. The review included an assessment of the core functions of the department including: Resourcing and Strategic alignment; Information Technology General Controls and Network Configuration; review of the security of the Bank's main Applications and Vulnerability and Penetration Testing.

Cyber Security

Recognising that cyber security is a strategic enterprise risk that can impact well beyond information technology operations, the ECCB undertook the following activities to independently assess its technology resilience and overall cyber security posture. These activities have assisted in prioritising the Bank's efforts to improve cyber resilience and provided a baseline for measuring progress.

- ***Cyber Maturity Assessment (CMA)***
  An independent service provider conducted a Cyber Maturity Assessment (CMA) of the Bank's technology environment. The objective was to assess the Bank's ability to protect and manage its sensitive information and assets, and to protect itself against cyber-attacks. The CMA included an assessment of the Bank's current and planned enterprise security policies, procedures, and capabilities in multiple technology and security-related domains.

- ***SWIFT Customer Security Programme (CSP)***
  In fulfillment of a mandate by SWIFT to mitigate against the growing threat of cyber-attacks by implementing mandatory security controls and new services to help prevent and detect fraudulent activity, the Bank complied and successfully attested to the SWIFT Customer Security Programme before the 31 December 2018 deadline.

- ***Upgrade of Agency Office Network Infrastructure***
  As part of an ongoing security initiative, the Bank commenced work on an improved internet plan incorporating a revised network configuration inclusive of security features at the Agency Offices. This enhancement will increase productivity as well as improve the security posture of the Agency Offices.

ORGANISATIONAL EFFECTIVENESS

Continue to transform the ECCB Along S.T.A.R Values

ECCB S.T.A.R Awards

The ECCB S.T.A.R Awards recognise and celebrate the individuals and the department which exemplify the Bank's mantra of: Service Excellence, Teamwork and Truth Telling, Accountability and Results. The Awards are presented in two categories: Individual and Department. Nineteen individual nominations and three department entries were submitted for consideration. The 2018 awards were presented at the Bank's Annual Banquet and Awards Ceremony held on 8 December.

Department S.T.A.R Award

The Banking and Monetary Operations Department (BMOD) received the 2018 Departmental STAR. The BMOD was instrumental in facilitating the overall implementation of Phase Two of the Eastern Caribbean Automated Clearing House, and the Electronic Funds Transfer System, thus making payment settlements in the ECCU faster and more secure. The department was also instrumental in revitalising the Eastern Caribbean Payments Council.

The BMOD also embraced the mandate of improving the Bank's profitability by undertaking several initiatives which will result in approximately 2.8 million dollars in cost savings annually. In addition, the department embarked on several initiatives to enhance team spirit, including: recognising staff members for Mother's Day and Father's Day; and engaging in activities outside work such as: Christmas party and movies nights.

Individual S.T.A.R Awardees

The six staff members rewarded for exemplifying the S.T.A.R mantra were:

1. Livia Bertin-Mark, Examiner - Bank Supervision Department
2. Acklyn Blaize, Corporate Relations Officer - Corporate Relations Department
3. Gwendy Francois-Anselm, Human Resource Officer, Human Resource Department
4. Exzaver Garvey, Office Attendant - Support Services Management Department
5. Paula Hazel, Security Officer - Support Services Management Department
6. Micah John, Assistant Facilities Engineering Technician in the Support Services Management Department

Governor Antoine presents the 2018 Department S.T.A.R Award to Director, Banking and Monetary Operations Department, Raquel Leonce

Banking and Monetary Operations Department Team

ORGANISATIONAL EFFECTIVENESS

Strengthen the forward looking and robust research agenda

In support of more effective and efficient monitoring of the financial sector and financial sector stability, the Bank continued to refine revisions to prudential returns. The Bank convened video conferences and workshops with commercial banks and other ECCB licensed non-bank financial institutions to discuss the contents of the revised prudential returns and the changes required for upload of the data through a secure web-based server powered by SAS. Discussions were held with these institutions on the next steps and an implementation date was set following those discussions. Implementation is scheduled for 2020.

As part of its mandate, the ECCB conducts research on issues that affect its member governments. These issues are often the core of policy discussions within member countries and at the ECCB, and serve to elucidate and influence polic design in a thoughtful manner. To this end, the Bank produced several papers and policy briefs in the financial year, which are directly linked to its strategic goals.

Maintain a Strong and Stable EC Dollar

- The Optimal Level of Reserves for the ECCU

Ensure a Strong, Diversified and Resilient Financial Sector

- A Proposed Framework for Identifying Systemically Important Commercial Banks and Credit Unions in the ECCU
- Proposed Framework for Identifying Systemically Important Commercial Banks and Credit Unions in the ECCU – A Country Assessment

Be Advisor of Choice to our Participating Governments in Pursuit of Fiscal and Debt Sustainability

- An Evaluation of the Post Crisis Fiscal Performance of ECCU Member Countries
- The Economic Impact of Caribbean Premier League (CPL) on the ECCU Countries

Actively Promote the Economic Development of our Member Territories

- Failure to Launch: Unleashing the ECCU's Global Competitiveness Potential
- The Impact of Oil Price Fluctuations on Macroeconomic Variables in the ECCU
- Locked and Loaded: The US-China Trade War – Should the ECCU Worry?
- What is Driving Tourism Flows to the ECCU? Insights from a Gravity Model
- The Impact of the Closure of Petrotrin on ECCU Member States

Chief Director (Policy) Appointed

In keeping with the Bank's new organisational structure, D Tracy Polius, a national of Saint Lucia, assumed the position of Chief Director (Policy) on 7 January 2019.

The Chief Director (Policy) is responsible for providing the vision, leadership and management for the development of a coherent and coordinated policy and research programme that supports the Bank's Strategic Plan and facilitates delivery on its mandate as outlined in Article 4 of the ECCB Agreement. The executive functions will include: serving as the management liaison to the Executive Committee on policy matters relating to the Bank's strategic goals and facilitating discussions pertaining to challenges (internal and external) in advancing policy initiatives and submission of findings to the Executive Committee.

Polius is an economist with a blend of experience in public policy, commercial banking and academia. She has worked with the Government of Saint Lucia in various capacities including: Deputy Director of Economic Affairs from 2002 to 2007 and Permanent Secretary, Planning and National Development from 2014 to 2017. Immediately prior to this appointment, she served as Permanent Secretary in the Departments of Housing and Physical Planning from 2017 to 2018. She also worked as a Research Fellow at the Caribbean Centre for Money and Finance, UWI, where she served as co-editor of the Journal of Business, Finance and Economics in Emerging Economies among other duties.

Building capacity in enhanced risk reporting framework and a greater appreciation for the Three Lines of Defence Model in risk management

Head of Departments, Deputy Directors, Risk Liaisons and Alternates participated in an Enterprise Risk Management Training on 13 – 14, November 2018. Bruce Scott, Partner, PwC Jamaica conducted the sessions

During the year, the Bank was heavily focused on further development of the its risk culture and risk management practices, as critical components of the successful implementation of the Enterprise Risk Management (ERM) framework.

The key initiatives of the ORM during the year are summarised as follows:

- The development of an ERM Policy to guide the decision-making processes pertaining to the Bank's portfolio of risks. The document highlights the risk oversight structure, roles and responsibilities, risk assessment and evaluation criteria, risk treatment process and the monitoring and reporting requirements;
- Bank-wide risk management capacity building sessions, some of which were facilitated by an external consultant;
- Risk awareness training for the Board of Directors;
- The implementation of a revised Operational Risk Register and attendant process for the validation of risks across the Bank;
- The operationalisation of the Operational Policy Development Framework to govern the development and implementation of operational policies and related procedures for the Bank;
- The implementation of a risk monitoring framework for the Bank's Strategic Plan.

The thrust of the Bank's risk management programme continues to be influenced by the strategic objectives as outlined in the Strategic Plan as well as external developments impacting the Bank's operations. The overall objective is aimed at achieving the appropriate balance between maximising opportunities and minimising losses, in the realisation of the strategic goals. Specific emphasis has been placed on internal risk issues pertaining to health and safety, management of resources and business practices as well as those that may be more externally driven, such as financial stability and information technology risks.

ORGANISATIONAL EFFECTIVENESS

Legislative Agenda to Support Strategic Priorities

Banking Act 2015

The Bank, in consultation with the banking industry, undertook a review of the Banking Act 2015 with the view to propose amendments deemed necessary to address provisions in the Act that were either impractical or presented challenges to its effective operationalisation. In November 2018, the draft amendments were resubmitted to the Monetary Council, approved and dispatched to member countries for enactment. To date, the Bill has been enacted in Grenada. The Banking (Licences) Regulations 2018 were prepared by the Central Bank in consultation with the offices of the Attorneys General in the Eastern Caribbean Currency Union (ECCU). The intention of the regulations is to operationalise the general provisions under the Act which deal with the application for a licence to carry on banking business and the application for a licence for a financial holding company. The regulations were dispatched to member governments in May 2018.

Anti-Money Laundering/Counter Financing Of Terrorism Legislation

The Bank continues to encourage ECCU member Governments to pass amendments to existing Anti-Money laundering/Counter Financing of Terrorism legislation which shifts the supervisory and regulatory responsibility to the Bank. The amendments were dispatched to member governments and have been passed by two member countries.

Software Pilot Agreement

In February 2019 the Bank executed a Software Pilot Agreement with BITT Inc to design and construct a high security Digital XCD and a centralised private platform leveraging IBM Hyper ledger to create, issue, withdraw from circulation, verify, destroy, and re-issue Digital XCD. Participation in the pilot project is voluntary and within controlled parameters. The duration of the pilot project, development and deployment, is expected to be eighteen months.

Payment System (Eastern Caribbean Clearing House) Rules

The Bank in consultation with the ECCU Attorneys General finalised amendments to the Payment System (Eastern Caribbean Clearing House) Rules in 2018 to lend efficiencies and allow some flexibility in the processing of transactions by the Eastern Caribbean Automated Clearing House (ECACH) by removing the session times and the fees from the Rules. The amendments were dispatched to member countries in January 2019 for gazetting. To date the Rules have been published in one member territory.

Credit Reporting Bill And Regulations Legislation

The Bank remains committed to encourage member governments to bring the Credit Reporting Bill and Regulations legislation into force. To date, four member governments have passed the Credit Reporting Bill and the Credit Reporting Act and Regulations are in force in three member countries.

Harmonised Registered Land Bill

The legislative drafting phase of the ECCU Electronic Conveyancing System Project was completed in October 2018. The final deliverables of the Project, that is, the final report and a draft Harmonised Registered Land Bill have been published on the Bank's website as part of the initial sensitization process. The aim of this Project is to provide a framework for a modernised arrangement which will yield greater predictability and simplicity in the property transfer system in the sub-region. This initiative is expected to ultimately facilitate the enhancement of the region's competitiveness through an overhaul of the land registration systems of the ECCU.

ORGANISATIONAL EFFECTIVENESS

The Eastern Caribbean Partial Credit Guarantee Corporation Agreement

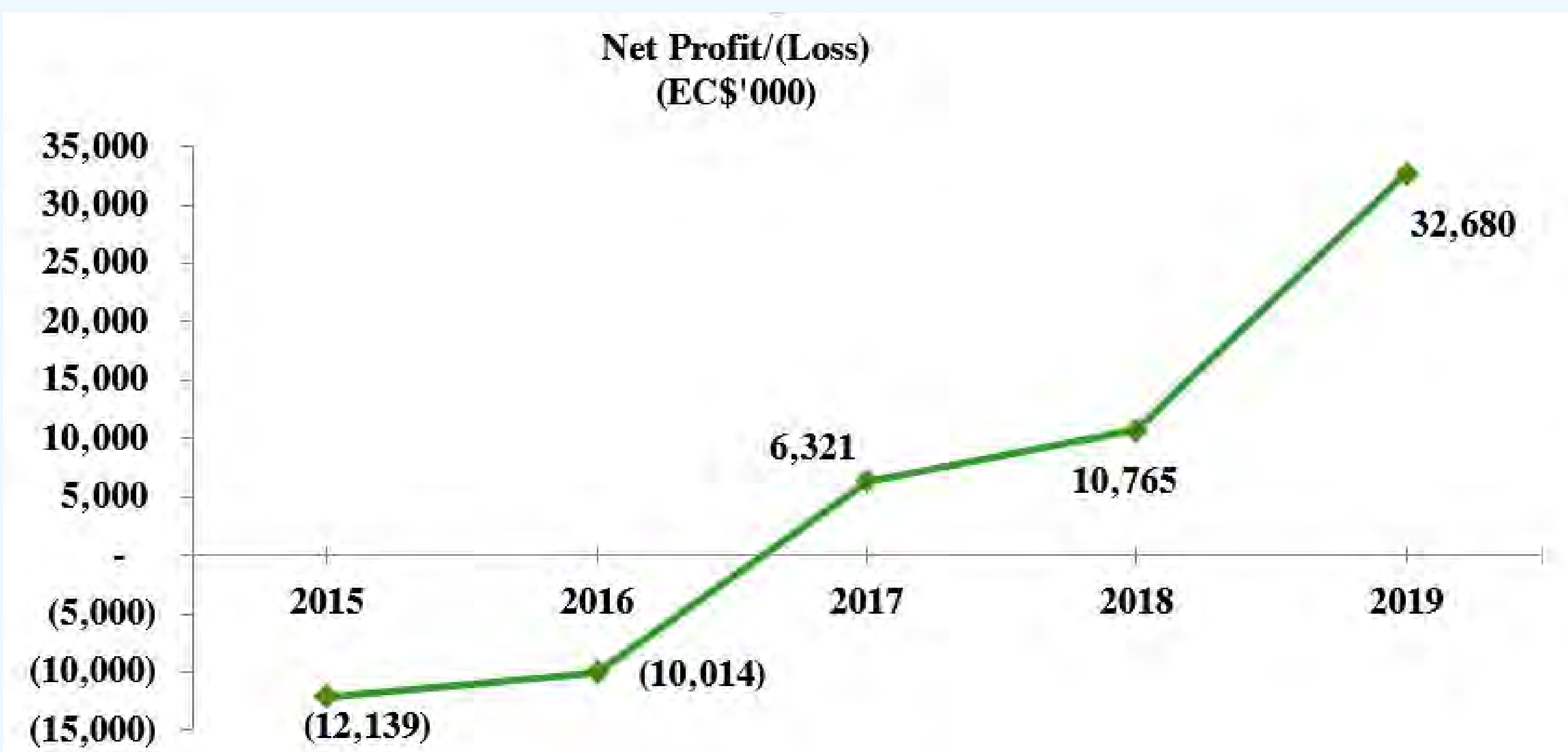
The Eastern Caribbean Partial Credit Guarantee Corporation Agreement was enacted into law by six (6) member governments. The Bank continues to work closely with the World Bank to facilitate the operationalisation and capitalisation of the Eastern Caribbean Partial Credit Guarantee Corporation.

Copyright Policy

In October 2018 the Bank approved a copyright policy to govern the basic rights, duties and obligations concerning ownership of copyright in works and use of protected works of the Bank.

6 Financial Performance

The Bank reported net profit was $32.7 million for the year ended 31 March 2019, which exceeded the previous year's profit by $21.9 million or 204.0 per cent.



FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019, the Bank's Total Assets stood at $5,160.9 million, an increase of $72.8 million (1.4 per cent) when compared to the position in the previous year.

The increase in Total Assets, was predominantly driven by an expansion in Foreign Assets of $105.3 million (2.2 per cent). The increase in foreign assets was mainly due to the purchase of regional and foreign currency notes from commercial banks, the reinvestment of interest received on foreign assets and the appreciation in the market value of the Bank's foreign investment securities. The growth in foreign assets was partially offset by net sale of foreign currency balances to commercial banks in the Eastern Caribbean Currency Union.

Domestic Assets decreased by $32.4 million (9.4 per cent), primarily attributable to reductions in Participating Government Securities, Property and Equipment, Pension Asset and Accounts Receivables and Prepaid Expenses. Participating Governments' Securities decreased by $23.0 million (27.7 per cent) due to participating governments redemption of ECCB's holdings of Treasury Bills coupled with maturity and principal payments on debenture bonds. The decline of $4.7 million (3.5 per cent) in Property and Equipment arose from the disposal of the property during the financial year. Accounts Receivable and Prepaid Expenses declined by $3.3 million (13.3 per cent) largely due to a decrease in amounts due from ECCB Pension Fund and the write-off of accounts receivable, partially offset by an increase in prepaid expenses.

Total Liabilities contracted by $2.3 million over the year. The most significant decreases in this category were in Commercial Banks' Reserve Balances $58.7 million (2.0 per cent), Eastern Caribbean Securities Registry account, $60.5 million (78.9 per cent) and Participating Government Debt Restructuring Escrow accounts, 59.3 million (99.5 per cent). These decreases were moderated by increases of $81.0 million (100.0 per cent) in Participating Governments' Fixed Deposits, $32.7 million (3.0 per cent) in Currency in Circulation and $29.0 million (50.4 per cent) in Participating Governments' Operating accounts.

As at 31 March 2019, the value of currency in circulation was $1,143.4 million. Banknotes accounted for $1,031.6 million or 90.2 per cent, while coins in circulation amounted to $111.8 million or 9.8 per cent. The aggregate currency in circulation at the end of the financial year reflected an increase of $35.3 million (3.2 per cent) above the total in the previous financial year.

Total Equity increased by $75.1 million (34.9 per cent), mainly attributable to a change in fair value of foreign investment securities, which moved from an unrealised holding loss of $45.5 million as at 31 March 2018 to an unrealised holding gain of $1.9 million as at 31 March 2019 due to the favourable performance of the US bond market over the financial year. Also bolstering equity was the current year's profit of $32.7 million, which increased by $21.9 million or 204.0 per cent when compared the previous financial year. Consequently, the General Reserves rose by $35.5 million (29.45 per cent) largely due to the allocation from net profit in accordance with the ECCB Agreement Act 1983 – Article 6(3).

Chart 5 - Total Assets (EC$'000)

Chart 6 - Total Liabilities and Equity (EC'000)

FINANCIAL PERFORMANCE

STATEMENT OF PROFIT OR LOSS

The Bank delivered a strong financial performance for the year ended 31 March 2019 with continued growth in profit. The Bank reported net profit was $32.7 million for the year ended 31 March 2019, which exceeded the previous year's profit by $21.9 million or 204.0 per cent.

The upturn in profit was primarily attributable to an increase in interest income on foreign reserve assets, which was positively impacted by the Federal Reserve hikes in interest rates during the financial year.

Net interest income grew by $31.1 million or 44.0 per cent to $101.8 million for the year ended 31 March 2019 when compared to the previous financial year. This upsurge was primarily attributable to growth in interest income on foreign reserve assets, as a result of higher average interest earned on foreign investment securities and the higher-yielding short-term money market instruments and money at call, when compared to the prior year. This upsurge was offset by an increase of $3.1 million in interest expense on interest bearing demand liability accounts.

Chart 7 - Net Profit/(Loss) (EC$'000)

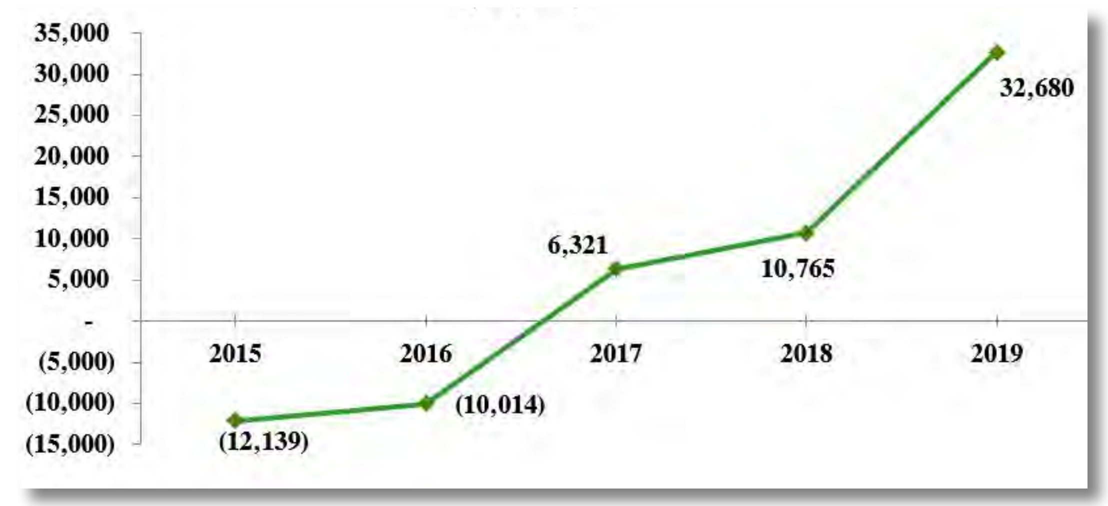


Chart 8 - Net Interest Income (EC$'000)

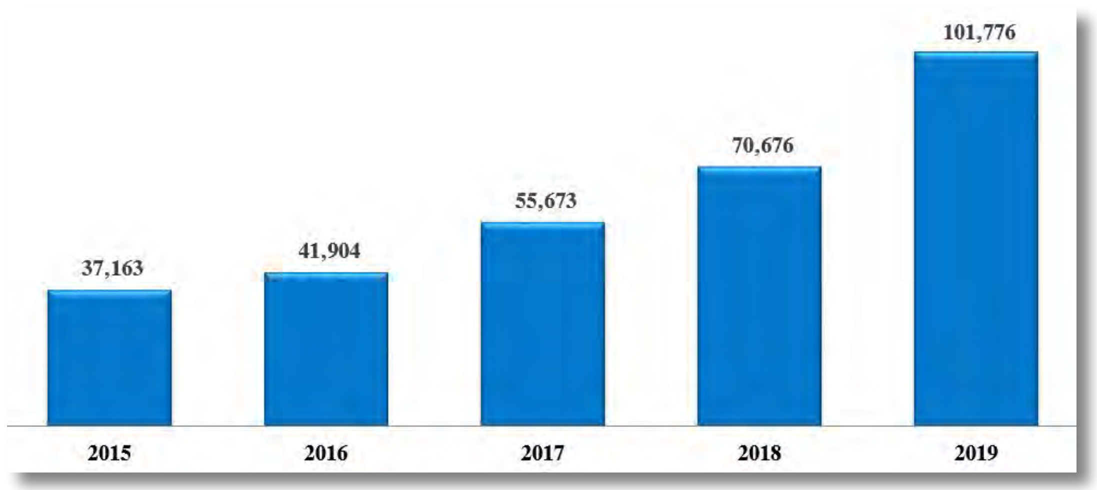


Chart 9 - Income Mix FY 2019

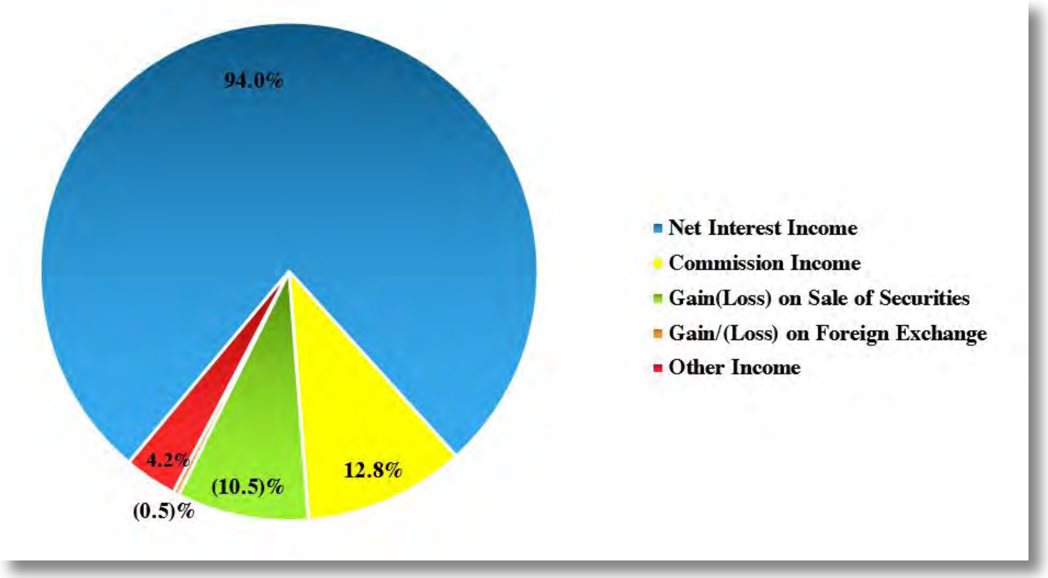
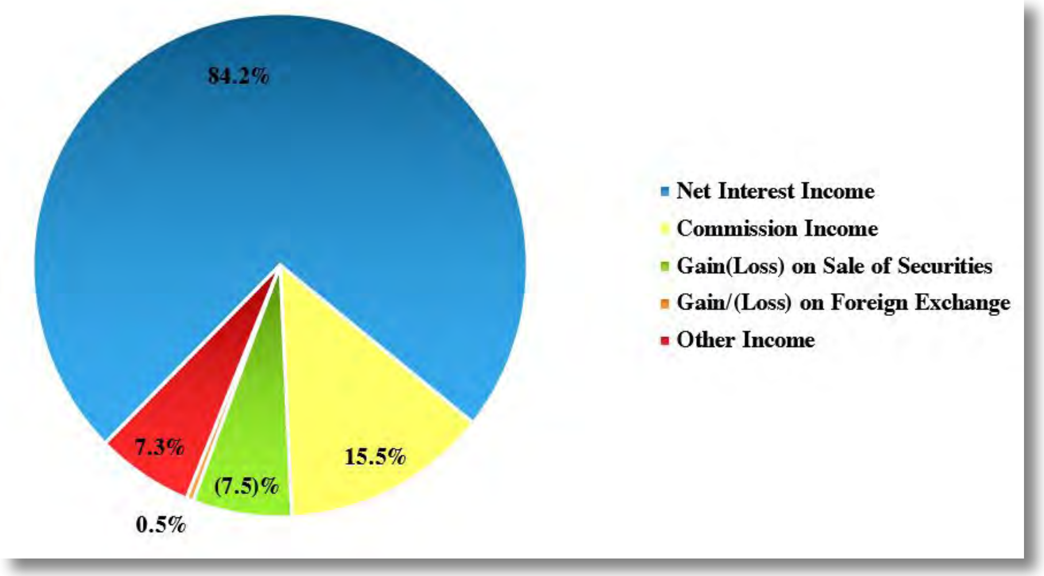


Chart 10 - Income Mix FY 2018



FINANCIAL PERFORMANCE

Operating income for the financial year ended 31 March 2019 rose by $24.3 million (29.0 per cent) to $108.3 million when compared to the previous financial year. The growth in operating income was largely driven by increases net interest income and commission income of $31.1 million and $0.8 million, respectively. The effects of these increases were partially offset by an increase of $5.0 million or 81.0 per cent in realised losses on disposal of foreign securities. Also offsetting the decline in operating income was a decrease of $1.6 million in other income, mainly due to the realisation of a loss on disposal of property and equipment for the year ended 31 March 2019 compared to previous financial year.

Operating expenses for the financial year ended 31 March 2019 of $77.3 million grew by $2.7 million or 3.6 per cent over the previous financial year. The increase was mainly due to an upsurge of $2.6 million in salaries, pension and other staff benefits. Also contributing the increase was $1.5 million in impairment losses on financial assets driven by the Bank's implementation of IFRS 9, effective 1 April 2018. These increases were partially offset by a reduction of $1.7 million in administrative and general expenses, primarily attributable to cost saving measures implemented during the finacnial year.

Chart 11 - Operating Income (EC$'000)

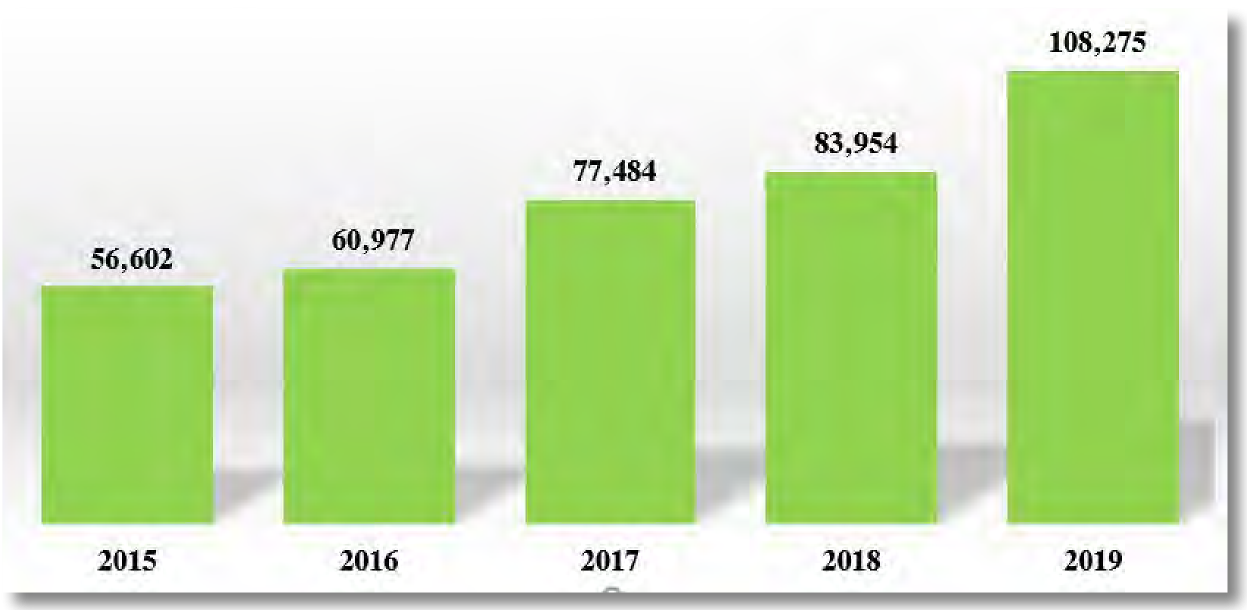
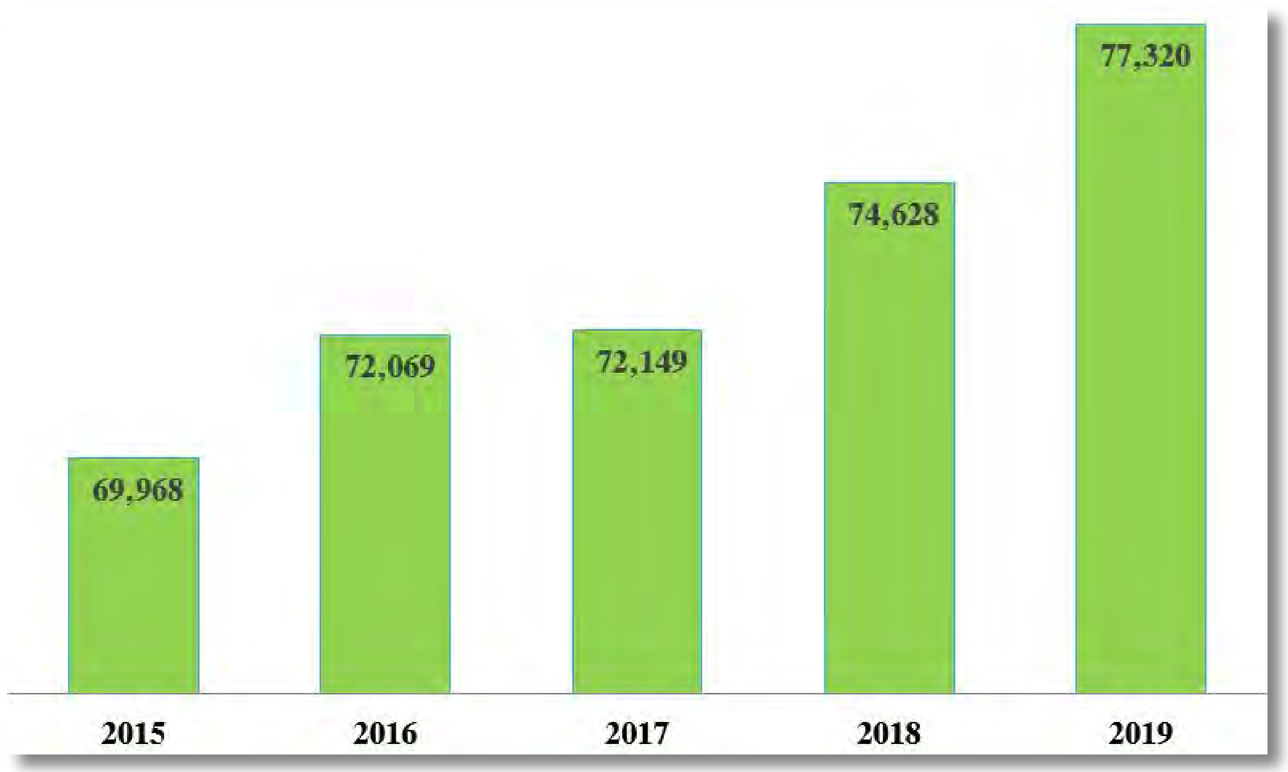
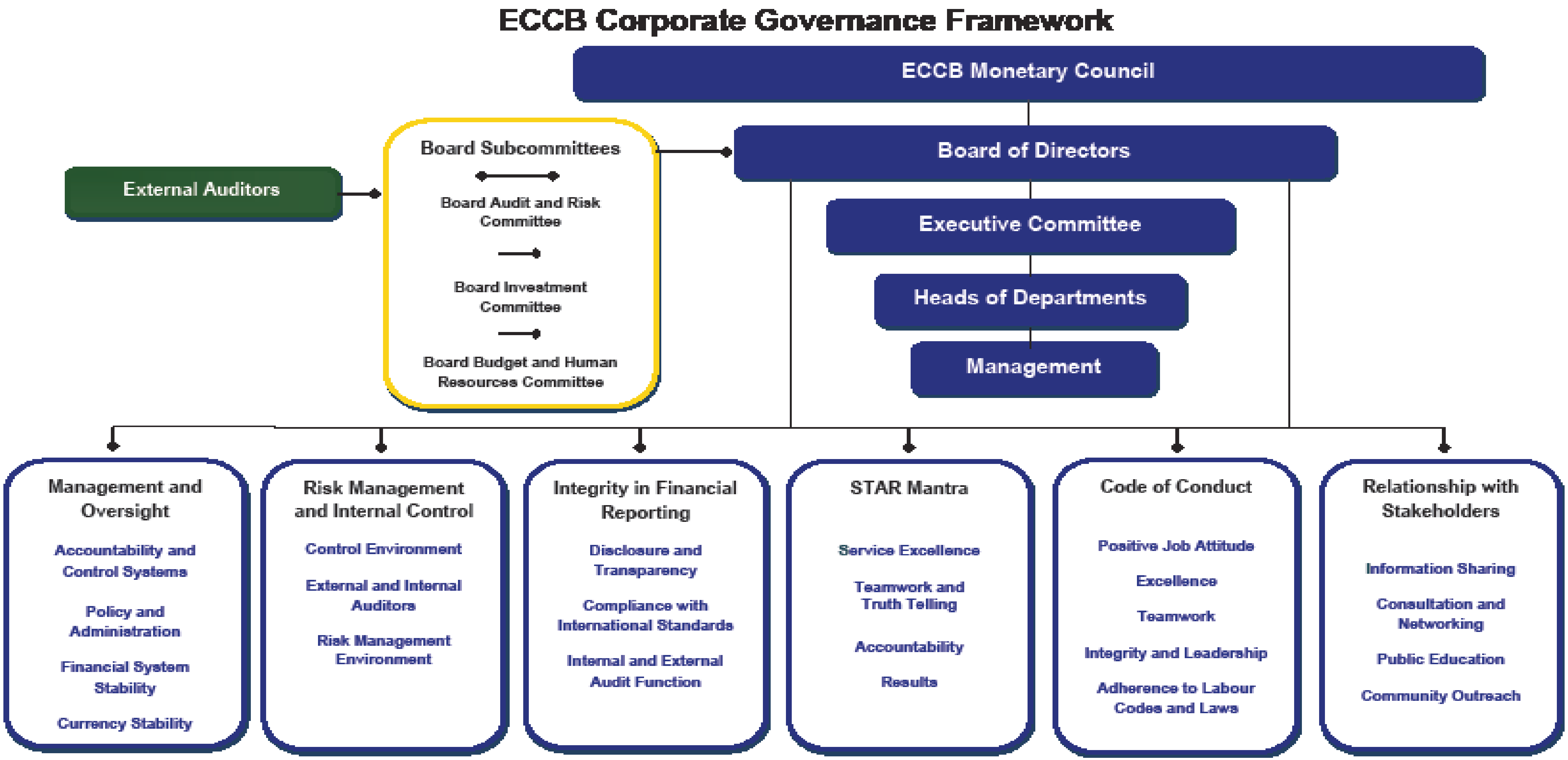


Chart 12 - Operating Expenses (EC$'000)



7 Corporate Governance Framework

“The framework seeks to promote accountability; ensure that appropriate control systems are developed and are operationalised to address associated risks; and to foster innovation through critical thinking and problem solving in pursuit of the Bank’s objectives.”


ECCB Corporate Governance Framework
ECCB Monetary Council
Board Subcommittees
Board of Directors
External Auditors
Board Audit and Risk Committee
Executive Committee
Board Investment Committee
Heads of Departments
Board Budget and Human Resources Committee
Management
Management and Oversight
Accountability and Control Systems
Policy and Administration
Financial System Stability
Currency Stability
Risk Management and Internal Control
Control Environment
External and Internal Auditors
Risk Management Environment
Integrity in Financial Reporting
Disclosure and Transparency
Compliance with International Standards
Internal and External Audit Function
STAR Mantra
Service Excellence
Teamwork and Truth Telling
Accountability
Results
Code of Conduct
Positive Job Attitude
Excellence
Teamwork
Integrity and Leadership
Adherence to Labour Codes and Laws
Relationship with Stakeholders
Information Sharing
Consultation and Networking
Public Education
Community Outreach

CORPORATE GOVERNANCE

The Eastern Caribbean Central Bank (ECCB) continues to recognise the importance of good corporate governance and is committed to ensuring that this attribute is preserved in its operations.

The Bank's Corporate Governance Framework is upheld by the following pillars:

1. Firm foundation for management and oversight;
2. Proactive and sound risk management and internal control;
3. Integrity in financial reporting;
4. Code of Conduct that endorses ethical values; and
5. Reciprocal relationship with stakeholders.

The Corporate Governance Framework is guided by the following:

1. The ECCB Agreement Act, 1983 (as amended) and the Banking Act, 2015;
2. The corporate governance principles for the Organisation of Eastern Caribbean States (OECS);
3. The legal and regulatory framework of the ECCU member countries; and
4. Best practices in the local and international arena.

The framework seeks to promote accountability; ensure that appropriate control systems are developed and are operationalised to address associated risks; and to foster innovation through critical thinking and problem solving in pursuit of the Bank's objectives.

Administration and Management

Monetary Council

The Monetary Council comprises the eight Ministers for Finance of the ECCB Participating Governments and is the highest decision-making organ of the Bank. Provision is made in the ECCB Agreement, Article 7 (1) for each Minister to designate an Alternate, who shall also be a minister of government, to serve on the Council in his/her absence.

Chairmanship of the Monetary Council

The tenure of the Chair of the Monetary Council is for a one-year duration and is rotated among member countries in alphabetical order. The current Chairman, Dr the Right Honourable Keith C. Mitchell, Council Member for Grenada, assumed the Chairmanship on 27 July 2018 following the Ceremony to Mark the Change in the Chairmanship of the Monetary Council in Grenada. Prime Minister Mitchell will hand over the Chairmanship of the Monetary Council to the Council Member for Montserrat on 26 July 2019.

ECCB Monetary Council and Governor of the ECCB (center, first row) at 91st Monetary Council Meeting and Handing-Over Ceremony, 27 July 2018, Grenada

Section of the audience at the Handing-Over Ceremony 27 July 2018, Grenada

CORPORATE GOVERNANCE

Meetings of the Monetary Council

Article 7 (2) of the ECCB Agreement states, "The Council shall meet not less than twice each [calendar] year to receive from the Governor the Bank's report on monetary and credit conditions and to provide directives and guidelines on matters of monetary and credit policy to the Bank and for such other purposes as are prescribed under this Agreement."

During the calendar year 2018, the Council convened its requisite three meetings:

1. 90th Meeting of the Monetary Council on 16 February 2018 in St Kitts and Nevis
2. 91st Meeting of the Monetary Council held on 27 July 2018 in Grenada
3. 92nd Meeting of the Monetary Council on 16 November 2018 via videoconference

The Board of Directors

The powers of the Bank are vested in the Board of Directors. The Board of Directors is responsible for the policy and general administration of the Bank. According to the ECCB Agreement Act Article 8 (2), "The Board shall have power to make, alter or revoke regulations, notices and orders for the purpose of giving effect to the provisions of this Agreement." The Board of Directors is responsible for submitting recommendations to the Monetary Council on such matters as the external value of the EC dollar; the denomination, composition, form and design of the currency to be issued; the terms and conditions for temporary advances to participating governments and interest rates. Appointed Directors are required to consider the interests of all the members of the ECCU in their decision-making process.

Composition of the Board of Directors

The Board consists of the Governor, Deputy Governor and one Director appointed by each participating government. The appointed directors are installed for terms not exceeding three years and are eligible for re-appointment. The Governor and the Deputy Governor are appointed by the Monetary Council for a period not exceeding five years and are eligible for re-appointment.

The Governor

The Governor serves as chairman of the Board of Directors. As Chief Executive Officer of the Bank, the Governor is responsible to the Board for the implementation of policies and the day to day management of the Bank. He is required to attend all meetings of the Monetary Council.

The Governor has the authority to act, contract and sign instruments and documents on behalf of the Bank, and may by resolution of, and to the extent deemed appropriate by the Board, delegate such authority to other officers.

The Deputy Governor

The Deputy Governor gives support to the Governor in his duties, and exercises the powers, duties and responsibilities of the office during the absence of the Governor.

Newly Appointed Director to the Board

The Bank welcomed Ophelia Wells-Cornwall from Grenada to the Board of Directors during the financial year. Wells-Cornwall was appointed effective 1 February 2019 and is expected to serve her term of office not exceeding three years.

Meetings of the Board of Directors

The Board is required to meet as often as the business of the Bank may require; but not less than once every three (3) calendar months. During any given year, the Board convenes five meetings. Five Directors at any meeting constitutes a quorum.

In keeping with Article 13 (1) of the ECCB Agreement Act, the Board of Directors convened the following meetings during the calendar year 2018:

- 165^{th} Meeting of the Board of Directors – 26 January 2018 via videoconference
- 166^{th} Meeting of the Board of Directors – 27 March 2018 in St Kitts and Nevis
- 167^{th} Meeting of the Board of Directors – 7 and 8 June 2018 in St Kitts and Nevis
- 168^{th} Meeting of the Board of Directors – 28 September 2018 via videoconference
- 169^{th} Meeting of the Board of Directors – 23 November 2018 via videoconference

Six subcommittees assist with the work of the Board. They are:

- Board Audit and Risk Committee
- Board Investment Committee
- Board Budget and Human Resources Committee
- Pension Fund Trustees Committee
- Pension Fund Investment Committee
- Joint Pension Fund and Investment Committee

Risk Management and Internal Control

The Board Audit and Risk Committee (BARC) continues to provide guidance to the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process; the system of internal control; risk management and monitoring compliance with laws and regulations and the code of conduct. Specific to the work of the Committee, consultations are conducted with the external auditors, Bank's directors and officers and with the Internal Audit Department as deemed necessary. The current Committee comprises:

- John Skerritt, Chairman
- Hilary Hazel, Deputy Chair
- Cointha Thomas
- Edmond Jackson

External Auditors

An external auditor is appointed by the Board of Directors from a list of auditors approved by the Monetary Council. The selection is done through a process of tendering and due diligence exercises. The auditor serves for a period of three years.

The Monetary Council gave approval for the engagement of the KPMG auditing firm on 25 October 2017. The firm will serve the ECCB over the financial period 2017/2018 to 2019/2020.

The external auditor conducts an annual audit to provide the assurance that the financial statements fairly represent the Bank's financial position. The external auditor further reports to the Board Audit and Risk Committee on its findings and recommendations.

Integrity and Financial Reporting

Disclosure and Transparency

In keeping with international best practices, and in accordance with statutory requirements, the Bank publishes its statement of assets and liabilities on a monthly basis and the audited annual financial statements by the end of June each year.

International Financial Reporting Standard (IFRS) 9 Implementation

The Bank adopted International Financial Reporting Standard (IFRS) 9, Financial Instruments , effective 1 April , 2018. This standard introduced changes to the classification and measurement of financial instruments and replaced the incurred loss provisioning methodology under IAS 39 where provisions were made at the time that the loss is actually incurred. IFRS 9 now requires provisions to be made using an expected credit loss (ECL) approach, which requires an estimation of impairment for future credit losses based on probabilities of default and assessment of loss given default.

Audit Committee Certification (ACC) Programme

Members of the Board Audit and Risk Committee and selected staff of the ECCB completed the Audit Committee Certification (ACC) Programme over the period 30 April to 1 May 2018 in St Kitts and Nevis. The certification programme was facilitated by The Caribbean Governance Training Institute.

The programme was geared specifically at equipping Audit Committee members, as well as professionals who work with the Audit Committee, with the tools to effectively execute the Committee's functions by addressing current issues and challenges facing audit committees, best practices for audit committees, appropriate structure, membership and functioning.

The ACC Programme also covered soft and technical skills; addressed the required qualifications of an effective audit committee chair; and how effective relationships among the Chair, committee members and management could be created and sustained.

Such training provided the BARC members and the participating ECCB officers with the capacity to augment the deliverables of the Committee and by extension raise the overall governance and financial reporting process of the Bank.

CORPORATE GOVERNANCE

Code of Conduct

The Bank's overriding code of conduct is encapsulated in its value statement as follows: "The Bank values a results-focused approach in delivering timely, relevant and high quality output for the benefit of the people of the ECCU." The behaviour of management and staff is governed by various policy documents including:

- The Eastern Caribbean Central Bank Corporate Governance Charter
- Flexi-time and Punctuality Policy
- Conflict of Interest Policy
- Media Relations Policy
- Information Systems and Security Policy
- Eastern Caribbean Central Bank Staff Regulations
- Training and Staff Development Policy
- The ECCB's Guide – Protocol, Diplomacy and Etiquette
- The ECCB's Guide – Effective Communication
- The ECCB's Guide – Successful Meetings and Events Management
- Energy Management Policy
- Compensatory Leave Policy
- Financial Regulation
- Procurement Policy

Human Resource Management

The Bank is governed by the labour codes and laws of each of its participating member territories. The oversight of the Bank's human resources is delegated to the Human Resource Department. The management of human resources is informed by polices and

guidelines which conform to international conventions and standards pertaining to human rights, equal employment opportunity and working conditions. The Internal Audit Department helps to maintain the integrity of the human resource management process by ensuring that the Bank complies with stipulated policies and procedures.

Relationship With Stakeholders

Stakeholder Involvement

The Bank continues to engage its stakeholders through a number of scheduled networking meetings and consultative fora which provide the avenue for productive engagement on an array of issues that are of interest to the currency union. The ECCB remained connected with its stakeholders through a variety of media over the year, in order to enhance the awareness and involvement of the people of the region in relevant economic and financial matters.

Corporate Social Responsibility

The ECCB recognises its corporate social responsibility to the people of the region, a responsibility that is preserved in its mandate to promote a sound financial structure conducive to the balanced growth and development of its member states, Article 4 (3), ECCB Agreement, 1983. The Bank's execution of, and continued efforts to expand its public relations and Community Outreach programmes, embody this corporate social responsibility.
During the financial year, the Bank continued to exhibit is corporate social responsibility through the following programmes:

- OECS/ECCB Under-23 Netball Tournament
- ECCU Bright Sparks Programme
- Student Programme for Innovation in Science and Engineering (SPISE)

OECS/ECCB Under-23 Netball Tournament

As part of its Community Outreach thrust, the ECCB remained committed to supporting the growth and development of the region's youth through sports. In 2018, the Bank sponsored the OECS/ECCB Under-23 Netball Tournament which was hosted by the St Kitts Netball Association in Basseterre, St Kitts and Nevis. Six teams vied for the championship from 7 to 12 July at the Pam Tyson Netball Stadium. Team Saint Lucia emerged as the winner of the tournament.

In addition, the young netballers were accorded the opportunity to participate in the development session which has been a staple of the tournament's programme since 1999. The session was held under the theme: *Youth Employment: Create or Await* and was facilitated by Kimarah T Isaac, Special Project Coordinator to the President at Monroe College.

ECCU Bright Sparks Programme

The ECCB welcomed its second intern to participate in the ECCB Bright Sparks Programme as part of its continued involvement in positive community development. Lindon Jackasal, holder of an Associate's Degree in Information Technology from the TA Marryshow Community College in Grenada, began his internship at the Bank in October 2018. Lindon is attached to the Management Information Systems Department.

The ECCB Bright Sparks Programme, which was launched in January 2018, provides an opportunity for promising students from ECCB member countries desirous of furthering their studies in the area of Information Technology or a related field to apply their theoretical knowledge in a real working environment. Through the internship, the ECCB is able to benefit from the new and innovative ideas that the intern brings to the fore while in return the intern receives on-the-job training and is able to draw from the experiences of local as well as regional experts in the IT field.

More about the ECCB Bright Sparks Programme

Team Saint Lucia, winners of 2018 OECS/ECCB Under-23 Netball Tournament, with Trevor Brathwaite, Deputy Governor, ECCB at tournament's Closing Ceremony, Pam Tyson Netball Complex, St Kitts and Nevis

Lindon Jackasal (right), ECCB Bright Sparks participant, with Earl St Ange, ECCB Brights Sparks mentor

Student Programme for Innovation in Science and Engineering (SPISE)

The ECCB continued to support the SPISE programme through the sponsorship of two participants. The programme, which is designed for secondary school students within the region, aims to help increase the low numbers of Caribbean students pursuing advanced degrees in Science and Engineering. Past students of the programme have gone on to enroll at some of the world's top science and engineering universities.

8 Areas of Focus: 2019 - 2020

> ***"The Bank will issue its new family of EC banknotes made from polymer, commencing in June 2019 with the $50. The polymer $100, $20 and $10 are forecast to be issued in September 2019. Based on the existing stock of the paper $5 note, the polymer $5 will be issued in September 2020."***

AREAS OF FOCUS 2019 - 2020

Monetary Stability

MAINTAIN A STRONG AND STABLE EC DOLLAR

Review and Adopt Revised Reserved Management Framework

The Bank will continue the implementation of the revised foreign reserve management framework as articulated in its Foreign Reserve Management Investment Policy. The following deliverables are anticipated to be completed in the financial year 2019/2020:

- Implementation of a third foreign reserve tranche for seeking relatively higher investment returns; and
- Execution of the approved foreign reserve money manager framework.

Advise Monetary Council on Monetary and Credit Conditions Consistent with The ECCB Agreement

The Bank will not only continue to contribute to monetary stability through the established reporting mechanism, but also through the development of an integrated framework with analytical robustness. This latter framework is intended to incorporate the various facets of macroeconomic analysis with a view to ensuring that the analysis, inclusive of forecasts, is robust.

With regards to currency management, the Bank will:

- Issue of a new family of EC banknotes made from polymer, commencing in June 2019 with the $50. The polymer $100, $20 and $10 is forecasted to be issued in September 2019. Based on the existing stock of paper $5, the polymer $5 will be issued in September 2020;
- Conduct a vigorous coins drive to increase redemption of coins throughout the member states of the Eastern Caribbean Currency Union, commencing with St Kitts and Nevis as a pilot in August 2019;
- Seek to improve in the processes and operations in the Currency Management Department with a new processing/sorting machine and upgraded Currency Management Software;
- Introduce the use of a scientific method of currency forecasting in collaboration with De La Rue, the authorised printers of the EC banknotes;
- Train and certify law enforcement officers to differentiate genuine and counterfeit EC banknotes, notably polymer; and
- Continue training in *'Know Your Money'* for cash handlers in the Eastern Caribbean Currency Union on the features of the EC polymer banknotes.

Financial Stability

ENSURE A STRONG, DIVERSIFIED AND RESILIENT FINANCIAL SECTOR

During the 2019/2020 financial year, the Bank will execute the following:

- Complete the full implementation of the Risk-based Supervision (RBS) Framework, including for Anti-Money Laundering/Countering Financing of Terrorism (AML/CFT);
- Conduct AML/CFT and safety and soundness examinations at relevant licenced financial institutions using the implemented RBS Framework;
- Continue to facilitate member territories' preparation for the upcoming mutual evaluations;
- Continue activities relating to Basel II/III implementation towards the target date of June 2020;
- Engage in market sensitisation and training regarding AML/CFT and Basel II/III implementation;
- Issue appropriate prudential standards aimed at minimising or eliminating regulatory risks; and
- Finalise and issue the revised prudential returns and manual of instructions to all licensees.

AREAS OF FOCUS 2019 - 2020

The Bank will also:

- Continue to work with member Governments to secure promulgation of the amendments to the Banking Act 2015; Banking (Licences) Regulations; and amendments to the AML/CFT legislation;
- Facilitate wide spread consultations on the Harmonised Registered Land Bill across the eight (8) member countries in 2019;
- Continue to pursue its initiative for the establishment of a deposit insurance corporation which is an important component of a new risk management framework for the ECCU financial sector. The project is in the initial stage and the legislative drafting component is scheduled to commence in the second quarter 2019;
- Continue the development of a macro prudential policy framework which is key to ensuring a strong, diversified and resilient financial system. The Bank will draft the required legislation to vest the authority for financial stability in the ECCB and define the macro prudential institutional framework;
- Study the utility of a harmonised regulatory framework for Crypto-assets which balances innovation and economic development. The project is in an exploratory phase and the research findings will inform the Bank's policy position and the development of the necessary regulatory framework;
- Review its payment system oversight policy consistent with international standards and is developing a framework to supervise Financial Market Infrastructures (FMIs). The Bank will require FMIs to comply with broad risk-based guidelines, commensurate with their operations and conduct a review of the payment system regulatory framework to ensure that the legislation is sufficiently robust, and where necessary, amendments will be proposed;
- Review Terms of Reference of Eastern Caribbean Payments Council and make the Payments Council more representative of all stakeholder groups engaging in payment activities in the ECCU;
- Establish rules for the Real Time Gross Settlement (RTGS) system that are consistent with the Payment System Act;
- Develop appropriate means for data collection that would allow for the regular and thorough analysis of the payment and settlement system activities; and
- Commence the oversight of systematically important payment systems.

Promote the Development of the Financial Sector to Increase Citizen Access to Credit and Other Financial Services

- The Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) will commence operation in 2019/20 and will underwrite partial guarantee for productive proposes to eligible financial institutions. Technical assistance will also be provided to financial institutions and MSMEs to improve lending practices, preparation of business plans and to strengthen the enabling environment for MSMEs.
- The Bank will continue to work with member governments for the passing of the Credit Reporting Bill and Regulations for the establishment of the ECCU Credit Bureau.

Develop Macro Prudential Framework

- The Bank will continue to improve the existing analytical framework for financial stability by incorporating macro-stress tests into the reporting function. Work will continue on the establishment of the Regional Financial Stability Committee and Macro prudential Policy Committee and the continued development of the Financial Stability Report.

AREAS OF FOCUS 2019 - 2020

Fiscal and Debt Sustainability

BE ADVISOR OF CHOICE TO OUR PARTICIPATING GOVERNMENTS IN PURSUIT OF FISCAL AND DEBT SUSTAINABILITY

Improve the functioning of the market for Government Securities

- The Bank intends to collaborate with the member governments in expanding the investor base through the implementation of initiatives from the investor relations plans. This would include outreach programmes within the currency union and other CARICOM countries. This would involve partnering with the licensed brokers and the Eastern Caribbean Securities Exchange.

Provide Policy Advice to Participating Governments and Facilitate Capacity Building Of Member Countries for Effective Debt Management.

- The Bank will continue its efforts to provide technical support to countries with the update of the Medium Term Debt Management Strategies. It is expected that approved debt strategies will be published on the ECCU Debt Portal to improve access to information across the countries.
- In its thrust to track member countries performance related to fiscal and debt sustainability, the Bank plans to provide technical support to member countries in the identification and monitoring of interim targets set for 2020 and 2025; reporting on the targets would be done to the Monetary Council annually.
- The Bank intends to continue its collaboration with external partners to provide support with the transition of government's fiscal accounts in accordance with the IMF's 2014 Government Finance Statistics manual and to deploy the Commonwealth Secretariat's web-based Meridian debt management solution.
- The Bank will also continue its development of financial programming tools, as a means of providing robust analysis on member countries to their respective governments. Further, work will continue apace on Debt Sustainability Analysis as well as on participation in the missions of the International Monetary Fund, The World Bank and the ECCB's own country assessment missions.

Growth, Competitiveness and Employment

ACTIVELY PROMOTE THE ECONOMIC DEVELOPMENT OF OUR MEMBER TERRITORIES

The Bank will:

- Continue to work closely with the World Bank to facilitate the operationalisation and capitalisation of the Eastern Caribbean Partial Credit Guarantee Corporation and will commence the drafting of regulations to support its operationalisation;
- Host the 4th Growth and Resilience Dialogue on 13 February 2020;
- Continue to collaborate with development partners in the area of statistics. The Project for the Advancement of Statistics in the Caribbean (PRASC) programme is expected to intensify over the period 2019 to 2021;
- Focus on national accounts areas such as: the import and export price indices, household budget and expenditures surveys, rebasing of the Gross Domestic Product (GDP), quarterly GDP, Supply and Use Tables and Tourism Satellite Accounts. It is expected that the ECCB will be heavily involved in these development exercises so that capacity can be built and harmonisation maintained among the ECCB member countries in the compilation of the regional statistics. Routine assignments will include data management and dissemination including completion of the interactive website for economic statistics, conduct of the Business Outlook surveys and compilation of national accounts and external sector statistics; and
- Focus on the development of the country-specific metadata to support the compilation of the statistics and commencement of the back-casting exercises with respect to the External Sector Statistics.

AREAS OF FOCUS 2019 - 2020

Enhancing Organisational Effectiveness

ENHANCE ORGANISATIONAL EFFECTIVENESS TO ENSURE RESPONSIVENESS AND SERVICE EXCELLENCE

Return the Bank to Profitability Through Operational Cost Efficiencies

The Bank will:

- Monitor financial performance and place emphasis on expenditure controls to contain total expenditure in line with income from foreign reserve assets;
- Improve the Bank's accounting framework by implementation of new standards;
- Conduct on-going assessment and compliance with issued standards, thereby ensuring financial results are reported fairly in accordance with International Financial Reporting Standards;
- Collaborate with all departments in the planning and budgeting process considering the strategic priorities to achieve the goals set out in the five-year Strategic Plan 2017-2021;
- Issue a new family of EC banknotes made from polymer, commencing in June 2019 with the $50. The polymer $100, $20 and $10 are forecast to be issued in September 2019. Based on the existing stock of the paper $5 note, the polymer $5 will be issued in September 2020;
- Conduct a vigorous coin drive to increase redemption of coins throughout the member states of the Eastern Caribbean Currency Union, commencing with St Kitts and Nevis as a pilot in August 2019; and
- Introduce the use of a scientific method of currency forecasting in collaboration with De La Rue, the authorised printers of the EC banknotes.

Transform Citizen Engagement and Stakeholders' Relations Management Built on Transparency, Accountability and Knowledge Sharing

The Bank remains committed to strengthening its engagement with key stakeholders through various avenues and will continue its advocacy efforts on behalf of the citizens of the Eastern Caribbean Currency Union (ECCU). In this regard, the Bank will focus on the following initiatives for the financial year 2019/2020:

- Convene the ECCU Attorneys General and Chief Parliamentary Counsel meeting, scheduled for 26 April 2019 by videoconference. The meeting will consider the legislative agenda of the ECCB for 2019-2020;
- Upgrade the annual netball tournament to an international level. The new OECS/ECCB International Netball Series will now accord teams of the ECCB member countries the opportunity to compete on a platform which will result in the attainment of international rankings for the member countries;
- Monitor and assess for future enhancements, the new ECCB Creative Youth Competition for secondary schools and community colleges;
- Launch the ECCU Bank of the Year Awards for commercial banks operating within ECCB member countries. The Awards, which replace the Best Corporate Citizen and Good Corporate Citizen Awards, will recognise banks that have demonstrated excellence in developing new products and services to enhance the customer experience, employ new technology to continuously improve their operations, demonstrate best practices in corporate governance and risk management and highlight company values through community outreach programmes;
- Train and certify law enforcement officers to differentiate genuine and counterfeit EC banknotes, notably polymer; and
- Continue training in *'Know Your Money'* for cash handlers in the Eastern Caribbean Currency Union on the features of the EC polymer banknotes.

Revamp the Human Resource Strategy to Support Talent Development and Management

The recently concluded consultancy provides new focus and strategy that will assist the Bank with improving its Human Resource function. Focus will be placed on various areas in the coming year including:

- Revamping of job descriptions;
- Enhancement of Performance Management System;
- Training in Performance Management ;
- Supporting ongoing training for technical areas;

AREAS OF FOCUS 2019 - 2020

- Reinstatement of increments across the Bank;
- Continued monitoring of the Bank's compensation and benefits package to ensure competitiveness in attracting best talent;
- Development of an Emerging Leaders Programme for leadership development and succession planning.
- HR personnel training in strategic workforce planning, leadership development and coaching.
- Develop key policies to guide the critical operations of the department and to improve the overall HR function within the Bank. Policies in line for formulation include inter alia Performance Management Policy, Promotions Policy, On Boarding Policy and Dignity in the Workplace Policy.

Utilise Technology to Inform Data-Driven Decision Making

- The ECCB will continue to provide support and guidance to the licensed financial institutions as they prepare their systems for the revised prudential returns. Implementation is expected in January 2020.
- Phase II of the statistical enterprise solution (SES) is expected to be completed in the first quarter of the new financial year.
- The Bank will seek to improve in the processes and operations in the Currency Management Department with a new processing/sorting machine and upgraded Currency Management Software.

Develop a Holistic Internal Risk Management Framework

In the upcoming period, through the Office of Risk Management, the Bank will engage in the following activities:

- Full implementation of the Bank's ERM Policy;
- Full implementation of the Bank's Business Continuity Strategy to include the establishment of at least one (1) Disaster Recovery and Business Continuity Recovery Site; and
- Risk oversight for the Bank's Fintech Pilot Project.

The Bank will also focus on the following audits:

- Physical access and security of the Bank;
- Efficacy of the Bank Supervision Department in effecting its financial institutions examination, policy and licensing mandates;
- Effectiveness of the Bank's corporate governance system;
- The Bank's culture and ethics;
- Implementation of the Bank's Strategic Plan for the period 2017 to 2021;
- Effectiveness of the Human Resource Department in delivering its mandate of staffing and recruitment and staff benefits; and
- Analysis of the effectiveness of the Strategic Planning and Projects Department in supporting the policy mandate of the Bank.

Strengthen the Forward Looking and Robust Research Agenda

- The ECCB will publish a handbook, "Promoting Growth, Stability and Sustainability in the ECCU" which will be a compilation of analytical pieces on policy issues that affect the ECCU. It will be an accompanying document to the ECCB Strategic Plan 2017-2021, speaking definitively and expansively about the strategic vision for the ECCU. Ongoing and planned initiatives to facilitate attainment of that vision would be outlined and elaborated on as necessary.

8

Independent Auditors' Report and Financial Statements

The financial statements of the Eastern Caribbean Central Bank, which comprise the statement of financial position as at 31 March 2019, 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, were audited by KPMG, a Barbados and Eastern Caribbean partnership, registered in Barbados, Antigua and Barbuda, Saint Lucia and St. Vincent and the Grenadines, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Independent Auditors' Report
and
Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eastern Caribbean Central Bank ("the Bank"), which comprise the statement of financial position as at 31 March 2019, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 March 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Barbados, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

INDEPENDENT AUDITORS' REPORT, continued

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2019 but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 IFRS, 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.

INDEPENDENT AUDITORS' REPORT, continued

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

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.

KPMG

INDEPENDENT AUDITORS' REPORT, continued

To the Participating Governments of
EASTERN CARIBBEAN CENTRAL BANK

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

- 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.

KPMG

Chartered Accountants
Bridgetown, Barbados
12 June 2019

STATEMENT OF FINANCIAL POSITION

Expressed in Eastern Caribbean Dollars

As at 31 March 2019

	Notes	31 March 2019 $	31 March 2018 $
Assets			
Foreign assets			
Regional and foreign currencies		**104,789,886**	68,773,676
Balances with other central banks	5	**14,237,270**	6,223,088
Balances with foreign banks	5	**52,946**	64,548
Money market instruments and money at call	6	**1,942,645,394**	1,508,844,830
Financial assets at fair value through profit or loss	13	**95,713**	656,871
Foreign investment securities	9	**2,785,672,676**	3,157,667,399
		4,847,493,885	4,742,230,412
Domestic assets			
Cash and balances with local banks		**2,691,622**	3,221,502
Term deposits	7	**6,539,012**	7,748,428
Domestic investment securities	9	**624,186**	624,186
Participating governments' securities	10	**60,168,839**	83,189,928
Participating governments' advances	11	**43,596,201**	43,330,371
Accounts receivable and prepaid expenses	12	**21,615,626**	24,933,169
Investments in associated undertakings using the equity method	14	**18,969,389**	17,470,403
Intangible assets	15	**4,459,054**	2,519,909
Property and equipment	16	**131,129,326**	135,814,044
Pension asset	22	**23,573,000**	26,948,000
		313,366,255	345,799,940
Total Assets		**5,160,860,140**	5,088,030,352
Liabilities			
Demand and deposit liabilities - domestic	17	**4,828,900,876**	4,861,299,250
Demand and deposit liabilities - foreign	18	**40,689,413**	10,425,453
Financial liabilities at fair value through profit or loss	20	**33,769**	219,130
IMF government general resource accounts	19	**1,198,864**	1,162,925
Total Liabilities		**4,870,822,922**	4,873,106,758
Equity			
General reserve		**155,929,693**	120,456,442
Other reserves	21	**134,107,525**	94,467,152
Total Equity		**290,037,218**	214,923,594
Total Liabilities and Equity		**5,160,860,140**	5,088,030,352

Approved for issue by the Board of Directors on 12 June 2019 and signed on its behalf by:

Governor

Director, Accounting Department

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

Expressed in Eastern Caribbean Dollars — For the Year Ended 31 March 2019

	Notes	2019 $	2018 $
Interest income	26	**107,402,279**	73,214,304
Interest expense	26	**(5,626,041)**	(2,538,217)
Net interest income		**101,776,238**	70,676,087
Commission income – foreign transactions		**9,905,668**	10,127,117
Commission income – other transactions		**3,904,157**	2,878,988
Loss on disposal of investment securities	9	**(11,299,073)**	(6,258,867)
(Loss) gain on foreign exchange		**(512,288)**	445,252
Other income	27	**4,499,834**	6,085,848
Operating income		**108,274,536**	83,954,425
Salaries, pensions and other staff benefits	28	**32,908,913**	30,301,359
Currency expenses		**8,419,588**	7,926,068
Amortisation	15	**470,448**	1,270,631
Depreciation	16	**5,575,880**	5,080,073
Administrative and general expenses	30	**28,397,879**	30,049,518
Net impairment losses on financial assets	29	**1,547,786**	-
Operating expenses		**77,320,494**	74,627,649
Operating profit		**30,954,042**	9,326,776
Share of net profit of associates	14	**1,725,886**	1,438,502
Net profit for the year		**32,679,928**	10,765,278

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Expressed in Eastern Caribbean Dollars | For the Year Ended 31 March 2019

	2019 $	2018 $
Net profit for the year	**32,679,928**	10,765,278
Other comprehensive income:		
Items that will never be reclassified subsequently to profit or loss		
Re-measurement losses on defined benefit pension plan	**(4,354,000)**	(415,000)
Revaluation adjustment (note 16)	**-**	10,401,633
Items that are or may be subsequently reclassified to profit or loss		
Net change in fair value of investment securities at FVOCI	**47,015,466**	-
Net change in fair value of available-for-sale financial assets	**-**	(27,996,170)
Other comprehensive income (loss) for the year	**42,661,466**	(18,009,537)
Total comprehensive income (loss) for the year	**75,341,394**	(7,244,259)

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Expressed in Eastern Caribbean Dollars

For the Year Ended 31 March 2019

	Accumulated Surplus $	General Reserve $	Capital Reserve $	Revaluation Reserve: Properties $	Financial Assets at FVOCI reserve $	Export Credit Guarantee Fund $	Self-Insurance Reserve Fund $	Pension Reserve $	Total $
Balance, 31 March 2018	**-**	**120,456,442**	**6,537,928**	**92,507,945**	**(45,288,213)**	**1,808,877**	**11,952,615**	**26,948,000**	**214,923,594**
Adjustment on adoption of IFRS 9	-	(698,700)	-	-	470,930	-	-	-	(227,770)
Restated balance at 1 April 2018	**-**	**119,757,742**	**6,537,928**	**92,507,945**	**(44,817,283)**	**1,808,877**	**11,952,615**	**26,948,000**	**214,695,824**
Net profit for the year	32,679,928	-	-	-	-	-	-	-	32,679,928
Re-measurement losses on defined benefit pension plan (note 22)	-	-	-	-	-	-	-	(4,354,000)	(4,354,000)
Net change in fair value of investment securities and money market instruments at FVOCI	-	-	-	-	47,015,466	-	-	-	47,015,466
Total comprehensive income	32,679,928	-	-	-	47,015,466	-	-	(4,354,000)	75,341,394
Allocation to general reserve	(30,996,106)	30,996,106	-	-	-	-	-	-	-
Allocation to pension reserve (note 21)	(979,000)	-	-	-	-	-	-	979,000	-
Allocation to self-insurance reserve fund (note 21)	(704,822)	-	-	-	-	-	704,822	-	-
Transfer of revaluation gain on disposal of property and equipment	-	5,175,845	-	(5,175,845)	-	-	-	-	-
Balance, 31 March 2019	**-**	**155,929,693**	**6,537,928**	**87,332,100**	**2,198,183**	**1,808,877**	**12,657,437**	**23,573,000**	**290,037,218**

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY...*continued*

Expressed in Eastern Caribbean Dollars

For the Year Ended 31 March 2019

	Accumulated Surplus $	General Reserve $	Capital Reserve $	Revaluation Reserve: Properties $	Revaluation Reserve: Available--for-Sale Securities $	Export Credit Guarantee Fund $	Self-Insurance Reserve Fund $	Pension Reserve $	Total $
Balance, 31 March 2017	**-**	**111,106,309**	**6,537,928**	**82,106,312**	**(17,292,043)**	**1,808,877**	**11,390,470**	**26,510,000**	**222,167,853**
Net profit for the year	10,765,278	-	-	-	-	-	-	-	10,765,278
Revaluation adjustment (note 16)	-	-	-	10,401,633	-	-	-	-	10,401,633
Re-measurement losses on defined benefit pension plan (note 22)	-	-	-	-	-	-	-	(415,000)	(415,000)
Net change in fair value of investment securities and money market instruments	-	-	-	-	(27,996,170)	-	-	-	(27,996,170)
Total comprehensive loss	10,765,278	-	-	10,401,633	(27,996,170)	-	-	(415,000)	(7,244,259)
Allocation to general reserve	(9,350,133)	9,350,133	-	-	-	-	-	-	-
Allocation to pension reserve (note 21)	(853,000)	-	-	-	-	-	-	853,000	-
Allocation to self- insurance reserve fund (note 21)	(562,145)	-	-	-	-	-	562,145	-	-
Balance, 31 March 2018	**-**	**120,456,442**	**6,537,928**	**92,507,945**	**(45,288,213)**	**1,808,877**	**11,952,615**	**26,948,000**	**214,923,594**

The notes on pages 65 to 172 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Expressed in Eastern Caribbean Dollars — For the Year Ended 31 March 2019

	2019 $	2018 $
Cash flows from operating activities		
Net profit for the year	**32,679,928**	10,765,278
Adjustments for:		
Depreciation	**5,575,880**	5,080,073
Amortisation	**470,448**	1,270,631
Loss on disposal of investment securities	**11,299,073**	6,258,867
Share of profit of associates	**(1,725,886)**	(1,438,502)
Effect of changes in market value of money market instruments	**(15,185)**	99,950
Net pension cost during the year	**1,242,000**	1,353,000
Loss (gain) on disposal of property and equipment	**1,289,744**	(36,548)
Net recoveries and write-offs on impaired receivables	**(1,450,560)**	(75,131)
Net impairment losses on financial assets	**1,547,786**	-
Interest income	**(107,402,279)**	(73,214,304)
Interest expense	**5,626,041**	2,538,217
Cash flows used in operations before changes in operating assets and liabilities	**(50,863,010)**	(47,398,469)
Changes in operating assets and liabilities		
Decrease in term deposits	**1,176,469**	2,293,965
Decrease in money market instruments	**25,681,397**	10,353,379
Decrease (increase) in participating governments' securities	**22,278,352**	(9,733,823)
Increase in participating governments' advances	**(515,995)**	(2,582,143)
Decrease in accounts receivable and prepaid expenses	**3,294,426**	3,959,132
Decrease (increase) in financial assets at FVTPL	**561,158**	(517,687)
Decrease in financial liabilities at FVTPL	**(185,361)**	(482,273)
Contributions to pension scheme	**(2,221,000)**	(2,206,000)
(Decrease) increase in demand and deposit liabilities - domestic and foreign	**(2,505,166)**	123,783,012
Increase in IMF government general resource accounts	**35,939**	29,481
Cash (used in) from operations before interest	**(3,262,791)**	77,498,574
Interest paid	**(5,255,289)**	(2,236,637)
Interest received	**106,376,636**	70,543,915
Net cash from operating activities	**97,858,556**	145,805,852
Cash flows from investing activities		
Purchase of property and equipment	**(5,900,906)**	(4,283,741)
Purchase of intangible assets	**(2,409,593)**	(1,980,970)
Proceeds from disposal of property and equipment	**3,720,000**	57,240
Proceeds from disposal of foreign investment securities	**2,910,885,695**	3,797,434,225
Purchase of foreign investment securities	**(2,502,549,823)**	(4,048,130,233)
Receipt of ordinary shares in SWIFT	**(78,205)**	-
Receipt of ordinary shares in ECSE	**(274,190)**	-
Dividends received from associates	**501,090**	501,090
Net cash from (used in) investing activities	**403,894,068**	(256,402,389)
Net increase (decrease) in cash and cash equivalents	**501,752,624**	(110,596,537)
Cash and cash equivalents, beginning of year	**1,171,960,866**	1,282,557,403
Cash and cash equivalents, end of year (note 25)	**1,673,713,490**	1,171,960,866

The notes on pages 65 to 172 are an integral part of these financial statements.

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, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines, which also compose the Eastern Caribbean Currency Union ("ECCU").

The primary office of the ECCB is at Bird Rock, Basseterre, St Kitts 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 the provisions of the Eastern Caribbean Central Bank Agreement Act 1983 and 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;
- Available-for-sale financial assets (applicable prior to 1 April 2018);
- 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, regional assets and liabilities are those which are located within other Caribbean territories and 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 12 June 2019.

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

2. Summary of significant accounting policies....*continued*

a) Basis of preparation....*continued*

(i) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2018, except for the adoption of new Standards and interpretations described below.

Effective 1 April 2018, the Bank applied for the first time certain Standards and Amendments, which are effective for annual periods beginning on or after 1 January 2018. The Bank has not early adopted any other Standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new Standard or amendment are described below:

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 '*Financial Instruments'*, the Standard that replaced IAS 39 for annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Bank has adopted the requirements of IFRS 9 '*Financial Instruments'* effective 1 April 2018. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The classification and measurement, and impairment requirements, are applied retrospectively by adjusting the opening equity at the date of initial application, 1 April 2018. As permitted by IFRS 9, the Bank has not restated comparatives for 2018 for financial instruments in the scope of IFRS 9. Differences and adjustments to the carrying amounts of financial assets and liabilities from the adoption of IFRS 9 at the date of initial application have been recognised directly in general reserve as of 1 April 2018 and are disclosed in Note 31.

Changes to classification and measurement of financial instruments

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 requires all financial assets, except for equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The Standard eliminates the previous IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVTPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the statement of profit or loss.

2. Summary of significant accounting policies*....continued*

a) Basis of preparation*....continued*

(i) Changes in accounting policies and disclosures*....continued*

IFRS 9 'Financial Instruments'*...continued*

Changes to classification and measurement of financial instruments*....continued*

The Bank's classification of its financial assets and liabilities is explained in Note 8. The quantitative impact of applying IFRS 9 as at 1 April 2018, is disclosed in the transition disclosures in Note 31.

Changes to impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairment of financial assets by replacing the "incurred loss" model under IAS 39 with a forward looking "expected credit loss" (ECL) approach. IFRS 9 requires the Bank to record an allowance for ECLs for financial assets measured at amortised cost and FVOCI. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Bank's impairment modelling are disclosed below. The quantitative impact of applying IFRS 9 as at 1 April 2018 is disclosed in Note 31.

Transition to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in reserves as at 1 April 2018. As such, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application, 1 April 2018:
  - The determination of business model within which a financial asset is held;
  - The designation and revocation of previous designations of certain financial assets and liabilities as measured at FVTPL; and
  - The designation of certain investments in equity instruments not held for trading at FVOCI.
- If a debt security had a low credit risk at the date of initial application of IFRS 9, the Bank assumes that the credit risk on the asset had not increased significantly since its initial recognition.

2. Summary of significant accounting policies*....continued*

a) Basis of preparation*....continued*

(i) Changes in accounting policies and disclosures*....continued*

IFRS 15 'Revenue from Contracts with Customers'

On 1 April 2018, the Bank adopted IFRS 15 '*Revenue from Contracts with Customers'* (effective for annual reporting periods beginning on or after 1 January 2018). IFRS 15 defines principles for recognising revenue and is applicable to all contracts with customers. IFRS 15 applies to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts. However, interest and fee income integral to financial instruments and leases continues to fall outside the scope of IFRS 15 and is guided by the other applicable Standards (such as IFRS 9 *Financial Instruments* and IFRS 16 *Leases*). Revenue under IFRS 15 must be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The Standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Bank. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC Interpretation 22 is effective for annual reporting periods beginning on or after 1 January 2018. The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

Entities can choose to apply the interpretation:

- retrospectively for each period presented;
- prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied; or
- prospectively from the beginning of a prior reporting period presented as comparative information.

2. Summary of significant accounting policies*...continued*

a) Basis of preparation *....continued*

Standards, interpretations and amendments to published Standards that are not yet effective and have not been early adopted

At the date of authorisation of these financial statements, certain new Standards, interpretations and amendments to existing Standards have been issued but are not yet effective. The Bank has not early adopted any of these in preparing these financial statements. These Standards, interpretations and amendments to existing Standards will be adopted when they become effective.

IFRS 16 *'Leases'*

IFRS 16, *'Leases'* (effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, *'Revenue from Contracts with Customers'*, is also applied). This Standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. The new Standard does not significantly change the accounting for leases for lessors.

Under IAS 17, lessees were required to make a distinction between a finance lease (on-balance sheet) and an operating lease (off-balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new Standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, 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. The adoption of this Standard will not have a significant impact on the Bank.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

"Amendments to IAS 19" (effective for annual reporting periods beginning on or after 1 January 2019). The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. The amendments confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.
- any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.
- separately recognise any changes in the asset ceiling through other comprehensive income.

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.

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.

2. Summary of significant accounting policies*....continued*

c) Fair value measurement*....continued*

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(g).

d) Use of judgments and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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.

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

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.

2. Summary of significant accounting policies*....continued*

e) Foreign currency translation*....continued*

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. Comparative information has been amended where necessary to ensure consistency with the current period.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities

Policy applicable from 1 April 2018

(i) Initial Measurement of financial assets and liabilities

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Measurement categories of financial assets and liabilities

Effective 1 April 2018, the Bank classifies its financial assets based on the Bank's business model for managing the assets and the assets' contractual cash flow characteristics. The three classification and measurement categories under IFRS 9 are as follows:

- 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.

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 at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

Prior to 1 April 2018, the Bank classified its financial assets as loans and receivables (amortised cost), held for trading (fair value through profit or loss), available-for-sale (fair value through OCI) or held-to-maturity (amortised cost).

Financial liabilities are measured at amortised cost and FVTPL.

(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 form 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 are 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 of the business are compensated (e.g. whether compensation is based on the fair value of the asset managed or the contractual cash flows collected); and

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....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.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....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 the allowance for credit losses (ACL) in the statement of financial position.

(vi) Debt instruments measured at FVOCI

Effective 1 April 2018, 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.

These instruments comprise assets that had previously been classified as debt available-for-sale investment securities under IAS 39.

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.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....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)

At initial recognition, there is an irrevocable option for the Bank to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments held for strategic or longer term investment 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.

At the date of initial application of IFRS 9, the Bank made an irrevocable election to classify its 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. Such classification is determined on an instrument by instrument basis. Gains and losses on these equity instruments are never recycled to the Statement of profit or loss. Dividends are recognised in profit or loss. Equity instruments at FVOCI are not subject to impairment assessment.

(viii) Financial assets at FVTPL

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 from the date of initial application of IFRS 9.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

(ix) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Bank's accounting for impairment losses on financial assets by replacing IAS 39's incurred loss approach with the forward-looking three-stage expected credit loss (ECL) approach. IFRS 9 requires the Bank to record ECLs on all financial assets measured at amortised cost or FVOCI.

Effective 1 April 2018, 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

IFRS 9 introduces a three-stage approach to impairment of financial assets. 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. 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 either an individual basis or a collective basis, depending on the size and nature of the underlying portfolio of financial instruments.

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.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....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:

<u>Stage 1: 12 months ECL</u>
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.

<u>Stage 2: Lifetime ECL – not credit impaired</u>
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).

<u>Stage 3: Lifetime ECL – credit impaired</u>
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.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....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.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....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. The LGDs are derived as explained under Stage 3 for loans and using Global Credit Loss tables for traded investments and modified with management overlays when not traded.

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%. In most instances, LGDs are determined on an individual loan/advance or investment basis, including discounting the expected cash flows at the original EIR. Stage 3 LGDs are grouped by similar types to provide percentage averages to be applied for Stage 1 and Stage 2 loans.

In limited circumstances within the Bank, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied and staged based on the sovereign proxy rating.

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.

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.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

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

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

Macroeconomic factors

The Standard also 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 and interest rates. The results of the assessment however failed to reveal meaningful relationships between the Bank's historical loss and the economic inputs and as such economic inputs were not utilised in the models used for calculating ECLs.

The Standard recognises that the inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment. The Bank therefore in an effort to make adjustments for management overlays, adjusted the stage two loans for the likelihood of migration to stage three and the severity or the extent of the provisions required when these loans migrate to stage three.

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. This includes events that indicate:

- 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.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

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

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

Definition of default*....continued*

A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, fraud, insolvency proceedings or enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met. The determination of whether a financial asset is credit-impaired focuses on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees.

A financial asset is classified as credit-impaired if the counterparty has defaulted and/or the instrument is purchased or originated credit-impaired.

The Bank considers that default has occurred and classifies the financial asset as credit impaired when it is more than 90 days past due.

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.

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.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Policy applicable from 1 April 2018*....continued*

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

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

Write-offs

The write-off of a financial asset is a derecognition event. Loans and the related impairment losses are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, they are generally written off after receipt of any proceeds from the realization of collateral. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

A counterparty is classified as defaulted at the latest when payments of interest, principal or fees are overdue for more than 90 days or when bankruptcy, fraud, insolvency proceedings or enforced liquidation have commenced or there is other evidence that payment obligations will not be fully met. The determination of whether a Financial Instrument is credit-impaired focuses on default risk, without taking into consideration the effects of credit risk mitigations such as collateral or guarantees. An instrument is classified as credit-impaired if the counterparty is defaulted and/or the instrument is POCI.

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.

2. Summary of significant accounting policies*....continued*

g) Financial assets and financial liabilities*....continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018

Financial assets

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – are recognised in the statement of financial position and measured in accordance with their assigned category.

The Bank allocates financial assets to the following three categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired or incurred principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedging instruments. Assets in this category are classified as current assets as they are expected to be settled within 12 months. They are recognised in the statement of financial position as "Financial assets held for trading".

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the statement of profit or loss. Gains and losses arising from changes in fair value are included directly in the statement of profit or loss. The instruments are derecognised when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognition.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the Bank upon initial recognition designates as available-for-sale; or (b) those for which the Bank may not recover substantially all its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest method. Interest on loans and receivables are included in the statement of profit or loss and is reported as "interest income". In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivables and recognised in the statement of profit or loss. Loans and receivables are measured at amortised cost.

2. Summary of significant accounting policies*c*

g) Financial assets and financial liabilities*....continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Financial assets*...continued*

(iii) Available-for-sale financial assets

Available-for-sale investments are those to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, equity prices or exchange rates, or that are not classified as loans and receivables or financial assets at fair value through profit or loss. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income or loss, until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is reclassified to the statement of profit or loss.

Interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognised in the statement of profit or loss when the Bank's right to receive payment is established.

(iv) Recognition

All purchases and sales of investment securities are recognised at settlement date (date when the trade is recognised/recorded in the system), which is the date that the asset is delivered to or by the Bank.

(v) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

2. Summary of significant accounting policies*...continued*

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Financial liabilities

The Bank's financial liabilities are measured at either fair value through profit or loss or at amortised cost.

(i) Financial liabilities at fair value through profit or loss

This category is comprised of financial liabilities classified as held for trading, and financial liabilities designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the statement of financial position as "Financial liabilities held for trading".

Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statement of profit or loss.

(ii) Other liabilities measured at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are substantially comprised of: deposits from member banks and participating member governments' deposit accounts.

(iii) Derecognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Determination of fair value of financial assets and liabilities

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted bid prices or dealer price quotations. This includes quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

2. Summary of significant accounting policies*...continued*

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Determination of fair value of financial assets and liabilities*…continued*

The fair value for loans and advances as well as liabilities to the Bank's customers is determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

Classes of financial instruments

The Bank classifies its financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments.

Financial assets are grouped as follows:

(1) Financial assets at fair value through profit or loss, being financial assets held for trading.
(2) Loans and receivables being cash, balances with foreign banks, money market instruments and money at call, due from local banks, accounts receivable, loans and receivables – Participating Governments' securities and loans and receivables – Participating Governments' advances.
(3) Available-for-sale financial assets being debt and equity investment securities (listed and unlisted).

Financial liabilities are grouped as follows:

(1) Financial liabilities at fair value through profit or loss, being financial liabilities held for trading - derivatives (non-hedging).
(2) Financial liabilities at amortised cost being deposit balances from member banks, participating governments and other liabilities and payables.

Impairment of financial assets

(a) Assets carried at amortised cost

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

2. Summary of significant accounting policies*...continued*

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Impairment of financial assets*....continued*

(a) Assets carried at amortised cost….continued

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

i. significant financial difficulty of the issuer or obligor;

ii. a breach of contract, such as a default or delinquency in interest or principal payments;

iii. the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

iv. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

v. the disappearance of an active market for that financial asset because of financial difficulties; or

vi. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

2. Summary of significant accounting policies*...continued*

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Impairment of financial assets*...continued*

(a) Assets carried at amortised cost...continued

The calculation of the present value of the estimated future cash flows of a collaterised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status or other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those being evaluated.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude).

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When an asset is uncollectible, it is written off against the related provision for impairment. Such assets are written off after all necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors' credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of profit or loss in impairment charge for credit losses.

2. Summary of significant accounting policies*...continued*

g) Financial assets and financial liabilities*...continued*

Accounting policies applied to financial assets and liabilities prior to 1 April 2018*...continued*

Impairment of financial assets*...continued*

(b) Assets classified as available-for-sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. If any such evidence of impairment exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss, is removed from equity and recognised in the statement of profit or loss. If in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss. Impairment losses recognised in the statement of profit or loss on equity instruments are not reversed through the statement of profit or loss.

h) 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.

i) 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. None of the Bank's derivative instruments have been designated as hedging instruments and they all relate to currency forwards.

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.

2. Summary of significant accounting policies*...continued*

j) Cash and cash equivalents

Cash and cash equivalents comprise balances with original maturities of less than or equal to 90 days from the date of acquisition, including cash on hand, balances with other banks, short-term highly-liquid funds and investments.

Cash equivalents are subject to an insignificant risk of change in value.

k) 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. The revaluation was performed by independent professional valuers. 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	2.63% to 14.29%
Equipment	6.67% to 20%
Furniture and office equipment	10% to 20%
Motor vehicles	14.29% to 20%
Land improvements	10%
Building improvements	10%
Computer systems	20% to 33.33%

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

2. Summary of significant accounting policies*...continued*

k) Property and equipment and depreciation*....continued*

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 2019 (2018: 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.

l) 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.

m) 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 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.

n) 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.

2. Summary of significant accounting policies*...continued*

n) Provisions*....continued*

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.

o) 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. These are classified as current liabilities if payments are due within one year or less. If not, they are presented as non-current liabilities.

Other liabilities and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

p) 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 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.

2. Summary of significant accounting policies*...continued*

p) Revenue recognition*....continued*

Interest income and expense*....continued*

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 are generally charged on transactions with commercial banks and other institutions except participating governments, and are generally recognised on an accrual basis when the service has been provided. Transactions that attract commissions include purchase and sale of foreign currency notes and balances and issue and redemption of Eastern Caribbean currency notes.

Other income

Licence fees due under the Banking Act, are fixed and non-cancellable and are recorded in profit or loss when due. Income from banking licence fees are reported in the statement of profit or loss in the 'other income' grouping.

q) Leases

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

(ii) Finance leases

Leases of property and equipment, where the Bank has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

2. Summary of significant accounting policies*...continued*

q) Leases*....continued*

(ii) Finance leases*....continued*

The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

r) Employee benefits

Staff pension plan

The Bank operates a defined benefit pension scheme 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.

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. 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.

2. Summary of significant accounting policies*...continued*

r) Employee benefits*...continued*

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.

s) General reserve

The Eastern Caribbean Central Bank Agreement Act 1983 – Article 6(3) (as amended) provides that "if and so long as the general reserve is less than 5% of the Bank's demand liabilities at the end of a financial year in which net profits were earned the Bank shall allocate to the general reserve one half of such net profits or such smaller amount as will make that reserve equal to 5% of those liabilities; provided however that with the written agreement of each of the participating governments further allocation may be made to increase the general reserve beyond five per cent but not more than ten per cent of the Bank's demand liabilities."

For the year ended 31 March 2019 an amount of $30,996,106 was allocated to General Reserves. In 2018, an amount of $9,350,133 was transferred to General Reserves. At 31 March 2019, the general reserve ratio stood at 3.20% (2018: 2.47%), which is 1.80% (2018: 2.53%) below the 5% target.

t) 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 2019 was 99.54% (2018: 97.34%).

u) 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.

2. Summary of significant accounting policies*...continued*

v) 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.

In accordance with Section 5 sub-section (1) and (2) of the Eastern Caribbean Home Mortgage Bank ("ECHMB") Agreement Act, 1994 the ECHMB is exempt from stamp duties and corporation tax. The Bank's other associated company, the Eastern Caribbean Securities Exchange Limited ("ECSE") has applied to the Ministry of Finance for the renewal of its tax exempt status. The previous 10-year exemption expired in May 2013. The request for a further extension is yet to be granted by the Ministry of Finance.

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 strategy for using these 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. It also seeks to minimise potential adverse effects on the Bank's financial performance.

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.

3. Financial risk management*...continued*

b) Risk Management Structure

Board Audit and Risk Committee

The Board Audit and Risk Committee (BARC) assists the Board in relation to the oversight of risk and the Bank's financial and 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 governance around 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) and internal security (including cyber-security).

Executive Management

The management of the Bank has the responsibility to ensure that efficient and effective risk management mechanisms are in place including reporting to various executive committees. 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 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 of Directors.

Office of Risk Management

The Chief Risk Officer (CRO) has responsibility for designing and implementing an Enterprise Risk Management Framework to enhance the Bank's risk management function. The CRO reports on risk matters to the Executive Committee and the Board Audit and Risk Committee. In addition, the CRO is responsible for the independent review of risk management and the controls environment, the results of which are reported to the Board Audit and Risk Committee.

Internal Audit Department

The Internal Audit department is responsible for providing assurance that the Bank's risk management, internal control and corporate governance processes are adequately designed and operating effectively. The Internal Audit department discusses the results of all assessments with executive management, 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.

The principal types of risks inherent in the Bank's reserve management activities are credit risk, liquidity risk, market risk, operational risk and strategic risk. Market risk includes currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk.

3. Financial risk management*...continued*

c) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a customer, client or market counterparty will fail to fulfil their contractual obligations resulting in a financial loss to the Bank. 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 and agencies and domestic governments; and through lending to governments and commercial banks.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical, industry, product and currency concentrations, and by monitoring exposures in relation to such limits. Credit risk is important to the Bank's business; management therefore carefully manages its exposure to credit risk.

There were no material changes in credit risk management practice at the Bank as a consequence of the application of IFRS 9.

(i) Impairment of financial assets

The Bank has three types of financial assets that are subject to the expected credit loss model:

- Debt investments carried at FVOCI;
- Debt investments carried at amortised cost;
- Accounts receivable.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Debt investment securities at FVOCI

All of the Bank's debt investments 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.

Management considers 'low credit risk' for listed securities to be an investment grade credit rating with at least one major rating agency.

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.

3. Financial risk management*...continued*

c) Credit risk*....continued*

(i) Impairment of financial assets*....continued*

Accounts receivables

The Bank applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. 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 Bank, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

<u>Impairment assessment</u>

Financial asset provisions are reviewed quarterly in accordance with internal guidelines and recommended provisions arising out of the assessment are recorded. Non-performing debts recommended for write-off are also reviewed annually and action taken in accordance with prescribed guidelines.

<u>Default and recovery</u>

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in cases when the borrower becomes 90 days past due on its contractual payments. As a part of a qualitative assessment of whether a counterparty is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Bank's policy to consider a financial instrument as 'recovered' and therefore re-classified out of Stage 3 when none of the default criteria (as set out in Note 2(g) above) have been present. The decision whether to reclassify an asset as Stage 2 or Stage 1 once recovered depends on the updated rating or credit grade at the time of recovery.

<u>Investment securities</u>

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments were based on one notch below the credit rating of the sovereign in which the instrument is issued or on proxy ratings where they existed. Management applied judgemental overlays on local debt instruments. EAD equals the amortised security balance plus accrued interest.

3. Financial risk management*...continued*

c) Credit risk*....continued*

(i) Impairment of financial assets*....continued*

Cash and cash equivalents

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. These facilities are highly liquid and without restriction and based on management's review of the underlying instruments the ECL on these instruments were determined to be zero.

Significant increase in credit risk

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 scale to determine whether there has been a significant increase in credit risk. Credit risk is deemed to have increased significantly if the credit rating on foreign investment securities moved from investment grade to standard grade as set out in Note 3(c) (ii).

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.

3. **Financial risk management***...continued*

c) **Credit risk***....continued*

(ii) 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 calculating.

Rating Levels	Moody's Rating	Description of grade
1	Aaa	Investment grade
2	Aa1	
3	Aa2	
4	Aa3	
5	A1	
6	A2	
7	A3	
8	Baa1	Standard grade
9	Baa2	
10	Baa3	
11	Ba1	
12	Ba2	
13	Ba3	
14	B1	
15	B2	
16	B3	
17	B	
18	Caa1	Low grade
19	Caa2	
20	Caa3	
21	Ca	
22	C	Default

3. Financial risk management...*continued*

c) Credit risk...*continued*

Credit risk measurement and mitigation policies

Investment securities and money market instruments and money at call

The Bank manages credit risk by placing limits on its exposure to governments, international institutions and U.S. government agencies. 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 or another recognised rating agency for its international investments. The Bank further manages this risk by ensuring that business is only conducted with its approved banks and by monitoring those banks' deposit ratings via rating agencies. The global custodian is also monitored daily and periodically reviewed.

The table below presents an analysis 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 2019 and 31 March 2018, based on Moody's or equivalent:

Foreign securities

Rated (Moody's) **Foreign debt securities**	**2019** **$**	**2018** **$**
Aaa	**2,395,812,133**	2,707,929,718
Aa1	**131,401,688**	137,364,748
Aa2	**177,995,735**	217,818,408
Aa3	**67,260,725**	81,829,901
	2,772,470,281	3,144,942,775

Unrated	**2019** **$**	**2018** **$**
Domestic equity securities	**624,186**	624,186
	624,186	624,186

3. Financial risk management*...continued*

c) Credit risk*...continued*

Credit risk measurement and mitigation policies*...continued*

Investment securities and money market instruments and money at call…continued

Money market instruments and money at call

Rated (Moody's) Commercial paper, certificate of deposits and term deposits	**2019 $**	**2018 $**
Aa1	**157,570,445**	112,185,069
Aa2	**311,802,797**	352,981,269
Aa3	**364,313,178**	576,820,154
A1	**211,961,263**	293,096,936
	1,045,647,683	1,335,083,428

Unrated	**2019 $**	**2018 $**
Money at call	**889,980,077**	168,020,340
Term deposits	**3,339,782**	3,339,782
	893,319,859	171,360,122

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.

3. Financial risk management*...continued*

c) Credit risk*...continued*

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

Credit risk exposure relating to the financial assets in the statement of financial position:

As at 31 March

Assets	2019 $	2018 $
Foreign assets		
Balances with other central banks	**14,237,270**	6,223,088
Balances with foreign banks	**52,946**	64,548
Money market instruments and money at call	**1,942,645,394**	1,508,844,830
Financial assets at fair value through profit or loss	**95,713**	656,871
Foreign investment securities	**2,785,672,676**	3,157,667,399
	4,742,703,999	4,673,456,736
Domestic assets		
Cash and balances with local banks	**2,691,622**	3,221,502
Term deposits	**6,539,012**	7,748,428
Participating governments' securities	**60,168,839**	83,189,928
Participating governments' advances	**43,596,201**	43,330,371
Accounts receivable	**7,210,395**	12,848,670
Domestic investment securities	**624,186**	624,186
	120,830,255	150,963,085
Total on-balance sheet credit risk	**4,863,534,254**	4,824,419,821

3. Financial risk management*...continued*

c) Credit risk*...continued*

Credit risk exposure relating to financial assets off the statement of financial position:

	2019	**2018**
	$	**$**
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	**2,000,000**	4,874,845
	2,000,000	4,874,845
Total credit exposure	**4,865,534,254**	4,829,294,666

The above table represents a worst case scenario of credit risk exposure as at 31 March 2019 and 2018 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 based on net carrying amounts as reported in the statement of financial position.

As depicted in the table above, 57.3% (2018 – 65.4%) of the total maximum exposure is derived from foreign investment securities and 39.9% (2018 – 31.2%) represents money market instruments and money at call.

3. Financial risk management...*continued*

c) Credit risk...*continued*

The following table breaks down the Bank's main credit exposure at the carrying amounts, as categorised by geographical regions as of 31 March 2019. In this table, 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 $
As of 31 March 2019					
Balances with other central banks	-	795,723	403,035	13,038,512	14,237,270
Balances with foreign banks	-	52,946	-	-	52,946
Money market instruments and money at call	-	1,183,825,992	758,819,402	-	1,942,645,394
Financial assets at fair value through profit or loss	-	11,225	84,488	-	95,713
Foreign investment securities	-	1,725,635,246	1,060,037,430	-	2,785,672,676
Balances with local banks	2,691,622	-	-	-	2,691,622
Term deposits – domestic	6,539,012	-	-	-	6,539,012
Participating governments' securities	60,168,839	-	-	-	60,168,839
Participating governments' advances	43,596,201	-	-	-	43,596,201
Accounts receivable	7,210,395	-	-	-	7,210,395
Domestic investment securities	-	-	-	624,186	624,186
	120,206,069	**2,910,321,132**	**1,819,344,355**	**13,662,698**	**4,863,534,254**

3. **Financial risk management**...*continued*

c) **Credit risk**...*continued*

Geographical concentration of financial assets...*continued*

As of 31 March 2018	**Eastern Caribbean Currency Union $**	**United States of America and Canada $**	**Europe and other territories $**	**Regional states $**	**Total $**
Balances with other central banks	-	902,597	227,742	5,092,749	6,223,088
Balances with foreign banks	-	64,548	-	-	64,548
Money market instruments and money at call	-	836,194,830	672,650,000	-	1,508,844,830
Financial assets held for trading	-	-	656,871	-	656,871
Available-for-sale - foreign investment securities	-	1,954,382,259	1,203,285,140	-	3,157,667,399
Balances with local banks	3,221,502	-	-	-	3,221,502
Term deposits – domestic	7,748,428	-	-	-	7,748,428
Loans and receivables - participating governments' securities	83,189,928	-	-	-	83,189,928
Loans and receivables - participating governments' advances	43,330,371	-	-	-	43,330,371
Accounts receivable	12,848,670	-	-	-	12,848,670
Available-for-sale - domestic investment securities	-	-	-	624,186	624,186
	150,338,899	2,791,544,234	1,876,819,753	5,716,935	4,824,419,821

3. Financial risk management*...continued*

d) 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:

	2019 %	2018 %
Foreign Assets		
Money market instruments and money at call	**2.24**	1.29
Foreign investment securities	**1.86**	1.54
Domestic Assets		
Balances with local banks	**0.00**	0.00
Due from local banks	**6.50**	6.50
Term deposits	**2.50**	2.50
Participating governments' securities	**4.54**	4.54
Participating governments' advances	**6.50**	6.50
Liabilities		
Term deposits, call accounts and government operating accounts	**1.89**	0.98
Demand and deposit liabilities - foreign	**1.93**	1.05

3. **Financial risk management**...*continued*

d) Market risk...*continued*

i) Interest rate risk...continued

As the Bank's investments in foreign securities are locked in at fixed interest rates, the exposure to cash flow and fair value interest rate risk is limited to investments in money market instruments and money at call for which rates vary with market movements. As at 31 March 2019, if interest rates were to move by 25 basis points, profit for the year would have been $4.86M (2018: $3.77M) lower or higher.

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.

As of 31 March 2019	**Up to 1 month $**	**1 to 3 months $**	**3 months to 1 year $**	**1 to 5 years $**	**Over 5 years $**	**Non-Interest bearing $**	**Total $**
Financial assets							
Balances with other central banks	-	-	-	-	-	14,237,270	14,237,270
Balances with foreign banks	-	-	-	-	-	52,946	52,946
Money market instruments and money at call	1,448,725,411	105,890,702	388,029,281	-	-	-	1,942,645,394
Financial assets at fair value through profit or loss	91,502	4,211	-	-	-	-	95,713
Foreign investment securities	35,420,445	82,183,086	486,816,833	1,764,478,803	416,695,304	78,205	2,785,672,676
Balances with local banks	2,691,622	-	-	-	-	-	2,691,622
Term deposits - domestic	351,854	568,494	5,618,664	-	-	-	6,539,012
Participating governments' securities	-	-	6,762,905	31,639,124	21,766,810	-	60,168,839
Participating governments' advances	15,102,644	-	28,493,557	-	-	-	43,596,201
Accounts receivable	16,186	32,715	132,224	218,037	23,052	6,788,181	7,210,395
Domestic investment securities	-	-	-	-	-	624,186	624,186
	1,502,399,664	**188,679,208**	**915,853,464**	**1,796,335,964**	**438,485,166**	**21,780,788**	**4,863,534,254**

3. **Financial risk management***...continued*

d)Market risk*...continued*

i) Interest rate risk...continued

As of 31 March 2019	Up to 1 month $	1 to 3 months $	3months to 1 year $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Financial liabilities							
Demand and deposit liabilities - domestic	243,343,044	-	-	-	-	4,585,557,832	4,828,900,876
Demand and deposit liabilities - foreign	-	-	-	-	-	40,689,413	40,689,413
Financial liabilities at FVTPL	-	-	-	-	-	33,769	33,769
IMF Government general resource accounts	-	-	-	-	-	1,198,864	1,198,864
	243,343,044	**-**	-	-	-	**4,627,479,878**	**4,870,822,922**
Total interest repricing gap, 31 March 2019	**1,259,056,620**	**188,679,208**	**915,853,464**	**1,796,335,964**	**438,485,166**	**(4,605,699,090)**	**(7,288,668)**

3. **Financial risk management**...*continued*

d) **Market risk**...*continued*

i) Interest rate risk...continued

As of 31 March 2018	Up to 1 month $	1 to 3 months $	3 months to 1 year $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Financial assets							
Balances with other central banks	-	-	-	-	-	6,223,088	6,223,088
Balances with foreign banks	-	-	-	-	-	64,548	64,548
Money market instruments and money at call	748,046,508	346,606,717	414,191,605	-	-	-	1,508,844,830
Financial assets held for trading	656,871	-	-	-	-	-	656,871
Available-for-sale - foreign investment securities	40,752,540	267,561,670	345,458,136	1,992,315,309	511,579,744	-	3,157,667,399
Balances with local banks	3,221,502	-	-	-	-	-	3,221,502
Term deposits - domestic	816,878	1,541,490	5,390,060	-	-	-	7,748,428
Loans and receivables - participating governments' securities	5,280,307	10,799,938	8,003,172	30,569,192	28,537,319	-	83,189,928
Loans and receivables - participating governments' advances	22,493,593	-	20,836,778	-	-	-	43,330,371
Accounts receivable	15,391	31,124	140,057	278,409	30,111	12,353,578	12,848,670
Available-for-sale - domestic investment securities	-	-	-	-	-	624,186	624,186
	821,283,590	**626,540,939**	**794,019,808**	**2,023,162,910**	**540,147,174**	**19,265,400**	**4,824,419,821**

3. **Financial risk management**...*continued*

d) Market risk...*continued*

i) Interest rate risk...continued

As of 31 March 2018	Up to 1 month $	1 to 3 months $	3months to 1 year $	1 to 5 years $	Over 5 years $	Non-Interest bearing $	Total $
Financial liabilities							
Demand and deposit liabilities - domestic	154,889,244	-	-	-	-	4,706,410,006	4,861,299,250
Demand and deposit liabilities - foreign	-	-	-	-	-	10,425,453	10,425,453
Financial liabilities held for trading	-	-	-	-	-	219,130	219,130
IMF Government general resource accounts	-	-	-	-	-	1,162,925	1,162,925
	154,889,244	**-**	**-**	**-**	**-**	**4,718,217,514**	**4,873,106,758**
Total interest repricing gap, 31 March 2018	**666,394,346**	**626,540,939**	**794,019,808**	**2,023,162,910**	**540,147,174**	**(4,698,952,114)**	**(48,686,937)**

3. Financial risk management*...continued*

e) Currency risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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 2019, the non-US securities in the foreign securities portfolio was nil. As of 31 March 2018, the foreign securities portfolio included Euro securities of $84.3M. 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.

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. As at 31 March 2019, if exchange rates were to move by 5 per cent, profit for the year would have been $0.02M (2018: $0.02M) lower or higher and the net statement of financial position balance would have been nil (2018: $4.2M) lower or higher.

3. Financial risk management...*continued*

e) Currency risk...*continued*

The table below analyses assets and liabilities of the Bank into the respective currency positions as of 31 March 2019:

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Balances with other central banks	-	13,733,746	403,034	-	100,490	14,237,270
Balances with foreign banks	-	52,946	-	-	-	52,946
Money market instruments and money at call	-	1,942,644,911	-	-	483	1,942,645,394
Financial assets at fair value through profit or loss	-	-	27,633	56,855	11,225	95,713
Foreign investment securities	-	2,785,672,676	-	-	-	2,785,672,676
Balances with local banks	2,691,622	-	-	-	-	2,691,622
Term deposits – domestic	6,539,012	-	-	-	-	6,539,012
Participating governments' securities	60,168,839	-	-	-	-	60,168,839
Participating governments' advances	43,596,201	-	-	-	-	43,596,201
Accounts receivable	7,210,395	-	-	-	-	7,210,395
Domestic investment securities	624,186	-	-	-	-	624,186
	120,830,255	**4,742,104,279**	**430,667**	**56,855**	**112,198**	**4,863,534,254**
Financial liabilities						
Demand and deposit liabilities – domestic	4,828,900,876	-	-	-	-	4,828,900,876
Demand and deposit liabilities – foreign	40,669,102	20,311	-	-	-	40,689,413
IMF government general resource accounts	1,198,864	-	-	-	-	1,198,864
Financial liabilities at fair value through profit or loss	-	-	6,055	19,932	7,782	33,769
	4,870,768,842	**20,311**	**6,055**	**19,932**	**7,782**	**4,870,822,922**
Net assets (liabilities)	**(4,749,938,587)**	**4,742,083,968**	**424,612**	**36,923**	**104,416**	**(7,288,668)**

3. Financial risk management...*continued*

e) Currency risk...*continued*

The table below analyses assets and liabilities of the Bank into the respective currency positions as of 31 March 2018:

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Balances with other central banks	-	5,890,906	227,742	-	104,440	6,223,088
Balances with foreign banks	-	64,548	-	-	-	64,548
Money market instruments and money at call	-	1,508,844,306	-	-	524	1,508,844,830
Financial assets held for trading	-	-	333	656,538	-	656,871
Available-for-sale – foreign investment securities	-	3,073,401,604	-	84,265,795	-	3,157,667,399
Balances with local banks	3,221,502	-	-	-	-	3,221,502
Term deposits – domestic	7,748,428	-	-	-	-	7,748,428
Loans and receivables – participating governments' securities	83,189,928	-	-	-	-	83,189,928
Loans and receivables – participating governments' advances	43,330,371	-	-	-	-	43,330,371
Accounts receivable	12,848,670	-	-	-	-	12,848,670
Available-for-sale – domestic investment securities	624,186	-	-	-	-	624,186
	150,963,085	**4,588,201,364**	**228,075**	**84,922,333**	**104,964**	**4,824,419,821**
Financial liabilities						
Demand and deposit liabilities – domestic	4,861,299,250	-	-	-	-	4,861,299,250
Demand and deposit liabilities – foreign	9,823,772	601,681	-	-	-	10,425,453
IMF government general resource accounts	1,162,925	-	-	-	-	1,162,925
Financial liabilities held for trading	-	45	54,664	146,784	17,637	219,130
	4,872,285,947	**601,726**	**54,664**	**146,784**	**17,637**	**4,873,106,758**
Net assets (liabilities)	**(4,721,322,862)**	**4,587,599,638**	**173,411**	**84,775,549**	**87,327**	**(48,686,937)**

3. Financial risk management*...continued*

f) 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, financial assets at fair value through profit or loss, foreign investment securities, balances with local banks and due from local banks. At the reporting date, the Bank held $4,745,395,621 (2018: $4,676,678,238) 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. The resulting liquidity gap does not pose any significant risk to the Bank. Based on the nature of the financial liabilities which principally comprise of bankers current accounts (note 17) and is categorized in the up to 1-month grouping, payouts to commercial banks in the short term are unlikely as these commercial banks are required to maintain with the Bank a reserve equivalent to 6% of their total deposit liabilities.

3. **Financial risk management**...*continued*

f) **Liquidity risk**...*continued*

Maturities of liabilities and assets, 31 March 2019	**Up to 1 month $**	**1 to 3 months $**	**3 months to 1 year $**	**1 to 5 years $**	**Over 5 years $**	**Total $**
Financial Liabilities						
Demand and deposit liabilities – domestic	4,828,900,876	-	-	-	-	4,828,900,876
Demand and deposit liabilities – foreign	40,689,413	-	-	-	-	40,689,413
Financial liabilities at fair value through profit or loss	17,342	16,427	-	-	-	33,769
IMF government general resource accounts	1,198,864	-	-	-	-	1,198,864
	4,870,806,495	**16,427**	**-**	**-**	**-**	**4,870,822,922**
Financial Assets						
Balances with other central banks	14,237,270	-	-	-	-	14,237,270
Balances with foreign banks	52,946	-	-	-	-	52,946
Money market instruments and money at call	1,448,725,411	105,890,702	388,029,281	-	-	1,942,645,394
Financial assets at fair value through profit or loss	91,502	4,211	-	-	-	95,713
Foreign investment securities	35,420,445	82,183,086	486,895,038	1,764,478,803	416,695,304	2,785,672,676
Balances with local banks	2,691,622	-	-	-	-	2,691,622
Term deposits – domestic	351,854	568,494	5,618,664	-	-	6,539,012
Participating governments' securities	-	-	6,762,905	31,639,124	21,766,810	60,168,839
Participating governments' advances	15,102,644	-	28,493,557	-	-	43,596,201
Accounts receivable	5,301,812	32,715	132,224	264,396	1,479,248	7,210,395
Domestic investment securities	-	-	-	-	624,186	624,186
	1,521,975,506	**188,679,208**	**915,931,669**	**1,796,382,323**	**440,565,548**	**4,863,534,254**
Net liquidity gap, 31 March 2019	**(3,348,830,989)**	**188,662,781**	**915,931,669**	**1,796,382,323**	**440,565,548**	**(7,288,668)**

3. Financial risk management...*continued*

f) Liquidity risk...*continued*

Maturities of liabilities and assets, 31 March 2018	**Up to 1 month** $	**1 to 3 months** $	**3 months to 1 year** $	**1 to 5 years** $	**Over 5 years** $	**Total** $
Financial Liabilities						
Demand and deposit liabilities – domestic	4,861,299,250	-	-	-	-	4,861,299,250
Demand and deposit liabilities – foreign	10,425,453	-	-	-	-	10,425,453
Financial liabilities held for trading	219,130	-	-	-	-	219,130
IMF government general resource accounts	1,162,925	-	-	-	-	1,162,925
	4,873,106,758	**-**	**-**	**-**	**-**	**4,873,106,758**
Financial Assets						
Balances with other central banks	6,223,088	-	-	-	-	6,223,088
Balances with foreign banks	64,548	-	-	-	-	64,548
Money market instruments and money at call	748,046,508	346,606,717	414,191,605	-	-	1,508,844,830
Financial assets held for trading	656,871	-	-	-	-	656,871
Available-for-sale – foreign investment securities	40,752,540	267,561,670	345,458,136	1,992,315,309	511,579,744	3,157,667,399
Balances with local banks	3,221,502	-	-	-	-	3,221,502
Term deposits – domestic	816,878	1,541,490	5,390,060	-	-	7,748,428
Loans and receivables – participating governments' securities	5,280,307	10,799,938	8,003,172	30,569,192	28,537,319	83,189,928
Loans and receivables – participating governments' advances	22,493,593	-	20,836,778	-	-	43,330,371
Accounts receivable	7,991,192	31,125	140,057	278,409	4,407,887	12,848,670
Available-for-sale – domestic investment securities	-	-	-	-	624,186	624,186
	835,547,027	**626,540,940**	**794,019,808**	**2,023,162,910**	**545,149,136**	**4,824,419,821**
Net liquidity gap, 31 March 2018	**(4,037,559,731)**	**626,540,940**	**794,019,808**	**2,023,162,910**	**545,149,136**	**(48,686,937)**

3. Financial risk management...*continued*

f) 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 2019

Derivatives held for trading (forward contracts)

	0-3 months	3-6 months	Total
Foreign exchange derivatives			
- Outflow	(5,711,262)	-	(5,711,262)
- Inflow	15,871,379	-	15,871,379

At 31 March 2018

Derivatives held for trading (forward contracts)

	0-3 months	3-6 months	Total
Foreign exchange derivatives			
- Outflow	(53,997,190)	-	(53,997,190)
- Inflow	45,277,428	-	45,277,428

3. Financial risk management*...continued*

g) 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 loans and receivables: 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.

3. **Financial risk management**...*continued*

g) **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	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Financial assets				
Balances with other central banks	**14,237,270**	6,223,088	**14,237,270**	6,223,088
Balances with foreign banks	**52,946**	64,548	**52,946**	64,548
Money market instruments and money at call	**893,319,859**	171,360,122	**893,319,859**	171,360,122
Balances with local banks	**2,691,622**	3,221,502	**2,691,622**	3,221,502
Term deposits – domestic	**6,539,012**	7,748,428	**6,539,012**	7,748,428
Participating governments' securities	**60,168,839**	83,189,928	**60,168,839**	83,189,928
Participating governments' advances	**43,596,201**	43,330,371	**43,596,201**	43,330,371
Accounts receivable	**7,210,395**	12,848,670	**7,210,395**	12,848,670
	1,027,816,144	327,986,657	**1,027,816,144**	327,986,657
Financial liabilities				
Demand and deposit liabilities – domestic	**4,828,900,876**	4,861,299,250	**4,828,900,876**	4,861,299,250
Demand and deposit liabilities – foreign	**40,689,413**	10,425,453	**40,689,413**	10,425,453
IMF government general resource accounts	**1,198,864**	1,162,925	**1,198,864**	1,162,925
	4,870,789,153	4,872,887,628	**4,870,789,153**	4,872,887,628
Off-balance sheet financial instruments				
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	-	-	**2,000,000**	4,874,845

3. Financial risk management*...continued*

g) 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 2019:

	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Financial assets			
Commercial paper	394,825,960	-	-
Certificate of deposits	252,787,723	-	-
Term deposits	398,034,000	-	3,398,107
Financial assets at fair value through profit or loss	-	95,713	-
Foreign investment securities	2,785,672,676	-	-
Domestic investment securities	-	-	624,186
	3,831,320,359	**95,713**	**4,022,293**

	Level 1	**Level 2**	**Level 3**
	$	**$**	**$**
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	33,769	-

3. Financial risk management*...continued*

g) 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 2018:

	Level 1 $	Level 2 $	Level 3 $
Financial assets			
Commercial paper	544,740,740	-	-
Certificate of deposits	289,060,688	-	-
Term deposits	501,282,000	-	3,339,782
Financial assets held for trading	-	656,871	-
Available-for-sale – foreign investment securities	3,157,667,399	-	-
Available-for-sale – domestic investment securities	-	-	624,186
	4,492,750,827	656,871	3,963,968

	Level 1 $	Level 2 $	Level 3 $
Financial liabilities			
Financial liabilities held for trading	-	219,130	-

h) 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
- 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 (note 2t). As at 31 March 2019, the general reserve was $155,929,693 (2018: $$120,456,442).

i) 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.

3. Financial risk management*...continued*

i) Operational risk*...continued*

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/risk management committee;
- Quarterly management affirmation by each department's surveillance officer that corporate policies and departmental internal control systems have been complied with; and
- A structured induction program for new employees.

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.

3. Financial risk management...*continued*

j) Strategic Risk

The Bank has finalized its strategic plan which was launched in October 2017 to guide its operation over the period 2017-2021. This plan is hinged on four (4) basic pillars which reflect the purpose of the Bank, namely:

a. Financial sector stability and development;
b. Fiscal and debt sustainability;
c. Growth, competitiveness and employment; and
d. Organizational effectiveness.

It is recognised that 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

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 needs to exercise 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.

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.

4. Critical accounting estimates and judgements*....continued*

Measurement of the expected credit loss allowance

The measurement of the expected credit loss 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. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is detailed in note 2.

A number of significant judgements are also 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 to determine whether impairment allowances for financial assets should be measured on a lifetime expected losses basis;
- Choosing 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 unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less cost of disposal is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental cost of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The recoverable amount is sensitive to the discount rate used for DCF model as well as the future cash inflows.

Fair value of financial instruments

For financial instruments, where recorded current market transactions or observable market data are not available at fair value using valuation techniques, fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimates of the most appropriate model assumptions.

Revaluation of land and buildings

The Bank measures its land and buildings at revalued amounts with changes in fair value being recognised in other comprehensive income. The Bank utilises independent valuation specialists to determine fair value of its land and buildings. The valuer uses judgment in the application of valuation techniques. Valuations are determined through the application of different valuation methods which are all sensitive to the underlying assumptions chosen.

5. Balances with other central banks and foreign banks

	2019 $	2018 $
Balances with other central banks		
Balances with Regional central banks	**13,038,512**	5,092,749
Balances with European central banks	**403,034**	227,742
Balances with North American central banks	**795,724**	902,597
Total balances with other central banks	**14,237,270**	6,223,088
Balances with foreign banks		
Current accounts denominated in United States dollars	**52,946**	64,548
Current	**14,290,216**	6,287,636

These balances are non-interest bearing.

6. Money market instruments and money at call

By currency	2019 $	2018 $
Balances denominated in United States dollars	**1,939,025,384**	1,506,443,026
Balances denominated in Australian dollars	**483**	524
	1,939,025,867	1,506,443,550
Interest receivable	**3,619,527**	2,401,280
Total money market instruments and money at call	**1,942,645,394**	1,508,844,830

By financial instrument type

Money market instruments maturing in less than ninety days:

	2019 $	2018 $
Money at call	**889,980,077**	168,020,340
Term deposits	**320,432,107**	504,621,782
Commercial paper	**105,036,350**	348,395,485
Certificate of deposits	**236,493,232**	72,640,445
Included in cash and cash equivalents (note 25)	**1,551,941,766**	1,093,678,052

6. Money market instruments and money at call....*continued*

Money market instruments maturing after ninety days:	2019 $	2018 $
Commercial paper	**289,789,611**	196,345,255
Term deposits	**81,000,000**	-
Certificate of deposits	**16,294,490**	216,420,243
	387,084,101	412,765,498
Interest receivable	**3,619,527**	2,401,280
Total money market instruments and money at call	**1,942,645,394**	1,508,844,830

Money market instruments include commercial paper purchased at discounts, term deposits and certificate of deposits with interest rates ranging from 0.00% to 2.80% (2018: 0.00% to 2.27%).

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 rates ranging from 0.00 % to 2.5% (2018: 0.00 % to 0.18%) during the year.

7. Term deposits

	2019 $	2018 $
Fixed Deposits:		
- Bank of Nova Scotia, St. Kitts	**6,467,655**	6,327,488
- CIBC First Caribbean International Bank, St. Kitts	**-**	1,316,636
	6,467,655	7,644,124
Interest receivable	**71,357**	104,304
Total term deposits	**6,539,012**	7,748,428
Current	**6,539,012**	7,748,428

The deposits held with Bank of Nova Scotia, St. Kitts (BNS) and CIBC FirstCaribbean International Bank – St. Kitts (CIBC/FCIB) are not available for use in the Bank's day-to-day operations. These balances are pledged as liquidity support for loans and advances issued by BNS and CIBC/FCIB to the Bank's employees, at rates that are relatively low in comparison to the normal market rates in the ECCU. These term deposits earned interest at rates of 2.5% (2018: 2.5%) per annum during the year.

8. Financial instruments

a) Classification of financial assets and liabilities

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Bank's adoption of IFRS 9 *'Financial Instruments'* from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(g) above.

On 1 April 2018 (the date of initial application of IFRS 9), the Bank's management has assessed which business models apply to the financial assets held by the Bank and has classified its financial instruments into the appropriate IFRS 9 classification and measurement categories.

(i) Financial assets measured at FVOCI

Foreign reserves assets

As at 1 April 2018, the Bank has assessed its liquidity and core foreign reserves portfolios, which had previously been classified as available-for-sale instruments and amortised cost under IAS 39.

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). As of 1 April 2018, the Bank concluded the following:

- Money market instruments held in the liquidity portfolio are managed within a business model as held to collect the contractual cash flows and meet the SPPI criteria.

- Money market instruments held in the core foreign reserves portfolio are managed within a business model of collecting contractual cash flows and selling the financial assets and meet the SPPI criteria.

Investment securities other than equity instruments

Foreign investment instruments 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. These securities were previously classified as available for sale under IAS 39.

8. Financial instruments*....continued*

a) Classification of financial assets and liabilities*....continued*

(ii) Financial assets measured at amortised cost

Money market instruments

As of 1 April 2018, the Bank concluded that 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

Following the assessment, the Bank concluded that the financial assets in the domestic portfolio are managed within a business model to collect contractual cash flows and meet the SPPI criteria.

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 under IFRS 9:

Financial assets	Mandatorily at FVTPL	Designated at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Regional and foreign currencies	-	-	-	-	104,789,886	104,789,886
Balances with other central banks	-	-	-	-	14,237,270	14,237,270
Balances with foreign banks	-	-	-	-	52,946	52,946
Money market instruments and money at call	-	-	649,759,420	-	1,292,885,974	1,942,645,394
Financial Assets held for trading	95,713	-	-	-	-	95,713
Foreign investment securities	-	-	2,785,594,471	78,205	-	2,785,672,676
Cash and balances with local banks	-	-	-	-	2,691,622	2,691,622
Term Deposits	-	-	-	-	6,539,012	6,539,012
Domestic investment securities	-	-	-	624,186	-	624,186
Participating governments securities	-	-	-	-	60,168,839	60,168,839
Participating governments advances	-	-	-	-	43,596,201	43,596,201
Accounts receivable	-	-	-	-	7,210,395	7,210,395
Total Financial Assets	95,713	-	3,435,353,891	702,391	1,532,172,145	4,968,324,140
Demand Liabilities - domestic	-	-	-	-	4,828,900,876	4,828,900,876
Demand Liabilities - foreign	-	-	-	-	40,689,413	40,689,413
Financial Liabilities held for trading	33,769	-	-	-	-	33,769
IMF government general resource accounts	-	-	-	-	1,198,864	1,198,864
Total Financial Liabilities	33,769	-	-	-	4,870,789,153	4,870,822,922

8. Financial instruments*...continued*

b) Financial instruments by category

As of 31 March 2018	**Loans and receivables $**	**Assets at fair value through profit or loss $**	**Available -for-sale $**	**Total $**
Financial assets				
Balances with other central banks	6,223,088	-	-	**6,223,088**
Balances with foreign banks	64,548	-	-	**64,548**
Money market instruments and money at call	673,187,314	-	835,657,516	**1,508,844,830**
Financial assets held for trading	-	656,871	-	**656,871**
Available-for-sale - foreign investment securities	-	-	3,157,667,399	**3,157,667,399**
Balances with local banks	3,221,502	-	-	**3,221,502**
Term deposits - domestic	7,748,428	-	-	**7,748,428**
Loans and receivables - participating governments' securities	83,189,928	-	-	**83,189,928**
Loans and receivables - participating governments' advances	43,330,371	-	-	**43,330,371**
Accounts receivable	12,848,670	-	-	**12,848,670**
Available-for-sale - domestic investment securities	-	-	624,186	**624,186**
	829,813,849	**656,871**	**3,993,949,101**	**4,824,419,821**

As of 31 March 2018	**Liabilities at fair value through profit or loss $**	**Other financial liabilities $**	**Total $**
Financial liabilities			
Demand and deposit liabilities - domestic	-	4,861,299,250	**4,861,299,250**
Demand and deposit liabilities - foreign	-	10,425,453	**10,425,453**
Financial liabilities held for trading	219,130	-	**219,130**
IMF government general resource accounts	-	1,162,925	**1,162,925**
	219,130	**4,872,887,628**	**4,873,106,758**

8. Financial instruments*...continued*

c) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired are assessed using external credit ratings.

Investment securities

Foreign investment securities held by the Bank are debt of governments with a country rating of Aa or better (by Moody's or equivalent), or debt that carries the unconditional guarantee of such governments, and included in the list of acceptable sovereign risks and debt of international institutions that are specifically listed in the Bank's Investment Guidelines. These securities are of superior credit quality and protection of interest and principal is considered high.

Money market instruments and money at call

Cash at banks and money market instruments are held at approved financial institutions which have a minimum bank deposit rating of A1/P-1 Moody's or as measured by another international rating agency. These financial institutions must be incorporated in one of the approved countries listed in the Bank's Investment Guidelines.

Accounts receivable

Accounts receivable include amounts that are past due and for which the Bank has recognised a specific allowance for doubtful receivables after the assessment.

The Bank does not have any other financial assets that are past due or impaired.

9. Investment securities

	2019 $	2018 $
Foreign investment securities measured at fair value through other comprehensive income		
Debt securities		
- quoted, at fair value	2,772,470,281	-
Interest receivable	13,124,190	-
Total foreign securities at fair value through other comprehensive income	2,785,594,471	-
Equity securities designated at fair value through other comprehensive income		
Society for Worldwide Interbank Financial Telecommunication (SWIFT) 5 (2018: nil) ordinary shares of $15,641 each - unquoted	78,205	-
	78,205	-
Domestic investment securities		
Equity securities designated at fair value through other comprehensive income		
Caribbean Information and Credit Rating Agency Services Ltd. 156,180 (2018: 156,180) ordinary shares of $2.70 each - unquoted	421,686	-
Eastern Caribbean Automated Clearing House Services Inc. (2018: 20,500) ordinary shares of $10.00 each - unquoted	202,500	-
	624,186	-
Total investment securities at fair value through other comprehensive income	2,786,296,862	-
Current	604,498,569	-
Non-current	2,181,798,293	-
	2,786,296,862	-

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.

9. Investment securities*...continued*

Allowance for impairment losses on investment securities at FVOCI*...continued*

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

	2019				2018
	12-month ECL	Lifetime ECL not Credit-impaired	Lifetime ECL credit-impaired	Total	Total
Debt securities at FVOCI (2018: available-for-sale)					
Balance at 1 April 2018	470,930	-	-	470,930	-
Decrease in loss allowance recognised in profit or loss during the year	(131,800)	-	-	(131,800)	-
Balance at 31 March 2019	**339,130**	**-**	**-**	**339,130**	**-**

Available-for-sale investment securities	**2019 $**	**2018 $**
Domestic securities		
Equity securities		
Caribbean Information and Credit Rating Agency Services Ltd. 156,180 (2018: 156,180) ordinary shares of $2.70 each - unquoted, at cost		421,686
Eastern Caribbean Automated Clearing House Services Inc. (2018: 20,500) ordinary shares of $10.00 each - unquoted, at cost	-	202,500
	-	624,186
Foreign securities		
Debt securities		
- quoted, at fair value	-	3,144,942,775
Interest receivable	-	12,724,624
Total foreign securities	-	3,157,667,399
Total investment securities	-	3,158,291,585
Current	-	653,772,346
Non-current	-	2,504,519,239
	-	3,158,291,585

9. Investment securities*...continued*

The movement in investment securities may be summarised as follows:

	Domestic Securities $	Foreign Investment Securities $
Balance as of 31 March 2017	**624,186**	**2,928,601,754**
Additions	-	4,048,130,233
Disposals (sale and redemption)	-	(3,803,693,092)
Net gains transfer to equity	-	(34,354,987)
Net loss transfer from equity	-	6,258,867
Balance as of 31 March 2018	**624,186**	**3,144,942,775**
Additions	-	2,502,549,823
Disposals (sale and redemption)	-	(2,922,184,768)
Net gains transfer to equity	-	35,863,378
Net loss transfer from equity	-	11,299,073
Balance as of 31 March 2019	**624,186**	**2,772,470,281**

The Bank transferred losses of $11,299,073 (2018: losses of $6,258,867) from equity into the statement of profit or loss.

Gains less losses from investment securities comprise:

	2019 $	2018 $
Net realised losses from disposal of foreign investment securities	**11,299,073**	6,258,867

10. Participating governments' securities

Participating government securities measured at amortised cost

a) Participating governments' securities: Debentures

	Nominal value 2019 $	Amortised cost 2019 $	Nominal value 2018 $	Amortised cost 2018 $
Government of Antigua and Barbuda				
9% Debentures maturing 2018	**-**	**-**	857,579	857,579
3.5% Debenture maturing 2027	**59,106,510**	**59,106,510**	64,614,323	64,614,323
	59,106,510	**59,106,510**	65,471,902	65,471,902
Interest receivable	**-**	**1,379,153**	-	1,637,782
Total participating governments' securities: Debentures, gross	**59,106,510**	**60,485,663**	65,471,902	67,109,684
Less: allowance for impairment losses	**-**	**(316,824)**	-	-
Total participating governments' securities: Debentures, net	**59,106,510**	**60,168,839**	65,471,902	67,109,684

The Government of Antigua and Barbuda 15-year 3.5% Treasury bond maturing in 2027 arose as a result of the liquidity support extended to Bank of Antigua Limited under emergency powers exercised by the Eastern Caribbean Central Bank on February 20, 2009.

10. Participating governments' securities*...continued*

b) Participating governments' securities: Treasury bills

	Nominal value 2019 $	Amortised cost 2019 $	Nominal value 2018 $	Amortised cost 2018 $
Treasury bills - Government of Antigua and Barbuda treasury bill maturing 2018	-	-	16,200,000	15,912,960
	-	-	16,200,000	15,912,960
Interest receivable	-	-	-	167,284
Total participating governments' securities: treasury bills	-	-	16,200,000	16,080,244
Total participating governments' securities	**59,106,510**	**60,168,839**	81,671,902	83,189,928
Current		**6,762,905**		24,083,417
Non-current		**53,405,934**		59,106,511
		60,168,839		83,189,928

10. Participating governments' securities*...continued*

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

	Debentures $	Treasury Bills $	Total $
Balance as of 31 March 2017	**71,651,039**	-	**71,651,039**
Additions	-	15,912,960	15,912,960
Payment of principal	(6,179,137)	-	(6,179,137)
Balance as of 31 March 2018	**65,471,902**	**15,912,960**	**81,384,862**
Additions	-	-	-
Payment of principal	(6,365,392)	(15,912,960)	(22,278,352)
Balance as of 31 March 2019	**59,106,510**	**-**	**59,106,510**

11. Participating governments' advances

Participating government advances measured at amortised cost

	2019 $	2018 $
Operating accounts:		
- Government of Anguilla	**5,995,994**	14,724,971
- Government of St. Vincent and the Grenadines	**8,963,770**	6,014,404
- Government of Dominica	-	1,586,116
- Government of Grenada	-	-
	14,959,764	22,325,491
Interest receivable	**142,880**	168,102
Total operating accounts	**15,102,644**	22,493,593
Temporary advances		
- Government of St. Vincent and the Grenadines	**16,000,830**	20,719,108
- Government of Antigua and Barbuda	**12,600,000**	-
	28,600,830	20,719,108
Interest receivable	**9,581**	117,670
Total temporary advances	**28,610,411**	20,836,778
Less: allowance for impairment losses	**(116,854)**	
Total due from participating governments' advances	**43,596,201**	43,330,371
Current	**43,596,201**	43,330,371

Amounts due from participating governments for temporary advances and operating account overdraft balances are unsecured and usually accrue interest at 6.50% per annum.

12. Accounts receivable and prepaid expenses

	2019 $	2018 $
Accounts receivable	**7,991,277**	13,533,556
Staff mortgage loans	**422,214**	495,092
Prepaid expenses	**14,405,230**	12,084,499
	22,818,721	26,113,147
Less: Allowance for impairment on receivables	**(1,203,095)**	(1,179,978)
	21,615,626	24,933,169
Current	**12,669,300**	12,669,300
Non-current	**8,946,326**	12,263,869
	21,615,626	24,933,169

Staff mortgage loans accrue interest at a rate of 4% per annum and are secured by real estate property 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 $93,176 (2018: $134,018) at the statement of financial position date. This amount is included in prepaid expenses.

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 receivables. The Bank has assessed receivables for impairment at the individual asset level. The Bank wrote off receivables either partially or in full and any related allowance for impairment losses when there was 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 Bank, and a failure to make contractual payments for a period of greater than 120 days past due. Write-offs are charged against previously established allowances for impairment losses and reduce the amount of the receivable.

Allowance for impairment on accounts receivable

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

	2019 $	2018 $
Balance, beginning of year	**1,179,978**	1,255,109
Amounts recovered during the year	**(13,138)**	(75,131)
Allowance during the year	**1,473,678**	-
Amounts written off during the year	**(1,437,423)**	-
Balance at end of year	**1,203,095**	1,179,978

13. Financial assets at fair value through profit or loss

The Bank's derivatives relate to currency forwards. Currency forwards represent commitments to purchase foreign currency and are initially recognised at fair value on the date that a derivative contract is entered into and are subsequently remeasured at their fair value.

The following is an analysis of the currency forwards held with positive fair value as at 31 March 2019:

Currency sold /purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	**667,320**	**1,353,866**	8 April, 2019	**11,225**
EUR	**3,076,900**	**9,389,984**	9 April, 2019	**56,854**
GBP	**1,441,700**	**5,127,528**	8 April, 6 May, 2019	**27,634**
		15,871,378		**95,713**

The following is an analysis of the currency forwards held with positive fair value as at 31 March 2018

Currency sold /purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
GBP	129,700	493,243	16 April, 2018	333
EUR	13,213,200	44,784,185	16 April/24 May, 2018	656,538
		45,277,428		656,871
		Current		656,871

14. 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% (2018: 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.

Eastern Caribbean Securities Exchange (ECSE)
The Bank holds 32.74% (2018: 30.8%) of the share capital of the ECSE – 300,000 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) and Eastern Caribbean Central Securities Registry Limited (ECCSR) are both wholly owned subsidiaries of the ECSE.

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 2019.

The Bank's investments in associates are detailed below:

	2019 $	2018 $
Eastern Caribbean Home Mortgage Bank (ECHMB)		
Balance at beginning of year	**14,979,466**	14,434,138
Share of profit for the year	**1,316,862**	1,046,418
Dividend received in year	**(501,090)**	(501,090)
Balance at end of year	**15,795,238**	14,979,466
Eastern Caribbean Securities Exchange (ECSE)		
Balance at beginning of year	**2,470,927**	2,078,843
Additional shares issued to ECCB during the year	**274,190**	-
Share of profit for the year	**409,024**	392,084
Balance at end of year	**3,154,141**	2,470,927

14. Investments in associated undertakings using the equity method*...continued*

	2019 $	2018 $
OECS Distribution and Transportation Company (ODTC)		
Balance at beginning of year	**20,010**	20,010
Purchase during the year	**-**	-
Balance at end of year	**20,010**	20,010
Total investments in associated undertakings	**18,969,389**	17,470,403
Non-current	**18,969,389**	17,470,403

The total share of profit of associates recognised in the statement of profit or loss was $1,725,886 (2018: $1,438,502).

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of 31 March 2019:

Entity	Assets $	Liabilities $	Revenues $	Profit $	% Interest held %
ECHMB	**265,802,954**	**(206,630,675)**	**13,262,909**	**5,309,928**	**24.80**
ECSE	**44,380,095**	**(33,696,381)**	**4,569,453**	**1,331,298**	**32.74**

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of 31 March 2018:

Entity	Assets $	Liabilities $	Revenues $	Profit $	% Interest held %
ECHMB	261,901,804	(200,543,933)	11,708,543	4,215,836	24.80
ECSE	101,015,275	(91,662,859)	4,593,521	1,236,730	30.80

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 2018 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 2018.

15. Intangible assets

	Computer software $
Cost	
Balance at April 1, 2017	17,174,244
Additions	1,980,970
Amortisation write-back	(847,465)
Balance at 31 March 2018	18,307,749
Balance at 1 April 2018	**18,307,749**
Additions	**2,409,593**
Balance at 31 March 2019	**20,717,342**
Accumulated amortisation	
Balance at April 1, 2017	15,364,674
Amortisation	1,270,631
Amortisation write-back	(847,465)
Balance at 31 March 2018	15,787,840
Balance at 1 April 2018	**15,787,840**
Amortisation	**470,448**
Balance at 31 March 2019	**16,258,288**
Net book value	
At 31 March 2017	1,809,570
At 31 March 2018	2,519,909
At 31 March 2019	**4,459,054**

16. Property and equipment

	Land $	Buildings $	Furniture and equipment $	Computer systems $	Land improvements $	Building improvements $	Motor vehicles $	Capital work in progress $	Total $
Cost									
Balance at April 1, 2017	25,932,000	102,153,391	23,165,754	6,405,015	50,582	-	971,372	649,829	159,327,943
Transfers	127,388	-	489,559	160,273	(47,638)	-	-	(729,582)	-
Additions	-	542,416	549,442	1,343,247	7,793	-	426,000	1,414,843	4,283,741
Revaluation Adjustment	40,612	10,361,021	-	-	-	-	-	-	10,401,633
Derecognition/disposals	-	-	(232,542)	(908,270)	-	-	(327,500)	-	(1,468,312)
Depreciation Write-back	-	(9,586,828)	-	-	(10,737)	-	-	-	(9,597,565)
Balance at 31 March 2018	**26,100,000**	**103,470,000**	**23,972,213**	**7,000,265**	**-**	**-**	**1,069,872**	**1,335,090**	**162,947,440**
Balance at 1 April 2018	26,100,000	103,470,000	23,972,213	7,000,265	-	-	1,069,872	1,335,090	162,947,440
Transfers	-	-	1,164,441	85,914	-	30,978	-	(1,281,333)	-
Additions	3,314,670	-	713,573	553,703	53,930	76,317	351,800	836,913	5,900,906
Derecognition/disposals	(2,540,000)	(2,560,000)	(6,163)	-	-	-	(177,000)	-	(5,283,163)
Balance at 31 March 2019	**26,874,670**	**100,910,000**	**25,844,064**	**7,639,882**	**53,930**	**107,295**	**1,244,672**	**890,670**	**163,565,183**

16. Property and equipment...*continued*

	Land $	Buildings $	Furniture and equipment $	Computer systems $	Land improvements $	Building improvements $	Motor vehicles $	Capital work in progress $	Total $
Accumulated depreciation									
Balance at April 1, 2017	-	6,390,160	20,033,163	5,936,561	4,885	-	733,739	-	33,098,508
Depreciation charge	-	3,196,669	1,439,293	333,198	5,852	-	105,061	-	5,080,073
Depreciation write-back on disposal	-	(9,586,829)	(232,542)	(908,269)	(10,737)	-	(306,808)	-	(11,045,185)
Balance at 31 March 2018	-	-	21,239,914	5,361,490	-	-	531,992	-	27,133,396
Balance at 1 April 2018	-	-	21,239,914	5,361,490	-	-	531,992	-	27,133,396
Depreciation charge	-	3,572,455	1,288,789	545,456	642	4,748	163,790	-	5,575,880
Depreciation write-back on disposal	-	(90,256)	(6,163)	-	-	-	(177,000)	-	(273,419)
Balance at 31 March 2019	-	3,482,199	22,522,540	5,906,946	642	4,748	518,782	-	32,435,857
Net book value									
At April 1, 2017	25,932,000	95,763,231	3,132,591	468,454	45,697	-	237,633	649,829	126,229,435
At 31 March 2018	26,100,000	103,470,000	2,732,299	1,638,775	-	-	537,880	1,335,090	135,814,044
At 31 March 2019	**26,874,670**	**97,427,801**	**3,321,524**	**1,732,936**	**53,288**	**102,547**	**725,890**	**890,670**	**131,129,326**

16. Property and equipment*...continued*

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of 31 March 2019:

	Land $	Buildings $	Total $
Cost	8,319,630	71,452,985	79,772,615
Accumulated depreciation	-	(47,347,071)	(47,347,071)
Net book value	8,319,630	24,105,914	32,425,544

The following is the historical cost carrying amount of land and buildings carried at revalued amounts as of 31 March 2018:

	Land $	Buildings $	Total $
Cost	7,544,960	74,012,985	81,557,945
Accumulated depreciation	-	(43,774,616)	(43,774,616)
Net book value	7,544,960	30,238,369	37,783,329

The land and buildings were revalued by independent valuators, DLG Consultants Limited in March of 2018. Valuations are based on the market value.

17. Demand and deposit liabilities - domestic

	2019 $	2018 $
Banker's balances - Current accounts	**2,910,948,594**	2,969,688,317
Currency in circulation	**1,140,799,340**	1,108,060,590
Bankers Collateral account	**217,770,179**	234,653,977
Participating governments' call accounts	**131,994,046**	130,222,853
Participating governments' operating accounts	**86,654,669**	57,609,555
Participating governments' fixed deposit accounts	**81,000,000**	-
Bankers' dormant accounts	**79,542,063**	66,921,621
Participating governments' fiscal reserve tranche II	**55,539,085**	64,241,922
Eastern Caribbean Securities Registry	**16,149,162**	76,673,421
Eastern Caribbean Asset Management Corporation	**14,437,800**	9,937,800
Participating governments' sinking fund call accounts	**12,201,056**	15,595,139
Organisation of Eastern Caribbean States operating accounts	**11,383,580**	230,956
Participating governments' drug service accounts	**8,776,592**	6,100,623
BAICO Recapitalisation Holding Account	**8,243,848**	8,243,848
Government of Antigua & Barbuda Recovery & Reconstruction Project	**7,835,463**	7,768,087
Participating governments' fiscal tranche I call accounts	**6,998,496**	6,869,358
Accounts payable, accruals and provisions	**6,802,188**	7,842,484
ECHMB Operating accounts	**6,440,613**	17,809
Eastern Caribbean Partial Credit Guarantee Corporation	**5,400,000**	5,400,000
Government of Antigua and Barbuda Road Infrastructure	**4,912,142**	11,248,780
British American Liquidity Support	**4,502,360**	5,165,684
Bankers' call accounts	**4,036,502**	1,882,505
British Caribbean Currency Board Coins in Circulation	**2,566,022**	2,566,026
Commemorative coins in circulation	**1,379,972**	1,379,972
British Caribbean Currency Board Residual Fund	**833,628**	833,628
Resolution Trust Corporation	**446,802**	1,566,541
Participating governments' debt restructuring escrow accounts	**291,718**	59,635,812
Eastern Caribbean Automated Clearing House	**206,144**	177,680
Statutory and legislative bodies' operating accounts	**67,132**	73,147
Local governments' operating accounts	**46,968**	46,564
OECS Distribution and Transportation	**22,380**	22,380
CANEC Debt Management Advisory Services	**-**	320,591
Demand and deposit liabilities – domestic	**4,828,228,544**	4,860,997,670
Interest Payable	**672,332**	301,580
Total demand and deposit liabilities - domestic	**4,828,900,876**	4,861,299,250
Current	**4,828,900,876**	4,861,299,250

17. Demand and deposit liabilities - domestic*...continued*

During the year the following balances earned interest at rates ranging from 0.59% to 2.52% (2018: 0.67% to 1.40%) per annum: fiscal tranche I, bankers' call accounts and fixed deposits, participating governments and statutory bodies' fixed deposits and ECHMB 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. There was no allocation from profit to the fund in the current financial year (2018: Nil).

	2019 $	2018 $
Balance at beginning of year	**64,241,922**	51,292,706
Contribution to Eastern Caribbean Asset Management Corporation	**(14,500,000)**	-
Loan repayments during the year	**5,797,163**	16,199,216
Hurricane Relief Grants	**-**	(3,250,000)
Balance at end of year	**55,539,085**	64,241,922

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. There was no allocation from profit to the fund in the current financial year (2018: Nil).

	2019 $	2018 $
Balance at beginning of year	**6,869,358**	8,012,380
Interest on account	**129,138**	65,978
Transfers	-	(1,209,000)
Balance at end of year	**6,998,496**	6,869,358

18. Demand and deposit liabilities - foreign

	2019 $	2018 $
Other regional central banks and agency accounts	**21,311**	602,663
International Bank for Reconstruction and Development accounts	**38,964,989**	9,129,830
Caribbean Development Bank accounts	**1,038,648**	394,801
Caribbean Financial Services Corporation account	**664,465**	298,159
Total demand and deposit liabilities - foreign	**40,689,413**	10,425,453
Current	**40,689,413**	10,425,453

These balances earned interest at rates ranging from 1.59% to 2.37% (2018: 0.44% to 0.75%) per annum during the year.

19. IMF government general resource accounts

	2019 $	2018 $
Saint Lucia	**434,111**	433,820
Antigua & Barbuda	**232,471**	221,634
Grenada	**169,295**	161,401
St. Kitts and Nevis	**126,054**	120,179
Commonwealth of Dominica	**118,611**	113,082
St. Vincent and the Grenadines	**118,322**	112,809
Total IMF government general resource accounts	**1,198,864**	1,162,925
Current	**1,198,864**	1,162,925

20. Financial liabilities at fair value through profit of loss

The following is an analysis of the currency forwards held with negative fair value as of 31 March 2019:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	550,300	1,100,352	8 April & 6 May, 2019	7,080
EUR	1,022,000	3,085,300	8 April, 2019	19,932
GBP	423,700	1,491,860	8 April, 2019	6,055
CHF	2,400	6,420	8 April, 2019	91
KWD	3,010	27,330	8 April, 2019	611
		5,711,262		33,769
			Current	33,769

The following is an analysis of the currency forwards held with negative fair value as of 31 March 2018:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	718,0000	1,485,547	16 April, 2018	17,637
EUR	14,440,000	48,134,093	16 April & 14 June, 2018	146,784
GBP	1,164,900	4,372,398	16 April, 2018	54,664
USD	567	5,152	3 April, 2018	45
		53,997,190		219,130
			Current	219,130

21. Other reserves

	2019 $	2018 $
Property and equipment revaluation reserve	**87,332,100**	92,507,945
Unrealised holding gain (loss) - investment securities	**1,980,612**	(45,520,969)
Pension reserve	**23,573,000**	26,948,000
Self-insurance reserve fund	**12,657,437**	11,952,615
Capital reserve	**6,537,928**	6,537,928
Export Credit Guarantee fund	**1,808,877**	1,808,877
Unrealised holding gain – money market instruments	**217,571**	232,756
Total reserves	**134,107,525**	94,467,152

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 has been independently valued at $498,400. In 2005, the Government of St. Kitts and Nevis donated an additional 2 acres of land which has been independently valued at $2,690,000.

Self-insurance reserve

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

21. Other Reserves*...continued*

Revaluation Reserve: investment securities

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

	Foreign investment securities $	Money market instruments $	Total $
Balance at 31 March 2017	(17,424,849)	132,806	(17,292,043)
Revaluation of foreign securities	(34,354,987)	99,950	(34,255,037)
Revaluation transfer to profit or loss on disposal of foreign securities	6,258,867	-	6,258,867
Balance at 31 March 2018	(45,520,969)	232,756	(45,288,213)
Revaluation of foreign securities	**35,863,378**	**(15,185)**	**35,848,193**
Revaluation transfer to profit or loss on disposal of foreign securities	**11,299,073**	**-**	**11,299,073**
Impairment of investment securities at FVOCI	**339,130**	**-**	**339,130**
Balance at 31 March 2019	**1,980,612**	**217,571**	**2,198,183**

22. Pension asset

The Bank contributes to a defined pension scheme covering substantially all full-time employees. The assets of the plan are held separately in an independent trustee administered fund. The pension scheme 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 was at 31 March 2016; it used the projected unit credit method, and showed that the fair value of the Fund's assets at 31 March 2016 represented 116% of the benefits that had accrued to members as at that date. The fair value of the Fund's assets at that time was $101.7 million (2013: $86.4 million) and the required future service contribution rate was 20.6% (2013: 20.2%) of pensionable salaries. The actuary performed a roll-forward of the valuation to 31 March 2019. The next detailed full valuation will be conducted as at 31 March 2019.

	2019 $	2018 $
The amounts recognised in the statement of financial position are as follows:		
Present value of pension obligation	**(88,090,000)**	(84,416,000)
Fair value of plan assets	**111,663,000**	111,364,000
Present value of over funded surplus	**23,573,000**	26,948,000
Net asset recognised in the statement of financial position	**23,573,000**	26,948,000

22. Pension asset...*continued*

	2019 $	2018 $
Reconciliation of amount reported in the statement of financial position:		
Pension asset, beginning of year	**26,948,000**	26,510,000
Net pension costs during the year	**(1,242,000)**	(1,353,000)
Re-measurements recognised in other comprehensive income	**(4,354,000)**	(415,000)
Contributions to pension scheme	**2,221,000**	2,206,000
Pension asset, end of year	**23,573,000**	26,948,000

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).

	2019 $	2018 $
The movement in the defined benefit obligation over the year is as follows:		
Beginning of year	**84,416,000**	79,144,000
Current service cost	**3,031,000**	3,020,000
Interest cost	**5,785,000**	5,446,000
Contributions by plan participants	**555,000**	551,000
Past service cost	-	85,000
Actuarial loss	**(2,091,000)**	(889,000)
Benefits paid	**(3,606,000)**	(2,941,000)
	88,090,000	84,416,000

The defined benefit obligation is allocated between the Plan's members as follows:	2019 %	2018 %
Active and promoted members	**77.0**	77.0
Deferred members	**0**	0
Pensioners	**23**	23.0

	2019	2018
The weighted average duration of the defined benefit obligation at the year end	**14.9 years**	14.9 years

33% 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.

22. Pension asset*...continued*

	2019 $	2018 $
The movement in the fair value of plan assets over the year is as follows:		
Plan assets at start of year	**111,364,000**	105,654,000
Interest income	**7,760,000**	7,383,000
Return on Plan assets, excluding interest income	**(6,445,000)**	(1,304,000)
Employer contributions	**2,221,000**	2,206,000
Contributions by plan participants	**555,000**	551,000
Benefits paid	**(3,606,000)**	(2,941,000)
Expense allowance	**(186,000)**	(185,000)
	111,663,000	111,364,000

	2019 $	2018 $
The amounts recognised in the statement of profit or loss are as follows:		
Current service cost	**3,031,000**	3,020,000
Net interest on net defined benefit asset	**(1,975,000)**	(1,937,000)
Past service cost	**-**	85,000
Administration expenses	**186,000**	185,000
Total expense included in staff costs (note 28)	**1,242,000**	1,353,000

	2019 $	2018 $
The amounts recognised in other comprehensive loss were as follows:		
Experience losses	**(4,354,000)**	(415,000)
Total amount recognised in other comprehensive loss	**(4,354,000)**	(415,000)

		2018 %
The principal actuarial assumptions used were as follows:		
Discount rate	**7.0**	7.0
Average individual salary increases	**5.0**	5.0

22. Pension asset*...continued*

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 March 2018 are as follows:

	2019	2018
Life expectancy at age 60 for current pensioners in years		
Male	**21.0**	21.0
Female	**25.1**	25.1
Life expectancy at age 60 for current members age 40 in years		
Male	**21.4**	21.4
Female	**25.4**	25.4

Plan assets are comprised as follows:

	2019 $	2018 $
Developed market equities	**43,933,000**	46,337,000
EC Government issued nominal bonds and treasury bills	**10,709,000**	11,109,000
USD denominated bonds	**54,162,000**	54,229,000
USD cash and cash equivalents	**2,356,000**	4,407,000
Net current assets	**503,000**	(4,718,000)
Fair value of Plan Assets at end of year	**111,663,000**	111,364,000

The largest proportion of assets is invested in debt instruments. Overseas equities in developed markets and USD denominated bonds have quoted prices in active markets. The value of the Eastern Caribbean government bonds are shown at their par values.

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

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.

23. Related party balances and transactions…*continued*

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

	2019 $	2018 $
Receivables from participating governments		
Participating governments' securities (note 10)	**60,168,839**	83,189,928
Participating governments' advances (note 11)	**43,596,201**	43,330,371
Payables to participating governments (note 17)		
Participating governments' call accounts	**131,994,046**	130,222,853
Participating governments' fixed deposits accounts	**81,000,000**	-
Participating governments' fiscal reserve tranche II	**55,539,085**	64,241,922
Participating governments' operating accounts	**86,654,669**	57,609,555
Participating governments' sinking fund call accounts	**12,201,056**	15,595,139
Participating governments' fiscal tranche I call accounts	**6,998,496**	6,869,358
Participating governments' drug service accounts	**8,776,592**	6,100,623
Participating governments' debt restructuring escrow accounts	**291,718**	59,635,812

Interest income earned on receivables during the year was $5,893,815 (2018: $6,791,457). The receivables carry interest rates of 3.5% to 9% (2018: 3.5% to 9%) per annum.

Interest expense on payables during the year was $5,626,041 (2018: $2,538,217). The payables carry interest rates of 0.59% to 2.52% (2018: 0.67% to 1.40%) per annum.

A number of transactions were entered into with related parties in the normal course of business. These include loans and other transactions. The volume of related party transactions and outstanding balances at the year-end are as follows:

	2019 $	2018 $
Staff mortgage loans		
Loans outstanding at beginning of year	**202,483**	284,570
Loans movement during the year	**(136,129)**	(82,087)
Loans outstanding at end of year	**66,354**	202,483
Term deposits		
Bank of Nova Scotia, St. Kitts	**1,130,299**	519,185
CIBC FirstCaribbean International, St Kitts	**-**	245,842
	1,130,299	765,027

The term deposit balance represents amounts pledged as liquidity support for loans issued by Scotiabank, St. Kitts and CIBC FirstCaribbean International, St Kitts to ECCB eligible employees (note 7).

23. Related party balances and transactions*…continued*

Interest income earned on loans and advances during the year was $4,098 (2018: $9,893). The loans carry an interest rate of 4% (2018: 4%) per annum. The repayment terms of the loans vary. The outstanding loans are primarily for mortgages and are secured by the mortgaged property.

Key management personnel compensation

The salaries, fees and benefits paid to the Board of Directors and key management personnel of the Bank during the year amounted to $3,663,285 (2018: $3,748,138). The following is an analysis of these amounts:

	2019 $	2018 $
Salaries and other short-term employee benefits	**3,259,106**	3,361,638
Board of Directors' fees	**240,000**	239,500
Post-employment benefits	**164,179**	147,000
	3,663,285	3,748,138

24. Contingencies and commitments

Capital commitments

At 31 March 2019, commitments for capital expenditure was $5,028,860. (2018: $3,145,520).

Credit extension 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 allocation to participating governments for the current financial year is $561,126,000 (2018: $563,605,000). The details are presented in the table below:

	2019 $	2018 $
Government of Saint Lucia	**120,250,000**	122,801,000
Government of St Kitts and Nevis	**96,367,000**	109,114,000
Government of Antigua and Barbuda	**90,635,000**	95,043,000
Government of Commonwealth of Dominica	**81,560,000**	63,063,000
Government of Grenada	**76,544,000**	73,553,000
Government of St Vincent and the Grenadines	**67,469,000**	69,971,000
Government of Anguilla	**22,688,000**	24,176,000
Government of Montserrat	**5,613,000**	5,884,000
Total credit allocation	**561,126,000**	563,605,000

24. Contingencies and commitments*...continued*

Credit extension to participating governments*...continued*

The undrawn commitments to participating governments for the current financial year amounts to $452,705,000 (2018: $439,070,000). The details are presented in the table below:

	2019 $	2018 $
Government of Saint Lucia	**120,250,000**	122,801,000
Government of St Kitts and Nevis	**96,367,000**	109,114,000
Government of Commonwealth of Dominica	**81,560,000**	61,477,000
Government of Grenada	**76,544,000**	73,553,000
Government of St Vincent and the Grenadines	**39,984,000**	43,237,000
Government of Anguilla	**16,965,000**	9,451,000
Government of Antigua and Barbuda	**15,422,000**	13,553,000
Government of Montserrat	**5,613,000**	5,884,000
Total undrawn commitments	**452,705,000**	439,070,000

The Board has approved credit allocation to participating governments for the 2019/20 financial year in the amount of $581,943,000.

Pending Litigations

There are nine (9) pending legal claims against the Eastern Caribbean Central Bank (the "Central Bank") for which the likelihood of settlement appears remote.

1) **Claim No. GDAHCV2001/0490** initiated by Capital Bank International Limited in 2001 is pending before the Grenada Supreme Court.

The Claimant is seeking:

(i) A declaration that it is entitled to be admitted to the membership of the Clearing House facility established by the Central Bank pursuant to the provisions of the Eastern Caribbean Central Bank Act 1983; and

(ii) An order directing the Central Bank to admit the Claimant immediately as a member of the Clearing House facility operating in Grenada.

At the High Court hearing of the case in September 2008, the court ordered that the trial of the matter be adjourned to a date to be fixed by the Registrar of the High Court on application by any of the parties to the matter. The Minister for Finance, in Grenada has since revoked the banking licence which was granted to Capital Bank International Limited, appointed a Receiver for the Bank and has also filed a petition before the court for the compulsory liquidation of the Bank.

24. Contingencies and commitments*...continued*

Pending litigation*....continued*

2) **Claim No. ANUHCV2015/0518 BETWEEN**: Sylvia O'Mard (Claimant/Applicant) and ABI Bank Ltd, Eastern Caribbean Central Bank and Dwight Venner (the Defendants/Respondents). On September 28, 2015, Ms Sylvia O'Mard ("the Applicant") filed a fixed date claim against the ABI Bank Ltd, Eastern Caribbean Central Bank and Dwight Venner ("the Respondents"). The Applicant sought, among other things:

   (i) A declaration that Article 5C(5)(a) of the Eastern Caribbean Central Bank Agreement is unconstitutional;

   (ii) A declaration that the actions of the Respondents in failing to release funds due to the Applicant and held at the first-named Respondent amounted to a breach of the Applicant's constitutional rights;

   (iii) An order for recovery of all sums demanded by the Applicant;

   (iv) An order for restitution.

   By Notice of Application filed on November 18, 2015 the Respondents applied to the Court for an Order declaring that the Court has no jurisdiction to try the claim as filed. The Court ordered a hearing of the Notice of Application including arguments in relation to the constitutionality of Article 5C(5)(a) of the Eastern Caribbean Central Bank Agreement on December 15, 2015. Following the hearing on December 15, 2015, the Court, on December 22, 2015, delivered its decision on the preliminary issue in favour of the Respondents dismissing the claim of the Applicant.

   The Applicant appealed the decision of the High Court. On the hearing before the Court of Appeal on December 8, 2016, the Court ordered that the matter be remitted to the High Court with directions that the Attorney General be joined as a party and that a timetable be fixed by the High Court for the expeditious hearing of the matter. On 8 February 2019, directions were provided by the High Court for the Attorney General to be joined within fourteen (14) days and to be served with all pleadings. The matter was adjourned to 22 March 2019 for case management. On 22 March, the matter was further adjourned to July 2019.

3) **Claim No. AXAHCV2016/0051 BETWEEN**: SATAY LIMITED et al (Claimants) v MARTIN DINNING, HUDSON CARR, SHAWN WILLIAMS, ROBERT MILLER AND EASTERN CARIBBEAN CENTRAL BANK (Defendants). By claim filed on June 28, 2016 the Claimants claim against the Defendants for breach of fiduciary duty the sum of US$13,028,906.17.

   By Notice of Application dated August 12, 2016, the 1st, 2nd, 3rd and 5th Defendants applied to the Court for a declaration that the Court has no jurisdiction to try the claim as filed. The Defendants' application contesting the court's jurisdiction was heard on October 13, 2016 and the Court gave directions for the filing of written submissions by both sides. Written submissions were filed by both sides. On February 22, 2017, the Court delivered its decision on the preliminary issue in favour of the Claimants.

24. Contingencies and commitments...*continued*

Pending litigation….*continued*

3) Claim No. AXAHCV2016/0051....*continued*

The Defendants filed application for leave to appeal that decision which was granted on April 11, 2017. The Claimants filed an application for extension of time and a counter-appeal. The Defendants filed an application to strike out the application on the basis that it was filed out of time and without the leave of the court. The Court ruled that the Claimants' documents were properly filed at the date of the Order being July 4, 2017.

The Court, subsequently, issued a Notice of Hearing for July 31, 2017 of the Defendants' application to strike out the counter-appeal, which was heard before the full Court of Appeal (CA) on October 23, 2017 in Anguilla. The Defendants' application was dismissed and costs of EC$5,000.00 were ordered to be paid by the Defendants.

The substantive appeal was heard the week of 30 April 2018. The Defendants' appeal was dismissed by the Court and the defense is due to be filed by 1 May 2019.

4) Case No. 16-01279-MG BETWEEN: NATIONAL BANK OF ANGUILLA (PRIVATE BANKING & TRUST) LTD (the Plaintiff) v. NATIONAL BANK OF ANGUILLA LTD (NBA), NATIONAL COMMERCIAL BANK OF ANTIGUA LTD (NCBA) AND EASTERN CARIBBEAN CENTRAL BANK (ECCB) (hereinafter collectively 'the Defendants').

The Plaintiff filed complaint on December 16, 2016 before the United States Bankruptcy Court Southern District of New York against the Defendants alleging breach of fiduciary duty and gross negligence and seeking judgment to, inter alia:

(a) avoid transfers of net new money in the amount of US$9.15m to NBA and other transfers to the NCBA and ECCB as actual or constructively fraudulent transfers;
(b) recover the value of avoidable transfers from the Defendants;
(c) avoid and recover NBA's transfers of its funds and assets to NCBA and net payment of US$13,837,233.30 to ECCB; and
(d) damages for breach of fiduciary duty and gross negligence by the ECCB.

On February 27, 2017 the Eastern Caribbean Central Bank filed a motion to dismiss on the basis of lack of subject matter jurisdiction, personal jurisdiction and forum non conveniens. On March 20, 2017 the Plaintiff filed an amended complaint. On April 27, 2017, the ECCB filed an amended motion to dismiss on the basis of lack of subject matter jurisdiction, personal jurisdiction and *forum non conveniens*.

The Court ordered that this matter and the matter listed at (6) below be heard jointly. The cases were heard on October 26, 2017 and on January 29, 2018 the Court ruled that both proceedings should be stayed pending the outcome of the litigation in Anguilla.

24. Contingencies and commitments...*continued*

Pending litigation….*continued*

5) **Claim No. AXA/HCV2017/0017 BETWEEN**: NATIONAL BANK OF ANGUILLA (PRIVATE BANKING & TRUST) (in administration); Caribbean Commercial Investment Bank Ltd (in administration) (Intended Applicants) and Chief Minister of Anguilla; Attorney General of Anguilla; Gary Moving (as Receiver of the National Bank of Anguilla and Caribbean Commercial Bank); Eastern Caribbean Central Bank (Intended Respondents).

The Intended Applicants have filed application for leave to apply for judicial review of various "decisions" made by the Intended Respondents concerning the implementation of the resolution strategy in respect of National Bank of Anguilla (NBA) and Caribbean Commercial Bank (CCB) including the appointment of the Receiver and the Receiver's actions including his transfer of certain assets and liabilities of NBA and CCB to National Commercial Bank of Anguilla. The application is scheduled to be heard on May 18, 2017.

Subsequently, the Intended Applicants filed an application for a stay of the application for leave to apply for judicial review referenced above until the conclusion of the US proceedings referenced in (5) and (7). On June 14, 2017 the matter was heard by the Court and the stay was granted pending final determination of US matters listed in (4) and (6).

6) **Case No. 17-01058 (SMB) BETWEEN:** CARIBBEAN COMMERCIAL INVESTMENT BANK LTD. ("CCIB") (the Plaintiff) v CARIBBEAN COMMERCIAL BANK (CCB), NATIONAL COMMERCIAL BANK OF ANGUILLA (NCBA) and THE EASTERN CARIBBEAN CENTRAL BANK (the Defendants).

The Complaint was filed May 1, 2017 before the United States Bankruptcy Court Southern District of New York against the Defendants alleging breach of fiduciary duty and gross negligence and seeking judgment, inter alia:

(a) Avoiding transfer of funds to CCB in the amount of at least US$4,481,394.62;
(b) for recovery of transfers to NCBA in an amount of not less than US$2,248,628.46 million;
(c) for recovery of transfers to ECCB of an amount
  (i) not less than US$28,673,612.01 during the two years prior to the Petition Date
  (ii) up to US$67,198,261.96 during the three years prior to the Petition Date
  (iii) up to US$70,023,261.96 during the Conservatorship Period
  (iv) up to US$87,933,896.76 during the six years prior to the Petition Date; and
(d) for damages for breach of fiduciary duty and gross negligence by the ECCB.

The Court ordered that this matter and the matter listed at (5) above be heard jointly. The cases were heard on October 26, 2017 and on January 29, 2018 the Court ruled that both proceedings should be stayed pending the outcome of the litigation in Anguilla.

24. Contingencies and commitments*...continued*

Pending litigation….*continued*

7) **Case No. NEVHCV2-17/0124 BETWEEN:** KEVIN HUGGINS (The Intended Applicant) v THE EASTERN CARIBBEAN CENTRAL BANK (The Intended Respondent).

On September 15, 2017, the Intended Applicant sought leave to file a Judicial Review Claim against the Intended Respondent to quash the purported decision of the Intended Respondent in relation to his fitness to serve on the Board of Directors of Bank of Nevis. The Intended Respondent filed submissions opposing the application. The matter was heard on December 10, 2017 and the court granted the Intended Applicant leave to apply for judicial review. The Applicant filed claim for judicial review on 8 November 2018 and the ECCB filed its response on 11 December 2018. The first hearing is scheduled for 14 May 2019.

8) **Claim No. 56 of 2018 BETWEEN:** FIRST ST VINCENT BANK LIMITED (Applicant) v EASTERN CARIBBEAN CENTRAL BANK (Respondent).

On April 9, 2018, the Applicant filed application for leave to apply for judicial review of the 'decision' of the Respondent imposing penalties of $34.7 million for 'alleged' breaches of the Banking Act of St Vincent of the Grenadines. The matter was heard on 19 July 2018 and a decision was granted in favour of the ECCB dismissing the Application. On 17 October 2018, the Applicant filed notice of appeal of the High Court's decision.

No income has been recorded pending the outcome of the claim.

9) **Claim No. AXA/HCV 2016/0032 BETWEEN:** NATIONAL BANK OF ANGUILLA (PRIVATE BANKING & TRUST) LTD (in administration), CARIBBEAN COMMERCIAL INVESTMENT BANK LTD. (in administration) (the Claimants) v. NATIONAL BANK OF ANGUILLA LTD (in receivership), CARIBBEAN COMMERCIAL BANK (in receivership), NATIONAL COMMERCIAL BANK OF ANGUILLA LTD (NCBA), EASTERN CARIBBEAN CENTRAL BANK (ECCB), MARTIN DINNING, HUDSON CARR, SHAWN WILLIAMS and ROBERT MILLER (hereinafter collectively 'the Defendants').

An amended claim filed by the Claimants on 28 August 2018 against the Defendants (and served on the Central Bank on 7 February 2019) seeks inter alia:

(a) a declaration of breach of fiduciary duty owed to the Claimants by 5th, 6th, 7th and 8th Defendants;

(b) a declaration that certain sums are held by the Defendants on trust for the Claimants;

(c) an order of account and inquiry of such sums in the possession of the Defendants;

(d) an order that the Defendants transfer to the Claimants any sums in the possession of the Defendant identified as part of the account and inquiry;

(e) compensation for breaches of fiduciary duty by 5th, 6th, 7th and 8th Defendants.

The defence is due to be filed by 15 May 2019.

24. Contingencies and commitments*...continued*

Eastern Caribbean Securities Exchange Limited

During the year, the Bank has given the following undertaking and guarantee in respect of the Eastern Caribbean Securities Exchange Limited ("ECSE"), a public limited company registered under the Laws of St. Christopher and Nevis:

- An undertaking to postpone all claims in respect of present and future funds advanced to the Eastern Caribbean Securities Exchange Limited and its wholly-owned subsidiary companies by the Bank up to the year ending 31 March 2019. At the year end, the balance was nil (2018: $2,874,845). The last advance was during the financial year ended 31 March 2005.

- Guarantee cover in the event of a budgeted shortfall in respect of the ECSE and its wholly-owned subsidiary companies for the fiscal year ending 31 March 2019 in an amount not expected to exceed $2,000,000 (2018: $2,000,000).

The above undertaking and guarantee will be reviewed on 31 March 2020 and are irrevocable before this date.

Contractual obligation

The Bank contracted the services of De La Rue (DLR) Cash Systems Inc. to supply onsite labour equipment maintenance and corrective equipment maintenance to keep the CPS 1200 System in good working order or to restore it to good working order as necessary. The total contract is US$600,000 and extends for a period of 120 months effective March 2008. The contract expired in February 2018. The Bank entered into a new contractual arrangement for an additional two years commencing from March, 2018. As at 31 March 2019, the commitment of the Bank was US$76,442 (2018: $90,340).

Leasehold obligation – operating leases

All agency offices operate out of leased premises with lease terms ranging from 1 to 5 years. Lease rentals payable on operating leases are expensed on a straight line basis over the term of the leases.

Minimum lease payments subsequent to 2019 and in aggregate are as follows:

	2019	**2018**
	$	**$**
2019	**994,745**	904,745
2020	**591,100**	397,500
2021	**209,280**	232,268
2022	**95,400**	235,350
2023	**-**	60,000
Thereafter	**-**	770,000
Total minimum lease payments	**1,890,525**	2,599,863

25. Cash and cash equivalents

	2019 $	2018 $
Money market instruments and money at call (note 6)	**1,551,941,766**	1,093,678,052
Regional and foreign currencies	**104,789,886**	68,773,676
Balances with other central banks (note 5)	**14,237,270**	6,223,088
Balances with local banks	**2,691,622**	3,221,502
Balances with foreign banks (note 5)	**52,946**	64,548
Total cash and cash equivalents	**1,673,713,490**	1,171,960,866

26. Net interest income

	2019 $	2018 $
Interest income		
Foreign investment securities	**64,102,291**	45,584,550
Money market instruments and money at call	**37,092,913**	20,372,986
Participating governments' securities	**3,298,956**	3,461,332
Other interest income	**2,908,119**	3,795,436
	107,402,279	73,214,304
Interest expense		
Demand liabilities: domestic	**5,626,041**	2,538,217
Net interest income	**101,776,238**	70,676,087

27. Other income

	2019 $	2018 $
Income from banking licence fees and penalties	**4,345,088**	4,479,000
Pension fund administrative and management fees	**667,887**	675,962
Miscellaneous income	**326,550**	515,440
Rental income	**300,000**	300,000
Gain on futures	**128,902**	78,898
(Loss) gain on disposal of property and equipment	**(1,289,744)**	36,548
Income from reserve requirement	**21,151**	-
Total other income	**4,499,834**	6,085,848

Rental income results from rental of office space to affiliate institutions ECHMB and ECSE, which are covered by leasehold rental contracts.

28. Salaries, pensions and other staff benefits

	2019 $	2018 $
Salaries, wages and other benefits	**30,150,259**	27,685,980
Pension (note 22)	**1,242,000**	1,353,000
Social security	**1,055,301**	983,865
Vacation leave	**417,164**	227,744
Prepaid employee benefit	**44,189**	50,770
Total salaries, pensions and other staff benefits	**32,908,913**	30,301,359

29. Net impairment losses on financial assets

During the financial year, the following (gains) losses were recognised in the statement of profit or loss in relation to impaired financial assets

	2019 $	2018 $
Loss allowance on individually impaired receivables (note 12)	**1,473,678**	-
Impairment losses on financial assets at amortised cost	**205,908**	-
Reversal of previous impairment losses on financial assets at FVOCI (note 9)	**(131,800)**	-
Net impairment losses on financial assets	**1,547,786**	-

30. Administrative and general expenses

	2019 $	2018 $
General supplies and services	**8,172,686**	7,550,167
Professional and consulting fees	**6,156,283**	7,438,370
Utilities expenses	**2,501,089**	2,565,648
Special projects	**1,951,920**	391,908
Training, recruitment and resettlement	**1,283,868**	1,521,487
Travel tickets, accommodation and subsistence	**1,223,223**	924,498
Conference and meetings	**1,034,943**	961,629
Rental expense	**996,895**	928,360
Telephone costs	**779,973**	796,570
Contribution to ECSRC	**764,415**	821,936
Insurance expense	**739,583**	714,218
Legal fees	**454,563**	1,941,821
Other staff expenses and amenities	**409,085**	360,208
Repairs and maintenance	**406,630**	591,098
Staff vacation grant	**360,697**	486,157
Subscriptions and fees	**262,275**	221,269
Community outreach	**218,072**	217,678
Advertising and promotion	**200,459**	134,271
Cafeteria subsidy	**198,396**	16,628
Contingencies	**104,734**	170,887
Affiliate groups	**73,941**	56,885
Contribution to staff association	**70,200**	25,430
Printing and postage	**20,449**	22,846
Directors' travel and subsistence	**13,500**	6,412
Impairment loss on financial assets	**-**	7,159
Contribution to intra-regional central bank games	**-**	1,175,978
Total administrative and general expenses	**28,397,879**	30,049,518

31. Transition to IFRS 9

The following table summarises the impact of adopting IFRS 9 on the Bank's statement of financial position as at 1 April 2018.

	IAS 39 Measurement Catetory	IFRS 9 Measurement Category	IAS 39 Carrying amount at 31 March 2018	IFRS 9 Reclassification	IFRS 9 Remeasurement including ECL	IFRS 9 Carrying amount at 1 April 2018
Regional and foreign currencies	Amortised Cost	Amortised Cost	68,773,676	-	-	68,773,676
Balances with other central banks	Amortised Cost	Amortised Cost	6,223,088	-	-	6,223,088
Balances with foreign banks	Amortised Cost	Amortised Cost	64,548	-	-	64,548
Money market instruments and money at call	Amortised Cost	Amortised Cost	673,187,314	-	-	673,187,314
Money market instruments	AFS (FVOCI)	FVOCI	835,657,516	-		835,657,516
Financial Assets held for trading	FVTPL	FVTPL	656,871	-	-	656,871
Available-for-sale foreign investment securities - AFS	AFS (FVOCI)	FVOCI	3,157,667,399	-		3,157,667,399
To foreign investment securities - FVOCI				(3,157,667,399)	-	(3,157,667,399)
			4,742,230,412	(3,157,667,399)		1,584,563,013
Foreign investment securities - FVOCI	-	FVOCI	-			-
From AFS foreign investment securities			-	3,157,667,399	(470,930)	3,157,196,469
			-	3,157,667,399	(470,930)	3,157,196,469
Cash and Balances with Local Banks	Amortised Cost	Amortised Cost	3,221,502	-	-	3,221,502
Term Deposits	Amortised Cost	Amortised Cost	7,748,428	-	-	7,748,428
Domestic investment securities - AFS	AFS (Cost)	FVOCI	624,186	-	-	624,186
To domestic investment securities - FVOCI				(624,186)	-	(624,186)
			624,186	(624,186)		-
Domestic investment securities - FVOCI	AFS (Cost)	FVOCI	-	-	-	-
From domestic investment securities - AFS			-	624,186	-	624,186
			-	624,186	-	624,186
Participating governments securities	Amortised Cost	Amortised Cost	83,189,928	-	(173,190)	83,016,738
Participating governments advances	Amortised Cost	Amortised Cost	43,330,371	-	(54,580)	43,275,791
Accounts receivable	Amortised Cost	Amortised Cost	12,848,670	-	-	12,848,670
Total Financial Assets			4,893,193,497	-	(698,700)	4,892,494,797
Liabilities						
Demand Liabilities - Domestic	Amortised Cost	Amortised Cost	4,861,299,250	-	-	4,861,299,250
Demand Liabilities - Foreign	Amortised Cost	Amortised Cost	10,425,453	-	-	10,425,453
Financial Liabilities held for trading	FVTPL	FVTPL	219,130	-	-	219,130
IMF Government General Resource Accounts	Amortised Cost	Amortised Cost	1,162,925	-	-	1,162,925
Total Financial Liabilities			4,873,106,758	-	-	4,873,106,758

The adoption of IFRS 9 had no impact on the Bank's financial liabilities.

31. Transition to IFRS 9….continued

The impact of transition to IFRS 9 on reserves at 1 April 2018 is as follows:

	General and other reserves
FVOCI reserve	
Closing balance under IAS 39 (31 March 2018)	(45,288,213)
Recognition of ECL under IFRS 9 for investment securities at FVOCI	470,930
Opening balance under IFRS 9 (1 April 2018)	(44,817,283)
General reserve	
Closing balance under IAS 39 (31 March 2018)	120,456,442
Recognition of IFRS 9 ECLs on FVOCI and amortised cost	(698,700)
Opening balance under IFRS 9 (1 April 2018)	119,757,742
Total change in equity due to adoption of IFRS 9	(227,770)

The following table reconciles the prior year's closing impairment allowance measured in accordance with IAS 39's incurred loss model to the new impairment allowance measured in accordance with IFRS 9's expected credit loss model at 1 April 2018:

Measurement category	Impairment loss under IAS 39 31 March 2018	Reclassification	Remeasurement	ECL under IFRS 9 1 April 2018
Available for sale financial assets under IAS 39/ financial assets at FVOCI under IFRS 9				
Foreign investment securities	-	-	470,930	470,930
	-	-	470,930	470,930
Loans and receivables under IAS 39/ financial assets at amortised cost under IFRS 9				
Domestic debt securities	-	-	227,770	227,770
Accounts receivable	1,179,978	-	-	1,179,978
	1,179,978	-	227,770	1,407,748
Total loss allowance	1,179,978	-	698,700	1,878,678

32. Events after the reporting period

In April 2019, the Bank arrived at an Agreement with the Eastern Caribbean Securities Exchange regarding a long outstanding receivable that was more than 365 days past due. Given the default rate on this receivable, the Bank took the decision to write-off 50 per cent of the receivable, which amounted to $1.47m. The ECSE agreed to issue additional ordinary shares together with redeemable cumulative preference shares to the ECCB to discharge of the remaining balance due to the ECCB.

LIST OF COMMERCIAL BANKS MAINTAINING CLEARING ACCOUNTS WITH THE ECCB

As at 31 March 2019

ANGUILLA

National Commercial Bank of Anguilla Ltd

Scotiabank Anguilla Limited

ANTIGUA AND BARBUDA

Antigua Commercial Bank

Caribbean Union Bank Ltd

CIBC FirstCaribbean International Bank (Barbados) Limited

Eastern Caribbean Amalgamated Bank

RBC Royal Bank of Canada

The Bank of Nova Scotia

COMMONWEALTH OF DOMINICA

CIBC FirstCaribbean International Bank (Barbados) Limited

National Bank of Dominica Ltd

RBC Royal Bank of Canada

The Bank of Nova Scotia

GRENADA

CIBC FirstCaribbean International Bank (Barbados) Limited

Grenada Co-operative Bank Ltd

RBTT Bank Grenada Limited

Republic Bank (Grenada) Limited

The Bank of Nova Scotia

MONTSERRAT

Bank of Montserrat Limited

RBC Royal Bank of Canada

ST KITTS AND NEVIS

Bank of Nevis Limited

CIBC FirstCaribbean International Bank (Barbados) Limited

RBC Royal Bank of Canada

RBTT Bank (SKN) Limited

St Kitts-Nevis-Anguilla National Bank Limited

The Bank of Nova Scotia

SAINT LUCIA

1st National Bank St Lucia Ltd

Bank of Saint Lucia Ltd

CIBC FirstCaribbean International Bank (Barbados) Limited

RBC Royal Bank of Canada

The Bank of Nova Scotia

ST VINCENT AND THE GRENADINES

Bank of St Vincent and the Grenadines Ltd

CIBC FirstCaribbean International Bank (Barbados) Limited

RBTT Bank Caribbean Limited

The Bank of Nova Scotia