DXCDCaribe

Connecting Our Region...Transforming Lives

EASTERN CARIBBEAN CENTRAL BANK

ANNUAL REPORT

2019-2020

REPORT AND STATEMENT OF ACCOUNTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

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Letter of Transmittal

EASTERN CARIBBEAN CENTRAL BANK

19 June 2020

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 2020, 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 Joseph E. Farrell
Premier
MONTSERRAT

Dr The Honourable Timothy Harris
Prime Minister
ST CHRISTOPHER (ST KITTS) AND NEVIS

The Honourable Allen Chastanet
Prime Minister
SAINT LUCIA

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

Tel: (869) 465-2537 • Fax: (869) 465-9562/1051
E-mail: info@eccb-centralbank.org • Website: www.eccb-centralbank.org
SWIFT: ECCBKN

MISSION STATEMENT

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

VISION STATEMENT

To be a model institution deliverng exceptional service and influential policy advise 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 2020

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 Joseph E Farrell
Montserrat

Dr The Hon Timothy Harris
Saint Christopher (St Kitts) and Nevis

The Hon Allen Chastanet
Saint Lucia

The Hon Camillo Gonsalves
Saint Vincent and the Grenadines

BOARD OF DIRECTORS

As at 31 March 2020

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
Saint Christopher (St Kitts) and Nevis

Rosamund Edwards
Commonwealth of Dominica

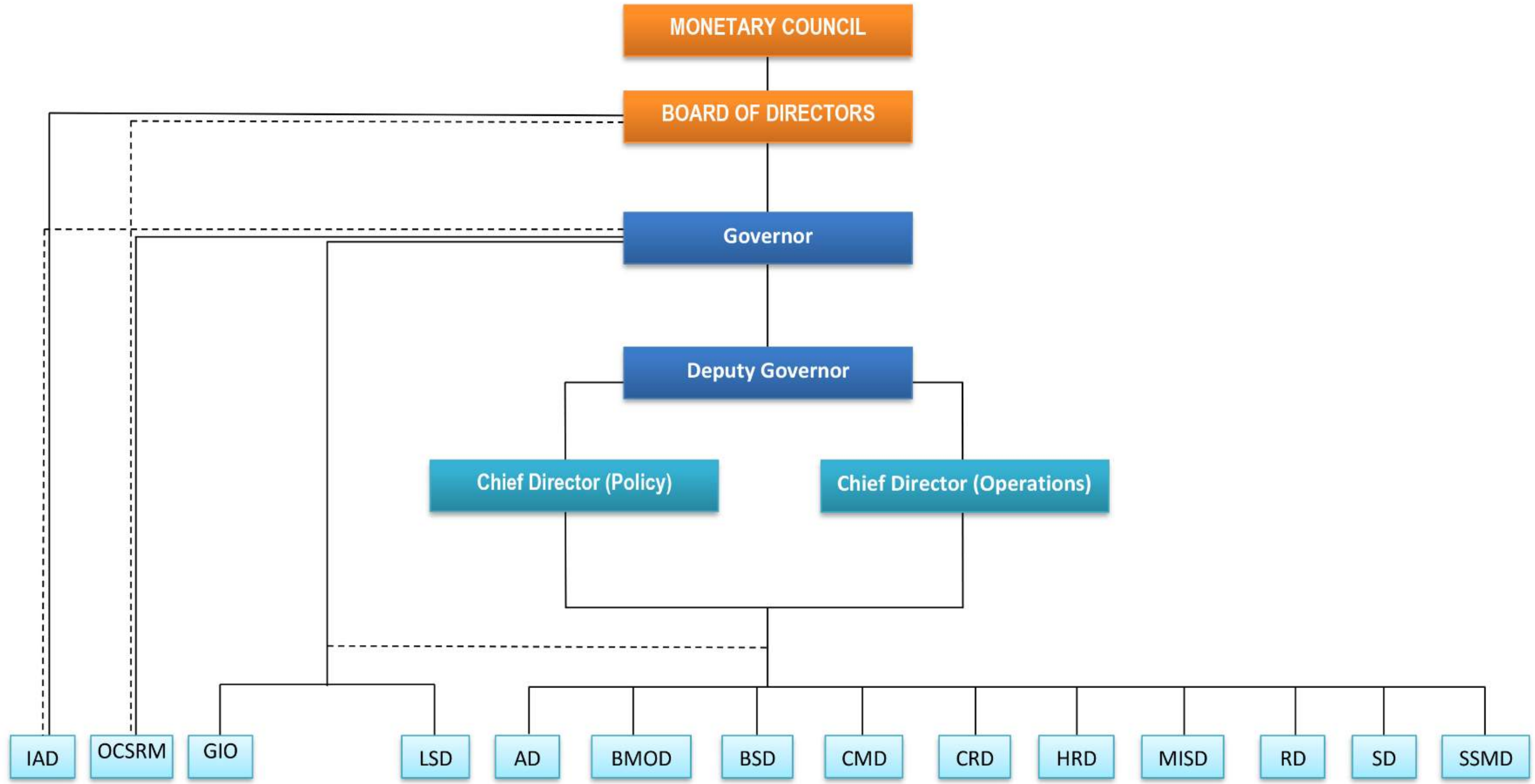
Esther Rigobert
Saint Lucia

Ophelia Wells-Cornwall
Grenada

Edmond Jackson
Saint Vincent and the Grenadines

ORGANISATIONAL CHART

As at 31 March 2020



KEY

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

*Chief Director, Operations (vacant)

MANAGEMENT STRUCTURE

As at 31 March 2020

Executive Committee

Timothy N. J. Antoine
Governor

Trevor Brathwaite
Deputy ***Governor***

D Tracy Polius
Chief Director (Policy)

Senior Management Team

Wayne Myers
Senior Director
Support Services
Management Department

John Venner
Senior Adviser/Unit Head
Advisory Services Unit
Governor's Immediate Office

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

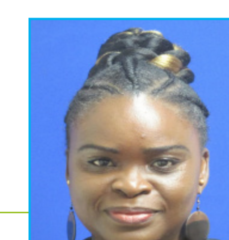
Cindy Parris-Gilbert
Director
Management Information
Systems Department

Sharmyn Powell
Director/Chief Risk Officer
Office of Corporate
Strategy and Risk Management

Senator Samuel
Director
Accounting
Department

Teresa Smith
Director
Statistics
Department

Rosbert Humphrey
Director (Ag)
Currency Management
Department



Shermalon Kirby
Director (Ag)
Corporate Relations
Department

Jolene Newton
Director (Ag)
Human Resource
Department

Patricia Welsh
Director (Ag)
Research
Department

Karen Williams
Senior Project Specialist/Unit Head
Projects and Tech. Assistance Unit
Governor's Immediate Office

MANAGEMENT STRUCTURE

As at 31 March 2020

Senior Management Team

Accounting Department
Shanna Herbert - ***Deputy Director***

Banking and Monetary Operations Department
Francis Fontenelle - ***Senior Banking Specialist***
Allison Stephen - ***Senior Banking Specialist***
Lynette Griffin - ***Deputy Director***
Niall Pistana - ***Deputy Director***
Gillian Skerritt - ***Legal Specialist***
Chay Grant - ***Deputy Director (Ag)***

Bank Supervision Department
Humphrey Magloire - ***Senior Information Systems Specialist***
Shawn Williams - ***Senior Bank Supervision Specialist***
Allison Crossman - ***Deputy Director***
Angela Rouse - ***Deputy Director***
Laurel Seraphin-Bedford - ***Deputy Director***

Corporate Relations Department
Beverley Edwards-Gumbs - ***Deputy Director***

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

Governor's Immediate Office
(Projects and Technical Assistance Unit)
Kennedy Byron - ***Senior Project Specialist***
Sybil Welsh - ***Senior Project Specialist***

Human Resource Department
Merva Mallelieu - ***Deputy Director (Ag)***

Internal Audit Department
Maria Cumberbatch - ***Senior Audit Specialist***

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

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

Statistics Department
Seana Benjamin-Mack - ***Deputy Director***
Juletta Edinborough - ***Deputy Director***
Leah Sahely - ***Deputy Director***

Support Services Management Department
Danny Caine - ***Chief of Security***
Adaeze Matthew-Hanley - ***Deputy Director (Ag)***

AGENCY OFFICES

As at 31 March 2020

Country Managers

Shirmaine Lynch-Harrigan
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Frenches
Kingstown
ST VINCENT AND THE GRENADINES
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E-mail: eccbsvd@eccb-centralbank.org

Highlights of the Year

29 May 2019

The new family of EC Polymer Notes was launched during an official ceremony in Grenada. Chairman of the ECCB Monetary Council, Dr the Right Honourable Keith Mitchell, Prime Minister and Minister of Finance for Grenada and Governor of the ECCB, Timothy N. J. Antoine were the key speakers.

The new $50 was the first in the series to be released. It features a portrait of the former Governor of the ECCB, the late Honourable Sir K Dwight Venner. The Chairman of the Monetary Council presented an encapsulated $50 note to the wife of the late Governor, Lady Lynda, during the ceremony.

Governor, ECCB, Timothy N. J. Antoine (right) presents encapsulated $50 Polymer note to ECCB Monetary Council Chairman, Dr The Right Honourable Keith Mitchell at official launch of family of EC polymer notes

15 June 2019

The ECCB, in collaboration with the OECS Commission, the Caribbean Netball Association and the Saint Vincent and the Grenadines Netball Association, hosted the inaugural OECS/ECCB International Netball Series in Saint Vincent and the Grenadines. Five teams from across the OECS competed in the tournament held from 15-21 June. Team Grenada captured the Gloria Ballantyne Championship Trophy.

The Series replaced the OECS/ECCB Under-23 Netball tournament, which the ECCB sponsored from 1991-2018.

Chairman, ECCB Monetary Council, Dr The Right Honourable Keith Mitchell presents encapsulated $50 polymer note to Lady Lynda, wife of the former Governor of the ECCB, the late Honourable Sir K Dwight Venner

23 July 2019

The Bank launched the Eastern Caribbean Currency Union (ECCU) Public Debt and Market Information Web Portal, the new source of accurate and timely market and investor information for ECCB Member Governments. The portal was developed in collaboration with the Member Governments and the International Monetary Fund (IMF) and was one of the deliverables of the ECCB Strategic Plan 2017-2021.

7 September 2019

The face of the ECCU banking system changed with the ECCB's approval of the application for the transfer of the assets and liabilities of the Bank of Nova Scotia (BNS) to the Republic Financial Holding Limited (RFHL) in Anguilla, the Commonwealth of Dominica, Grenada, Saint Christopher (St Kitts) and Nevis, Saint Lucia and Saint Vincent and the Grenadines, pursuant to Section 43 of the Banking Act 2015. Approval of the application was granted in consultation with the ECCB Monetary Council.

Highlights of the Year

6 November 2019

Governor of the ECCB, Timothy N. J. Antoine presented the Inaugural Bank of the Year Awards to the commercial banks operating in the ECCU which exhibited commitment and service excellence to the people they serve, through their business practices and policies.

The Bank of the Year Awards replaced the Best Corporate Citizen Awards Among ECCU Commercial Banks, which the ECCB presented from 1997 to 2017.

7 November 2019

The ECCB hosted the Inaugural Conference with Financial Institutions under the theme: *A Region for the Future: Charting New Pathways in an Era of Disruption.* The conference replaced the Annual Commercial Banks Conference which the Bank commenced hosting in 1990.

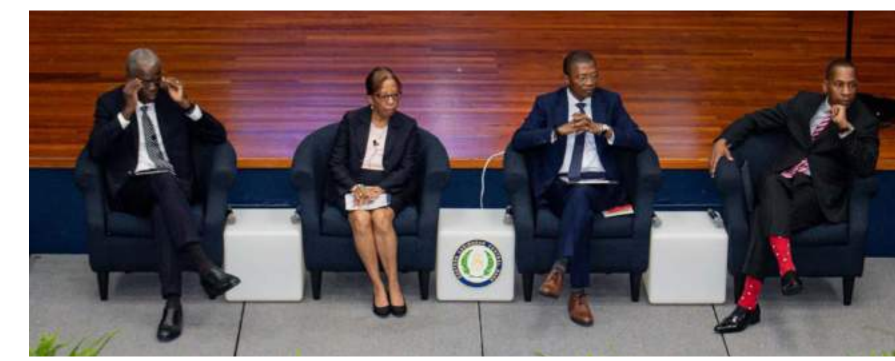
19-21 November 2019

The ECCB, in collaboration with Caribbean Economic Research Team (CERT), hosted the 51st Annual Monetary Studies Conference under the theme: *Socioeconomic Transformation in the Caribbean: Policy Implications of the Fourth Industrial Revolution.* Over 25 institutions including Central Banks and universities were represented; most of the participants were from across the Caribbean.

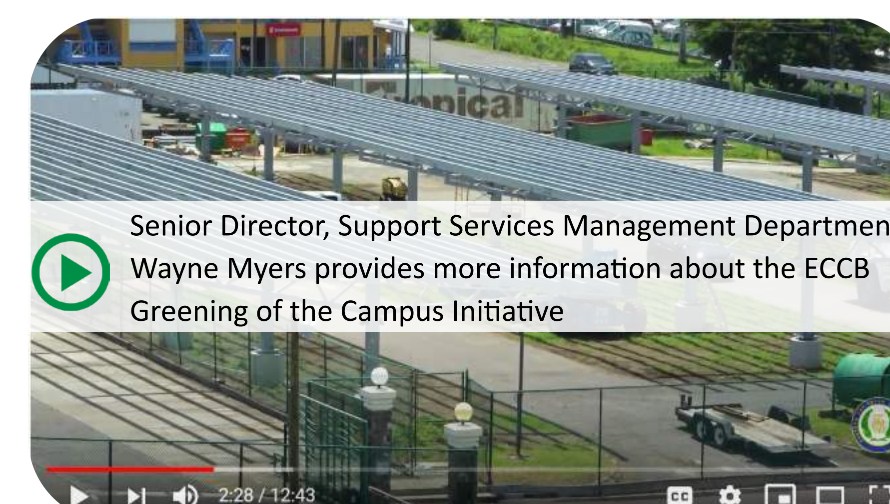
11 December 2019

Phase I of the ECCB Solar Canopy Project went live as the ECCB worked to reduce its carbon footprint and generate renewable energy. The project was part of the broader ECCB Greening of the Campus Initiative, which aims to achieve the Bank's goal of carbon neutrality by 2022.

Recipients of the Inaugural ECCU Bank of the Year Awards at Ceremony, November 2019



Governor, ECCB, Timothy N. J. Antoine (first from right) and other regional Central Bank governors as panellists at 51st Annual Monetary Studies Conference



Governor's Foreword

Navigating an Unprecedented Crisis Toward a Transformed and Resilient Region

"In a crisis, be aware of the danger – but recognise the opportunity." ~ John F. Kennedy

History will record the year 2020 as a watershed moment in our time, a time like no other for our generation. This period will be examined not merely by the impact of the unprecedented COVID-19 pandemic that is currently causing pandemonium across our world, but by our response. We must adopt a growth mindset, even as we tackle the health and economic crisis, lift our economies from the abyss and emerge stronger and more resilient.

The Eastern Caribbean Central Bank (ECCB) recognises the gravity of this moment. A moment characterised by intense heartache as we mourn the loss of lives across the Eastern Caribbean Currency Union (ECCU) and in the diaspora, due to COVID-19. The health and human toll of the COVID-19 disease is compounded by its economic and financial fallout, as it continues to disrupt every facet of our everyday lives. As countries around the world and in the region moved to shut their borders and economies to safeguard lives, livelihoods became the second round casualties of the pandemic. Tourism ground to a halt, with devastating spill-over effects and our economies have been in free fall ever since. Unemployment is estimated to be as high as 50.0 per cent in some member countries. Revenues have plummeted by at least 50.0 per cent. At all levels of society, some of our best-laid plans have been confounded as we have all had to adjust to new ways of doing things and to embrace a new normal in this COVID-19 world.

At the ECCB, we have been exploring all the tools in our policy arsenal and beyond, to respond swiftly to the COVID-19 crisis and the cries for help that came from our member countries:

1. In March 2020, we provided a $4.0 million grant to our countries – $500,000 each – towards procuring critical testing and medical equipment and supplies to deal with the immediate health needs and ensure quick containment of the coronavirus.
2. In March 2020, the ECCB increased the share of the fiduciary issue allocated to governments to 75.0 per cent from 60.0 per cent. This was to assist our member governments with closing their extraordinary financing gaps – estimated to be upwards of $2.2 billion to $2.7 billion. These gaping needs result from the significant revenue shortfalls and the care and relief packages implemented to mitigate the impact of the COVID-19 crisis on livelihoods.
3. Mindful of the need to provide concessionary financing, the Central Bank recommended a reduction in the discount rate to 2.0 per cent from 6.5 per cent. The discount rate is the rate at which the member governments and commercial banks borrow from the Central Bank.
4. The Bank continued its advocacy to the international community, on behalf of the member countries, for debt standstill and improved access to concessional financing as additional means for providing liquidity support.
5. In March 2020, the Bank supported the agreement reached by ECCU commercial banks to offer a six-month loan repayment moratorium to their customers to provide some financial reprieve.
6. As part of its financial stability mandate, the ECCB prepared regulatory guidance for licensed financial institutions to help manage the COVID-19 pandemic.

7. The Bank has also focused on ensuring business continuity by deploying full telecommuting mode in March 2020:
    - To make it more feasible to comply with the health protocols that are necessary for protecting staff lives and flattening the curve.
    - To ensure that the organisation could continue to effectively serve the region through this period of crisis.

Prior to the onset of the pandemic, the ECCB's financial year 2019/2020 opened in a global environment that was already showing signs of a slowdown. At the time, the International Monetary Fund (IMF) had forecast a growth rate of 3.3 per cent for 2019. Indeed, global growth slowed to 2.9 per cent in 2019. Despite the slowdown in the global economy, the ECCU region recorded robust growth of 3.2 per cent in 2019 as the post-hurricane recovery continued inching towards our growth target of 5.0 per cent.

The challenges of the COVID-19 pandemic now seek to make a mockery of this and other targets, which are vital to our goal of socio-economic transformation and resilience.

Yet, prior to and even in the midst of the pandemic, your Central Bank delivered in 2019/2020 on the goals outlined in the Strategic Plan 2017-2021, supported by strong partnerships regionally and internationally.

The foremost priority for our Central Bank is to maintain a strong and stable EC dollar. In that regard, the Central Bank maintained sufficient reserves to ensure monetary and price stability. By the end of the 2019/2020 financial year, the backing ratio for the EC dollar stood at 101.07 per cent, indicating a significant buffer above the statutory minimum backing of 60.0 per cent, that could be used for absorbing economic shocks. Additionally, considerable work was undertaken in regard to development and testing of the DXCD application in preparation for the launch of the pilot. In the financial year 2019/2020, we also enhanced the security and durability of our EC notes through the issuance of a new collection of cleaner, safer and stronger notes made from polymer.

ECCB' s Response to COVID-19 Crisis

- ☑ Provided a $4.0 million grant to member countries
- ☑ Increased share of fiduciary issue allocated to governments to 75.0 per cent from 60.0 per cent
- ☑ Reduced Discount Rate to 2.0 per cent from 6.5 per cent
- ☑ Continued advocacy to international community for debt standstill and improved access to concessional financing
- ☑ Supported ECCU commercial banks' agreement to offer a six-month loan repayment moratorium
- ☑ Prepared regulatory guidance for licensed financial institutions
- ☑ Deployed full telecommuting mode

The Bank continued to press forward with reforms to ensure a strong, diversified and resilient financial sector. We provided regulatory guidance through the issuance of prudential standards on the treatment of impaired assets. We advanced our research on developing an optimal regulatory framework that closes regulatory gaps and delivers a comprehensive regulatory architecture that is fit for purpose. The Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) has been established, with a board and staff in place. In several of our countries, we secured the passage of some key pieces of legislation that are necessary for supporting the reforms being proposed with respect to strengthening the financial sector. Also, a draft Insurance and Pension Bill was further revised and consultations commenced during the year. The initiative to create a modern credit ecosystem made progress with the ECCB's approval of a license application by Creditinfo International Ltd to establish and operate a regional credit bureau. The Deposit Insurance project, an essential component of a new risk management infrastructure, also moved forward in its development of a policy concept and draft bill with support from the World Bank. Other collaborations under this strategic goal include the three-year project to strengthen the supervisory frameworks for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) funded by the Caribbean Development Bank (CDB), Canada and ECCB. Another collaborative initiative is the Secured Transactions/Collateral Registry project with the International Finance Corporation that commenced this financial year.

While fiscal policy is the purview of the member governments, given the importance of fiscal and debt sustainability to monetary stability and economic development, the Bank has committed to an advisory role with respect to fiscal governance and reform. Under Goal Three – be the advisor of choice to our Participating Governments in pursuit of fiscal and debt sustainability – first, we note that as at December 2019, the ECCU's Debt-to-GDP ratio stood at 68.2 per cent. While this ratio was slightly elevated compared with the 68.1 per cent recorded for the preceding year, our debt ratio target of 60.0 per cent by 2030 was still within reach. In partnership with the member governments and the IMF, we were pleased to deliver on our commitment to provide a regional public debt website. In July 2019, we launched the ECCU Public Debt and Market Information Web Portal to disseminate accurate and timely information. With support from the Commonwealth Secretariat, the Bank launched a new debt management system, Commonwealth Meridian. The Bank continued to advise member governments to build fiscal resilience by enacting fiscal resilience legislation and embedding disaster-linked clauses in new loan contracts. Further, to strengthen the governance of Citizenship by Investment Programmes (CBI/CIP), the Bank supported the adoption of a regional approach to standard setting and pricing of these programmes. We also encouraged the use of CBI/CIP inflows for productive sectors, resilience building and debt reduction.

The ECCB Agreement mandates that the Bank engage in activities that contribute to the development of the region. In the financial year 2019/2020, to meet our obligation to actively promote the economic development of our member territories, the Bank hosted the Fourth Growth and Resilience Dialogue with Social Partners in February 2020 under the theme "Regional Transformation through Innovation". The Dialogue was organised around three themes that have since taken on even more relevance in our pandemic world: digital economy; renewable energy; and digital payment system. The thrust of the Fourth Dialogue was in keeping with a broader regional collaboration on a Caribbean Digital Transformation Programme (CARDTP) with the World Bank and regional agencies such as the Organisation of Eastern Caribbean States (OECS) Commission, the Eastern Caribbean Telecommunications Authority (ECTEL) and the Caribbean Telecommunications Union (CTU). The World Bank is providing financing for three components under this initiative: digital ecosystem; digital infrastructure, platforms and services; and digital skills and entrepreneurship. During the financial year 2019/2020, the Bank participated in consultations across the region on the CARDTP.

During the 2019/2020 financial year, our work to enhance organisational effectiveness to ensure responsiveness and service excellence included implementing an enhanced structure for the Governor's Immediate Office to sharpen the focus of the Office in the areas of policy work and project execution. In a similar vein, the Office of Corporate Strategy and Risk Management was established to give greater institutional support to our risk management function and to provide a more integrated approach to the strategic planning and monitoring functions of the Bank. We commissioned a panel review of the Research Department with a view to strengthen the research arm of the Bank and enhance the influence of our policy work. We launched our inaugural Emerging Leaders' Programme with the first cohort of participants, to equip our up and coming leaders with the necessary skills to be effective in their future roles.

In keeping with our commitment to be good stewards of the environment by reducing our carbon footprint and achieving carbon neutrality by 2022, in December 2019, we completed Phase I of our Solar Canopy Project under the Greening of the ECCB Campus Initiative. Part of the ECCB campus is now being powered using electricity generated from renewable energy. To enhance our statistical capacity, Phase II of the Statistical Enterprise Solution, powered by SAS, went live in June 2019. To continue with our citizen engagement and stakeholder relations, we launched the third round of the Country Outreach Programme with missions to Saint Lucia in January 2020 and the Commonwealth of Dominica in March 2020. We enhanced our business continuity and disaster recovery plan in time for full deployment of telecommuting mode at the onset of the COVID-19 pandemic in March 2020. For a fourth consecutive year, the Bank recorded a profit – to the tune of $63.1 million, the highest ever.

For a fourth consecutive year, the Bank recorded a profit – to the tune of $63.1 million, the highest ever.

Notwithstanding the achievements of the 2019/2020 financial year, we are cognisant of the very difficult year ahead for the region and the Bank as we continue to grapple with the health, social and economic challenges posed by the evolving COVID-19 crisis. While the situation remains fluid and no one knows the length and severity of the pandemic and its related economic fallout, we are hopeful that "the end of the beginning" may be in sight, to quote Churchill. In its April 2020 World Economic Outlook, the IMF projected the most dismal global economic performance in recent memory: a contraction of 3.0 per cent in 2020. With virtually every region of the world affected, in some sense, COVID-19 has proven to be the great leveller. For 2021, the IMF predicts a rebound of growth to 5.8 per cent. Going forward, depressed oil prices due to a contraction in demand and declining storage capacity will provide some relief, but the economic reality for the tourism-dependent region remains grim. The ECCB projects a contraction in real GDP of between 10.0 per cent and 20.0 per cent for the ECCU in 2020, in sharp contrast to the 3.3 per cent growth that was projected before the start of the crisis. At the time of writing, the projected growth rate for 2021 for the ECCU is 5.2 per cent but remains subject to a great uncertainty and the risk remains for a protracted U-shaped recovery. We are also mindful that while we may have escaped the 2019 Atlantic Hurricane Season, the perennial threat of hurricanes is yet upon us again.

As we look forward to the financial year 2020/2021, our focus is clarified by the urgency of our transformation agenda, which compels us to press ahead even as we continue to respond to the immediate needs associated with the COVID-19 pandemic. While no one can accurately predict exactly what this future "normal" will look like, we have an opportunity to shape that future for ourselves. That future will clearly be influenced by our ability to accelerate our digital transformation and build resilience. We will support this transition by giving impetus to the following activities in the upcoming financial year:

Monetary Stability

- Maintain high level of foreign serves and backing of the EC dollar; and
- Implement the Digital EC Cash Pilot Project.

Financial Stability

- Support banks and licensed financial institutions with liquidity, if needed
- Continue with the implementation of the Risk Based Supervisory Framework
- Complete research work and consultations on the optimal regulatory framework for the ECCU; and

Fiscal and Debt Sustainability

- Continue to support member governments by providing technical advice and through capacity building; and
- Continue to assist member countries through advocacy as they seek to close their financing gaps and return to a sustainable debt trajectory.

Growth, Competitiveness and Employment

- Fully operationalise the Eastern Caribbean Partial Guarantee Corporation.
- Commence implementation of the Caribbean Digital Transformation Programme in collaboration with member countries, the OECS Commission, ECTEL, IMPACS, CTU and the World Bank; and
- Host the Fifth Growth and Resilience Dialogue with Social Partners.

Organisational Effectiveness

- Complete Phase II of the Greening of the ECCB Campus Project;
- Launch the ECCB Digital Dialogues and an ECCB Blog as additional platforms for citizen engagement, and for providing thoughtful and influential policy advice;
- Implement a Change Management Project within ECCB;
- Continue work towards the publication of the ECCU Policy Handbook; and
- Launch ECCB's 2021-2026 Strategic Plan.

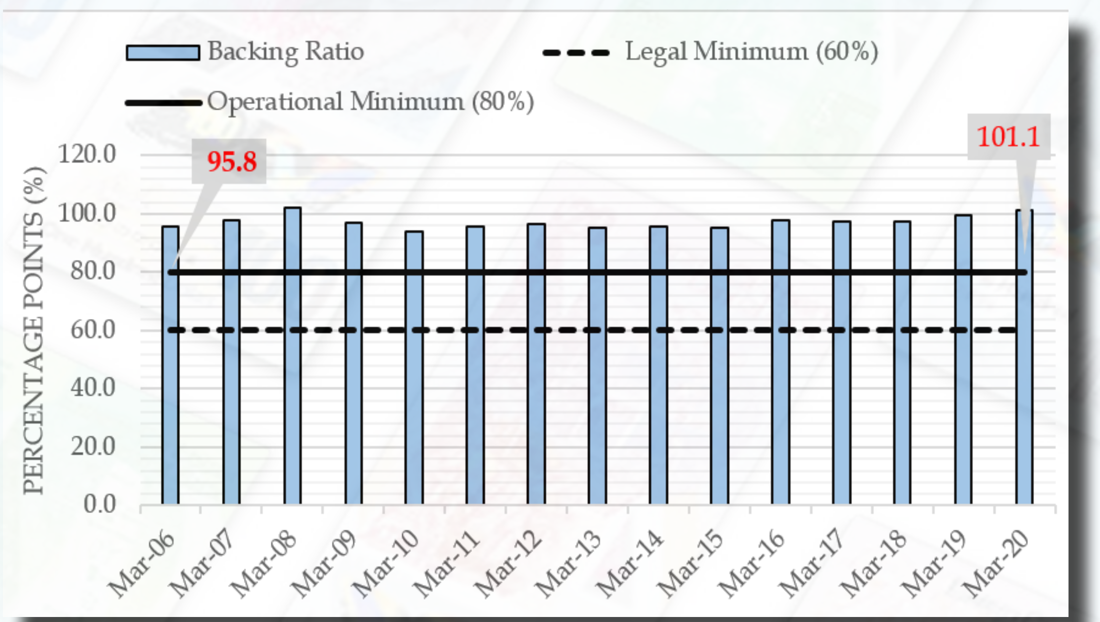
Crises test our mettle and help to bring out the best in us. No finer example of this exists than among the warriors on the frontline of our war on COVID-19. I express profound gratitude to the medical professionals and allied health care workers who are risking their lives to take care of the sick and protect us. I also thank all other essential workers. The ECCB family salutes you for your courage, service and sacrifice.

I am grateful for the unwavering support the Bank and I have received from the Monetary Council and the Board of Directors throughout this year of tremendous achievement and difficult challenges. My colleagues on the Executive Committee – the Deputy Governor and the Chief Director (Policy) – have supported me as we have navigated this year of highs and challenges and I convey my thanks to them. The Management Team and the Staff of the ECCB worked tirelessly throughout the year to deliver the achievements highlighted in this Report. I am heartened by, and grateful for, how they have embraced telecommuting and rose to the challenge to serve our region in its time of greatest need.

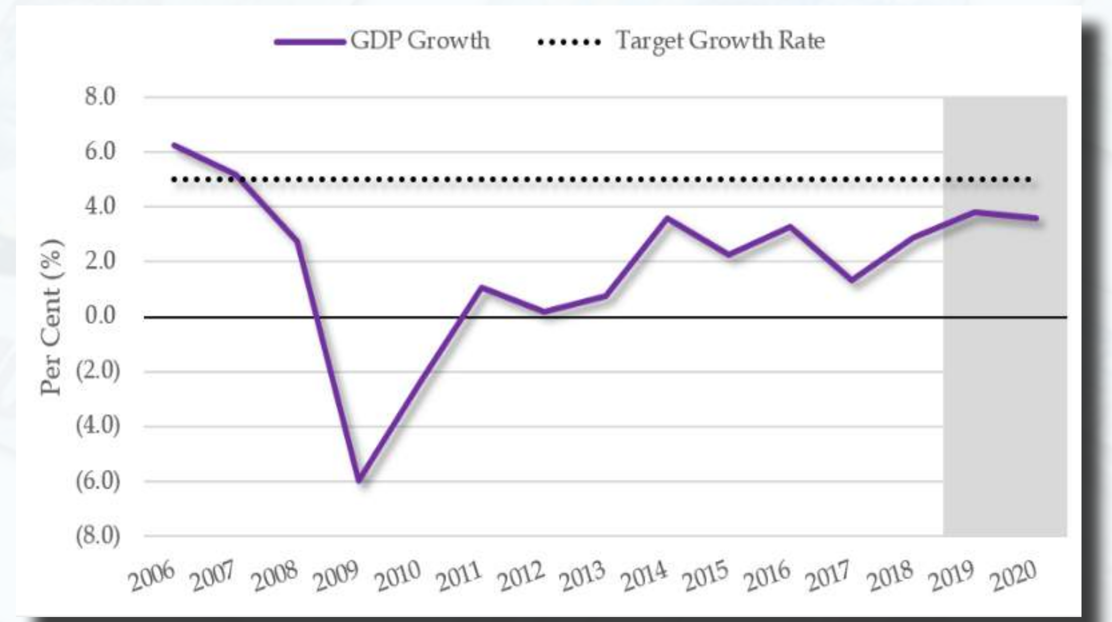
May God continue to establish the work of our hands and guide our region towards a prosperous and more resilient future.

1 Monetary Stability

Backing Ratio With Statutory and Operational Limits - 2006 to 2020



Real GDP Growth ECCU 2006-2020



Import Cover (Good and Services)

As at 31 March 2020, foreign reserves totalled EC$5.0 billion. That value was deemed adequate for monetary and exchange rate stability.

MONETARY STABILITY

Maintain Sufficient Foreign Reserves to Support the EC Dollar

As at 31 March 2020, foreign reserves totalled EC$5.0 billion. That value was deemed adequate for monetary and exchange rate stability.

The Bank engaged in analytical and relevant research on matters relating to a cashless society, the digital currency, the ECCB's reserves and the EC currency. A paper titled: *The Optimal Level of Reserves in the ECCU*, was presented at the 51st Annual Monetary Studies Conference in November 2019. Additionally, during the period under review, the Bank prepared a paper on *Developing a Currency Forecasting Framework for the ECCB*.

Reserve Management

The financial year saw rising yields on shorter-dated debt issued by the United States of America (USA) 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. Yields on debt issued by the USA declined dramatically during the last quarter of the financial year due to emergency monetary policy actions by the Federal Reserve to avoid a financial crisis exacerbating the looming economic slowdown due to the COVID-19 pandemic. The result was a significant increase in the value of the foreign reserve portfolio due to capital appreciation as bond prices moved inversely to yields.

Review and Adoption of a Revised Reserve Management Framework

The Bank continued the implementation of the revised foreign reserve management framework as articulated in its Foreign Reserve Management Investment Policy. The key achievements attained during the financial year 2019/2020 included the following:

- Implementation of a third foreign reserve tranche for seeking relatively higher investment returns. The newly created tranche allows for an allocation to US Agency Mortgage Backed Securities, and utilises a relatively longer investment horizon;
- Execution of the approved foreign reserve money manager framework. Consequently, the Bank engaged in a selection process for asset managers; and
- Establishment of a Risk and Analytics Unit (RAU) to support the reserve management operations of the ECCB. The functions of the RAU include:
    1. Leading the development of the reserves management investment policy and investment guidelines;
    2. Conducting analytical studies, including generation and review of the Strategic Asset Allocation (SAA);
    3. Measuring and monitoring market and credit risks in the portfolio, and compliance with investment guidelines; and
    4. Evaluating the performance of the portfolios and providing periodic reporting to management, the Reserves Management Committee, and the Board on these activities.

Chart 1 - Foreign Reserves

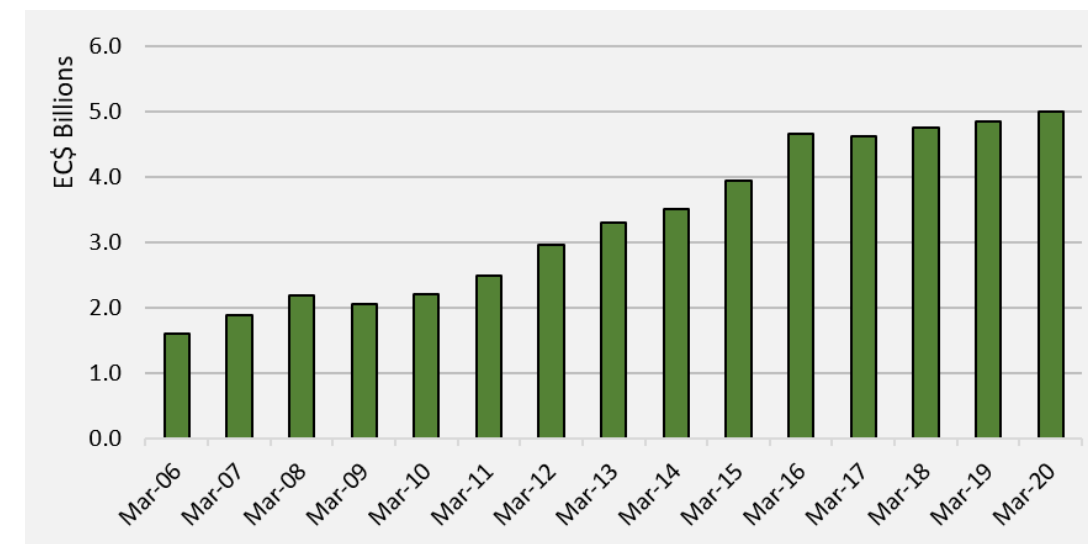


Chart 2 - Growth Rate of Monetary Liabilities (M2) and Private Sector Credit

MONETARY STABILITY

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

A key responsibility of the Bank is the production of the Monetary and Credit Conditions Report, which serves to ultimately advise the Monetary Council, and the Board and the Governor of the ECCB on the status of, and developments in, monetary and credit aggregates in the ECCU. The report uses data and information provided by the Statistics Department, and data from international organisations to assess and project money and credit variables.

During the year, the Bank's monetary policy objectives were maintained; the Minimum Savings Deposit Rate of 2.0 per cent and the Discount Rate of 6.5 per cent rate were maintained and the currency peg remained backed by a high level of foreign reserves. Recommendations to the Monetary Council focused on policies for addressing structural bottlenecks in the economy and labour market rigidities; promoting innovation as a central focus in the transformation thrust; building resilience on multiple dimensions to reduce vulnerabilities and safeguard gains; and the need for urgent attention to be directed at addressing threats to financial sector stability.

In its continued efforts to ensure that conditions were consistent with the ECCB Agreement, the ECCB also monitored and prepared reports on the banking system and overall ECCU liquidity; maintenance of the required 6.0 per cent reserves; and the status of governments and related accounts.

In response to the COVID-19 pandemic, the Bank prepared a comprehensive strategy to support the Currency Union during this period of economic and social distress. The strategy outlined some monetary policy interventions to provide liquidity assistance to Member Governments and banks, while safeguarding the stability of the exchange rate and the financial system.

Plan to Maintain a Strong and Stable EC Dollar

The External Sector Statistics (ESS) are important indicators utilised in the conduct of monetary policy. The statistics for 2018 were released in December 2019, while the projections for 2019 to 2021 were released at the end of the financial year under review.

On the development front, follow-up discussions were held with the External Sector Statistics Adviser at the Caribbean Regional Technical Assistance Centre (CARTAC) regarding back-casting the series so that historical information is available for research and policy purposes. The back-casting exercise became necessary because of the Bank's transition to the standards prescribed by the Sixth Edition of the Balance of Payments Manual and the International Investment Position Manual from the Fifth Edition.

In November 2019, collaboration between the CARTAC and ECCB resulted in the hosting of an external debt statistics workshop for the ECCU member counties. The workshop brought together stakeholders from the national statistics offices, debt management units, ECCB and the CARTAC. The workshop provided information on the methodological framework used to compile external debt statistics while providing a medium to discuss challenges in and solutions to compiling debt data in the ECCU. The linkages between external debt statistics and the Balance of Payments and International Investment Position were also highlighted.

Scenes From External Debt Statistics Workshop - November 2019

2 Financial Sector Stability

Inaugural Conference with Financial Institutions

FINANCIAL SECTOR STABILITY

In fulfilling its mandate to maintain financial stability, the ECCB 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.

Enhance Risk-Based Supervisory and Management Framework

Enhanced Supervision of Licensed Financial Institutions (LFIs):

Since the implementation of the Risk-based Supervision (RBS) Framework in March 2018, the Bank successfully completed its work plan related to the risk-based onsite examinations of LFIs.

The ECCB continued to provide oversight of the Receiverships of ABI Bank Ltd in Antigua and Barbuda, and the National Bank of Anguilla Ltd (NBA) and Caribbean Commercial Bank (Anguilla) Ltd (CCB) in Anguilla, subsequent to their resolution on 27 November 2015 and 22 April 2016, respectively. The National Commercial Bank of Anguilla (NCBA) and the Receiver for NBA and CCB concluded transactions that are necessary for the transitioning of NCBA from a bridge bank to a full fledge commercial bank.

The Bank commenced assessments of information technology (IT) and security risk, to ensure that the financial institutions in the ECCU have adequate IT governance, cyber-security platforms and controls to mitigate against IT risks. Six IT on-site examinations were conducted during the 2019/2020 financial year; two Bank Examiners continued training to anchor this new initiative.

The Bank also continued to promote adherence to the Banking Act 2015. To enlighten financial institutions and the public on the requirements of Part XII of the Banking Act (Abandoned Property), Frequently Asked Questions and responses related to abandoned property balances and safe deposit boxes were published on its website. Regulations for the administration of abandoned property were also drafted and discussed with Member Governments and the banking community.

Republic Financial Holding Limited (RFHL) Acquisition of the Bank of Nova Scotia (BNS) Branches in the ECCU

The ECCB approved Republic Bank's acquisition of BNS' operations in six member countries (Anguilla, the Commonwealth of Dominica, Grenada, Saint Christopher (St Kitts) and Nevis, Saint Lucia and Saint Vincent and the Grenadines), following extensive research and collaboration with key stakeholders. The Bank continues to monitor the operations of Republic Bank across the currency union.

International Financial Reporting Standard (IFRS) 9 Implementation

The ECCB continued to monitor the implementation of measures by LFIs, to ensure compliance with IFRS 9 and continues to provide support to those that are experiencing implementation challenges.

Republic Financial Holding Limited Team Meets With ECCB

L-R: Governor Antoine; Managing Director, Republic Bank (EC) Limited, St Kitts and Nevis - Michelle Palmer-Keiser; Bank Examiner, ECCB - Damille James; Country Manager, Republic Bank (EC) Limited, St Kitts and Nevis Branch - Pamela Herbert; Director, Bank Supervision Department, ECCB - Christopher Louard

FINANCIAL SECTOR STABILITY

Financial Stability Report

Enhancing the risk-based supervisory and management framework requires the ECCB to report on risks emanating within the financial sector at the macroeconomic level. The Financial Stability Report is a key reporting tool of central banks globally. The Report is based on analysis of the commercial banking sector, the credit union sector and the insurance sector in the ECCU. To facilitate the analysis of these risks, the Bank works with the Single Regulatory Unit (SRU) in each member country to collect and analyse the data for the credit union and insurance sectors.

The Financial Stability Report was produced three times during the financial year 2019/2020. The Bank also produced an infographic to highlight the key messages of the Report in November 2019.

Develop a Macro-Prudential Framework

The Bank continued to work towards the development of the macro-prudential policy framework for the ECCU region. The goal of this framework is to assess risks across the financial sector and make recommendations on an appropriate course of action to mitigate any risk that threatens the stability of the financial sector. Several initiatives have already been achieved toward this goal, including the development of a suite of indicators to assess stability and the publication of three Financial Stability Reports (2016, 2017 and 2018). Moreover, the Bank continued to offer advice to develop a macro-prudential framework. It also established a Regional Financial Stability Committee and encouraged Member Governments to enact legislation to give the ECCB powers to undertake macro-prudential policy.

Issuance of Prudential Standards

The ECCB continued to revise existing and draft new prudential standards to strengthen its regulatory framework and increase financial sector resilience. Standards relating to Internal Auditing and Permissible Activities were issued in December 2019, and came into effect on 1 January 2020. Standards on Treatment of Impaired Assets, Corporate Governance, Outsourcing, Fitness and Probity, Operational Risk, Consolidated Supervision, and Holding Companies are being finalised for issuance by September 2020.

A suite of Basel-related standards which cover capital, credit risk, market risk and interest rate risk, is being finalised for issuance by the end of December 2020.

The commercial banks' revised and new prudential returns were implemented in January 2020. The balance sheet data submitted by banks were revised to meet international requirements of the monetary and financial statistics. Additional data on the payments system and loans by economic sector based on the International Standard Industrial Classification revised version 4.1 (ISIC Rev 4.1) were also introduced during the period. A new form to capture all real estate lending activity, including funded loans and declined loans on an annual basis, was also introduced during the period.

Read Financial Stability Report

FINANCIAL SECTOR STABILITY

Phase II of the Statistical Enterprise Solution (SES) went live in June 2019. The solution supports web-based technology and covers collection, processing, storage and the dissemination of data. Commercial banks currently upload data through a secure web server and can access various reports using their own data.

Deliver New Risk Management Infrastructure to Support the ECCU Financial Sector

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

During the year, the ECCB has made significant progress towards the development and implementation of its AML/CFT Supervision Framework. The relevant tools and documents to support the framework are being finalised. These include: the AML/CFT Supervision Manual; a Prudential Return that captures information used to develop an AML/CFT risk profile for each LFI; and an AML/CFT Prudential Standard for institutions licensed under the Banking Act.

The Bank continued to encourage the relevant Member Governments to amend the necessary AML/CFT legislation to name the ECCB as the AML/CFT supervisory authority for its licensees. To date, the ECCB is named as the AML/CFT supervisory authority for institutions licensed under the Banking Act in Antigua and Barbuda, the Commonwealth of Dominica, Grenada, and Saint Vincent and the Grenadines, and has limited authority in Saint Lucia.

The ECCB conducted eight AML/CFT onsite examinations in Antigua and Barbuda, Grenada, and Saint Vincent and the Grenadines. In Antigua and Barbuda and Grenada, joint onsite examinations were conducted with national competent authorities.

As part of the ECCB's AML/CFT Supervisory mandate for LFI's, an inaugural AML/CFT Conference had been planned for Friday, 13 March 2020, under the theme: *Raising Awareness and Reducing Risks: Emerging Money Laundering Issues in the Region*. The conference was postponed amidst concerns surrounding the COVID-19 pandemic.

The ECCB continued to support the Mutual Evaluation process at the invitation of its member countries, and facilitated the process in Saint Lucia, Grenada and Saint Christopher (St Kitts) and Nevis.

The Caribbean Development Bank (CDB) supported by Global Affairs Canada (GAC), signed an agreement with the ECCB in February 2020, to fund a project aimed at strengthening the AML/CFT supervisory framework in the ECCU. The project will be governed by a Steering Committee with members from the CDB, GAC, Caribbean Financial Action Task Force (CFATF) and the ECCB as well as a representative from the ECCU national regulators. The project activities will include training workshops, simulation of onsite examinations, review of legislation and training of the legal fraternity. This project will complement technical assistance to be provided by The World Bank on developing a risk-based supervision framework for AML/CFT.

Phase II of the Statistical Enterprise Solution (SES) went live in June 2019. The solution supports web-based technology and covers collection, processing, storage and the dissemination of data. Banks currently upload data through a secure web server and can access various reports using their own data.

FINANCIAL SECTOR STABILITY

Basel II/III Implementation

In February 2018, the ECCB established a Basel II/III Implementation team within the Bank Supervision Department, to give focused attention for implementation by the proposed date of December 2021. A Basel Implementation Working Group, comprising representatives from the ECCB and LFIs, was also established. The team continued to facilitate the roll-out of an implementation roadmap, assess the readiness of banks for Basel implementation, and is finalising the supporting Standards. The ECCB continued to build its implementation capacity, along with its ongoing sensitisation of licensees and other key stakeholders.

ECCU Deposit Insurance Fund

The ECCB continued to work toward the establishment of a Deposit Insurance System (DIS) for the ECCU, particularly the consultation on and finalisation of the ECCU Deposit Insurance Policy. The DIS will feature a deposit insurance corporation, which will be responsible for the management of a deposit insurance fund. All financial institutions licensed under the Banking Act 2015, will automatically become members of the Fund. The deposit insurance policy is being used to draft the legislation. The draft legislation is expected to be finalised in November 2020 for enactment in the respective member countries.

ECCU Credit Bureau

The process for the establishment and operationalisation of a credit bureau for the ECCU, via a comprehensive credit reporting regulatory framework, is at the licensing stage. Given its responsibility to administer the ECCU Credit Reporting Act, the Bank continued to engage the selected international credit bureau toward finalisation of the licensing process. In the interim, preparatory work will continue regarding the official launch of a public awareness programme, implementation of the bureau development process, and development of a credit reporting supervisory framework.

Improve Payments Infrastructure to Adapt to Evolving Market Expectations

The Bank has revised the Terms of Reference for the Eastern Caribbean Payments Council (ECPC) in an effort to accommodate as many key stakeholder groups in the payment system in the ECCU region. This resulted in the broadening of the membership of the payments council to include credit unions, representative of consumer affairs groups, the Automated Clearing House operator, the Eastern Caribbean Securities Exchange and an agency of government (Accountant General Department).

Payment System Working Groups were created to assist the ECPC with addressing certain core areas under the various payment system pillars, including: (i) Legal and Regulatory Framework Working Group, (ii) Large Value Payments Working Group, (iii) Retail Payments Working Group, (iv) Securities Settlement Working Group, (v) Consumer Affairs/Protection and Public Education Working Group.

Rules for the Real Time Gross Settlement System, consistent with the Payment System Act, have been drafted and are expected to be adopted within the upcoming financial year. Given the major developments taking place in the payment system landscape, the Payment System data

ECCB Hosts 51st Annual Monetary Studies Conference

In collaboration with the Caribbean Economic Research Team (CERT), the ECCB hosted the 51st Annual Monetary Studies Conference over the period 19 to 21 November 2019, under the theme: *Socioeconomic Transformation in the Caribbean: Policy Implications of the Fourth Industrial Revolution*.

Over 25 institutions: central banks and universities were represented, mostly from countries across the Caribbean. The conference commenced with a governor's panel discussion, which examined financial inclusion in the Caribbean. During the other session, participants presented research on a broad cross-section of topics: Climate Change; Resilience and Risk Management; Fiscal Debt and Policy; Financial Technology: Supporting Regional Transformation; Poverty, Inequality and Social Welfare; Macroeconomic and Monetary Policy Considerations; Financial Sector Stability and Vulnerabilities; Economic Growth, Innovation and Development; Public Policy and Governance; Trade, Investment and Competitiveness. Robust discussion among participants followed each session.

As a part of the conference, the ECCB hosted the Adlith Brown Memorial Lecture. Dr William Warren Smith, President of the Caribbean Development Bank, was the featured speaker. His address highlighted the potential for the sustainable development in the region through technology, pre-requisites for digital transformation in the region and building resilience. (View lecture) collection template has been reviewed and amended to capture more relevant information. This information will assist in identifying risks and providing enhanced analyses of payments trends and behavioural patterns in the region.

The oversight of systemically important payment systems has commenced with the request for a self-assessment of a designated Financial Market Infrastructure (FMI). The FMI has completed the assessment, which is currently under review by the Bank.

Support the amalgamation of indigenous banks

The Bank enhanced its technical advisory support with regard to the various merger and acquisition transactions being undertaken in the ECCU. This included consultations with the CARICOM Competition Commission on the Bank's approach to the assessment of mergers and acquisitions. Additionally, technical support was provided to the Social Security Systems in the ECCU for their proposed acquisition of a minority stake in Republic Bank EC Ltd.

Shared Services Initiative – ECCU National Banks

During the financial period, the ECCU indigenous banks decided to embark on a shared services initiative as a first step towards the consolidation of the ECCU indigenous banking sector. In support of the initiative, the ECCB coordinated the indigenous banks' selection and contracting of a service provider to assist them in establishing shared risk functions. The ECCB will continue to provide assistance via coordination of the service provider's execution of tasks.

Deepen money and capital markets

As part of ongoing initiatives for reforming the money and capital markets in the ECCU, the Bank coordinated and arranged a knowledge sharing and capacity building session on broker dealer operations, resolution and risk mitigation strategies associated with collateral and securities lending, securities settlement and automated clearing systems. The Bank, in collaboration with Mr Cecil St Jules, facilitated a session with representatives of the Eastern Caribbean Securities Exchange, the Eastern Caribbean Home Mortgage Bank and the Eastern Caribbean Securities Regulatory Commission. The participants benefited from the sharing of expertise and knowledge to help inform (1) the regulatory, supervisory and operational framework being established for the offer, sale and trading of repurchase agreements; (2) capital market development initiatives; and (3) ongoing Regional Government Securities Market (RGSM) initiatives to improve the functioning of the market for government securities.

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

During the financial year, the Bank engaged in further discussions with the International Finance Corporation (IFC)/World Bank regarding collaboration for the adoption of secured transactions reforms across the sub-region. The project aims to promote the modernisation and

Given the major developments taking place in the payment system landscape, the Payment System data collection template has been reviewed and amended to capture more relevant information. This information will assist in identifying risks and providing enhanced analyses of payments trends and behavioural patterns in the region.

harmonisation of secured transactions legislation to support the use of movable assets as collateral with the establishment of an electronic registry for the ECCU. Representatives of the Bank also participated remotely in a workshop on Secured Transactions held in Saint Lucia in November 2019. Assistance was provided to the IFC for the distribution of a Secured Transactions and Collateral Diagnostic Baseline Survey to the commercial banks and credit unions in the ECCU.

In pursuit of ensuring a strong, diversified and resilient financial sector, the Bank also:

1. provided technical feedback on ECCU financial stability issues to both internal and external stakeholders such as the SRUs;
2. continued to play a pivotal role in compiling and maintaining databases on the insurance and credit union sectors. The data are crucial in analysing and ultimately mitigating risks posed by the non-bank financial sector;
3. developed a questionnaire to assess the extent of financial inclusion in the region and consumer payment preferences;
4. prepared and presented the following papers: (i) *A Proposed Framework for Identifying Systemically Important Commercial Banks and Credit Unions in the ECCU*, at the Central Bank of Barbados 39th Annual Review Seminar in July 2019; (ii) *An Early Warning Model of Financial Stress for the ECCU*, at the 51st Annual Monetary Studies Conference, which was held at the ECCB Headquarters in November 2019.

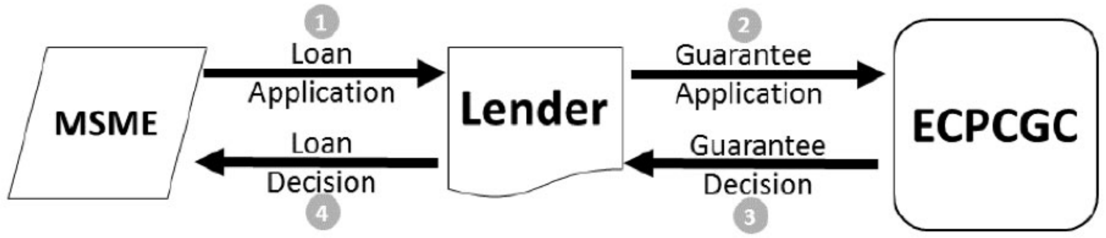
Secured Transactions/Collateral Registry

The Secured Transactions/Collateral Registry initiative is in its infancy stage as advocacy continues with relevant stakeholders.

Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC)

Preparations are being made to launch the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC). During the last quarter of the financial year, a road show to inform the public about its work and offerings commenced.

The objective of the ECPCGC is to facilitate additional financial intermediation for Micro, Small and Medium Enterprises (MSMEs). Six of the ECCB member countries are members of the ECPCGC: Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Saint Christopher (St Kitts) and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. To benefit from the ECPCGC, owners of MSMEs will apply to their local lender for a loan.



Click for more information about the ECPCGC

Meet the Board of Directors of the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC)

Front Row: L-R –Rasona Davis-Crump - Nominee of the Government of Antigua and Barbuda; Michael Spencer - Chairperson, Nominee of the Eastern Caribbean Currency Union Bankers' Association; Chief Executive Officer - Carmen Gomez-Trigg; Andrew Skerritt - Nominee of the Government of Saint Christopher (St Kitts) and Nevis; Annette Mark - Nominee of the Government of Saint Vincent and the Grenadines; Back Row: L-R – Stanford Harold Simon - Nominee of the Government of Grenada; Dr Stephen Louis - Nominee of the Government of Saint Lucia; Alexander Stephenson - Deputy Chairperson, Nominee of the Government of the Commonwealth of Dominica; Yves-Patrick Randolph Ephraim - Nominee of the Antigua and Barbuda Chamber of Commerce; Stephen Lander - Nominee of the Dominica Association of Industry and Commerce

FINANCIAL SECTOR STABILITY

Inaugural Conference with Financial Institutions

In accordance with the Bank's thrust toward the stability of the entire financial sector, the ECCB hosted its Inaugural Conference with Financial Institutions over the period 6 to 8 November 2019. The Conference replaced the Annual Conference with Commercial Banks which the Bank held over the past 29 years.

The Inaugural Conference with Financial Institutions was held under the theme: A Region for the Future: *Charting New Pathways in an Era of Disruption*, which was inspired by the rapid pace of change in the financial sector in the 21st century. The sub-themes focused on:
(i) Banking and Finance in a Period of Climate Change; (ii) Harnessing the Power of Technology: The Drive for Constant Innovation; (iii) ECCB Digital Currency: Risks and Rewards; and (iv) Banking Medical Cannabis: Farfetched or Feasible?

Panel 1 - Banking and Finance in a Period of Climate Change

The discussions highlighted the economic and financial consequences of climate change and the resulting climate risk present in the financial system of the vulnerable countries of the ECCU. Panelists also offered suggestions for embedding climate risk into financial policy. From a different perspective on the topic, the changing technological environment was also considered.

Panel 2 - Harnessing the Power of Technology: The Drive for Constant Innovation

In examining technology and innovation in the financial sector, the panellists discussed trends in financial technology over time; the need to tailor technological solutions to consumer needs; using technology to facilitate greater financial inclusion; and potential disruptive changes to banking in the future.

Panel 3 - ECCB Digital Currency: Risks and Rewards

During this session the merits and demerits of central bank digital currencies and implementation considerations were explored. An update on the ECCB Digital Currency Pilot was also provided.

Panel 4 - Banking Medical Cannabis: Farfetched or Feasible?

The discussions surrounding medical cannabis as a potential sector for the region highlighted the global legislative landscape, the experience of Saint Vincent and the Grenadines in developing this sector and the associated challenges and risks.

The Conference concluded with a closed business session with commercial banks, Non-Bank Financial Institutions, and representatives from the ECCU Ministries of Finance and the Eastern Caribbean Central Bank.

Panels on Sub-Themes in Session

EC Digital Cash (DXCD) Pilot Project Focus Groups in Session

EC Digital Cash Pilot Project

The EC Digital Cash (DXCD) Pilot Project is progressing at pace towards live deployment when real transactions will be conducted among financial institutions, merchants and members of the public.

The EC Digital Cash Pilot Project is a component of the Strategic Priorities of the ECCU Payment System Modernisation Initiative and provides for a safer, cheaper, faster platform for making EC$ payments and transfers. This promotes economic development, supports financial stability and helps expand financial inclusion. The contactless nature of DXCD payments also addresses health concerns amidst the heightened unease over transmission of viruses.

The Project will be piloted in four of the ECCB member countries namely: Antigua and Barbuda, Grenada, Saint Christopher (St Kitts) and Nevis and Saint Lucia.

The ECCB DXCD payment platform is one of the innovative ways that the Bank is pursuing to improve the manner in which financial services are delivered to and accessed by the ECCU citizenry. The DXCD would serve to reduce the high cost and improve the ease of doing business across the ECCU and, by extension, improve the region's competitiveness. The DXCD is poised to bridge the geographic barriers that physically divide the ECCU region, this can create new business models and catalyse a new era of financial and economic efficiency.

The development process has been characterised by broad-based collaborative engagements, covering wide areas of specialisation including financial institutions, merchants, members of the public and other key stakeholders. Such engagements have provided rich discussions to drive the design of the technology platforms and applications.

Milestones to date include: (i) Design and deployment of the DXCD minting network; (ii) Completion of DXCD issuance test; (iii) Alpha Release of all DXCD Apps; (iv) Drafting of guidance documents for financial institutions and merchants; and (v) Engagements with user focus groups in all four pilot countries. The six-month live pilot of the DXCD is scheduled for the second quarter of 2020.

Chair of the ECCB FinTech Working Group, Sharmyn Powell povides more information about the DCXD Pilot Project

3 Fiscal and Debt Sustainability

Launch of ECCU Public Debt and Market Information Web Portal

FISCAL AND DEBT SUSTAINABILITY

PROVIDE POLICY ADVICE TO PARTICIPATING GOVERNMENTS AND FACILITATE CAPACITY BUILDING OF MEMBER COUNTRIES FOR EFFECTIVE DEBT MANAGEMENT

Technical Assistance to Debt Management Offices

During the financial year, the Bank provided technical support to five member countries to update their Medium Term Debt Management Strategy (MTDS). The debt strategy is a policy tool that allows those Member Governments who benefitted from the technical support to plan, manage and source their borrowing requirements at the lowest possible cost consistent with a prudent degree of risk over the medium term. The Bank continues to encourage Member Governments to utilise such policy tools to inform their funding needs through a systematic and transparent approach, especially given the current uncertain economic conditions.

The Bank continued to collaborate with the Commonwealth Secretariat to implement its new debt software, Commonwealth Meridian, in two pilot countries – Saint Christopher (St Kitts) and Nevis and Saint Lucia. The new software was launched in June 2019 and incorporates advanced and improved functionalities to address emerging debt management requirements and takes advantage of the latest state-of-the-art technologies.

The Bank also engaged in discussions with the Regional Debt Coordinating Committee (RDCC) on 24 March 2020, with a focus on COVID-19. The meeting discussed approaches for minimising the impact on long-term objectives such as the achievement of the Debt to GDP ratio target of 60.0 per cent by 2030 and the protection of the RGSM, which provides significant benefits to Member Governments.

Research Papers and Policy Briefs

The Bank's economic surveillance function focused on monitoring developments in member countries, through the publication of periodic reviews, annual report and policy briefs on issues affecting the socio-economic landscape of member countries. During the review period, the Bank prepared and published two Economic and Financial Review reports. The reports provide a historical review of the economic and financial performance of member countries for the first half of 2019 and the entire year. In addition, the Bank prepared a number of influential policy briefs covering thematic areas such as: Growth and Development, Fiscal and Debt Sustainability, Fiscal Risk Management, Payment Systems Innovation, Crime Prevention Strategy, Labour Market Constraints and Infrastructural Development for boosting economic competitiveness.

The Bank will continue to work towards strengthening its surveillance system to meet new demands brought on by a changing economic landscape. To this end, the Bank is in the process of finalising the roll out of its *Macro Diagnostic Framework*. The new system is expected to facilitate improved diagnosis of member countries' stability and structural issues and allow for better prescriptive policy outcomes.

Read Economic and Financial Review Reports

The Bank prepared a number of influential policy briefs covering thematic areas such as: Growth and Development, Fiscal and Debt Sustainability, Fiscal Risk Management, Payment Systems Innovation, Crime Prevention Strategy, Labour Market Constraints and Infrastructural Development for boosting economic competitiveness.

FISCAL AND DEBT SUSTAINABILITY

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

The Bank partnered with the IMF Institute for Capacity Development and the CARTAC to host a seminar on Macro-economic and Debt-ustainability Analysis. The objective of the capacity development activity was to strengthen the macroeconomic/debt sustainability analyses of the ECCB and its member countries to support the economic policy making process. During the training, participants were exposed to a simplified Excel-based toolkit of the IMF's Debt Sustainability Framework. The template has a medium-term projection horizon, thus allowing for the analysis of debt dynamics towards the 2030 ECCU debt target. The Bank is committed to further training in this area for member countries as it would assist them to better integrate debt sustainability analysis more systematically into their policy making framework; which should inform their annual budget preparations. A follow-up training was scheduled for April 2020 but was postponed due to the COVID-19 pandemic.

Improve the functioning of the market for government securities (RGSM)

The deepening and broadening of the RGSM continue to be critical areas for the Bank. One of the initiatives undertaken by the Bank to improve the functioning of the RGSM during the financial year was the launch of the Public Debt and Market Information Web Portal in July 2019. The Debt Portal will help investor relations in the ECCU by providing member countries with a platform that would serve as a "one-stop shop" for timely and accurate fiscal and public sector debt statistics and other related information such as debt legislation and recent publications. The portal is dedicated to debt management activities and will help to meet the information needs of investors, licensed brokers, credit rating agencies, regional and international institutions and academia.

The ECCB also continued to provide assistance through the review of prospectuses, administration of the auctions and facilitating investor payments to support the issuance of government securities on the RGSM.

Performance of the RGSM

The number of securities offered on the RGSM increased by 27.2 per cent to 70 during the year, from 55 in the preceding year. The value of securities offered increased by $189.9 million to $1.5 billion. That expansion in activity on the RGSM was due to the increase in bonds offered, which rose by $408 million to $1.1 billion. The increased activity was witnessed across the five Member Governments which participate in the RGSM – Antigua and Barbuda, the Commonwealth of Dominica, Grenada, Saint Lucia and Saint Vincent and the Grenadines.

The Bank also supported the member countries in their investor relations programme through the publication of an article in the annual magazine of the Caribbean Insurance industry and a presentation at the annual OECS Credit Union Conference in Saint Lucia.

Browse ECCU Public Debt and Market Information Web Portal

Chart 3 - Value of Bonds and Treasury Bills Offered on the RGSM (EC$000s)

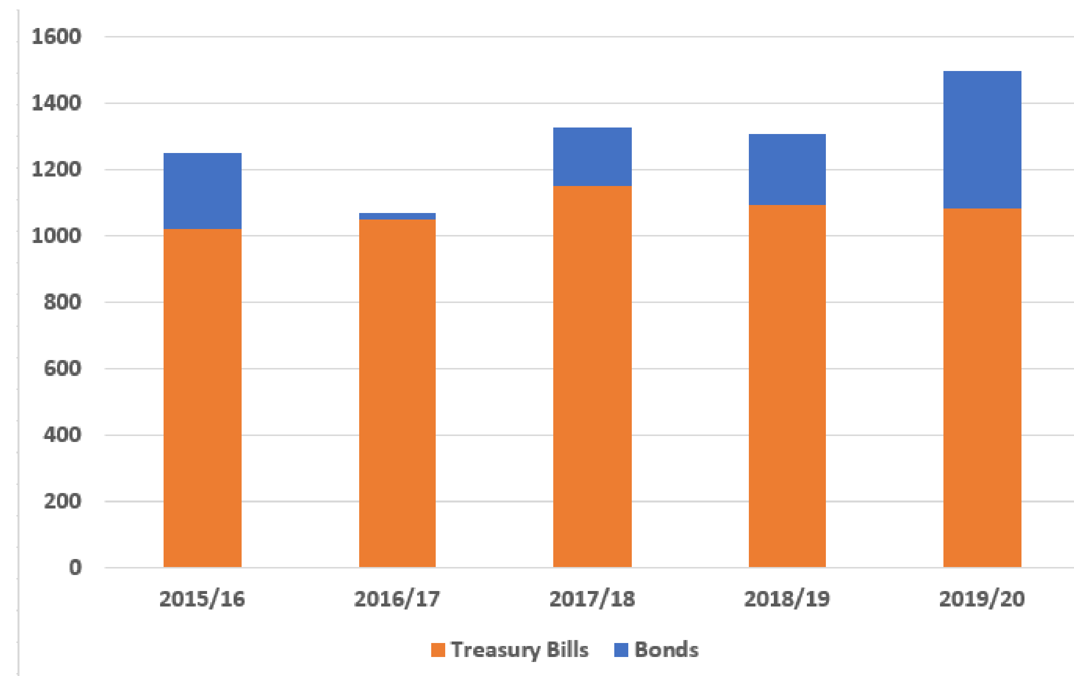
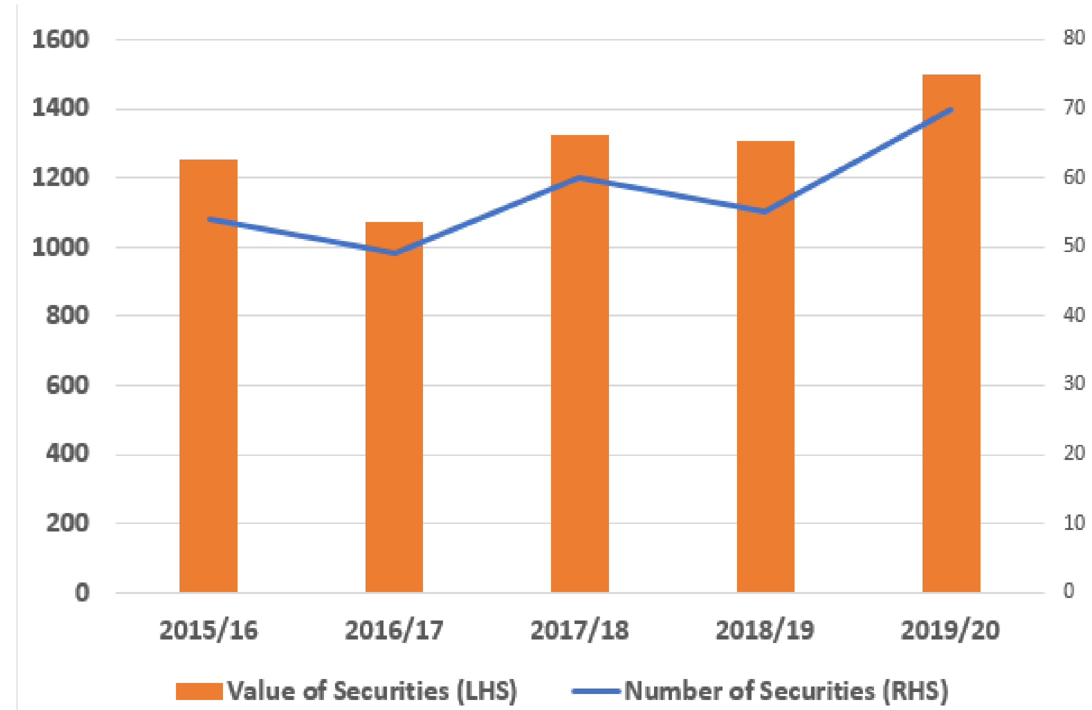


Chart 4 - Value and Number of Securities Offered on the RGSM (EC$000s)



FISCAL AND DEBT SUSTAINABILITY

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)

In support of reinventing the region's approach to development finance for building long-term sustainability and economic development, the Bank prepared a proposal towards the establishment of an innovative financing model to mobilise finance for renewable energy/efficiency in the ECCU. The policy initiative enables the ECCU to establish the first regional infrastructure investment fund in the ECCU; essentially tapping into capital market financing to realise the region's enormous energy production potential. The proposal is based on an award-winning policy solution which has attracted the interest of international financial institutions and other development partners for implementation in the ECCU.

4 GROWTH, COMPETITIVENESS AND EMPLOYMENT

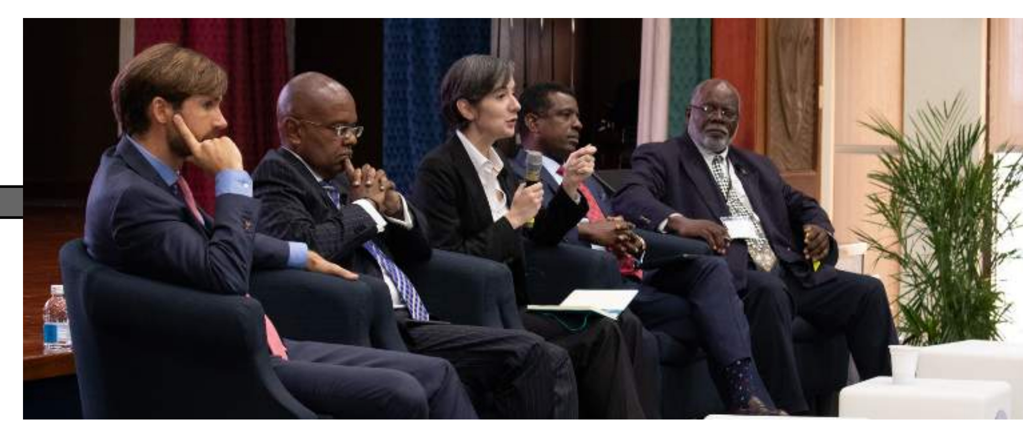
Fourth Growth and Resilience Dialogue With Social Partners

Fourth Growth and Resilience Dialogue With Social Partners

The Growth and Resilience Dialogue (GRD) is designed for a wide regional network of social partners to brainstorm and create a programme of activities and/or project(s) for addressing the constraints to growth, competitiveness and employment in the ECCU. The ECCB, the Organisation of Eastern Caribbean States (OECS) Commission and The World Bank jointly hosted the Fourth Growth and Resilience Dialogue with Social Partners from the ECCU on 13 February 2020 under the theme: *Regional Transformation Through Innovation*. The theme signalled the ECCU's call to action to develop and adapt technologies that would foster stronger and sustainable growth and build resilience.

The main output of the fourth GRD was the Caribbean Digital Transformation Project. The project will contribute to increased access to digital connectivity, digital public services and the creation of technology enabled businesses and jobs across the participating Eastern Caribbean countries. Additionally, the regional programme activities will be financed through a regional International Development Association (IDA) grant, and implemented by the regional Project Implementation Unit (PIU) housed at the ECCB. The regional PIU will work with other regional institutions, depending on the technical area being supported. Regionally implemented activities will focus on cross-cutting areas that support development of a digital economy, and outputs from these activities will benefit all participanting countries and the wider Eastern Caribbean region.

SESSION 1 - Leveraging the Digital Economy for Growth and Competitiveness in the ECCU



SESSION 2 - Leveraging Renewable Energy: Technology and Financing Opportunities for the ECCU

SESSION 3 - The Future of the Payment System in the ECCU

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

GROWTH, COMPETITIVENESS AND EMPLOYMENT

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

In its quest to improve client relations and to share relevant information with partner institutions, the Bank coordinated one-on-one meetings with commercial banks and government officials. The Bank also coordinated the meetings of its networking and consultative partners, to encourage sharing of ideas and best practices.

The Bank was also a major player in providing technical support and policy advice through its participation in a number of missions and symposia in member countries. In particular, support was provided to seven member countries in the execution of IMF Article IV consultations and staff visit missions.

During the review period, the Governor's country outreach missions provided another platform for the Bank to make presentations to policy-makers in country on topical policy issues that resulted from robust research work and specific policy briefs.

The prosecution of the research agenda during the review period was dominated by work on chapters for the Bank's book project titled: *Transforming the ECCU Together*. Notwithstanding this mandate, significant progress was made in executing other critical research initiatives. Of notable mention was the completion of a flagship document titled: *The Medicinal Cannabis (R)evolution – Challenges in Banking a Budding Industry in the ECCU*, for the Monetary Council consideration. The Bank also participated in annual research seminars held by the central banks of Barbados and Trinidad and Tobago as well as the inaugural symposium hosted by Saint Lucia. In addition, the Bank was engaged in the analyses of economic issues beyond the ECCU and prepared sections of the *Caribbean Economic Review* (May and November 2019 editions).

During the financial year, technical assistance was provided to the ECCU member countries in the compilation and/or review of the ECCU Gross Domestic Product (GDP) estimates. On request, three in-country compilation missions were conducted in Antigua and Barbuda, the Commonwealth of Dominica and Montserrat. The other member countries were reviewed remotely. Additionally, there was collaboration on the bi-annual revision of the annual GDP projections for the ECCU member countries. To supplement macro-economic analysis, the Bank continued with the administration and conduct of the bi-annual Business Outlook Survey and the management of real sector and national accounts statistics.

On the development front, the Bank held discussions with regional partners such as the Caribbean Regional Technical Assistance Center (CARTAC) and the Project for the Advancement of Statistics in the Caribbean (PRASC) regarding the rebasing of the GDP estimates. It is necessary to rebase the GDP estimates because an old base year diminishes the relevance and accuracy of the estimates. In the case of the ECCU, this update occurs roughly every 10 years and the last exercise occurred during 2009 and 2010. A tentative work programme was developed and further discussions with member countries and development partners are expected in the new financial year.

Round One - Governor's Country Outreach Mission 2020

Engagement with Social Partners - Commonwealth of Dominica

Engagement with Members of Bankers' Association - Saint Lucia

GROWTH, COMPETITIVENESS AND EMPLOYMENT

In June 2019, the economic statistics database was transferred to the new statistical database powered by SAS. Further testing of the system for economic statistics will be required; however, it is expected that the database will be functional within the next financial year.

Expand access to financing for the private sector (particularly MSME) wherever possible and consistent with the Bank's safety and soundness mandate

Consultative meetings were held with the ECCU development banks as part of the Bank's efforts to promote the expansion of access for financing the private sector (particularly MSMEs). Discussions focused on forging strategic partnerships for supporting economic transformation and building resilience in the ECCU. Representatives of the development banks benefitted from the participation of regional and international organisations such as the OECS Commission, Compete Caribbean, the European Investment Bank (EIB) and the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC), who shared information on opportunities for collaborating on various initiatives and programmes for supporting financing to the private sector and promoting entrepreneurship.

View presentations from the 4th Growth and Resilience Dialogue

5 Organisational Effectiveness

Emerging Leaders: Participants of the Inaugural Emerging Leaders Programme

Return the Bank to Profitability Through Operational Cost Efficiencies

Greening of the Campus Project

The first phase of generating electricity from a renewable source, the Phase I Solar Canopy Project was commissioned on 11 December 2019. The Phase I solar array produces 494kw DC/400kw AC electrical power and has reduced the electrical costs associated with the Phase 2 building at the ECCB headquarters by approximately $44,000.00 per month or 60.0 per cent.

Launch of New Family of EC Polymer Notes

The Bank launched its new family of EC polymer banknotes on 29 May 2019, making it the first central bank in the Caribbean to do so. The transition from paper to polymer was part of the Bank's cost-cutting measures. Polymer is stronger and more durable than paper. Polymer banknotes are estimated to last at least three times longer than paper notes. This also makes them more environmentally friendly.

One of the key features of the new notes is a unique tactile feature specifically designed to assist blind and visually impaired individuals with identifying the denomination of each note. While the main design elements of the paper notes (images, landmarks and colour) were replicated on the polymers notes, one notable change was the depiction of the image of the former Governor of the ECCB, the late Honourable Sir K Dwight Venner, on the back of the $50, in honour of his legacy and service to the Bank. The orientation of the notes was also changed from landscape to portrait.

Installation of New Hardware - Computers

The Bank is undertaking a refresh cycle to upgrade dated desktop computers which are inefficient and unable to meet the computing demands of the modern corporate environment. During the second half of 2019, this process was started with the first batch of computers. The second batch included laptops and computers and were prepared to ensure staff had the equipment required for telecommuting in light of COVID-19 pandemic.

Upgrade ECCB Cabling Infrastructure

In 2018, the Bank began a project to upgrade the old data cable infrastructure at its Headquarters. The purpose of this initiative is to ensure that the Campus has a modern and efficient data network to enable increased productivity. The ECCB is working with a vendor and has completed the upgrade in a number of areas. Other areas are scheduled for completion in the financial year 2020/21.

Remote Access Solution

The new Remote Access solution was launched in June 2019 allowing staff the capability to securely work remotely with selected access to the Bank's IT resources. In light of the recent coronavirus pandemic, the Bank has been able to leverage this investment and scale up the solution to allow staff to telecommute securely, thus protecting staff while the Bank continues to serve the ECCU region during this challenging time.

ORGANISATIONAL EFFECTIVENESS

TRANSFORM CITIZEN ENGAGEMENT AND STAKEHOLDERS' RELATIONS MANAGEMENT BUILT ON TRANSPARENCY, ACCOUNTABILITY AND KNOWLEDGE SHARING

Financial Information Month (FIM) October 2019

In 2019, the FIM partners agreed to observe the month of activities under the theme: *Plan for Uncertainty…Make Insurance A Priority*. This area of focus was thought to be fitting considering the vulnerabilities of the ECCB member countries to natural disasters and external shocks. Activities and programme throughout the month addressed the following sub-themes:

Preparing for Uncertainty: Financial tools to help you protect everyone and everything you care about:

- The importance of preparing for unplanned events such as: loss of job, death of bread winner, loss of property due to disaster or financial difficulties, prolonged illness etc.;
- Social Security – Financial protection for you and your family;
- Understanding insurance coverage; and
- Financial products and services to assist individuals and businesses with preparing for uncertainties and protecting their assets.

Rising Above the Storm: How to recover from financial setbacks:

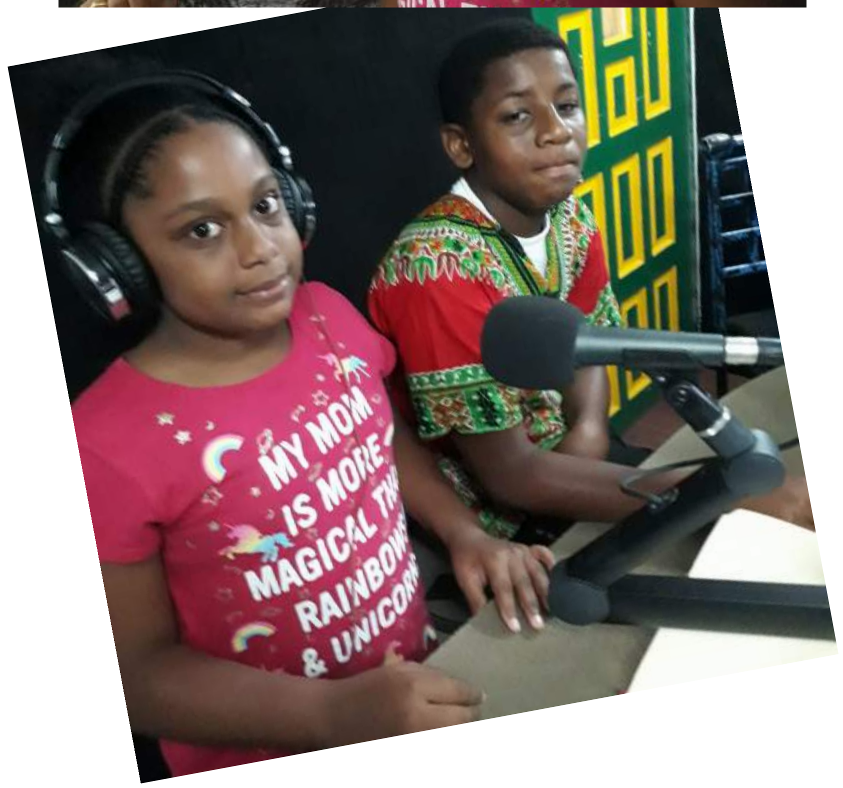
- The role of financial institutions in promoting and sustaining economic growth in an environment where personal finances/income are vulnerable;
- Understanding the ECCU financial system;
- Weathering the Storm: How to hurricane-proof your property;
- Financial services and products that can assist individuals and businesses with recovering from adverse financial situations due to natural disasters and other external shocks; and
- How the Banking Act protects depositors.

Primary School Mentorship Programme

The ECCB Primary School Mentorship Programme continued successfully over the past year with the engagement of over 500 students from Grades four to six in the ECCB member countries. The goal for the coming year is to augment the programme by expanding its reach in the communities over the airwaves. In that regard, a pilot radio programme was launched in the Commonwealth of Dominica in March 2020 with the intention to roll-out the initiative in the remaining seven ECCB member countries by the end of the 2020-2021 financial year.

ECCB/RSS-ARU Creative Youth Competition

The Bank, in collaboration with the Regional Security System Asset Recovery Unit (RSS ARU), launched the 2nd ECCB Creative Youth Competition for secondary school and community college students aged 13-19 in the ECCB member territories in November 2019.



Country Manager, the Commonwealth of Dominica, Sherma John and two of her co-hosts of the mentorship radio programme: Nikayla James and Elvon Clifton-John

Browse the FIM Facebook page

ORGANISATIONAL EFFECTIVENESS

The focus for the second edition of the competition was art. Three hundred and nineteen students from 35 schools from the eight ECCB member countries were afforded the opportunity to engage with professional artists at student information sessions hosted by the ECCB. The presenters shared a wealth of information about art in an effort to assist the students with their submissions.

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

As at 31 March, 2020 the Bank had released 155 episodes of its public education programme, *ECCB Connects*. Some of the topics covered during the year included:

- ECCB as Banker to Member Governments and Commercial Banks;
- Importance of Insurance;
- How Investors are Protected on the Eastern Caribbean Securities Market;
- ECCU Uniform Insurance and Pension Bill;
- Ease of Doing business in ECCB Member Countries; and
- ECCU Land Registry Project

24th Sir Arthur Lewis Memorial Lecture

The 24th Sir Arthur Lewis Memorial Lecture, was held at the Sir Cecil Jacobs Auditorium, ECCB Headquarters, Saint Christopher (St Kitts) and Nevis on 6 November, 2019 under the theme: *Confronting the Fourth Industrial Revolution*.

Cecil Allan St Jules, banking professional with over 20 years of experience in the banking and securities industry, delivered the lecture. He emphasised the need to take on the challenges of the Fourth Industrial Revolution where significant changes in business processes are unfolding at a rapid pace and the need for education, talent and creativity is ever more apparent.

St Jules, a national of Saint Lucia and graduate of Howard University, has in-depth understanding of the US Bond Market and played a key role in reconciling US bond clearing and repo settlement issues post the events of 11 September 2001. Currently, he is the Managing Consultant for Aponia Data Solutions and Co-founder of Pea.Eye 7 Marketing International.

Following the lecture, Deputy Governor of the ECCB, Trevor Brathwaite, presented the 11th Annual Sir Arthur Lewis Memorial Book Award to Dean, Academic Affairs, Dominica State College, Dr Hermancia Eugene-Zamore. The Book Award is presented annually to a selected college in the respective ECCB member country, in alphabetical order. The books awarded to the college form a relevant part of the institution's library.

Cecil Allan St Jules delivers 24th Sir Arthur Lewis Memorial Lecture - 6 November 2019 Read Lecture

View ECCB Connects Programmes

ORGANISATIONAL EFFECTIVENESS

Revamp the Human Resource Strategy to Support Talent Development and Management

Recruitment and Selection

Understanding the importance of recruiting the best talent for organisational success and the achievement of the Bank's strategic goals, the Bank ensured the diversity of its region was reflected in recruitment practices. Every effort was made to ensure that the ECCB's recruitment experience was of a high quality, resulting in the identification and onboarding of candidates who were best suited for the Bank's culture. Over the financial year, 31 external candidates were successfully recruited for seven departments within the Bank and six vacant positions were filled internally for two departments.

The staff complement of the ECCB stood at 265 as of 31 March 2020.

Training and Development

Employee learning and development contribute to the productivity and growth of an organisation. For the period 2019/2020, as part of the Bank's Management Initiated Training, staff participated in seminars, meetings, and conferences in areas such as Accounting, Risk Management, Information Security, Debt Management, Digital Currencies,Central Bank Regulations, Internal Auditing for Central Banks, Leadership Development, and Human Resources. In September and November 2019, 24 members of staff—identified for their burgeoning leadership abilities-- participated in the inaugural Emerging Leaders Programme, which was facilitated by Dr Lois Parkes from the Caribbean Centre for Development Adminitration (CARICAD). Additionally, five members of staff pursuing higher education gained support from the Bank through its staff initiated training.

Compensation and Benefits Management

Over the review period, the Bank ensured that compensation and benefits remained a priority by promoting progressive and proper remuneration of staff with benefits that allowed for flexibility and workable options. As previously planned, increments were reinstated Bank-wide effective 1 April 2019. The reintroduction of increments was aimed at further incentivising employees, enhancing the Bank's compensation and benefits package and its overall competitiveness as an employer of choice poised to attract and retain superior talent. Additionally, in accordance with the recommendations and approval of the Triennium Salary Review Committee an increase in the housing allowance, overseas allowance and the first tranche of the triennial salaries increase (2019-2021) were effected 1 April 2019.

The Bank, in its thrust to broaden its mortgage loan benefits offerings to staff, invited all the commercial banks within the ECCU to participate in its Staff Mortgage Scheme. Agreements were finalised with five commercial banks, which joined two other banks that were previously providing the service.

The welfare of the Bank's staff continued to be its top priority with the reintroduction of the Bank's counselling service in person and online. The Bank's Executive championed the provision of corporate-sponsored health and wellness support for staff to ensure mental acuity and to promote work life balance.

Utilise technology to inform data-driven decision making

Implement an Upgraded Currency Management Solution

The Bank is in the process of improving currency processes and operations by upgrading the integrated Currency Management Solution. The solution comprises upgraded software and a new processing/sorting machine for bank notes inclusive of the polymer substrate. The ECCB has contracted the services of Cash Processing Solutions (CPS) to implement the solution.

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. The Department charged with this responsibility, reports functionally to the Bank's Board Audit and Risk Committee (BARC) and administratively to the Governor.

During the period 2019/20 the IAD conducted assurance engagements to assess the following:

1. effectiveness of the Bank's Reserve Management Compliance Function;
2. the Bank's physical access and security;
3. Agency Office operations in Anguilla, Antigua and Barbuda, the Commonwealth of Dominica and Montserrat;
4. effectiveness of the Bank's corporate governance and change management arrangements;
5. implementation of the Bank's Strategic Plan for the period 2017 to 2021; and
6. effectiveness of the Bank Supervision Department in effecting its financial institutions examination mandates.

The IAD also conducted a Bank-wide risk assessment to draw attention to the major areas of risk and to inform the department's work programme for the 2020/2021 financial period. As part of the IAD's drive to continually assess its performance and align to the International Standards promulgated by the Institute of Internal Auditors (IIA), the department designed and received Board approval for a Quality Assurance and Improvement Programme.

Cyber Security

The Bank has a very low tolerance for operational risks and recognises that cyber security risks is one of the most significant impediments to operational resilience. In 2019, the Bank engaged an external service provider to conduct an independent assessment of information technology resilience and cyber maturity. The Bank continues to make progress with the implementation of recommendations from the assessment.

In 2019 the Bank invested in a Security Awareness Training platform to enhance information security awareness and measure progress towards an improved culture of security in the Bank's staff and stakeholders.

SWIFT Customer Security Programme (CSP)

The Bank successfully implemented the mandatory requirements identified in the Society for Worldwide Interbank Financial Telecommunications (SWIFT) Customer Security Programme (CSP) and attested before the 31 December 2019 deadline. To comply with updated SWIFT CSP 2020 attestation requirements, the Bank has completed the gap analysis and is preparing for an independent review of SWIFT security controls.

IP Telephony Solution

Implementation of IP Telephony Phase III was completed in December 2019 to ensure automatic transition to the Bank's backup internet service provider (ISP).

ORGANISATIONAL EFFECTIVENESS

Upgrade of Agency Office Network Infrastructure

All of the ECCB Agency Offices have received revised network configuration inclusive of security features. This enhancement has increased productivity and improved the security posture of the Agency Offices.

Satellite Communication Solution

In an effort to increase communication resilience the bank has acquired a satellite communication solution that provides satellite internet and telephone services.

Foster a Culture of Continous Learning and Professional Development

Over the period 2 - 6 December 2019, the ECCB, in collaboration with the Toronto Centre, hosted its first *Coping with Climate Change and Other Environment Risks Workshop*. The workshop targeted financial regulators and supervisors and aimed to assist supervisors in the identification of climate change risks and environmental factors which pose significant risks to financial institutions, economies and consumers. The programme focused on the development of action plans which supervisors and financial institutions can implement towards adjusting their approaches in product design, investments, stress testing and risk management systems.

Over 24 participants attended the training, with representation from the Bank Supervision Department, Office of Corporate Strategy and Risk Management, Eastern Caribbean Securities Regulatory Commission (ECSRC), Financial Services Regulatory Commission (St Kitts branch) and the Nevis Financial Services Department.

Some of the core topics delivered at the workshop: (i) Climate related and other environmental risks (ii) Risk Analysis and risk scenarios (iii) Mitigating risks to financial institutions (iv) Action Planning.

The session culminated in presentations of problem statements and action plans. Six action plans were developed:

1. Introduction of tools to appropriately identify and capture climate risk exposures in all licensed financial institutions in the ECCU and enhance their risk profiles within eighteen (18) months.
2. Improve awareness of licensed financial institutions on climate related risks through training programs to enhance capacity by December 2020.
3. Capacity building and institutional strengthening for ECCU licensees.
4. Development and implementation of a prudential standard to guide climate risk disclosure by licensed financial institutions by 1 January 2022.
5. Develop and implement a risk based supervision framework for climate risk within a two-year period.
6. Develop and implement a risk based supervision framework for climate risk within a two-year period for the ECSRC.

Snapshots from the Climate Change and Other Environment Risks Workshop

Office of Corporate Strategy and Risk Management

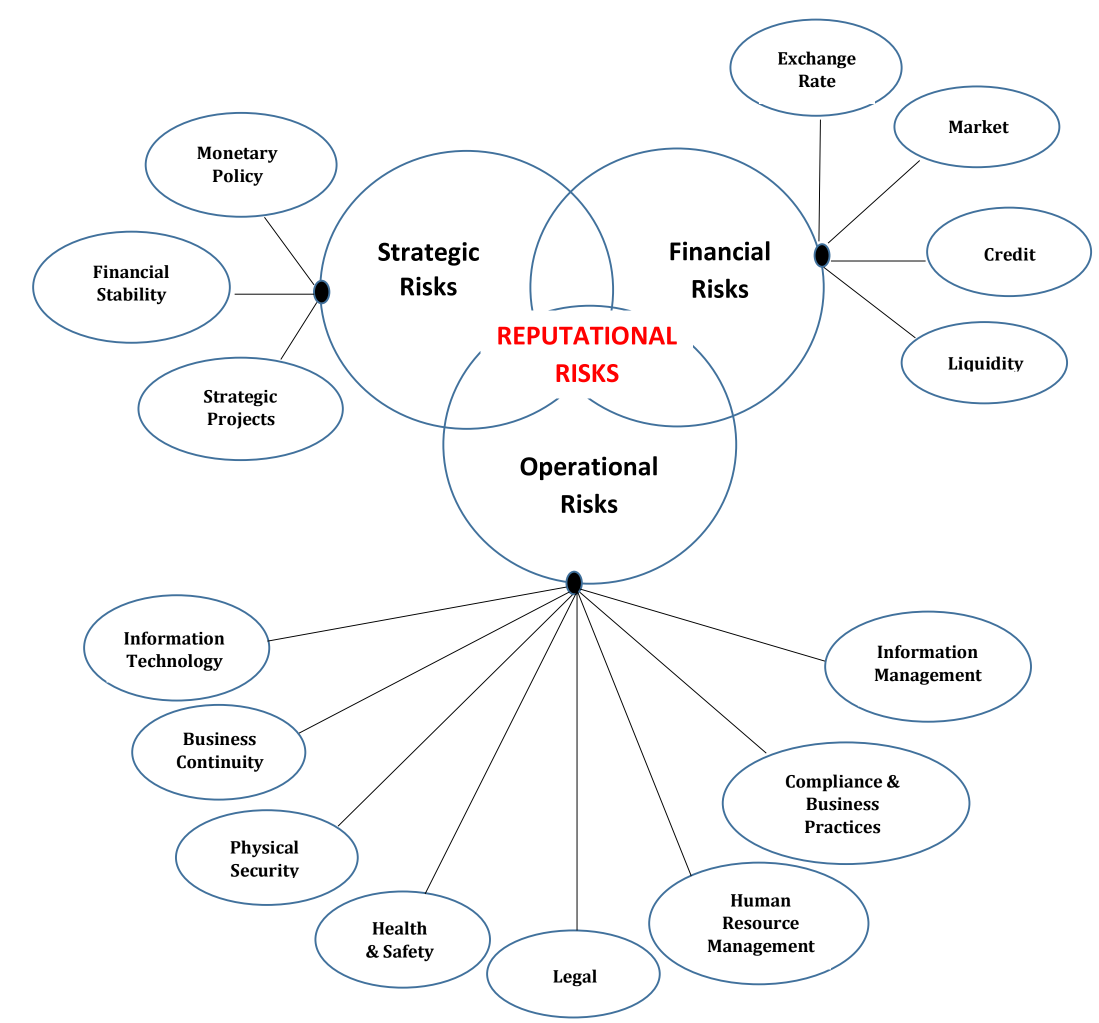
The role of the Office of Risk Management was expanded during the year to include responsibility for the development and monitoring of the Bank's Strategic Plan. Consequently, effective 1 October 2019, the office was renamed: *Office of Corporate Strategy and Risk Management* (OCSRM).

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

1. The full implementation of the Operational Risk Management Framework, thereby enhancing the Bank's ability to effectively manage its operational risks and reduce the occurrence of risk events;
2. The production of an animated series, 'Talking Risk", which was a tool used to raise risk awareness across the Bank and serve as a quick reference guide;
3. Targeted training in the development and implementation of an effective Business Continuity Plan to support the comprehensive review and revamping of the Bank's Business Continuity Management System (BCMS);
4. The development of a revised framework for guiding the Bank's Strategic Plan for the period 2021-2026. Capacity building sessions were convened with the management teams of all departments to introduce the new approach and chart the way forward for the development, implementation and monitoring of the plan; and
5. General oversight for the Bank's Fintech Project, specifically the pilot of a digital version of the Eastern Caribbean Currency.

Over the period, information technology risks continued to be an area of focus for the OCSRM, given the Bank's thrust towards gaining efficiencies through the use of technology. The recent threat of the COVID-19 virus also presented a rare opportunity to undertake a holistic assessment of the Bank's contingency systems and its ability to ensure business continuity in the event of a major disruption. The information gleaned would inform any required improvements and help shape the Bank's strategic direction going forward.

ECCB KEY RISK AREAS



Meet the Office of Corporate Strategy and Risk Management Team

L-R: Risk Analyst II (Operational Risks) - Miryam Augustin; Risk Analyst II (Strategic Planning) - Karel Forde-Harrigan; Chief Risk Officer - Sharmyn Powell; Senior Administrative Assistant - Antonia Aaron; Risk Analyst II (Business Continuity) - Kechewia Charles

ORGANISATIONAL EFFECTIVENESS

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

ECCB S.T.A.R Awards

Through its S.T.A.R. Awards, the ECCB continues to recognise and celebrate individuals and the department which exemplify the Bank's mantra of: Service Excellence, Teamwork and Truth Telling, Accountability and Results.

The S.T.A.R. Awards are presented in two categories: Individual and Department. Twelve individual nominations and eight department entries were submitted for consideration. The 2019 awards were presented at the Bank's Annual Banquet and Awards Ceremony held on 7 December.

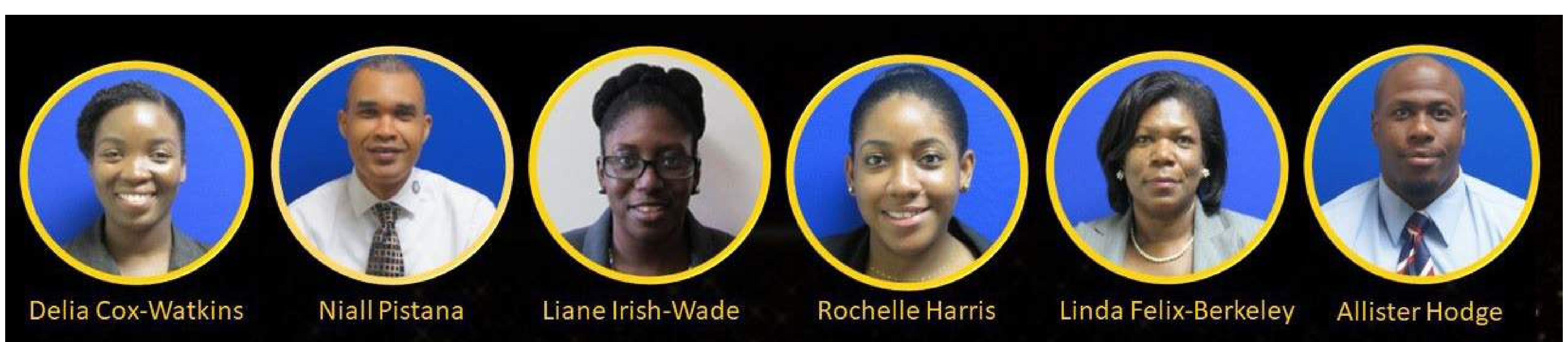
Department S.T.A.R Award

The Management Information Systems Department (MISD) received the 2019 Departmental S.T.A.R. Award. During the year, the MISD provided staff with faster more efficient ways of executing their work programmes, including the "do-it-yourself" password reset guidelines. The team is always ready and willing to assist and responds expeditiously to all requests for assistance.

Individual S.T.A.R Awardees

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

1. Delia Cox-Watkins - Bank Supervision Department
2. Niall Pistana – Banking and Monetary Operations Department
3. Liane Irish-Wade – Bank Supervision Department
4. Rochelle Harris – Research Department
5. Linda Felix-Berkeley, Corporate Relations Department (Agency Office, Grenada)
6. Allister Hodge – Research Department



ECCB S.T.A.R. Mantra

Director, Management Information Systems Department, Cindy Parris-Gilbert receives the S.T.A.R. Award from Govenror Antoine on behalf of the department

ORGANISATIONAL EFFECTIVENESS

Spirit Award

The Spirit Award recognises staff who continuously demonstrate the ECCB spirit or are excellent ambassadors of the Bank. To be considered for this Award, individuals met one of the following criteria:

- Demonstrated the ECCB spirit by actively volunteering and supporting campus initiatives;
- Enhanced the image of the Bank by acting as an ambassador for the ECCB as a great place to work, learn and grow;
- Made contributions that were above and beyond regular job duties; and
- Promoted a work environment that is respectful, collegial and supportive.

The recipients of the 2019 ECCB Spirit Awards were: Delia Cox-Watkins – Bank Supervision Department and Sherma John, Country Manager – ECCB Agency Office, the Commonwealth of Dominica

Impact Award

In 2019, the awards were expanded to include the inaugural Impact Award to recognise staff members or teams who have developed, revised or implemented a system, tool, process, initiative or programme within their departments or across the Bank, which has had a positive impact. Lindon Jackasal, Management Information Systems Department, the Anti-Money Laundering Supervisory Unit, Bank Supervision Department and the SAS Phase II Implementation Team received the inaugural Impact Award.

Governor Antoine presents Spirit Award to Delia Cox-Watkins

Governor Antoine with Members of the Anti-Money Laundering Supervisory Unit in the Bank Supervision DepartmentL-R: Ishawn James, Lydia Blanchard, Livia Bertin-Mark(Donnette Dowers also served on that team)

Governor Antoine with Members of the SAS Phase II Implementation Team L-R: Sharon Tisson-Bennett, Angela Rouse, Leah Sahely, Rowena Peters, Irus Toussaint. (Andrea Seaton-Richards, Jonishel Browne, Kevin Woods, and Ayodele Roache also served on the team)

Governor Antoine presents Spirit Award to Sherma John

ORGANISATIONAL EFFECTIVENESS

Legislative Agenda to Support Strategic Priorities

Banking Act

The Bank remains committed to encouraging Member Governments to enact the amendments to the Banking Act (the Act). To date, four Member Governments have passed the Bill.

Anti-Money laundering/Counter Financing of Terrorism Legislation

The Bank continues to urge Member Governments to pass amendments to the existing Anti-Money laundering/Counter Financing of Terrorism legislation, which shifts to the ECCB the supervisory and regulatory responsibility for anti-money laundering and counter financing of terrorism for financial institutions licensed under the Banking Act. To date four Member Governments have passed the amendments conferring that authority to the Bank.

The Banking (Licences) Regulations

The Banking (Licences) Regulations, intended to operationalise the general provisions under the Act dealing with the application for a license to carry on banking business and the application for a license for a financial holding company, have been issued in four member countries.

Legislative Framework for Regulation Virtual Assets

The Bank, in collaboration with the Regional Security System - Asset Recovery Unit (RSS-ARU), launched a project for the development of a legislative framework for the regulation of virtual assets or “cryptocurrencies” in the ECCU. Policy recommendations were circulated to stakeholders for feedback and were ultimately approved by the Monetary Council. Following approval of the policy recommendations, a first draft of a Virtual Assets Bill was prepared and circulated to stakeholders and the first set of consultations was held in November 2019. One Member Government has passed the Bill.

Credit Reporting Bill and Regulations

The Bank continues to encourage Member Governments to bring the Credit Reporting Bill and Regulations into force. The primary objective of this legislation is to develop a credit reporting infrastructure that would provide financial institutions and other lending institutions with a supplementary tool to evaluate the credit-worthiness of customers and monitor their credit circumstances. This will allow for the local credit markets to function more efficiently. To date, five countries have passed the Bill, and the Credit Reporting Act and Regulations are in force in three member countries.

Harmonised Registered Land Bill

The Bank continues to pursue the ECCU Electronic Conveyancing System Project, which is intended to facilitate the development of a harmonised and modern system of land registration throughout the ECCU. This is anticipated to revolutionise the way business is conducted in so far as land transactions are concerned, and significantly improve countries’ ranking in the World Bank Doing Business Report. One of the outputs of the project, a draft harmonised Registered Land Bill, has been the subject of in-country consultations in one member country.

Amendments to Schedule to the Eastern Caribbean Central Bank Agreement Act.

In support of the Bank’s efforts to issue a digital Eastern Caribbean Dollar (DXCD), amendments have been made to the Schedule to the Eastern Caribbean Central Bank Agreement Act. Those amendments were approved by the Monetary Council at its 95th Meeting in February 2020.

ORGANISATIONAL EFFECTIVENESS

The Payment System (Eastern Caribbean Clearing House) Rules

The Payment System (Eastern Caribbean Clearing House) Rules, intended to lend efficiencies and allow some flexibility in the processing of transactions by the Eastern Caribbean Automated Clearing House (ECACH), have been published in five member countries.

Disclaimer Policy

As part of its efforts to mitigate its legal and reputational risks, the Bank in May 2019 approved a disclaimer policy.

Read Credit Reporting Bill and Regulations 2016

6 Financial Results

The 2019/2020 financial year was a record-breaking year for the ECCB as the Bank posted its best financial results since establishment. The Bank reported a net profit of $63.1 million for the year ended 31 March 2020, exceeding the previous year's profit by $30.4 million or 93.0 per cent.

FINANCIAL RESULTS

Statement of Financial Position

As at 31 March 2020, the Bank's Total Assets stood at $5,376.7 million, an increase of $215.9 million (4.2 per cent) when compared to the position in the previous year.

The increase in Total Assets, predominantly reflected in the Foreign Assets category was due to an expansion of $156.2 million (3.2 per cent) in foreign reserves. The growth in foreign assets was mainly attributable to the purchase of foreign and regional currency notes from commercial banks, an appreciation in the market value of foreign investment securities and the reinvestment of interest received on foreign investments. The rise in foreign assets was partially offset by the net sale of foreign currency balances to commercial banks in the Eastern Caribbean Currency Union.

Domestic Assets rose by $59.7 million (19.0 per cent), primarily due to increases in Participating Government Securities, Accounts Receivable and Prepaid Expenses, Property and Equipment and Right-of-use Assets. Participating Governments' Securities increased by $27.1 million (45.03 per cent) mainly due to the Government of Dominica issuance of a $30.0 million bond to the ECCB, moderated by principal payments on bonds. Accounts Receivable and Prepaid Expenses increased predominantly due to increase in prepaid currency costs as the Bank launched and issued a new family of polymer notes during the year. Property and Equipment increased due to the implementation of Phase 1 of the ECCB Solar Canopy Project and the acquisition of other fixed assets. The implementation of Phase 1 of the Solar Canopy falls under the Bank's strategic priority of enhancing organisational effectiveness through its greening of the Campus initiative. Additionally, the adoption of the new accounting standard, IFRS 16, Leases, effective 1 April 2019, led to the recognition of right-of-use assets for the Bank's leased properties valued at $3.0 million.

Total Liabilities increased by $80.9 million (1.7 per cent) over the year. The most significant increases in this category were $126.2 million (11.1 per cent) in Currency in Circulation, $96.4 million (73.0 percent) in Participating Government call accounts, $40.5 million (100.0 per cent) in Bankers' fixed deposits, $35.5 million (16.3 per cent) in Bankers' Collateral accounts, $19.6 million (121.3 per cent) in Eastern Caribbean Securities Registry account and $18.4 million (21.3 per cent) in Participating Governments' Operating accounts. These increases were moderated by decreases of $276.6 million (9.5 per cent) in Commercial Banks' reserve balances and $9.4 million (82.2 per cent) in Organisation of Eastern Caribbean States operating accounts.

Total Equity grew by $135.0 million (46.5 per cent) to $425.0 million. The primary contributor to this expansion was an increase of $75.1 million in Unrealised Holding Gain on foreign investment securities, which stemmed from the favourable performance of the US bond market over the financial year. Also strengthening the equity position, was an increase of $61.7 million (39.6 per cent) in General Reserve due to the allocation from net profit in accordance with the ECCB Agreement Act 1983.

Chart 5 - Total Assets (EC$000s)

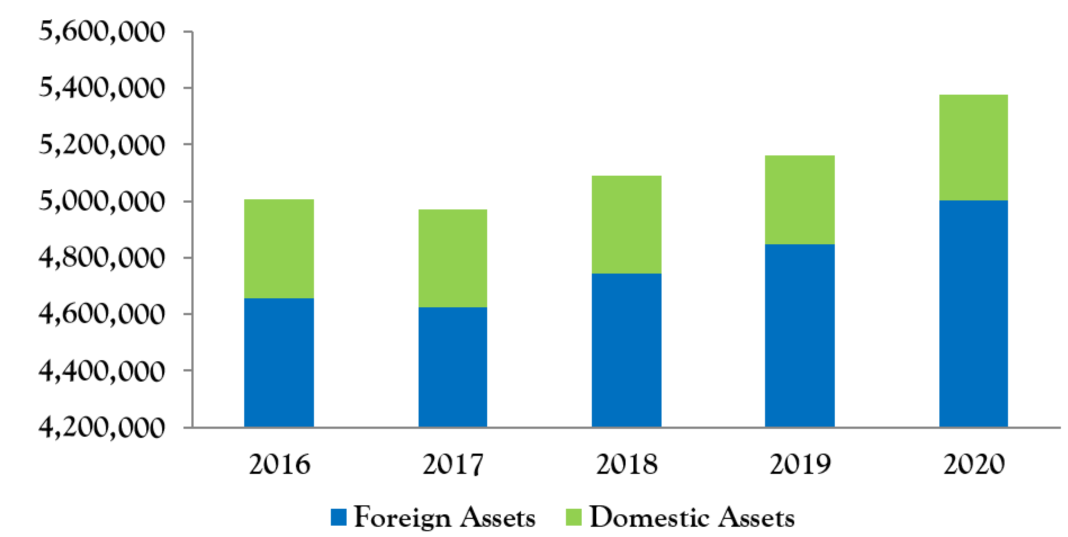
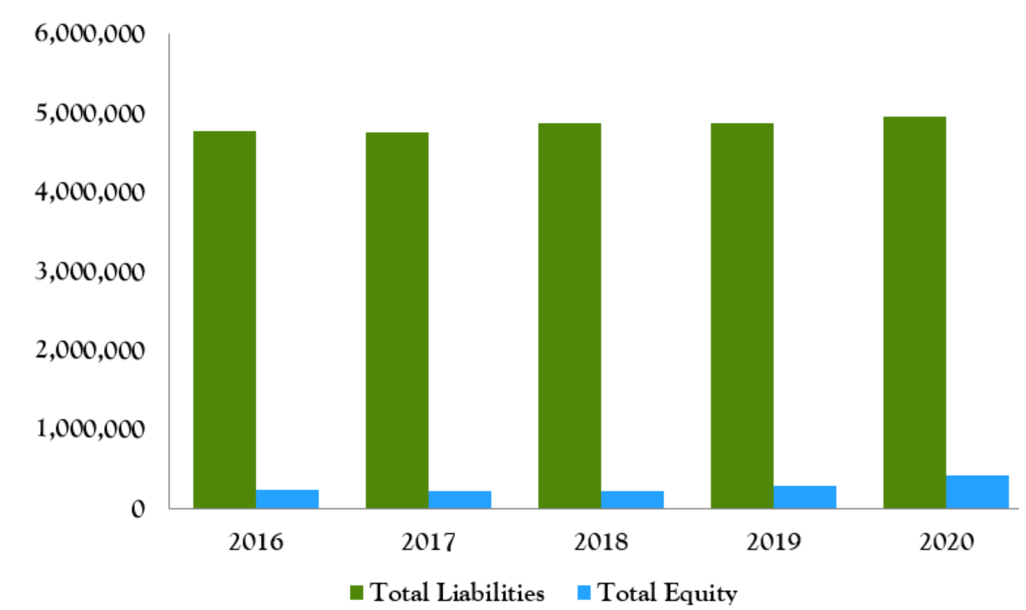


Chart 6 - Total Liabilities and Equity (EC$000s)



FINANCIAL RESULTS

Statement of Profit or Loss

The 2019/2020 financial year was a record-breaking year for the ECCB as the Bank posted its best financial results since establishment. The Bank reported a net profit of $63.1 million for the year ended 31 March 2020, exceeding the previous year's profit by $30.4 million or 93.0 per cent. The upsurge in profit was primarily attributable to an increase of $32.4 million in gain on sale of foreign investment securities.

Operating income for the financial year ended 31 March 2020 rose by $36.5 million (33.7 per cent) to $144.8 million when compared to the previous financial year of $108.3 million. The growth in operating income was largely driven by increases in gain on sale of foreign investment securities ($32.4 million), other gains ($8.3 million) and commission income ($2.3 million). Gain on the sale of foreign investment securities increased as the Bank disposed of foreign investment securities to realign its investment strategy. Other gain increased as a result of net gain on US Agency Mortgage-Backed Securities. The effects of these increases were partially offset by a decrease of $6.3 million in net interest income.

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

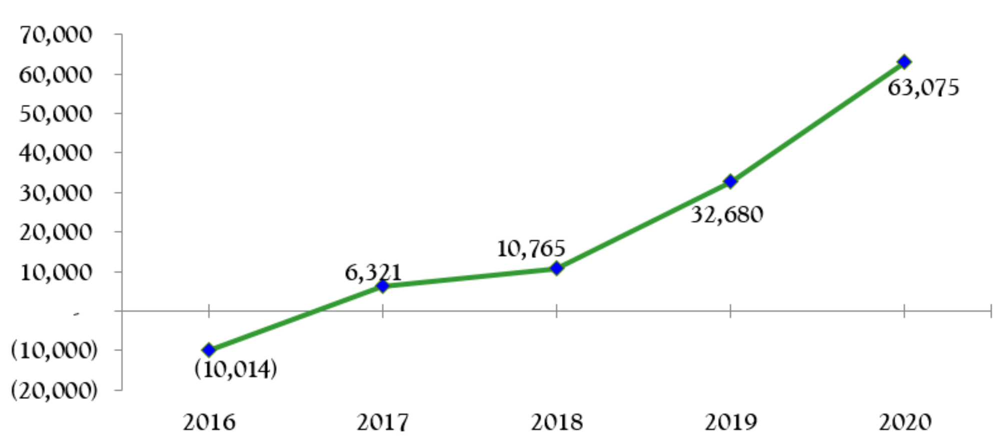


Chart 8 - Operating Income (EC$000s)

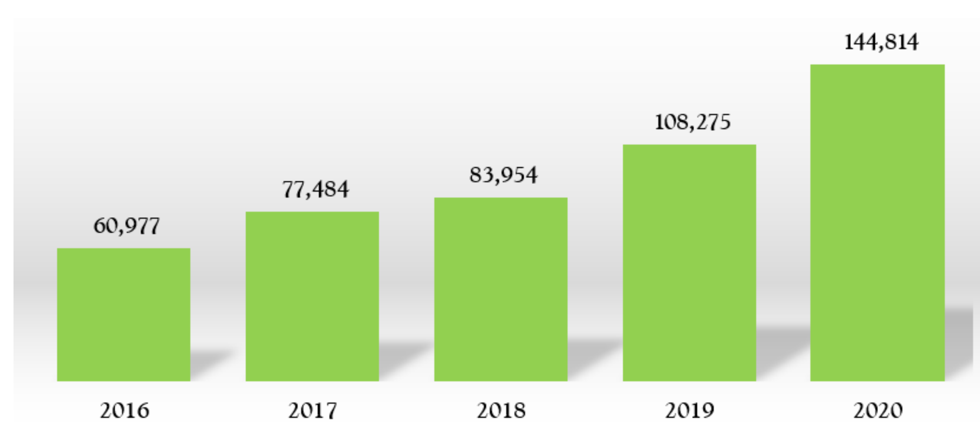


Chart 9 - Income Mix 2020 (EC$000s)

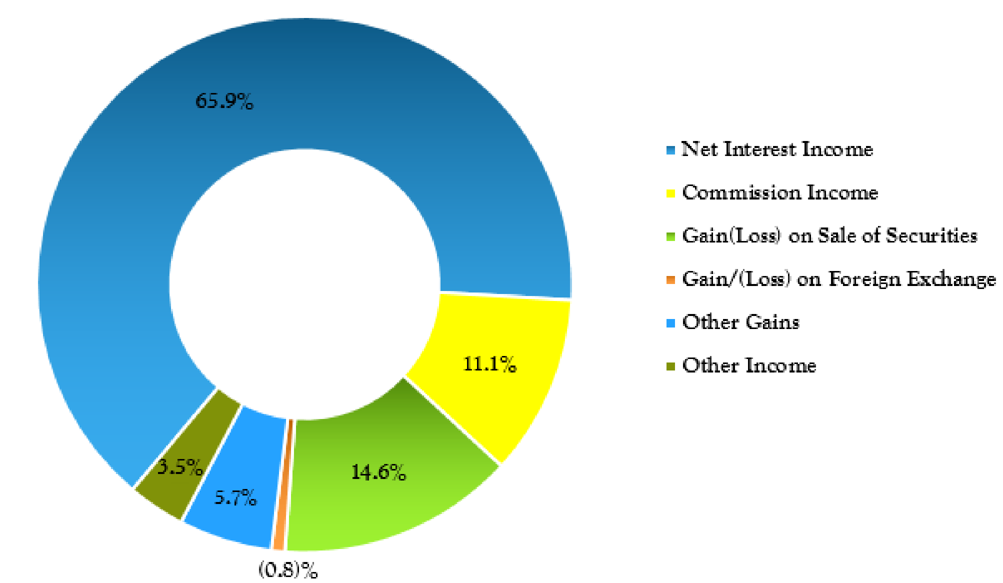
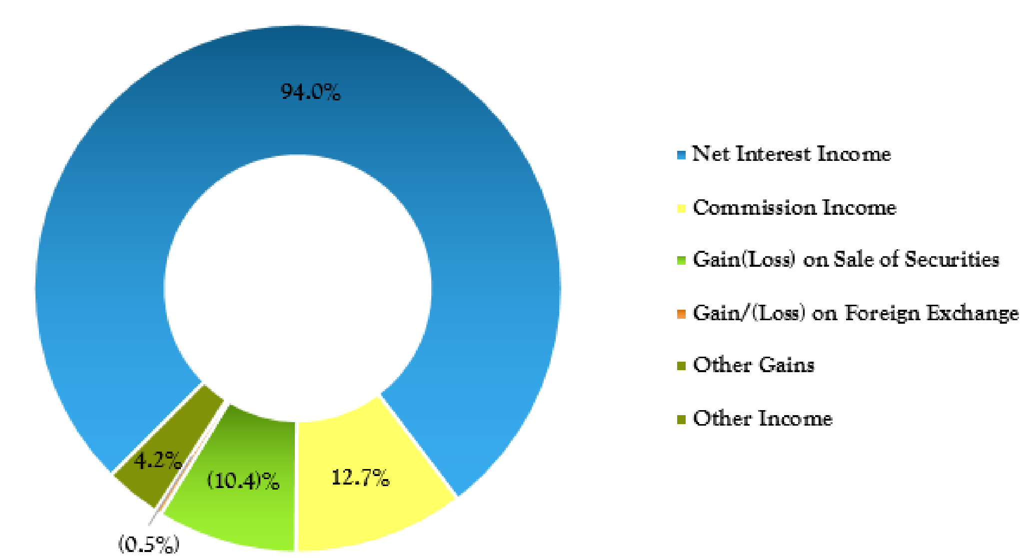


Chart 10 - Income Mix 2019 (EC$000s)



FINANCIAL RESULTS

Net interest income contracted by $6.3 million or 6.2 per cent to $95.4 million for the year ended 31 March 2020 when compared to the previous financial year. The decline in net interest income was primarily attributable to a reduction in interest earned on foreign investment securities, which was negatively impacted by the Federal Reserve interest rates cuts during the financial year when compared to the previous financial year. By the end of the ECCB's financial year ended 31 March 2020, the Federal Reserve had lowered its benchmark interest rate back to the 0 per cent to 0.25 per cent range first enacted during the 2008 financial crisis. The decrease in net interest income was offset by a reduction of $0.6 million or 10.1 per cent in interest expense attributable to a decline in interest expense on interest bearing demand liability accounts.

Operating expenses for the financial year ended 31 March 2020 of $84.6 million grew by $7.3 million or 9.4 per cent over the previous financial year. The growth in operating expenses was largely due to an increase of $4.4 million in salaries, pension and other staff benefits, $1.8 million in administrative and general expenses and $0.9 million in depreciation and amortisation expenses.

Chart 11 - Net Interest Income (EC$000s)

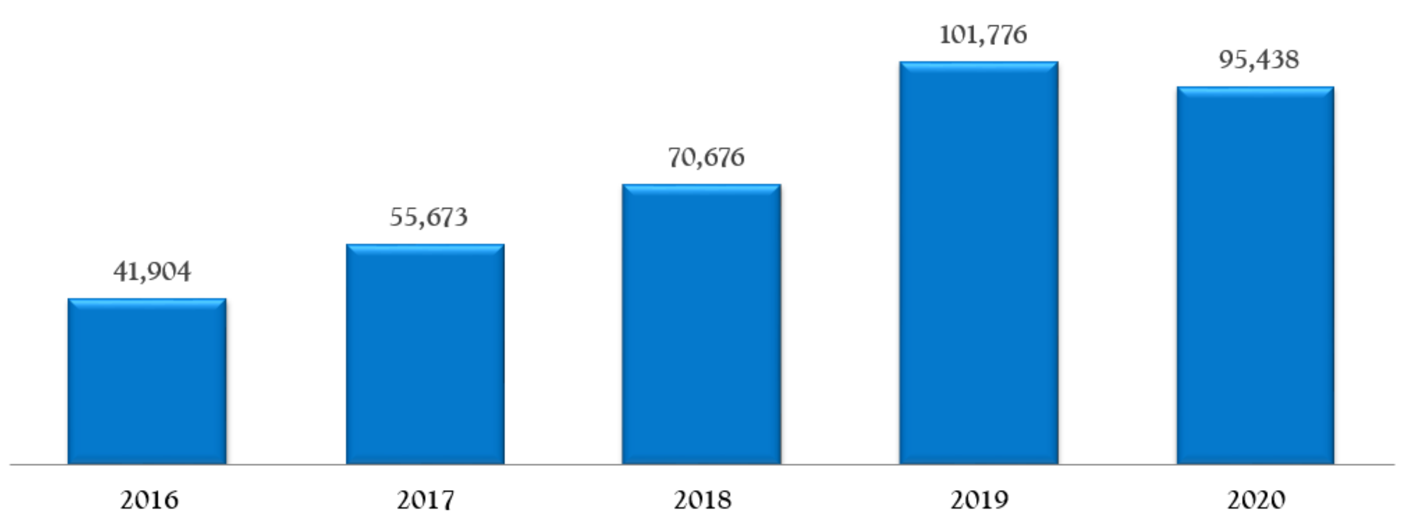
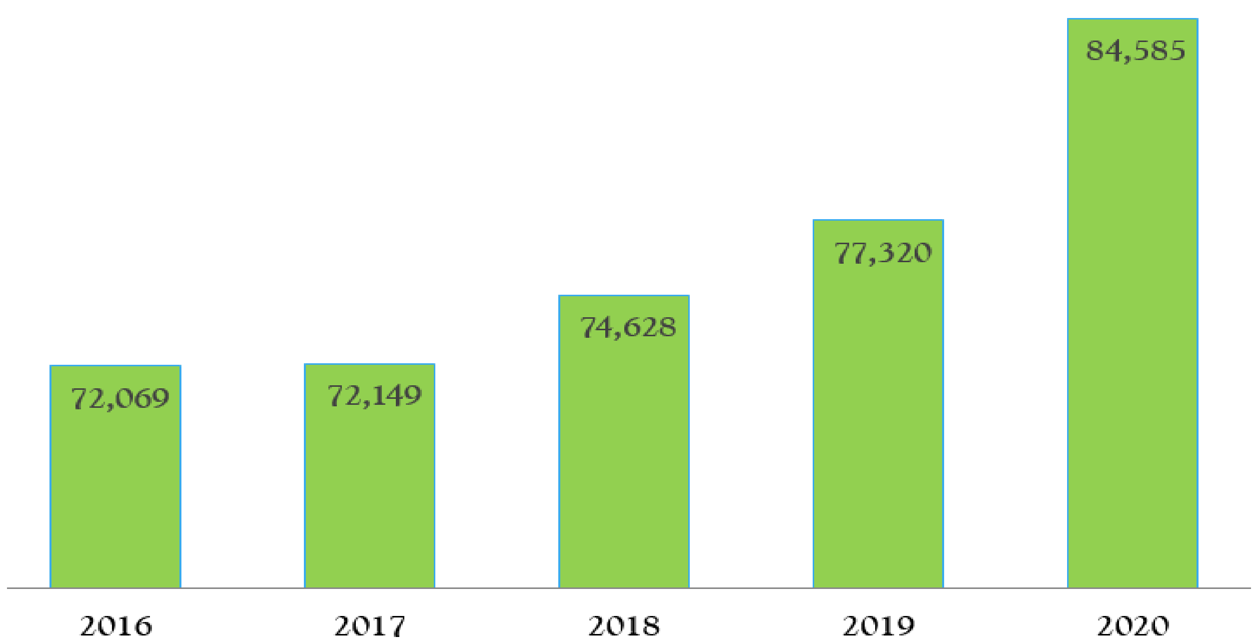
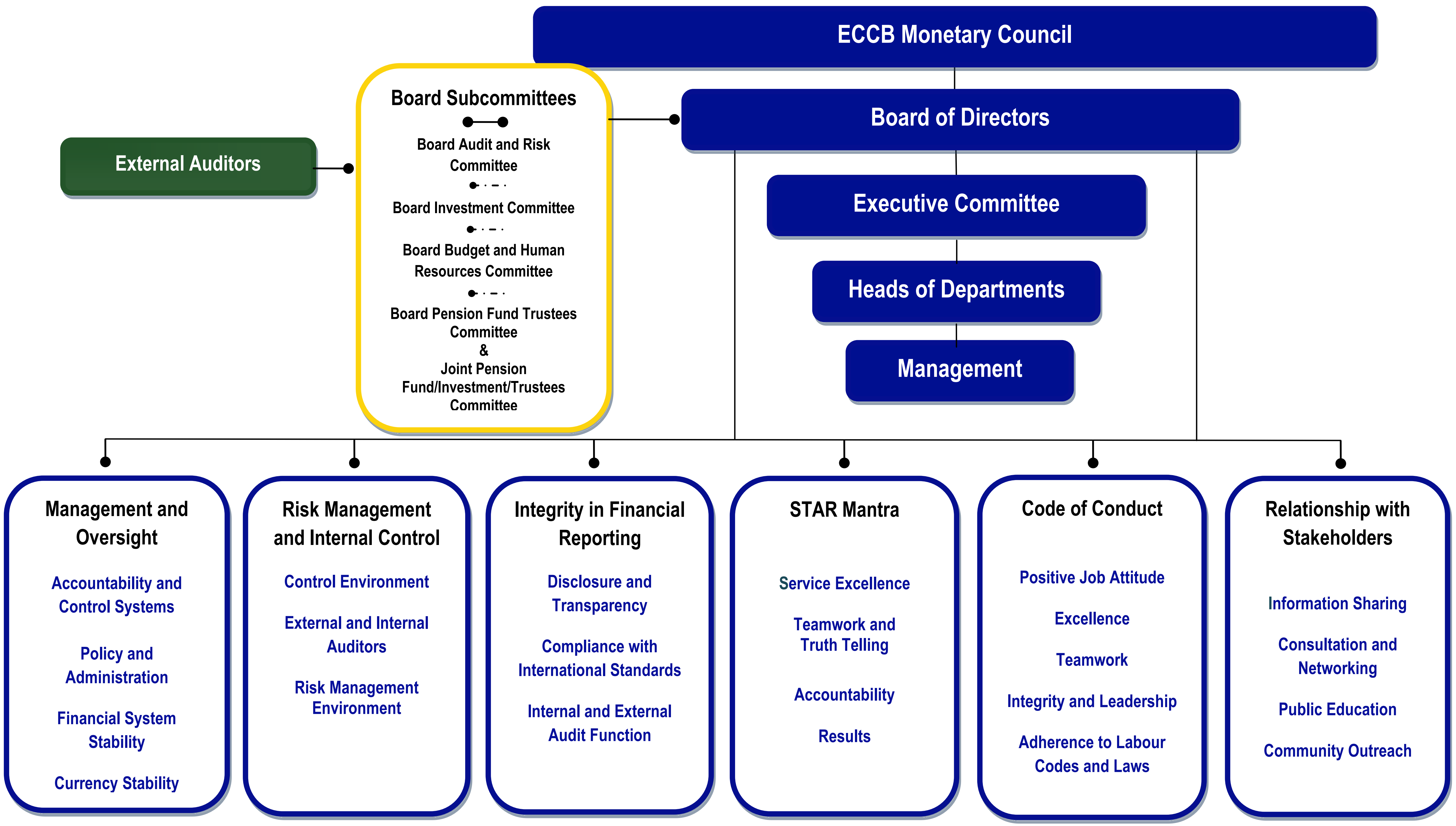


Chart 12 - Operating Expenses (EC$000s)



Click here for the Independent Auditors' Report and Financial Statements

7 Corporate Governance Framework



CORPORATE GOVERNANCE

The 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:

Firm Foundation for Management and Oversight

1. Proactive and sound risk management and internal control;
2. Integrity in financial reporting;
3. Code of Conduct that endorses ethical values; and
4. 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.

During the financial year, the Internal Audit Deparment conducted an audit of the Bank's Corporate Governance and Change Management. The Bank's corporate governance practices were benchmarked against international best practices and it was noted that the Bank had implemented several best practices. The recommendations for improvement were embraced and are being implemented.

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 Act, 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 serving Chairman is Dr the Right Honourable Keith C. Mitchell, Council Member for Grenada, who assumed the Chairmanship on 27 July 2018. Prime Minister Mitchell continued his tenure as Chairman as a result of the cancellation of the July 2019 Handover of Chairmanship Ceremony due to pending elections in Montserrat. Prime Minister Mitchell will hand over the Chairmanship of the Monetary Council to the Council Member for Saint Christopher (St Kitts) and Nevis on 24 July 2020.

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 2019 calendar year, the Council convened its requisite two meetings:

- 93rd Meeting of the Monetary Council on 15 February 2019 in Saint Christopher (St Kitts) and Nevis.
- 94th Meeting of the Monetary Council held on 11 October 2019 via videoconference.

The Monetary Council also convened its 1st Special Meeting for 2019 on 6 September 2019 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 reappointment. The Governor and the Deputy Governor are appointed by the Monetary Council for a period not exceeding five years and are eligible for reappointment.

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

CORPORATE GOVERNANCE

Newly Appointed Director to the Board

The Bank welcomed Esther Rigobert, Appointed Director for the Government of Saint Lucia, to the Board of Directors during the financial year. Ms Rigobert was appointed effective 1 February 2020 on the commencement of pre-retirement leave of Cointha Thomas (former Appointed Director), and is expected to serve her term of office not exceeding three years. She currently serves as Director of Finance at the Ministry of Finance.

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 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 2019:

1. 170th Meeting of the Board of Directors – 24 and 25 January 2019 in Saint Christopher (St Kitts) and Nevis
2. 171st Meeting of the Board of Directors – 29 March 2019 in Saint Christopher (St Kitts) and Nevis
3. 172nd Meeting of the Board of Directors – 12 and 18 June 2019 via videoconference
4. 173rd Meeting of the Board of Directors – 13 September 2019 via videoconference
5. 174th Meeting of the Board of Directors – 15 November 2019 via videoconference
6. 175th Meeting of the Board of Directors - 24 January 2020 via videoconference
7. 176th Meeting of the Board of Directors - 27 March 2020 via viedoconference

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

1. Board Audit and Risk Committee
2. Board Investment Committee
3. Board Budget and Human Resources Committee
4. Pension Fund Trustees Committee
5. Pension Fund Investment Committee
6. 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; and to provide a system of internal control, risk management, and compliance monitoring with laws and regulations and the Code of Conduct. Specific to the work of the Committee, consultations are conducted as deemed necessary with the external auditors, Bank's directors and officers, and the Internal Audit Department.

CORPORATE GOVERNANCE

The current Committee comprises:

- Hilary Hazel, Deputy Chair
- Esther Rigobert, Board Member
- Edmond Jackson, Board Member

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 up to the financial period 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.

Compliance with International Financial Reporting (IFR) Standards

Effective 1 April 2018, the Bank adopted IFRS 9, Financial Instruments, followed by the adoption of IFRS 16, Leases on 1 April 2019. The Bank continues to stay abreast with changes in IFRS.

Chartered Directors Programme

In May 2019, two Appointed Directors completed the Chartered Directors Programme: Dr Aidan Harrigan, Appointed Director for Anguilla and Edmond Jackson Appointed Director for Saint Vincent and the Grenadines.

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:

1. The Eastern Caribbean Central Bank Corporate Governance Charter

CORPORATE GOVERNANCE

1. Media Relations Policy
2. Information Systems and Security Policy
3. Eastern Caribbean Central Bank Staff Regulations
4. The ECCB's Guide – Protocol, Diplomacy and Etiquette
5. Energy Management Policy
6. Financial Regulation

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, 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 Act, 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 International Netball Series
- ECCU Bank of the Year Award

Relationship With Stakeholders

Social Partners at engagement session during Governor Antoine's Country Outreach in Saint Lucia

Media practitioners at engagement with Governor Antoine during his Country Outreach in the Commonwealth of Dominica

- ECCU Bright Sparks Programme
- Student Programme for Innovation in Science and Engineering (SPISE)

OECS/ECCB International Netball Series

In 2019, the Bank rebranded the OECS/ECCB Under-23 Netball Tournament and upgraded it the OECS/ECCB International Netball Series. Transitioning to an International Netball Series provides the opportunity for the teams from the ECCB member countries to play international netball matches. Such an undertaking will facilitate:

1. Showcasing of elite netballers in the ECCB member countries on the international platform;
2. Establishment of netball pathways for ECCU netballers to realise their full potential;
3. Capacity to monitor respective country performance against the rest of the world;
4. Transfer and adoption of international best practices, with respect to netball umpiring and coaching;
5. Marketability of netball as a sport tourism option in the ECCU; and
6. "Internationalisation" of the corporate social responsibility profile of the ECCB; as the title sponsor of the only funded netball tournament in the region.

The first OECS/ECCB International Netball Series was held from 15 to 21 June 2019 in Saint Vincent and the Grenadines. Five teams vied to be the first-ever champions of the Series. Team Grenada captured the envied Gloria Ballantyne Championship trophy named in honour of Gloria Ballantyne of Saint Vincent and the Grenadines, who has been influential in regional netball for several decades.

The netballers also participated in a developmental session on the theme: Charting a Course: A Financial Guide for Women. Villette Browne, Managing Director of the KP Group of companies in Saint Vincent and the Grenadines, conducted the session. The young players also had the opportunity to engage in discussion with netball officials about the future of the sport in the region.

ECCU Bank of the Year Awards

The ECCB hosted the first-ever ECCU Bank of the Year Awards on 6 November 2019 during the 24th Annual Sir Arthur Lewis Memorial Lecture and Book Award. The awards replaced the Best Corporate Citizens Award Among ECCU Commercial Banks which ran from 1997 to 2017.

The ECCU Bank of the Year Awards recognise the banks which have made outstanding contributions to the overall development of the people they serve through everyday business practices.

View matches and events from the Inaugural OECS/ECCB International Netball Series

Competing teams on parade at the Opening Ceremony of the Inaugural OECS/ECCB International Netball Series

Team Grenada, winners of Inaugural OECS/ECCB International Netball Series, with ECCB Country Manager, Saint Vincent and the Grenadines, Elritha Miguel, (first from left, front row) at Closing Ceremony

CORPORATE GOVERNANCE

Awards were presented to the banks that were adjudged to have demonstrated excellence in the following categories:

1. Corporate Social Responsibility
2. Corporate Governance
3. Customer Service
4. Financial Education and Empowerment
5. Risk Management
6. Technological Innovation

The Inaugural Bank of the Year Awards recipients were:

1. Antigua Commercial Bank – Corporate Governance
2. St Kitts-Nevis-Anguilla National Bank – Corporate Social Responsibility
3. CIBCFirst Caribbean International Bank, Saint Lucia - Customer Service
4. Republic Bank (Grenada) Ltd – Financial Education and Empowerment
5. Grenada Co-operative Bank – Risk Management
6. Bank of Saint Lucia Ltd – Technological Innovation

Recipients of the Inaugural ECCU Bank of the Year Awards
L-R: General Manager, St Kitts-Nevis-Anguilla National Bank Limited, Donald Thompson; Managing Director, Grenada Co-operative Bank Ltd, Richard Duncan; Deputy Managing Director, Bank of Saint Lucia Ltd, Lyndon Arnold; General Manager, Antigua Commercial Bank, Joanna Charles; Country Head, CIBC/FCIB (Barbados) Limited, Ladesa James; Officer-in-Charge, Marketing. Communication and Customer Care, Republic Bank (Grenada) Limited, Lorna Samuel-Skocic

Student Programme for Innovation in Science and Engineering (SPISE)

The ECCB has been supporting the Student Programme for Innovation in Science and Engineering (SPISE) since 2017. The programme is offered to Caribbean secondary school students, 16-17 years of age, who are gifted in Science, Technology, Engineering and Mathematics and are interested in studying and exploring careers in these disciplines. The four-week summer programme is a replica of the well-known Minority Introduction to Engineering and Science (MITS) programme offered by the Massachusetts Institute of Technology (MIT). In 2019, the ECCB sponsored two students; Keondre Herbert of Antigua and Barbuda and Delaan Nedd of Saint Vincent and the Grenadines. Keondre went on to be accepted at Colombia University, an Ivy League institution in the United States of America.

ECCB's 2019 SPISE Sponsored Students:
Delaan Nedd (left) and Keondre Herbert (Right)

ECCU Bright Sparks Programme

In July 2019, Jenielle Brathwaite from the TA Marryshow Community College in Grenada, Olivia Langhorne from the Sir Arthur Lewis Community College in Saint Lucia and Christina Cho from the Clarence Fitzroy Bryant College in Saint Christopher (St Kitts) and Nevis were welcomed into the ECCB 2019 Bright Sparks Programme. They were attached as interns to the Management Information Systems Department with their primary focus on the Digital EC Currency (DXCD) Pilot FinTech project. They assisted in providing IT support as part of the wider DXCD Pilot FinTech project team and were charged with injecting fresh ideas into ECCB's most anticipated project, which will radically change the way payments are made in the ECCU.

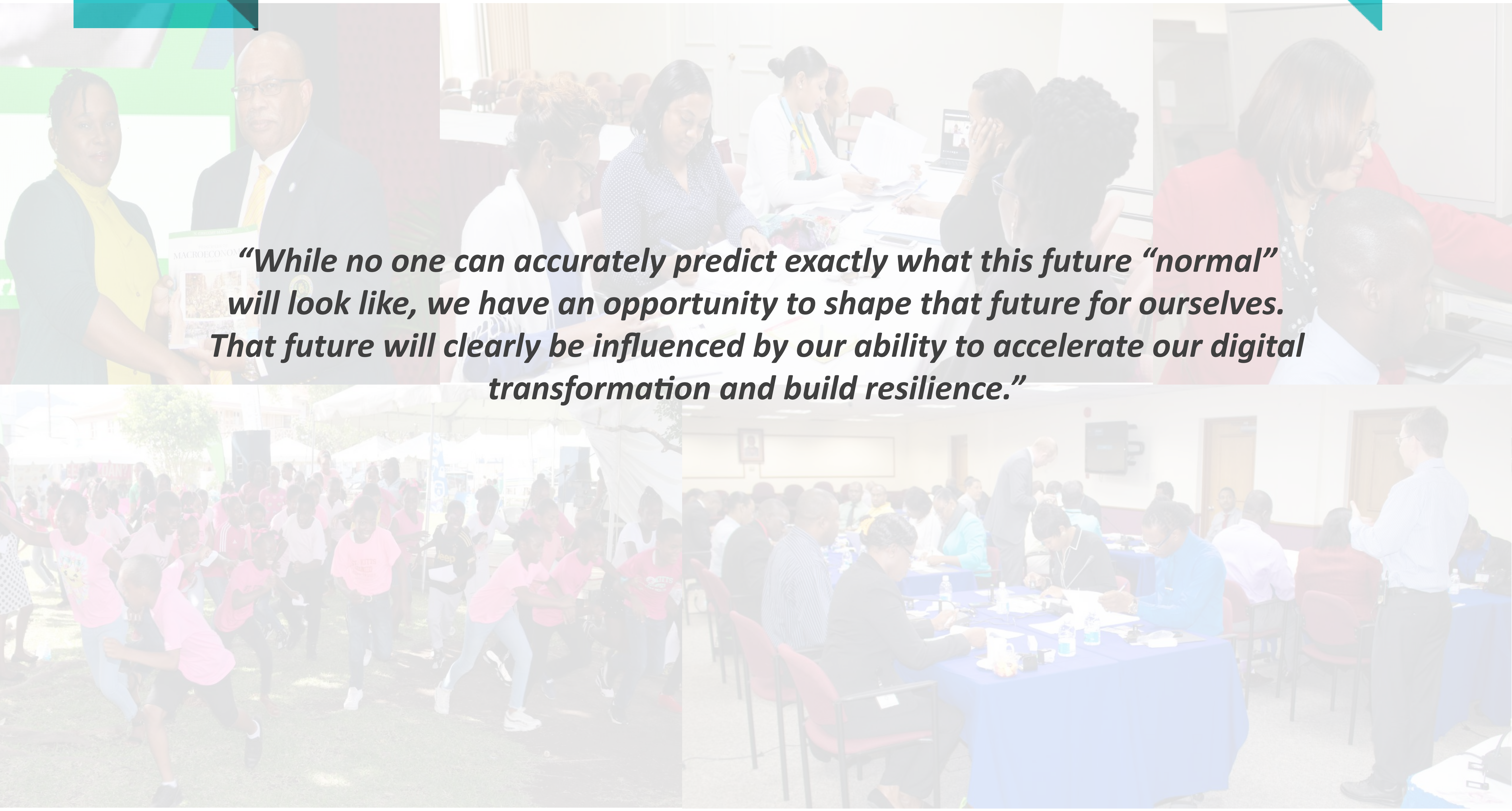
View Inaugural Bank of the Year Awards

CORPORATE GOVERNANCE

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 (IT) 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 interns bring to the fore while in return the interns receive on-the-job training and is able to draw from the experiences of local as well as regional experts in the IT field.

ECCB Bright Sparks alumni Lindon Jackasal, who is now a member of the ECCB family, shares his experience

8 Areas of Focus: 2020-2021



"While no one can accurately predict exactly what this future "normal" will look like, we have an opportunity to shape that future for ourselves. That future will clearly be influenced by our ability to accelerate our digital transformation and build resilience."

AREAS OF FOCUS

Monetary Stability

Maintain a strong and stable EC Dollar

Review and Adopt Revised Reserved Management Framework

The Bank will continue to develop the 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 2020/2021:

1. Review and selection process for custodial services relevant to foreign reserve management and the Bank's Pension Fund; and
2. Development of the newly formed Risk and Analytics Unit.

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

1. Work will be done to improve the Monetary and Credit Report used to inform and advise the Monetary Council on money and credit conditions.
2. The Bank will continue to work on a framework for currency forecasting to enhance currency management.

Financial Stability

Ensure a strong, Diversified and reslient financial sector

Enhance Risk-based Supervisory and Management Framework

In the 2020/2021 financial year, the Bank will undertake the following activities for the continued monitoring and supervision of the financial sector:

1. Complete risk-based assessments of all licensed financial institution which will form the basis of the Bank's supervisory activities going forward.
2. Continue to review, update and issue appropriate prudential standards aimed at minimising or eliminating regulatory risks.
3. Continue activities relating to Basel II/III implementation towards the target date of December 2021.
4. Engage in market sensitisation and training regarding AML/CFT and Basel II/III implementation.
5. Work on the revised prudential returns and manual of instructions for all licensees.

Improve Payments Infrastructure to Adapt to Evolving Market Expectations

The ECCB has embarked on a plan to modernise the payment and settlement system in the Eastern Caribbean Currency Union. The expected result is a payment system that:

1. is governed by a modern and updated legislative framework;
2. encompasses enhanced payment and settlement infrastructures;
3. fosters financial inclusion; and
4. reflects a strengthened oversight and development framework.

To improve the Payment System, the Bank will focus on the following areas during the 2020/2021 financial year:

1. Payment System Legislative Reform to include the revision of the Payment System Act and associated regulations and the development of Data Protection Legislation. This critical step is expected to lay the foundation for activities that will be embarked upon in the quest to modernize payment infrastructures and increase system participation. Such activities will include consultations with the respective member governments and other regulatory authorities in the ECCU to obtain their input in the modernisation of the legal framework.

2. Enhancing the payments and settlement infrastructure for institutional participants like governments and other Non-bank Financial Institutions. This will include an assessment of their current payment infrastructure, with recommendations to be made regarding the manner in which greater efficiency can be obtained.
3. Strengthening the oversight and development functions by providing a quarterly assessment of the payment system in the ECCU and evaluations of the designated Financial Market Infrastructures (FMIs). A key function in conducting oversight responsibilities is identifying the key risk that exists in the payment system and monitoring to ensure the implementation of effective controls. To address this issue, the Bank, with assistance from regional and international partners, will commence the development and implementation of a comprehensive Risk Management Framework for the payment system.
4. Continue to ensure safety and efficiency for the transmission of financial transactions by adopting the use of SWIFT Global Payments Innovation (GPI)), which will provide tracking for all transactions executed via SWIFT. In addition, the Bank will execute the necessary requirements to be compliant with the SWIFT 2020 release. The SWIFT 2020 release will include a Payment Tracker System for handling Universal Payment Confirmations as well as further development of the SWIFT GPI system for payment handling.
5. Establish a plan to ensure its readiness for the implementation of ISO 20022 in 2025. ISO 20022 is an emerging global and open standard for payments messaging. It creates a common language and model for payments data across the globe; one that provides higher quality data than other standards. This includes higher quality payments for all, adaptable to new needs and new approaches. The standards will not be controlled by a single interest and can be used by anyone in the industry and implemented on any network.
6. Work on revisions to the payment system regulatory framework apace with a view to enhancing the regulatory framework for payment services in the ECCU, strengthening consumer protection, and engendering confidence in the use of electronic payments.

The Bank will also:
1. Continue to work with the respective member governments to secure promulgation of outstanding legislation.
2. Continue work on the finalisation of the Insurance and Pensions Bill for passage by member countries.
3. Leverage its statutory mandate for financial stability to create a platform for coordination and cooperation among the respective financial supervisory authorities.
4. Work on draft Financial Stability Legislation.
5. Expand its datasets to capture data from other financial institutions such as credit unions and insurance companies.

Deepen Money and Capital Markets

To support the further development of money and capital markets in the region, the Bank will collaborate with key regional capital market institutions to develop an ECCU Capital Market Master Plan (CMMP). The plan will incorporate a multi-year cohesive capital market development roadmap and implementation framework, inclusive of a Capital Market Literacy Master Plan. It is also envisaged that activities and missions aimed at increasing the investor base of the Eastern Caribbean Securities Market will be undertaken.

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

During the 2020/2021 financial year, the Bank will endeavour to undertake activities to strengthen the financial system to improve access to credit. Efforts will include:
1. Continued work on the establishment of the ECCU Credit Bureau, Deposit Insurance, Eastern Caribbean Partial Credit Guarantee Corporation and Shared Services Arrangement for national banks.
2. The implementation of secured transactions and collateral registries in the ECCU.
3. Conceptualisation of a development-type financial institution to catalyse broader access to financing by the private sector.
4. Ongoing assessment of the financial system for identifying gaps and proposing recommendations and strategies.

AREAS OF FOCUS

Develop Macroprudential 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 and Macroprudential Policy Committees and the continued development of the Financial Stability Report.

Deliver New Risk Management Infrastructure to Support the ECCU Financial Sector

Continue to formulate policy for a Deposit Insurance Fund and work on corresponding legislation.

Fiscal and Debt Sustainability

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

In financial year 2020/2021, the Bank will continue its development of financial programming tools, as a means of providing robust analysis on member countries to their respective governments. Furthermore, 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 examine policies, projects and tools necessary to facilitate increased growth, development and competitiveness of its member states. Some of the related areas will include:

1. The hosting of the 5th Growth and Resilience Dialogue;
2. The digitisation of the ECCU economies;
3. An optimal regulatory framework for the financial sector;
4. The implications of a digital economy on employment and financial inclusion; and
5. The platforms and infrastructure necessary to facilitate the ECCU's deeper economic integration into regional and local markets.

In addition to its analytical and evidence based policy research on growth and development issues, the Bank expects to spearhead webinars for country participants, and to publish more research work in the Bank's working paper series.

The Bank will also:

1. Continue to collaborate with development partners in the area of statistics, including the rebasing of the GDP.
2. Enhance data management of Economic Statistics.
3. Conduct Business Outlook Surveys and compilation of national accounts and external sector statistics. With regards to the external sector statistics, the focus will be on the development of the country-specific metadata to support the compilation of the statistics and continuation of the back-casting exercises.
4. Continue to support commercial banks and other financial institutions in their implementation of new and revised prudential returns.

AREAS OF FOCUS

Enhancing Organisational Effectiveness

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 forcus on the following initiatives for the financial year 2020/2021:

1. Consultations on the draft harmonised Registered Land Bill across the member countries.
2. Finalisation of the Virtual Assets Bill for dispatch to member countries for passage.
3. Expanding the Primary School Mentorship Programme by launching the ECCB Primary School Mentorship Radio Programme in all eight ECCB member countries.
4. Enhancing the Financial Information Month initiative by introducing the Grassroots Programme.
5. Monitoring and assessing for future enhancements, the new ECCB Creative Youth Competition for Secondary Schools and Community Colleges.
6. Implementing an ECCB Blog to raise awareness and enhance citizen's knowledge of issues related to the Central Bank and its strategic goals. It is also expected to serve as a medium for promoting constructive dialogue on key policy issues and soliciting feedback for shaping policy and decision making.
7. Integrating data analytics into its core functions to support improved analysis and reporting to key stakeholders such as the Board of Directors and the Monetary Council. To this end, the Bank will optimise the use of SAS as a tool for data visualisation and data analytics and build the competence of its staff in data analytics.

Return the Bank to Profitability Through Operational Cost Efficiencies

1. The second phase of generating electricity from a renewable source, Phase II Solar Canopy Project commenced on 6 January 2020 and is expected to be completed by 31 August 2020. The Phase II solar array is expected to produce 685kw DC/546kw AC. The projected reduction in electricity costs for the Sir K Dwight Venner building is approximately 50 per cent.
2. During the 2020/2021 financial year, an energy audit will be performed to identify areas that can lower the consumption of electricity. One area already identified is the replacement of all compact fluorescent lights (CFL) with LED lights with an expected 50 per cent decrease in consumption.

Strengthen the Research Agenda

1. In 2020/2021, the ECCB will continue work on the handbook, "Promoting Growth, Stability and Sustainability in the ECCU" which will be a compilation of analytical pieces on policy issues that affect the ECCU.
2. Research and other analytical work will continue on financial sector stability issues and the establishment of the Financial Stability and Macro-Prudential Policy Committee.
3. Further research work is planned on the impact of the COVID-19 pandemic on the Tourism Industry in the ECCU in collaboration with country officials and other organisations.

Revamp the Human Resource Strategy to Support Talent Development and Management

In the 2020/2021 financial year, the Bank will provide flexible and proactive options for staff development and organisational readiness to support the Bank's strategic goals. Some of these key areas are highlighted below:

1. Continued Performance Management support to all departments;
2. Application of an internal training calendar to provide planned learning opportunities for staff monitoring and support for targeted capacity building;
3. Focused and targeted staff engagement activities;
4. Review of the Bank's Leave Benefits;
5. Continued monitoring of the Bank's compensation and benefits package to ensure competitiveness in attracting best talent;

AREAS OF FOCUS

6. Continuation of the Emerging Leaders Programme, Cohort 2, for leadership development and succession planning;
7. Development of a database of 'Subject Matter Experts' to leverage the intellectual capital within the Bank and foster an environment for sharing of ideas and perspectives;
8. Development and continuous monitoring of key HR metrics to inform sound decision-making;
9. Development and review of key policies to guide the critical operations of the Human Resource Department and to improve the overall HR function within the Bank in particular Promotions Policy, Onboarding Policy, Code of Ethics Policy, Telecommuting Policy, Health and Safety Policy, Whistleblower Policy and HR Strategy in keeping with the Bank's Strategic Plan 2021 – 2026; and
10. Introduction of telecommuting on a mandatory or voluntary basis, as required, providing staff the opportunity to work remotely as an alternative and flexible working arrangement.

Foster a Culture of Continuous Learning and Professional Development

In an effort to create an environment conducive to staff's continuous improvement, the Bank will seek to implement a state of the art training facility in the coming year.

Utilise Technology to Inform Data-Driven Decision Making

In the 2020-2021 financial year, the ECCB will continue to increase efforts towards the implementation of a Supervisory Technology (SupTech) solution.

Internal Management

Based on the results of the Bank wide risk assessment and the Bank's strategic priorities, some of the areas of focus during the upcoming period include:

1. Audit of the effectiveness of the Human Resource Department in delivering its mandate of staffing and recruitment and staff benefits;
2. Audit of the Transaction Posting and SWIFT at the Banking and Monetary Operations Department;
3. Cyber Security and Penetration Testing Audit;
4. Audit of the arrangements in place for the delivery of the DXCD Caribe Pilot Project;
5. Audit of the operations of the Office of Corporate Strategy and Risk Management; and
6. Audit of the Procurement Process at the Support Services Management Department.

In addition, during the upcoming period, an IMF Safeguard Assessment of the Bank's governance structure and systems of internal control would be conducted.

The Bank will also:

1. Implement an Electronic Signature Solution to expand the ECCB's campus greening initiative;
2. Complete implementation of the Currency Management Solution;
3. Continue the upgrade of the Bank's cabling infrastructure;
4. Upgrade the UPS and Server Infrastructure; and
5. Implement Mobile Device Management Solution.

AREAS OF FOCUS

Develop a Holistic Internal Risk Management Framework

In the upcoming period, the Bank will engage in the following activities:

1. Development of the Strategic Plan for the period 2021-26;
2. Enhancement of the reporting framework for the Enterprise Risk Management system, particularly at the level of the Executive Committee and Board of Directors;
3. Establishment of an Enterprise Risk Committee to deliberate on key risk issues across the Bank;
4. Further enhancement of the Bank's Business Continuity Management System, giving due consideration to lessons learnt from recent events; and
5. Continued risk oversight for the Bank's Fintech Pilot Project, in particular, the six-month live pilot phase.

The Bank will also:

1. Implement SWIFT mandatory 2020 Customer Security Program (CSP) controls;
2. Perform the annual Penetration Testing and Vulnerability/Secure Configuration Assessment of ECCB Network; and
3. Deploy the Internet Network Resiliency Project.

List of Commercial Banks Maintaining clearing accounts with the ECCB

As at 31 March 2020

ANGUILLA
National Commercial Bank of Anguilla Ltd
Republic Bank (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
Republic Bank (EC) Limited

GRENADA
CIBC FirstCaribbean International Bank (Barbados) Limited
Grenada Co-operative Bank Ltd
RBTT Bank Grenada Limited
Republic Bank (Grenada) Limited

MONTSERRAT
Bank of Montserrat Limited
RBC Royal Bank of Canada

SAINT CHRISTOPHER (ST KITTS) AND NEVIS
Bank of Nevis Limited
CIBC FirstCaribbean InternationalBank (Barbados) Limited
RBC Royal Bank of Canada
RBTT Bank (SKN) Limited
St Kitts-Nevis-Anguilla National Bank Limited
Republic Bank (EC) Limited

SAINT LUCIA
1st National Bank St. Lucia Limited
Bank of Saint Lucia Ltd
CIBC FirstCaribbean InternationalBank (Barbados) Limited
RBC Royal Bank of Canada
Republic Bank (EC) Limited

SAINT VINCENT AND THE GRENADINES
Bank of St Vincent and the Grenadines Ltd
CIBC FirstCaribbean InternationalBank (Barbados) Limited
RBTT Bank Caribbean Limited
Republic Bank (EC) Limited

Independent Auditors’ Report and Financial Statements

The financial statements of the Eastern Caribbean Central Bank comprise the statement of financial position as at March 31, 2020, the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information. The financial statements were audited by KPMG and conducted in accordance with International Standards on Auditing (ISAs).

Click here for Independent Auditors’ Report and Financial Statements

Independent Auditors' Report
and
Financial Statements

KPMG
Hastings
Christ Church, BB 15154
Barbados West Indies
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P. O. Box 690C
Bridgetown, Barbados

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 March 31, 2020, 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 March 31, 2020, 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 2020, but does not include the financial statements and our auditors' report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

KPMG

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
June 29, 2020

STATEMENT OF FINANCIAL POSITION

Expressed in Eastern Caribbean Dollars

As at 31 March 2020

	Notes	31 March 2020 $	31 March 2019 $
Assets			
Foreign assets			
Regional and foreign currencies		**74,129,891**	104,789,886
Balances with other central banks	5	**13,936,348**	14,237,270
Balances with foreign banks	5	**73,661**	52,946
Money market instruments and money at call	6	**1,102,736,060**	1,942,645,394
Financial assets at fair value through profit or loss	13	**391,841,668**	95,713
Foreign investment securities	9	**3,420,952,602**	2,785,672,676
		5,003,670,230	4,847,493,885
Domestic assets			
Cash and balances with local banks		**1,894,847**	2,691,622
Term deposits	7	**8,468,521**	6,539,012
Domestic investment securities	9	**624,186**	624,186
Participating governments' securities	10	**87,256,785**	60,168,839
Participating governments' advances	11	**45,556,500**	43,596,201
Accounts receivable and prepaid expenses	12	**35,790,242**	21,615,626
Investments in associated undertakings using the equity method	14	**21,159,718**	18,969,389
Intangible assets	15	**4,216,007**	4,459,054
Property and equipment	16	**143,886,189**	131,129,326
Right-of-use assets	17	**3,044,475**	-
Pension asset	23	**21,148,000**	23,573,000
		373,045,470	313,366,255
Total Assets		**5,376,715,700**	5,160,860,140
Liabilities			
Demand and deposit liabilities - domestic	18	**4,886,236,992**	4,828,900,876
Lease liabilities	17	**3,110,492**	-
Demand and deposit liabilities - foreign	19	**60,948,287**	40,689,413
Financial liabilities at fair value through profit or loss	21	**199,259**	33,769
IMF government general resource accounts	20	**1,196,744**	1,198,864
Total Liabilities		**4,951,691,774**	4,870,822,922
Equity			
General reserve		**217,601,939**	155,929,693
Other reserves	22	**207,421,987**	134,107,525
Total Equity		**425,023,926**	290,037,218
Total Liabilities and Equity		**5,376,715,700**	5,160,860,140

Approved for issue by the Board of Directors on 19 June 2020 and signed on its behalf by:

Governor

Director, Accounting Department

The notes on pages 66 - 169 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

Expressed in Eastern Caribbean Dollars

For the Year Ended 31 March 2020

	Notes	2020 $	2019 $
Interest income	27	**100,497,268**	107,402,279
Interest expense	27	**(5,059,066)**	(5,626,041)
Net interest income		**95,438,202**	101,776,238
Commission income – foreign transactions		**10,586,735**	9,905,668
Commission income – other transactions		**5,489,540**	3,904,157
Gain (loss) on sale of foreign investment securities	9	**21,092,572**	(11,299,073)
Loss on foreign exchange		**(1,210,383)**	(512,288)
Other gains, net	28	**8,307,362**	-
Other income	29	**5,109,993**	4,499,834
Operating income		**144,814,021**	108,274,536
Salaries, pensions and other staff benefits	30	**37,240,231**	32,908,913
Currency expenses		**8,887,800**	8,419,588
Amortisation	15	**862,438**	470,448
Depreciation	16, 17	**6,114,278**	5,575,880
Administrative and general expenses	32	**30,290,374**	28,397,879
Net impairment losses on financial assets	31	**1,189,439**	1,547,786
Operating expenses		**84,584,560**	77,320,494
Operating profit		**60,229,461**	30,954,042
Share of net profit of associates	14	**2,845,619**	1,725,886
Net profit for the year		**63,075,080**	32,679,928

The notes on pages 66 - 169 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 2020

	2020 $	2019 $
Net profit for the year	**63,075,080**	32,679,928
Other comprehensive income:		
Items that will never be reclassified subsequently to profit or loss		
Re-measurement losses on defined benefit pension plan	**(3,035,000)**	(4,354,000)
Items that are or may be subsequently reclassified to profit or loss		
Net change in fair value of foreign investment securities at FVOCI	**74,946,628**	47,015,466
Other comprehensive income for the year	**71,911,628**	42,661,466
Total comprehensive income for the year	**134,986,708**	75,341,394

The notes on pages 66 - 169 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Expressed in Eastern Caribbean Dollars

For the Year Ended 31 March 2020

	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 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**
Net profit for the year	63,075,080	-	-	-	-	-	-	-	63,075,080
Re-measurement losses on defined benefit pension plan (note 23)	-	-	-	-	-	-	-	(3,035,000)	(3,035,000)
Net change in fair value of investment securities and money market instruments at FVOCI	-	-	-	-	74,946,628	-	-	-	74,946,628
Total comprehensive income	63,075,080	-	-	-	74,946,628	-	-	(3,035,000)	134,986,708
Allocation to general reserve	(61,672,246)	61,672,246	-	-	-	-	-	-	-
Allocation to pension reserve (note 22)	(610,000)	-	-	-	-	-	-	610,000	-
Allocation to self-insurance reserve fund (note 22)	(792,834)	-	-	-	-	-	792,834	-	-
Balance, 31 March 2020	**-**	**217,601,939**	**6,537,928**	**87,332,100**	**77,144,811**	**1,808,877**	**13,450,271**	**21,148,000**	**425,023,926**

The notes on pages 66 - 169 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 2020

	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 23)	-	-	-	-	-	-	-	(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 22)	(979,000)	-	-	-	-	-	-	979,000	-
Allocation to self-insurance reserve fund (note 22)	(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 66 - 169 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Expressed in Eastern Caribbean Dollars — For the Year Ended 31 March 2020

	2020 $	2019 $
Cash flows from operating activities		
Net profit for the year	**63,075,080**	32,679,928
Adjustments for:		
Depreciation of property and equipment	**5,478,784**	5,575,880
Depreciation of right-of-use assets	**635,494**	-
Amortisation of intangible assets	**862,438**	470,448
(Gain) loss on disposal of investment securities	**(21,092,572)**	11,299,073
Share of profit of associates	**(2,845,619)**	(1,725,886)
Effect of changes in market value of money market instruments	**(125,350)**	(15,185)
Net pension cost during the year	**1,901,000**	1,242,000
(Gain) loss on sale of property and equipment	**(15,544)**	1,289,744
Gains on investment securities at fair value through profit or loss	**(8,307,362)**	-
Net recoveries and write-offs on impaired receivables	**-**	(1,450,560)
Net impairment losses on financial assets	**1,189,439**	1,547,786
Interest income	**(100,497,268)**	(107,402,279)
Interest expense	**4,900,169**	5,626,041
Interest expense on lease liabilities	**158,897**	-
Cash flows used in operations before changes in operating assets and liabilities	**(54,682,414)**	(50,863,010)
Changes in operating assets and liabilities		
(Increase) decrease in term deposits	**(1,902,090)**	1,176,469
Decrease in money market instruments	**18,032,152**	25,681,397
(Increase) decrease in participating governments' securities	**(24,299,414)**	22,278,352
Increase in participating governments' advances	**(2,111,925)**	(515,995)
(Increase) decrease in accounts receivable and prepaid expenses	**(14,629,227)**	3,294,426
(Increase) decrease in financial assets at FVTPL	**(83,449)**	561,158
Increase (decrease) in financial liabilities at FVTPL	**165,490**	(185,361)
Contributions to pension plan	**(2,511,000)**	(2,221,000)
Increase (decrease) increase in demand and deposit liabilities - domestic and foreign	**78,101,254**	(2,505,166)
(Decrease) increase in IMF government general resource accounts	**(2,120)**	35,939
Cash used in operations before interest	**(3,922,743)**	(3,262,791)
Interest paid	**(5,406,433)**	(5,255,289)
Interest received	**99,287,048**	106,376,636
Net cash from operating activities	**89,957,872**	97,858,556
Cash flows from investing activities		
Purchase of property and equipment	**(18,161,098)**	(5,900,906)
Purchase of intangible assets	**(696,225)**	(2,409,593)
Proceeds from sale of property and equipment	**17,830**	3,720,000
Proceeds from sale of foreign investment securities	**6,954,431,894**	2,910,885,695
Purchase of foreign investment securities	**(7,492,656,575)**	(2,502,549,823)
Purchase of US Agency mortgage-backed securities	**(402,454,740)**	-
Principal collections on US Agency mortgage-back securities	**19,078,253**	-
Proceeds from sale of US Agency mortgage-back securities	**189,153**	-
Receipt of ordinary shares in SWIFT	**-**	(78,205)
Receipt of ordinary shares in ECSE	**-**	(274,190)
Dividends received from associates	**655,290**	501,090
Net cash (used in) from investing activities	**(939,596,218)**	403,894,068

The notes on pages 66 - 169 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS *(continued)*

Expressed in Eastern Caribbean Dollars — For the Year Ended 31 March 2020

Net cash (used in) from investing activities brought forward	**(939,596,218)**	403,894,068
Cash flows from financing activities		
Principal portion of lease liabilities	**(569,477)**	**-**
Interest paid on lease liabilities	**(158,897)**	**-**
Net cash used in financing activities	**(728,374)**	**-**
Net (decrease) increase in cash and cash equivalents	**(850,366,720)**	501,752,624
Cash and cash equivalents, beginning of year	**1,673,713,490**	1,171,960,866
Cash and cash equivalents, end of year (note 26)	**823,346,770**	1,673,713,490

The notes on pages 66 - 169 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;
- 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 19 June 2020.

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)*

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

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

Changes in significant accounting policies

IFRS 16, '*Leases*', (effective for accounting periods beginning on or after 1 January 2019)**.** In January 2016, the IASB published IFRS 16, which replaces the current guidance in IAS 17. 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. Further, an interest expense on the lease liability and depreciation on the right-of-use asset will be presented in the statement of profit or loss. There is an optional exemption for lessees for certain short-term leases and leases of low-value assets.

The Bank has initially applied IFRS 16 *Leases* from April 1, 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Bank's financial statements. The adoption of IFRS 16 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Bank applied IFRS 16 using the modified retrospective approach, under which the right-of-use assets are equivalent to the lease liabilities, thereby no adjustment was recognised in retained earnings at April 1, 2019. Accordingly, the comparative information presented for 2019 is not restated, that is, it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) *Definition of a lease*

Previously, the Bank determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an Arrangement contains a Lease*, issued by IFRS Interpretations Committee (IFRIC). The Bank now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2(q).

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after April 1, 2019.

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

a) Basis of preparation *(continued)*

New standards, interpretations and amendments to existing standards effective in the current financial year *(continued)*

Changes in significant accounting policies *(continued)*

IFRS 16, '*Leases*' *(continued)*

(b) *As a lessee*

As a lessee, the Bank leases various assets, mainly property from which its agency offices operate. The Bank previously classified leases as operating based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognises right-of-use assets and lease liabilities for most of these leases, that is, these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property, the Bank has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, the Bank classified property leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank's incremental borrowing rate as at April 1, 2019 (see Note 2(d)). The Bank opted for the measurement of the right-of-use assets equivalent to the lease liabilities at transition date as permitted by IFRS 16 transition options.

The Bank has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Bank used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Bank:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

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

a) Basis of preparation *(continued)*

New standards, interpretations and amendments to existing standards effective in the current financial year *(continued)*

Changes in significant accounting policies *(continued)*

IFRS 16, '*Leases*' *(continued)*

(c) *As a lessor*

The Bank leases out its own property. The Bank has classified these leases as operating leases.

The Bank is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Bank does not sub-lease any of its properties.

The Bank has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

(d) *Impact on transition*

On transition to IFRS 16, the Bank recognised additional right-of-use assets and additional lease liabilities, at the same amount, thereby, no adjustment was made to the retained earnings at transition. On adoption of IFRS 16 on 1 April 2019, the Bank recognised right-of-use assets of $3,679,969 and lease liabilities of $3,679,969 separately in the statement of financial position.

For the impact of IFRS 16 on profit or loss for the year, see Note 17. For the details of accounting policies under IFRS 16 and IAS 17, see Note 2(q).

When measuring lease liabilities for leases that were classified as operating leases, the Bank discounted lease payments using its incremental borrowing rate at April 1, 2019. The weighted average rate applied is 5.5%.

Operating lease commitments as at 31 March 2019	4,465,793
Weighted average incremental borrowing rate as at 1 April 2019	5.5
Discounted operating lease commitments as at 1 April 2019	3,679,969

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

a) Basis of preparation *(continued)*

New standards, interpretations and amendments to existing standards effective in the current financial year *(continued)*

Amendment to IFRS 9, 'Financial instruments' - prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019). The IASB issued a narrow-scope amendment to IFRS 9 enabling companies to measure some financial assets containing a prepayment feature which results in negative compensation at amortised cost. The relevant assets (certain loans and debt securities), would otherwise have been measured at fair value through profit or loss (FVPL). Negative compensation occurs where the contractual terms give a borrower the right to prepay the instrument before its contractual maturity, with the resulting prepayment being less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract. This amendment had no significant impact on the Bank's operations.

IFRIC 22, 'Foreign currency transactions and advance consideration', (effective for annual period beginning on or after 1 January 2019). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. This amendment had no significant impact on the Bank's operations.

Amendments to IAS 19, Employee Benefits (Plan Amendment, Curtailment or Settlement) (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. This amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. Any reduction in a surplus is recognised in profit or loss as a part of past service cost or gain or loss on settlement regardless of whether that surplus was not previously recognised due to the impact of the asset ceiling. Any changes in the asset ceiling is recognised separately in other comprehensive income. The amendment had no significant impact on the Bank's operations.

Annual improvements IFRS 2015-2018 Cycle – Amendments to IAS 12 and IAS 23 *(effective for annual periods beginning on or after 1 January 2019)*. The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognised in the income statement, regardless of how the tax arises. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset are ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. There was no significant impact on the financial statements arising from the adoption of these amendments.

Amendment to IAS 28, 'Investment in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment clarifies that IFRS 9 is not applied where long term interests in associates and joint ventures are accounted for using the equity method. The Bank uses the equity method to account for long term interests in associates and joint ventures.

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

a) Basis of preparation *(continued)*

New 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.

Amendments to IAS 1, 'Presentation of financial statements' and to IAS 8, 'Accounting policies, changes in accounting estimates and errors' (effective for annual periods beginning on or after 1 January 2020). These amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendments also clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The Bank does not expect any significant impact from the adoption of these amendments.

Amendment to IFRS 3, 'Business combinations' (effective for annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business which requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term outputs is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The Bank will apply this amendment to future business combinations.

Revised conceptual framework for financial reporting (effective for annual periods beginning on or after 1 January 2020). The revised framework will be used with immediate effect in standard-setting decisions; however, no changes will be made to any of the current accounting standards. Entities that apply the conceptual framework in determining accounting policies will need to consider whether their accounting policies remain appropriate under the revised framework. The Bank is currently assessing the impact of this revision.

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.

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

c) Fair value measurement *(continued)*

When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or the liability under current market conditions, including assumptions about risk.

As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

e) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

f) Comparative information

The Bank's financial statements provide comparative information in respect of the preceding period for all amounts reported in the current period. Except when an IFRS permits or requires otherwise, comparative information shall be disclosed in respect of the preceding period for all amounts reported in the financial statements. 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

(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

The Bank classifies its financial assets based on the business model for managing the assets and the assets' contractual cash flow characteristics under IFRS 9 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 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)*

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 is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how asset managers are compensated (e.g. whether compensation is based on the fair value of the asset managed or the contractual cash flows collected); and

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

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

(iii) Business model assessment *(continued)*

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

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

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

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

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

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

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

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

(v) Debt instruments measured at amortised cost

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

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

(vi) Debt instruments measured at FVOCI

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

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

- The contractual terms of the financial asset meet the SPPI test.

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

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

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

(vii) Equity instruments

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

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

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

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

Equity instruments measured at FVOCI (designated)

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.

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.

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

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

(ix) Impairment of financial assets

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

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

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

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

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

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

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

Expected credit loss impairment model

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)*

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

Expected credit loss impairment model *(continued)*

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

Stage 1: 12 months ECL

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

Stage 2: Lifetime ECL – not credit impaired

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

Stage 3: Lifetime ECL – credit impaired

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

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

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

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

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

Measurement of expected credit losses (ECL)

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

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

- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

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

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

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

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

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

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

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

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

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

The mechanics of the ECL method are summarised below:

<u>Stage 1</u>
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.

<u>Stage 2</u>
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.

<u>Stage 3</u>
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)*

(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.

33. Events after the reporting period

In April 2020, the Eastern Caribbean Securities Exchange paid the ECCB, the sum of $1.2m representing full settlement of the redeemable cumulative preference shares issued to the Bank in April 2019.

These redeemable shares were previously issued in April 2019, subsequent to the Bank's Agreement with the ECSE regarding a long outstanding receivable. 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 then agreed to issue additional ordinary shares together with redeemable cumulative preference shares to the ECCB to discharge of the remaining balance due.

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on 11 March 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. The ECCB has enhanced its business continuity and disaster recovery plan aimed at protecting the health and safety of all staff, mitigating the overall impact on the Bank's business and ensuring a continued focus on serving the region well.

In the Eastern Caribbean Currency Union, cases of the virus were first reported in March 2020. Due to the on-going containment efforts, there are resulting concerns regarding the economic impact this may have on a global, regional and domestic scale given the significant disruption to business operations in particular for entities in highly exposed sectors such as Tourism on which the ECCU is very dependent.

The full extent of the impact of the COVID-19 outbreak on the financial performance of the Bank will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions and its impact on the financial markets and the overall economies of the ECCU, all of which are highly uncertain and cannot be predicted. If the financial markets and overall economies are impacted for an extended period, the Bank's future results may be adversely affected. The Bank continues to monitor this situation closely.

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

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

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

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

Write-offs

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)*

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. The Bank's derivative instruments are currency forward contracts and To-Be-Announced (TBAs) securities. TBAs are forward contracts to purchase or sell Agency Mortgage-Back Securities (MBS). All derivatives are measured at fair value and are disclosed in Notes 13 and 21. None of the Bank's derivative instruments have been designated as hedging instruments.

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.

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.

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

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.

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 2020 (2019: 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.

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

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.

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.

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

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.

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.

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

p) Revenue recognition *(continued)*

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 Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from April 1, 2019

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

This policy is applied to contracts entered into, on or after April 1, 2019.

As a lessee

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

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

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

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

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

q) Leases *(continued)*

Policy applicable from April 1, 2019 *(continued)*

As a lessee *(continued)*

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Bank is reasonably certain to exercise;
- lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Short-term leases and leases of low-value assets

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

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

q) Leases *(continued)*

Policy applicable before April 1, 2019

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.

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

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

r) Employee benefits *(continued)*

Staff pension plan *(continued)*

An asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. An approximate value of the defined benefit obligation is calculated every year by independent actuaries using the projected unit credit method based on detailed calculations carried out for the most recent triennial funding valuation.

Under this method, the cost of providing pensions is charged to the statement of profit or loss so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan every three years.

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income. Past-service costs are recognised immediately in the statement of profit or loss.

The pension plan is funded by payments from employees and the Bank, taking into account the recommendations of independent qualified actuaries.

Prepaid employee short term benefit

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

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

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 2020 an amount of $61,672,246 was allocated to General Reserves. In 2019, an amount of $30,996,106 was transferred to General Reserves. At 31 March 2020, the general reserve ratio stood at 4.40% (2019: 3.20%), which is 0.60% (2019: 1.80%) 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 2020 was 101.07% (2019: 99.54%).

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.

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.

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

3. Financial risk management *(continued)*

b) Risk Management Structure *(continued)*

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 Bank's Investment Policy, Strategic Asset Allocation and investment guidelines which establish the parameters within which the reserve management function is executed. The Board approves the written policies for overall risk management as well as specific policies relating to the reserve management function. Additionally, the provision of banking services is governed by policy decisions of the Board.

Office of Corporate Strategy and Risk Management

The 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 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.

Impairment assessment

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.

Default and recovery

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.

Investment securities

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 investment securities and sovereigns 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 calculation.

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 2020 and 31 March 2019, based on Moody's or equivalent:

Foreign securities

Rated (Moody's) **Foreign debt securities**	**2020** **$**	**2019** **$**
Aaa	**3,155,525,582**	2,395,812,133
Aa1	**113,489,904**	131,401,688
Aa2	**22,135,032**	177,995,735
Aa3	**115,062,863**	67,260,725
	3,406,213,381	2,772,470,281

Unrated	**2020** **$**	**2019** **$**
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

	2020 $	2019 $
Aa1	**76,601,778**	157,570,445
Aa2	**227,606,154**	311,802,797
Aa3	**351,585,226**	364,313,178
A1	**154,409,214**	211,961,263
	810,202,372	1,045,647,683

Unrated	2020 $	2019 $
Money at call	**265,161,601**	889,980,077
Term deposits	**27,000,000**	3,339,782
	292,161,601	893,319,859

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

	2020 $	2019 $
Assets		
Foreign assets		
Balances with other central banks	**13,936,348**	14,237,270
Balances with foreign banks	**73,661**	52,946
Money market instruments and money at call	**1,102,736,060**	1,942,645,394
Financial assets at fair value through profit or loss	**391,841,668**	95,713
Foreign investment securities	**3,420,952,602**	2,785,672,676
	4,929,540,339	4,742,703,999
Domestic assets		
Cash and balances with local banks	**1,894,847**	2,691,622
Term deposits	**8,468,521**	6,539,012
Participating governments' securities	**87,256,785**	60,168,839
Participating governments' advances	**45,556,500**	43,596,201
Accounts receivable	**7,323,513**	7,210,395
Domestic investment securities	**624,186**	624,186
	151,124,352	120,830,255
Total on-balance sheet credit risk	**5,080,664,691**	4,863,534,254

3. Financial risk management *(continued)*

c) Credit risk *(continued)*

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

	2020 $	2019 $
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	**2,000,000**	2,000,000
	2,000,000	2,000,000
Total credit exposure	**5,082,664,691**	4,865,534,254

The above table represents a worst case scenario of credit risk exposure as at 31 March 2020 and 2019 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, 67.3% (2019 – 57.3%) of the total maximum exposure is derived from foreign investment securities and 21.7% (2019 – 39.9%) 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 2020. 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 2020					
Balances with other central banks	-	666,389	348,769	12,921,190	13,936,348
Balances with foreign banks	-	73,661	-	-	73,661
Money market instruments and money at call	-	548,084,079	554,651,981	-	1,102,736,060
Financial assets at fair value through profit or loss	-	391,697,889	143,779	-	391,841,668
Foreign investment securities	-	2,791,352,089	629,600,513	-	3,420,952,602
Balances with local banks	1,894,847	-	-	-	1,894,847
Term deposits – domestic	8,468,521	-	-	-	8,468,521
Participating governments' securities	87,256,785	-	-	-	87,256,785
Participating governments' advances	45,556,500	-	-	-	45,556,500
Accounts receivable	7,323,513	-	-	-	7,323,513
Domestic investment securities	202,500	-	-	421,686	624,186
	150,702,666	**3,731,874,107**	**1,184,745,042**	**13,342,876**	**5,080,664,691**

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

c) **Credit risk** *(continued)*

Geographical concentration of financial assets *(continued)*

	Eastern Caribbean Currency Union $	United States of America and Canada $	Europe and other territories $	Regional states $	Total $
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)*

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:

	2020	**2019**
	%	**%**
Foreign Assets		
Money market instruments and money at call	**2.14**	2.24
Foreign investment securities	**1.88**	1.86
Domestic Assets		
Balances with local banks	**0.00**	0.00
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	**1.39**	1.89
Demand and deposit liabilities - foreign	**1.29**	1.93

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 2020, if interest rates were to move by 25 basis points, profit for the year would have been $2.76m (2019: $4.86m) 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 2020	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	-	-	-	-	-	13,936,348	13,936,348
Balances with foreign banks	-	-	-	-	-	73,661	73,661
Money market instruments and money at call	514,971,100	218,489,691	369,275,269	-	-	-	1,102,736,060
Financial assets at fair value through profit or loss	1,258,716	-	-	-	390,582,952	-	391,841,668
Foreign investment securities	2,718,626	-	118,769,924	3,299,385,847	-	78,205	3,420,952,602
Balances with local banks	1,894,847	-	-	-	-	-	1,894,847
Term deposits - domestic	930,127	426,199	7,112,195	-	-	-	8,468,521
Participating governments' securities	-	220,453	10,773,020	39,121,903	37,141,409	-	87,256,785
Participating governments' advances	22,762,768	5,051,115	17,742,617	-	-	-	45,556,500
Accounts receivable	10,023	18,961	102,962	180,920	21,600	6,989,047	7,323,513
Domestic investment securities	-	-	-	-	-	624,186	624,186
	544,546,207	**224,206,419**	**523,775,987**	**3,338,688,670**	**427,745,961**	**21,701,447**	**5,080,664,691**

3. Financial risk management *(continued)*

d) Market risk *(continued)*

i) Interest rate risk (continued)

As of 31 March 2020	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	392,600,833	-	-	-	-	4,493,636,159	4,886,236,992
Lease liabilities	53,108	172,312	337,712	1,674,631	872,729	-	3,110,492
Demand and deposit liabilities - foreign	-	-	-	-	-	60,948,287	60,948,287
Financial liabilities at FVTPL	-	-	-	-	-	199,259	199,259
IMF Government general resource accounts	-	-	-	-	-	1,196,744	1,196,744
	392,653,941	**172,312**	**337,712**	**1,674,631**	**872,729**	**4,555,980,449**	**4,951,691,774**
Total interest repricing gap, 31 March 2020	**151,892,266**	**224,034,107**	**523,438,275**	**3,337,014,039**	**426,873,232**	**(4,534,279,002)**	**128,972,917**

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 $	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)*

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 2020, the non-US securities in the foreign securities portfolio was nil (2019: $nil). The investment managers have entered into forward contracts to sell the non-USD positions forward on a periodic rolling basis. All gains and losses arising from currency revaluation of these assets and the forward contracts are reported in the statement of profit or loss as they occur.

Regional and foreign currencies

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

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 2020, if exchange rates were to move by 5 per cent, profit for the year would have been $0.02M (2019: $0.02M) lower or higher and the net statement of financial position balance would have been nil (2019: $nil) 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 2020:

	Eastern Caribbean Dollar $	United States Dollar $	British Pound $	Euro $	Other $	Total $
Financial assets						
Balances with other central banks	-	13,493,795	348,769	-	93,784	13,936,348
Balances with foreign banks	-	73,661	-	-	-	73,661
Money market instruments and money at call	-	1,102,735,641	-	-	419	1,102,736,060
Financial assets at fair value through profit or loss	-	391,662,506	65,958	77,266	35,938	391,841,668
Foreign investment securities	-	3,420,952,602	-	-	-	3,420,952,602
Balances with local banks	1,894,847	-	-	-	-	1,894,847
Term deposits – domestic	8,468,522	-	-	-	-	8,468,521
Participating governments' securities	87,256,785	-	-	-	-	87,256,785
Participating governments' advances	45,556,500	-	-	-	-	45,556,500
Accounts receivable	7,323,513	-	-	-	-	7,323,513
Domestic investment securities	624,186	-	-	-	-	624,186
	151,124,352	**4,928,918,205**	**414,727**	**77,266**	**130,141**	**5,080,664,691**
Financial liabilities						
Demand and deposit liabilities – domestic	4,886,236,992	-	-	-	-	4,886,236,992
Lease liability	3,110,492	-	-	-	-	3,110,492
Demand and deposit liabilities – foreign	60,928,000	20,287	-	-	-	60,948,287
IMF government general resource accounts	1,196,744	-	-	-	-	1,196,744
Financial liabilities at fair value through profit or loss	-	-	104,615	77,114	17,530	199,259
	4,951,472,228	**20,287**	**104,615**	**77,114**	**17,530**	**4,951,691,774**
Net assets (liabilities)	**(4,800,347,876)**	**4,928,897,918**	**310,112**	**152**	**112,611**	**128,972,917**

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)*

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 $4,931,435,186 (2019: $4,745,395,621) 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 18) 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 2020	**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	4,886,236,992	-	-	-	-	4,886,236,992
Lease liability	53,108	172,312	337,712	1,674,631	872,729	3,110,492
Demand and deposit liabilities – foreign	60,948,287	-	-	-	-	60,948,287
Financial liabilities at fair value through profit or loss	199,259	-	-	-	-	199,259
IMF government general resource accounts	1,196,744	-	-	-	-	1,196,744
	4,948,634,390	**172,312**	**337,712**	**1,674,631**	**872,729**	**4,951,691,774**
Financial Assets						
Balances with other central banks	13,936,348	-	-	-	-	13,936,348
Balances with foreign banks	73,661	-	-	-	-	73,661
Money market instruments and money at call	514,971,100	218,489,691	369,275,269	-	-	1,102,736,060
Financial assets at fair value through profit or loss	1,258,716	-	-	-	390,582,952	391,841,668
Foreign investment securities	2,718,626	-	118,769,924	3,299,385,847	78,205	3,420,952,602
Balances with local banks	1,894,847	-	-	-	-	1,894,847
Term deposits – domestic	930,127	426,199	7,112,195	-	-	8,468,521
Participating governments' securities	-	220,453	10,773,020	39,121,903	37,141,409	87,256,785
Participating governments' advances	22,624,248	5,051,115	17,881,137	-	-	45,556,500
Accounts receivable	6,761,239	18,961	102,962	220,615	219,736	7,323,513
Domestic investment securities	-	-	-	-	624,186	624,186
	565,168,912	**224,206,419**	**523,914,507**	**3,338,728,365**	**428,646,488**	**5,080,664,691**
Net liquidity gap, 31 March 2020	**(4,383,465,478)**	**224,034,107**	**523,576,795**	**3,337,053,734**	**427,773,759**	**128,972,917**

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)*

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 2020

Derivatives held for trading (forward contracts)

	0-3 months	**3-6 months**	**Total**
Foreign exchange derivatives			
- Outflow	**(7,240,603)**	**-**	**(7,240,603)**
- Inflow	**8,675,049**	**-**	**8,675,049**

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

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	
	2020	2019	2020	2019
	$	$	$	$
Financial assets				
Balances with other central banks	**13,936,348**	14,237,270	**13,936,348**	14,237,270
Balances with foreign banks	**73,661**	52,946	**73,661**	52,946
Money market instruments and money at call	**265,175,491**	893,319,859	**265,175,491**	893,319,859
Balances with local banks	**1,894,847**	2,691,622	**1,894,847**	2,691,622
Term deposits – domestic	**8,468,521**	6,539,012	**8,468,521**	6,539,012
Participating governments' securities	**87,256,785**	60,168,839	**87,256,785**	60,168,839
Participating governments' advances	**45,556,500**	43,596,201	**45,556,500**	43,596,201
Accounts receivable	**7,323,513**	7,210,395	**7,323,513**	7,210,395
	429,685,666	1,027,816,144	**429,685,666**	1,027,816,144
Financial liabilities				
Demand and deposit liabilities – domestic	**4,886,236,992**	4,828,900,876	**4,886,236,992**	4,828,900,876
Lease liability	**3,110,492**	-	**3,110,492**	-
Demand and deposit liabilities – foreign	**60,948,287**	40,689,413	**60,948,287**	40,689,413
IMF government general resource accounts	**1,196,744**	1,198,864	**1,196,744**	1,198,864
	4,951,492,515	4,870,789,153	**4,951,492,515**	4,870,789,153
Off-balance sheet financial instruments				
Eastern Caribbean Securities Exchange Limited undertaking and guarantee	-	-	**2,000,000**	2,000,000

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 2020:

	Level 1 $	Level 2 $	Level 3 $
Financial assets			
Commercial paper	395,889,660	-	-
Certificate of deposits	63,528,156	-	-
Term deposits	351,110,212	-	27,032,541
Financial assets at fair value through profit or loss	391,662,506	179,162	-
Foreign investment securities	3,420,952,602	-	-
Domestic investment securities	-	-	624,186
	4,623,143,136	**179,162**	**27,656,727**

	Level 1 $	Level 2 $	Level 3 $
Financial liabilities			
Financial liabilities at fair value through profit or loss	-	199,259	-

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 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	-

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; and
- Maintain a strong capital base to support its developmental activities.

The Bank manages capital through the maintenance of a general reserve according to prescribed guidelines as mandated in the ECCB Agreement Act 1983 (note 2t). As at 31 March 2020, the general reserve was $217,601,939 (2019: $155,929,693).

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's strategic plan which was launched in October 2017 guides 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 on financial assets

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 valuation specialist 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

	2020 $	2019 $
Balances with other central banks		
Balances with Regional central banks	**12,921,190**	13,038,512
Balances with European central banks	**348,769**	403,034
Balances with North American central banks	**666,389**	795,724
Total balances with other central banks	**13,936,348**	14,237,270
Balances with foreign banks		
Current accounts denominated in United States dollars	**73,661**	52,946
Current	**14,010,009**	14,290,216

These balances are non-interest bearing.

6. Money market instruments and money at call

By currency	2020 $	2019 $
Balances denominated in United States dollars	**1,102,363,553**	1,939,025,384
Balances denominated in Australian dollars	**419**	483
	1,102,363,972	1,939,025,867
Interest receivable	**372,088**	3,619,527
Total money market instruments and money at call	**1,102,736,060**	1,942,645,394

By financial instrument type

Money market instruments maturing in less than ninety days:

	2020 $	2019 $
Term deposits	**351,000,000**	320,432,107
Money at call	**265,161,601**	889,980,077
Commercial paper	**83,447,046**	105,036,350
Certificate of deposits	**33,703,376**	236,493,232
Included in cash and cash equivalents (note 26)	**733,312,023**	1,551,941,766

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

Money market instruments maturing after ninety days:	2020 $	2019 $
Commercial paper	**312,442,614**	289,789,611
Term deposits	**27,000,000**	81,000,000
Certificate of deposits	**29,609,335**	16,294,490
	369,051,949	387,084,101
Interest receivable	**372,088**	3,619,527
Total money market instruments and money at call	**1,102,736,060**	1,942,645,394

Money market instruments include commercial paper purchased at discounts, term deposits and certificate of deposits with interest rates ranging from 0.20% to 3.13% (2019: 0.00% to 2.80%).

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 2.75% (2019: 0.00 % to 2.50%) during the year.

7. Term deposits

	2020 $	2019 $
Fixed Deposits:		
- Republic Bank, St Kitts and Nevis	**7,739,655**	-
- Bank of Nova Scotia, St Kitts and Nevis	-	6,467,655
- Bank of Nova Scotia, Antigua and Barbuda	**630,090**	-
	8,369,745	6,467,655
Interest receivable	**98,776**	71,357
Total term deposits	**8,468,521**	6,539,012
Current	**8,468,521**	6,539,012

The deposits held with Republic Bank, St. Kitts and Nevis and Bank of Nova Scotia (BNS), Antigua and Barbuda 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 Republic Bank and BNS 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 2.50% (2019: 2.50%) per annum during the year.

8. Financial instruments

a) Classification of financial assets and liabilities

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

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

(i) Financial assets measured at FVOCI

Money market instruments

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

- Money market instruments held in the 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.

(ii) Financial assets measured at amortised cost

Money market instruments

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

Domestic financial assets

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

8. Financial instruments *(continued)*

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

The following table provides a reconciliation between line item in the statement of financial position and categories of financial instruments as at 31 March 2020:

Financial assets	Mandatorily at FVTPL	Designated at FVTPL	FVOCI - debt instruments	FVOCI - equity instruments	Amortised cost	Total carrying amount
Regional and foreign currencies	-	-	-	-	74,129,891	74,129,891
Balances with other central banks	-	-	-	-	13,936,348	13,936,348
Balances with foreign banks	-	-	-	-	73,661	73,661
Money market instruments and money at call	-	-	459,202,371	-	643,533,689	1,102,736,060
Financial Assets held for trading	179,162	391,662,506	-	-	-	391,841,668
Foreign investment securities	-	-	3,420,874,397	78,205	-	3,420,952,602
Cash and balances with local banks	-	-	-	-	1,894,847	1,894,847
Term Deposits	-	-	-	-	8,468,521	8,468,521
Domestic investment securities	-	-	-	624,186	-	624,186
Participating governments securities	-	-	-	-	87,256,785	87,256,785
Participating governments advances	-	-	-	-	45,556,500	45,556,500
Accounts receivable	-	-	-	-	7,323,513	7,323,513
Total Financial Assets	179,162	391,662,506	3,880,076,768	702,391	882,173,755	5,154,794,582
Demand Liabilities - domestic	-	-	-	-	4,886,236,992	4,886,236,992
Lease liabilities	-	-	-	-	3,110,492	3,110,492
Demand Liabilities - foreign	-	-	-	-	60,948,287	60,948,287
Financial Liabilities held for trading	199,259	-	-	-	-	199,259
IMF government general resource accounts	-	-	-	-	1,196,744	1,196,744
Total Financial Liabilities	199,259	-	-	-	4,951,492,515	4,951,691,774

8. Financial instruments *(continued)*

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

The following table provides a reconciliation between line item in the statement of financial position and categories of financial instruments as of 31 March 2019:

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	-	-	2,785,672,676	-	-	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	-	3,435,432,096	624,186	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)*

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 an approved country based on 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

	2020 $	2019 $
Foreign investment securities measured at fair value through other comprehensive income		
Debt securities		
- quoted, at fair value	**3,406,213,382**	2,772,470,281
Interest receivable	**14,661,015**	13,124,190
Total foreign debt securities at fair value through other comprehensive income	**3,420,874,397**	2,785,594,471
Equity securities designated at fair value through other comprehensive income		
Society for Worldwide Interbank Financial Telecommunication (SWIFT) 5 (2019: 5) ordinary shares of $15,641 each - unquoted	**78,205**	78,205
	78,205	78,205
Total foreign investment securities	**3,420,952,602**	2,785,672,676
Domestic investment securities		
Equity securities designated at fair value through other comprehensive income		
Caribbean Information and Credit Rating Agency Services Ltd. 156,180 (2019: 156,180) ordinary shares of $2.70 each - unquoted	**421,686**	421,686
Eastern Caribbean Automated Clearing House Services Inc. (2019: 20,500) ordinary shares of $10.00 each - unquoted	**202,500**	202,500
	624,186	624,186
Total investment securities at fair value through other comprehensive income	**3,421,576,788**	2,786,296,862
Current	**121,488,550**	604,498,569
Non-current	**3,300,088,238**	2,181,798,293
	3,421,576,788	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:

	2020				2019
	12-month ECL	Lifetime ECL not Credit-impaired	Lifetime ECL credit-impaired	Total	Total
Debt securities at FVOCI					
Balance at 1 April 2019	339,130	-	-	**339,130**	470,930
Increase in loss allowance recognised in profit or loss during the year	646,130	-	-	**646,130**	(131,800)
Balance at 31 March 2020	**985,260**	**-**	**-**	**985,260**	339,130

The movement in investment securities may be summarised as follows:

	Domestic Securities $	Foreign Investment Securities $
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**
Additions	-	7,492,656,575
Disposals (sale and redemption)	-	(6,933,339,322)
Net gains transfer to equity	-	95,518,420
Net gains transfer from equity	-	(21,092,572)
Balance as of 31 March 2020	**624,186**	**3,406,213,382**

The Bank transferred gains of $21,092,572 (2019: losses of $11,299,073) from equity into the statemen of profit or loss.

9. Investment securities *(continued)*

Gains less losses from investment securities comprise:

	2020 $	2019 $
Net realised gains (losses) from disposal of foreign investment securities	**21,092,572**	(11,299,073)

10. Participating governments' securities

Participating government securities measured at amortised cost

	Nominal value 2020 $	Amortised cost 2020 $	Nominal value 2019 $	Amortised cost 2019 $
Government of Antigua and Barbuda				
Debenture maturing 2027	**53,405,924**	**53,405,924**	59,106,510	59,106,510
Government of Dominica				
Debenture maturing 2034	**30,000,000**	**30,000,000**	-	-
	83,405,924	**83,405,924**	59,106,510	59,106,510
Interest receivable	**-**	**4,234,717**	-	1,379,153
Total participating governments' securities: Debentures, gross	**83,405,924**	**87,640,641**	59,106,510	60,485,663
Less: allowance for impairment losses	**-**	**(383,856)**	-	(316,824)
Total participating governments' securities: Debentures, net	**83,405,924**	**87,256,785**	59,106,510	60,168,839

	2020	2019
Current	**10,993,473**	6,762,905
Non-Current	**76,263,312**	53,405,934
	87,256,785	60,168,839

10. Participating governments' securities *(continued)*

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

The Government of Antigua and Barbuda 15-year debenture 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.

During the year, the Government of the Commonwealth of Dominica issued a 15-year debenture to the ECCB through the government's access to its long-term credit allocation at the Bank.

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

	Debentures	Treasury Bills	Total
	$	$	$
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**
Additions	30,000,000	-	30,000,000
Payment of principal	(5,700,586)	-	(5,700,586)
Balance as of 31 March 2020	**83,405,924**	**-**	**83,405,924**

11. Participating governments' advances

Participating government advances measured at amortised cost

	2020 $	2019 $
Operating accounts:		
- Government of Anguilla	**6,162,459**	5,995,994
- Government of St Kitts and Nevis	**13,087,323**	-
- Government of St Vincent and the Grenadines	-	8,963,770
	19,249,782	14,959,764
Interest receivable	**-**	142,880
Total operating accounts	**19,249,782**	15,102,644
Temporary advances		
- Government of St. Vincent and the Grenadines	**17,822,418**	16,000,830
- Government of Antigua and Barbuda	**8,600,319**	12,600,000
	26,422,737	28,600,830
Interest receivable	**22,501**	9,581
Total temporary advances	**26,445,238**	28,610,411
Less: allowance for impairment losses	**(138,520)**	(116,854)
Total due from participating governments' advances	**45,556,500**	43,596,201
Current	**45,556,500**	43,596,201

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

12. Accounts receivable and prepaid expenses

	2020 $	2019 $
Accounts receivable	**8,646,753**	7,991,277
Staff mortgage loans	**334,466**	422,214
Prepaid expenses	**28,466,729**	14,405,230
	37,447,948	22,818,721
Less: Allowance for impairment on receivables	**(1,657,706)**	(1,203,095)
	35,790,242	21,615,626
Current	**16,642,505**	12,669,300
Non-current	**19,147,737**	8,946,326
	35,790,242	21,615,626

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 $92,409 (2019: $93,176) 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:

	2020 $	2019 $
Balance, beginning of year	**1,203,095**	1,179,978
Amounts recovered during the year	-	(13,138)
Allowance during the year	**454,611**	1,473,678
Amounts written off during the year	-	(1,437,423)
Balance at end of year	**1,657,706**	1,203,095

13. Financial assets at fair value through profit or loss

a) US Agency Mortgage-backed Securities

The Bank invests in US Agency Mortgaged-Backed Securities (MBS). These investments consist of residential mortgage pass-through securities and are guaranteed by a U.S. Government-sponsored enterprise. The Bank elects to designate these investments at fair value as doing so removes or significantly reduces an accounting mismatch. Subsequent changes in fair value for these instruments are recognised in profit or loss.

	Designated at fair value 2020 $	Mandatorily measured at fair value 2020 $	Total 2020 $	Total 2019 $
US Agency Mortgage-Backed Securities	390,582,952	-	**390,582,952**	-
To-Be-Announced Securities	-	3,693	**3,693**	-
	390,582,952	3,693	**390,586,645**	-
Interest receivable	1,075,861	-	**1,075,861**	-
Total	391,658,813	3,693	**391,662,506**	-

b) Foreign currency forward contracts

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 2020:

Currency sold /purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	**410,500**	**816,158**	**6 April, 2020**	**35,383**
CHF	**10,000**	**28,559**	**6 April, 2020**	**555**
EUR	**1,971,900**	**5,923,023**	**6 April, 2020**	**77,266**
GBP	**552,900**	**1,907,309**	**6 April, 2020**	**65,958**
		8,675,049		**179,162**

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	6 April, 2020	11,225
EUR	3,076,900	9,389,984	6 April, 2020	56,854
GBP	1,441,700	5,127,528	6 April, 2020	27,634
		15,871,378		95,713

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% (2019: 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% (2019: 32.74%) of the share capital of the ECSE – 327,419 Class "A" shares at a cost of $10 each. The ECSE was established to enhance and increase investment opportunities, and to foster the development of a securities market in the territories of participating governments of the ECCB Agreement Act 1983. The Eastern Caribbean Central Securities Depository Limited (ECCSD) 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 2020.

The Bank's investments in associates are detailed below:

	2020 $	2019 $
Eastern Caribbean Home Mortgage Bank (ECHMB)		
Balance at beginning of year	**15,795,238**	14,979,466
Share of profit for the year	**2,207,259**	1,316,862
Dividend received in year	**(501,090)**	(501,090)
Balance at end of year	**17,501,407**	15,795,238
Eastern Caribbean Securities Exchange (ECSE)		
Balance at beginning of year	**3,154,141**	2,470,927
Additional shares issued to ECCB during the year	**-**	274,190
Share of profit for the year	**638,360**	409,024
Dividend received during the dear	**(154,200)**	-
Balance at end of year	**3,638,301**	3,154,141

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

	2020 $	2019 $
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	**21,159,718**	18,969,389
Non-current	**21,159,718**	18,969,389

The total share of profit of associates recognised in the statement of profit or loss was $2,845,619 (2019: $1,725,886).

The Bank's interest in its principal associates, both of which are unlisted, is as follows as of 31 March 2020:

Entity	Assets $	Liabilities $	Revenues $	Profit $	% Interest held %
ECHMB	**350,309,813**	**(288,079,143)**	**18,769,933**	**8,900,239**	**24.80**
ECSE	**69,096,773**	**(55,297,552)**	**5,083,727**	**1,949,786**	**32.74**

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	44,390,273	(33,738,449)	4,569,453	1,331,298	32.74

The Bank's interest has been determined on the basis of the unaudited financial statements for these entities as the timing for receipt of the audited financial statements is after the scheduled date for finalization of the ECCB's accounts. The 2019 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 2019.

15. Intangible assets

	Computer software $
Cost	
Balance at April 1, 2018	18,307,749
Additions	2,409,593
Balance at 31 March 2019	20,717,342
Balance at 1 April 2019	**20,717,342**
Additions	**696,225**
Derecognition	**(76,834)**
Balance at 31 March 2020	**21,336,733**
Accumulated amortisation	
Balance at April 1, 2018	15,787,840
Amortisation	470,448
Amortisation write-back	
Balance at 31 March 2019	16,258,288
Balance at 1 April 2019	**16,258,288**
Amortisation	**862,438**
Amortisation write-back	**-**
Balance at 31 March 2020	**17,120,726**
Net book value	
At 31 March 2018	2,519,909
At 31 March 2019	4,459,054
At 31 March 2020	**4,216,007**

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, 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**
Balance at 1 April 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
Transfers	-	85,062	175,462	292,218	52,861	20,556	-	(626,159)	-
Additions	-	2,526,872	3,967,387	530,455	704,416	68,270	83,000	10,280,698	18,161,098
Derecognition/disposals	-	-	(2,284)	-	-	-	(60,000)	76,833	14,549
Balance at 31 March 2020	**26,874,670**	**103,521,934**	**29,984,629**	**8,462,555**	**811,207**	**196,121**	**1,267,672**	**10,622,042**	**181,740,830**

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, 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
Balance at 1 April 2019	-	3,482,199	22,522,540	5,906,946	642	4,748	518,782	-	32,435,857
Depreciation charge	-	3,500,856	1,106,573	595,402	69,195	16,602	190,156	-	5,478,784
Depreciation write-back on disposal	-	-	-	-	-	-	(60,000)	-	(60,000)
Balance at 31 March 2020	-	6,983,055	23,629,113	6,502,348	69,837	21,350	648,938	-	37,854,641
Net book value									
At April 1, 2018	26,100,000	103,470,00.	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	52,288	102,547	725,890	890,670	131,129,326
At 31 March 2020	**26,874,670**	**96,538,879**	**6,355,516**	**1,960,207**	**741,370**	**174,771**	**618,734**	**10,622,042**	**143,886,189**

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 2020:

	Land $	Buildings $	Total $
Cost	8,319,630	73,979,857	82,299,487
Accumulated depreciation	-	(50,847,927)	(50,847,927)
Net book value	8,319,630	23,131,930	31,451,560

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 land and buildings were revalued by independent valuators in March of 2019. Valuations are based on the market value.

17. Leases

The Bank leases properties mainly for its Agency Offices operations with lease terms ranging from 1 to 5 years. The leases include an option to renew for the same or shorter duration after the end of the contract term, which the Bank is expected to exercise. The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and leases for which the lease term ends within 12 months.

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

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

(i) Right-of-use asset

	Buildings
As at 1 April 2019 upon application of IFRS 16	3,679,969
Additions	-
Depreciation	(635,494)
Balance at 31 March 2020	3,044,475

(ii) Lease liabilities

As at 1 April 2019 upon application of IFRS 16	3,679,969
Additions	-
Interest expense	158,897
Lease payments	(728,374)
Balance at 31 March 2020	3,110,492

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

Depreciation charge on right-of-use assets	635,494
Interest expense on lease liabilities	158,897
Expenses relating to short-term leases	298,738
Balance at 31 March 2020	1,093,129

18. Demand and deposit liabilities - domestic

	2020 $	2019 $
Banker's balances - current accounts	**2,634,343,850**	2,910,948,594
Currency in circulation	**1,267,025,025**	1,140,799,340
Bankers Collateral account	**253,249,321**	217,770,179
Participating governments' call accounts	**228,407,365**	131,994,046
Participating governments' operating accounts	**105,074,752**	86,654,669
Bankers' dormant accounts	**88,843,058**	79,542,063
Participating governments' fixed deposit accounts	**81,000,000**	81,000,000
Participating governments' fiscal reserve tranche II	**56,302,825**	55,539,085
Bankers' fixed deposit accounts	**40,500,000**	-
Eastern Caribbean Securities Registry	**35,743,949**	16,149,162
ECHMB Operating account	**18,014,373**	6,440,613
Participating governments' sinking fund call accounts	**13,563,805**	12,201,056
Eastern Caribbean Asset Management Corporation	**11,813,800**	14,437,800
Accounts payable, accruals and provisions	**9,056,320**	6,802,188
BAICO Recapitalisation Holding Account	**8,243,848**	8,243,848
Participating governments' fiscal tranche I call accounts	**7,099,521**	6,998,496
Participating governments' drug service accounts	**4,905,502**	8,776,592
Eastern Caribbean Partial Credit Guarantee Corporation	**4,628,364**	5,400,000
British American Liquidity Support	**4,090,950**	4,502,360
Bankers' call accounts	**3,849,701**	4,036,502
British Caribbean Currency Board Coins in Circulation	**2,565,072**	2,566,022
Eastern Caribbean Automated Clearing House	**2,385,708**	206,144
Organisation of Eastern Caribbean States operating accounts	**2,031,697**	11,383,580
Commemorative coins in circulation	**1,379,972**	1,379,972
British Caribbean Currency Board Residual Fund	**833,628**	833,628
Resolution Trust Corporation	**488,170**	446,802
Participating governments' debt restructuring escrow accounts	**330,114**	291,718
Statutory and legislative bodies' operating accounts	**144,550**	67,132
Local governments' operating accounts	**47,176**	46,968
Government of Antigua & Barbuda Recovery & Reconstruction Project	**45,155**	7,835,463
Government of Antigua and Barbuda Road Infrastructure	**40,501**	4,912,142
OECS Distribution and Transportation	**22,380**	22,380
CANEC Debt Management Advisory Services	**472**	-
Demand and deposit liabilities – domestic	**4,886,070,924**	4,828,228,544
Interest Payable	**166,068**	672,332
Total demand and deposit liabilities - domestic	**4,886,236,992**	4,828,900,876
Current	**4,886,236,992**	4,828,900,876

18. Demand and deposit liabilities – domestic *(continued)*

During the year the following balances earned interest at rates ranging from 0.27% to 1.84% (2019: 0.59% to 2.52%) 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 (2019: Nil).

	2020	**2019**
	$	**$**
Balance at beginning of year	**55,539,085**	64,241,922
Loan repayments during the year	**3,033,740**	5,797,163
Covid-19 Grant	**(2,000,000)**	-
Hurricane Relief Grant	**(270,000)**	-
Contribution to Eastern Caribbean Asset Management Corporation	**-**	(14,500,000)
Balance at end of year	**56,302,825**	55,539,085

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 (2019: Nil).

	2020	**2019**
	$	**$**
Balance at beginning of year	**6,998,496**	6,869,358
Interest on account	**101,025**	129,138
Balance at end of year	**7,099,521**	6,998,496

19. Demand and deposit liabilities - foreign

	2020 $	2019 $
Caribbean Development Bank accounts	**2,590,803**	1,038,648
Caribbean Financial Services Corporation account	**211,499**	664,465
Other regional central banks and agency accounts	**20,287**	21,311
Other regional and international organisations	**58,125,698**	38,964,989
Total demand and deposit liabilities - foreign	**60,948,287**	40,689,413
Current	**60,948,287**	40,689,413

These balances earned interest at rates ranging from 0.27% to 1.84% (2019: 1.59% to 2.37%) per annum during the year.

20. IMF government general resource accounts

	2020 $	2019 $
Saint Lucia	**433,883**	434,111
Antigua & Barbuda	**231,075**	232,471
Grenada	**169,123**	169,295
St. Kitts and Nevis	**125,882**	126,054
Commonwealth of Dominica	**118,492**	118,611
St. Vincent and the Grenadines	**118,289**	118,322
Total IMF government general resource accounts	**1,196,744**	1,198,864
Current	**1,196,744**	1,198,864

21. 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 2020:

Currency sold/ purchased	Notional value of contracts	Notional value of contracts EC$ equivalent	Value date of contracts	Fair value of contracts $
CAD	412,500	767,049	6 April 2020	17,530
EUR	1,645,300	4,800,428	6 April 2020	77,114
GBP	533,800	1,673,126	6 April 2020	104,615
		7,240,603		199,259
			Current	199,259

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

22. Other reserves

	2020 $	2019 $
Property and equipment revaluation reserve	**87,332,100**	87,332,100
Pension reserve	**21,148,000**	23,573,000
Self-insurance reserve fund	**13,450,271**	12,657,437
Capital reserve	**6,537,928**	6,537,928
Export Credit Guarantee fund	**1,808,877**	1,808,877
Unrealised holding gain – investment securities	**77,052,590**	1,980,612
Unrealised holding gain – money market instruments	**92,221**	217,571
Total reserves	**207,421,987**	134,107,525

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

Pension reserve

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

22. 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 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
Revaluation of foreign securities	**95,518,420**	**(125,350)**	**95,393,070**
Revaluation transfer to profit or loss on disposal of foreign securities	**(21,092,572)**	-	**(21,092,572)**
Impairment of investment securities at FVOCI	**646,130**	-	**646,130**
Balance at 31 March 2020	**77,052,590**	**92,221**	**77,144,811**

23. Pension asset

The Bank contributes to a defined pension plan covering substantially all full-time employees. The assets of the plan are held separately in an independent trustee administered fund. The pension plan is valued every three years by a firm of independent qualified actuaries, Bacon Woodrow & de Souza Limited – Actuaries and Consultants. The latest available full valuation of the Pension Fund was at 31 March 2019; it used the projected unit credit method, and showed that the fair value of the Fund's assets at 31 March 2019 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 $111.7 million (2016: $101.7 million) and the required future service contribution rate was 20.5% (2016: 20.6%) of pensionable salaries. The actuary performed a roll-forward of the valuation to 31 March 2020. The next detailed full valuation will be conducted as at 31 March 2022.

	2020 $	2019 $
Net asset in the statement of financial position:		
Present value of defined benefit obligation	**(89,428,000)**	(88,090,000)
Fair value of plan assets	**110,576,000**	111,663,000
Present value of over funded surplus	**21,148,000**	23,573,000
Net asset recognised in the statement of financial position	**21,148,000**	23,573,000

23. Pension asset *(continued)*

	2020 $	2019 $
Reconciliation of amount reported in the statement of financial position:		
Pension asset, beginning of year	**23,573,000**	26,948,000
Net pension costs during the year	**(1,901,000)**	(1,242,000)
Re-measurements recognised in other comprehensive income	**(3,035,000)**	(4,354,000)
Bank's contributions paid to pension plan	**2,511,000**	2,221,000
Pension asset, end of year	**21,148,000**	23,573,000

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).

	2020 $	2019 $
Movement in present value of defined benefit obligation over the year is as follows:		
Beginning of year	**88,090,000**	84,416,000
Current service cost	**3,443,000**	3,031,000
Interest cost	**5,991,000**	5,785,000
Contributions by plan participants	**628,000**	555,000
Experience adjustments	**(4,522,000)**	(2,091,000)
Actuarial (loss)/gain from changes in demographic assumptions	**889,000**	-
Benefits paid	**(5,091,000)**	(3,606,000)
Defined benefit obligation at end of year	**89,428,000**	88,090,000

The defined benefit obligation is allocated between the Plan's members as follows:	2020 %	2019 %
Active and promoted members	**70.0**	77.0
Deferred members	**0**	0
Pensioners	**30**	23
The weighted average duration of the defined benefit obligation at the year end	**14.5 years**	14.9 years

26% 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.

23. Pension asset *(continued)*

	2020 $	2019 $
Movement in fair value of plan assets over the year		
Plan assets at start of year	**111,663,000**	111,364,000
Interest income	**7,742,000**	7,760,000
Return on plan assets, excluding interest income	**(6,668,000)**	(6,445,000)
Bank's contributions	**2,511,000**	2,221,000
Members' contributions	**628,000**	555,000
Benefits paid	**(5,091,000)**	(3,606,000)
Expense allowance	**(209,000)**	(186,000)
Fair value of plan assets at end of year	**110,576,000**	111,663,000

	2020 $	2019 $
Expense recognised in the statement of profit or loss:		
Current service cost	**3,443,000**	3,031,000
Net interest on net defined benefit liability (asset)	**(1,751,000)**	(1,975,000)
Administration expenses	**209,000**	186,000
Net pension cost included in staff costs (note 30)	**1,901,000**	1,242,000

	2020 $	2019 $
Re-measurements recognised in other comprehensive income		
Experience (losses) gains	**(3,035,000)**	(4,354,000)
Total amount recognised in other comprehensive income	**(3,035,000)**	(4,354,000)

	2020 %	2019 %
The principal actuarial assumptions used were as follows:		
Discount rate	**7.0**	7.0
Average individual salary increases	**5.0**	5.0

23. 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 2020 are as follows:

	2020	**2019**
Life expectancy at age 60 for current pensioners in years		
Male	**21.7**	21.0
Female	**26.0**	25.1
Life expectancy at age 60 for current members age 40 in years		
Male	**22.6**	21.4
Female	**26.9**	25.4

Plan assets are comprised as follows:

	2020 $	**2019 $**
Developed market equities	**47,076,000**	43,933,000
EC Government issued nominal bonds and treasury bills	**10,309,000**	10,709,000
USD denominated bonds	**48,346,000**	54,162,000
USD cash and cash equivalents	**5,213,000**	2,356,000
Net current assets	**(368,000)**	503,000
Fair value of plan assets at end of year	**110,576,000**	111,663,000

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 values 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 Trustees. There are no asset-liability matching strategies used by the Plan.

24. 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.

24. Related party balances and transactions *(continued)*

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

	2020 $	2019 $
Due from participating governments		
Participating governments' securities (note 10)	**87,256,784**	60,168,839
Participating governments' advances (note 11)	**45,556,500**	43,596,201
Due to participating governments (note 18)		
Participating governments' call accounts	**228,407,365**	131,994,046
Participating governments' operating accounts	**105,074,752**	86,654,669
Participating governments' fixed deposits accounts	**81,000,000**	81,000,000
Participating governments' fiscal reserve tranche II	**56,302,825**	55,539,085
Participating governments' sinking fund call accounts	**13,563,805**	12,201,056
Participating governments' fiscal tranche I call accounts	**7,099,521**	6,998,496
Participating governments' drug service accounts	**4,905,502**	8,776,592
Participating governments' debt restructuring escrow accounts	**330,114**	291,718

Interest income earned on participating governments securities and advances during the year was $7,818,215 (2019: $5,893,815). These accounts carry interest rates of 3.5% to 6.5% (2019: 3.5% to 9%) during the year.

Interest expense on participating governments demand accounts during the year was $4,900,169 (2019: $5,626,041). These accounts carry interest rates of 0.27% to 2.36% (2019: 0.59% to 2.52%) during the year.

Key management

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

	2020 $	2019 $
Staff mortgage loans		
Loans outstanding at beginning of year	**66,354**	202,483
Loans movement during the year	**(66,354)**	(136,129)
Loans outstanding at end of year	**-**	66,354
Term deposits		
Republic Bank, St. Kitts	**706,242**	-
Bank of Nova Scotia, St. Kitts	**-**	1,130,299
	706,242	1,130,299

The term deposit balance represents amounts pledged as liquidity support for loans issued by Republic Bank, St. Kitts to ECCB eligible employees (note 7).

24. Related party balances and transactions *(continued)*

Interest income earned on loans and advances during the year was $913 (2019: $4,098). The loans carry an interest rate of 4% (2019: 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 $3,997,293 (2019: $3,663,285). The following is an analysis of these amounts:

	2020 $	2019 $
Salaries and other short-term employee benefits	**3,596,192**	3,259,106
Board of Directors' fees	**240,000**	240,000
Post-employment benefits	**161,101**	164,179
	3,997,293	3,663,285

25. Contingencies and commitments

Capital commitments

At 31 March 2020, commitments for capital expenditure was $6,590,820 (2019: $5,028,860).

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 $581,943,000 (2019: $561,126,000). The details are presented in the table below:

	2020 $	2019 $
Government of Saint Lucia	**125,883,000**	120,250,000
Government of St Kitts and Nevis	**99,195,000**	96,367,000
Government of Antigua and Barbuda	**93,880,000**	90,635,000
Government of Grenada	**82,781,000**	76,544,000
Government of Commonwealth of Dominica	**82,072,000**	81,560,000
Government of St Vincent and the Grenadines	**69,672,000**	67,469,000
Government of Anguilla	**22,791,000**	22,688,000
Government of Montserrat	**5,669,000**	5,613,000
Total credit allocation	**581,943,000**	561,126,000

25. Contingencies and commitments *(continued)*

Credit extension to participating governments *(continued)*

The undrawn commitments to participating governments for the current financial year amounts to $452,866,000 (2019: $452,705,000). The details are presented in the table below:

	2020	**2019**
	$	**$**
Government of Saint Lucia	**112,796,000**	120,250,000
Government of St Kitts and Nevis	**99,195,000**	96,367,000
Government of Grenada	**82,781,000**	76,544,000
Government of Commonwealth of Dominica	**52,072,000**	81,560,000
Government of St Vincent and the Grenadines	**51,850,000**	39,984,000
Government of Antigua and Barbuda	**31,874,000**	15,422,000
Government of Anguilla	**16,629,000**	16,965,000
Government of Montserrat	**5,669,000**	5,613,000
Total undrawn commitments	**452,866,000**	452,705,000

The Board has approved credit allocation to participating governments for the 2020/21 financial year in the amount of $669,449,000.

Pending Litigations

There are eleven (11) 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 Agreement 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.

25. 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 29 September 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 18 November 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 15 December 2015. Following the hearing on 15 December 2015, the Court, on 22 December 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 8 December 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 set for trial on 2 April 2020, however it will be rescheduled to a date to be determined by the Court in light of the COVID-19 pandemic.

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 28 June 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 12 August 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 13 October 2016 and the Court gave directions for the filing of written submissions by both sides.

25. Contingencies and commitments *(continued)*

Pending litigation *(continued)*

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

Written submissions were filed by both sides. On 22 February the Court delivered its decision on the preliminary issue in favour of the Claimants. The Defendants filed application for leave to appeal that decision which was granted on 11 April 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 4 July 2017.

The Court, subsequently, issued a Notice of Hearing for 31 July 2017 of the Defendants' application to strike out the counter-appeal, which was heard before the full Court of Appeal (CA) on 23 October 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.

In April 2019, the Court granted the Claimants permission to serve the first-named Defendant out of State and fourth-named defendant, by way of substituted service on the ECCB. On ECCB's filed application to set aside the order for substituted service on the fourth-named defendant, the Court decided not to set aside the order.

The ECCB et al filed defense on 1 May 2019. In November 2019, the ECCB filed an application for summary judgment and on 20 March 2020, the Court granted the application and struck out the claim.

4) Case 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 ANGUILLA LTD (NCBA) AND EASTERN CARIBBEAN CENTRAL BANK (ECCB) (hereinafter collectively 'the Defendants').

The Plaintiff filed complaint on 16 December 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.

25. Contingencies and commitments *(continued)*

Pending litigation…. *continued*

4) **Case 16-01279-MG**…. *continued*

On 27 February 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 20 March 2017 the Plaintiff filed an amended complaint. On 27 April 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 26 October 2017 and on 29 January 2018 the Court ruled that both proceedings should be stayed pending the outcome of the litigation in Anguilla.

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.

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 (4) and (6). On 14 June 2017 the matter was heard by the Court and the stay was granted pending final determination of US matters listed in (4) and (6). The Intended Applications filed for the stay to be lifted.

The Chief Minister and Attorney General opposed the application for leave. On 3rd February 2020, the Court issued its decision, determining that the Intended Applicants had not established a good arguable case and did not have a reasonable chance of success and refused the application for leave. On 13th February 2020, the Intended Applicants filed a notice of appeal.

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).

25. Contingencies and commitments *(continued)*

Pending litigation *(continued)*

6) Case 16-01279-MG *(continued)*

The Complaint was filed 1 May 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;

(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 (4) above be heard jointly. The cases were heard on 26 October 2017 and on 29 January 2018 the Court ruled that both proceedings should be stayed pending the outcome of the litigation in Anguilla.

7) Case No. NEVHCV2-17/0124 BETWEEN: KEVIN HUGGINS (The Intended Applicant) v THE EASTERN CARIBBEAN CENTRAL BANK (The Intended Respondent).

On 15 September 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 10 December 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 trial is set for 16-17 June 2020.

8) Claim No. 56 of 2018 BETWEEN FIRST ST VINCENT BANK LIMITED (Applicant) v EASTERN CARIBBEAN CENTRAL BANK (Respondent)

On 9 April 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.

25. Contingencies and commitments *(continued)*

Pending litigation *(continued)*

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 Claimants have provided an undertaking for security for costs in the sum of $200,000.00. Pre-trial review has been set for October 2020.

10) **Claim No AXA/HCV 2019/35** BETWEEN CHRISTOPHER LISS ET AL (the Claimants) v. EASTERN CARIBBEAN CENTRAL BANK, HUDSON CARR, SHAWN WILLIAMS, MARTIN DINNING, ROBERT MILLER (the Defendants)

In August 2019, the Claimants filed claim against the Defendants asserting breach of trust and negligence and claiming the following sums –

- USD $17, 328,419.81
- GBP £25,681.25
- Euro €42,990.89; and
- Interest from August 2013.

In November 2019, the ECCB filed an application for summary judgment. The matter was heard on 18th November 2019 and on 20 March 2020, the Court granted the application and struck out the claim.

25. Contingencies and commitments *(continued)*

Pending litigation *(continued)*

11) **Claim No AXA/HCV 2019/39** BETWEEN IAN HOPE-ROSS (the Claimant) v. EASTERN CARIBBEAN CENTRAL BANK, HUDSON CARR, SHAWN WILLIAMS, MARTIN DINNING, ROBERT MILLER (the Defendants)

    In August 2019, the Claimant filed claim against the Defendants asserting breach of trust and negligence and claiming USD $472,743.83 and interest from August 2013.

    In November 2019, the ECCB filed an application for summary judgment. The matter was heard on 18th November 2019 and on 20 March 2020, the Court granted the application and struck out the claim.

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:

- 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 2021 in an amount not expected to exceed $2,000,000 (2020: $2,000,000).

The above undertaking and guarantee will be reviewed on 31 March 2021 and are irrevocable before this date.

25. Contingencies and commitments *(continued)*

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 2020, the commitment of the Bank was nil (2019: $76,422).

Leasehold obligation – operating leases

All agency offices operate out of leased premises with lease terms ranging from 1 to 5 years.

Minimum lease payments subsequent to 2020 and in aggregate are as follows:

	2020	**2019**
	$	**$**
2020	-	994,745
2020	-	591,100
2021	-	209,280
2022	-	95,400
2023	-	-
Thereafter	-	-
Total minimum lease payments	-	1,890,525

26. Cash and cash equivalents

	2020 $	2019 $
Money market instruments and money at call (note 6)	**733,312,023**	1,551,941,766
Regional and foreign currencies	**74,129,891**	104,789,886
Balances with other central banks (note 5)	**13,936,348**	14,237,270
Balances with local banks	**1,894,847**	2,691,622
Balances with foreign banks (note 5)	**73,661**	52,946
Total cash and cash equivalents	**823,346,770**	1,673,713,490

27. Net interest income

	2020 $	2019 $
Interest income		
Foreign investment securities	**43,852,999**	64,102,291
Money market instruments and money at call	**45,683,681**	37,092,913
Mortgage-backed securities	**2,895,299**	-
Participating governments' securities and advances	**7,818,215**	5,983,816
Other interest income	**247,074**	223,259
	100,497,268	107,402,279
Interest expense		
Demand liabilities: domestic	**4,900,169**	5,626,041
Lease liabilities	**158,897**	-
	5,059,066	5,626,041
Net interest income	**95,438,202**	101,776,238

28. Other gains

	2020 $	2019 $
Unrealised gain on investment securities at FVTPL	**8,043,875**	-
Realised gain on investment securities at FVTPL	**263,487**	-
	8,307,362	-

29. Other income

	2020 $	2019 $
Income from banking licence fees and penalties	**4,005,000**	4,345,088
Pension fund administrative and management fees	**695,536**	667,887
Rental income	**313,300**	300,000
Income from reserve requirement	**1,086**	21,151
Other income	**218,287**	326,550
Gain (loss) on disposal of property and equipment	**15,544**	(1,289,744)
(Loss) gain on futures contracts	**(138,760)**	128,902
Total other income	**5,109,993**	4,499,834

Rental income results from rental of office space to affiliate institutions ECHMB and ECSE, which are covered by leasehold rental contracts.

30. Salaries, pensions and other staff benefits

	2020 $	2019 $
Salaries, wages and other benefits	**33,688,997**	30,150,259
Pension (note 22)	**1,901,000**	1,242,000
Social security	**1,146,079**	1,055,301
Vacation leave	**464,199**	417,164
Prepaid employee benefit	**39,956**	44,189
Total salaries, pensions and other staff benefits	**37,240,231**	32,908,913

31. Net impairment losses on financial assets

During the financial year, the following losses (gains) were recognised in the statement of profit or loss in relation to impaired financial assets

	2020 $	2019 $
Impairment losses on financial assets at FVOCI	**646,130**	-
Impairment losses on financial assets at amortised cost	**88,698**	205,908
Loss allowance on individually impaired receivables	**454,611**	1,473,678
Reversal of previous impairment loss on financial assets at FVOCI	**-**	(131,800)
Net impairment losses on financial assets	**1,189,439**	1,547,786

32. Administrative and general expenses

	2020 $	2019 $
General supplies and services	**9,497,900**	8,172,686
Professional and consulting fees	**3,081,857**	6,156,283
Special projects	**4,013,457**	1,951,920
Utilities expenses	**2,445,101**	2,501,089
Training, recruitment and resettlement	**1,701,476**	1,283,868
Travel tickets, accommodation and subsistence	**1,543,854**	1,223,223
Conference and meetings	**1,352,826**	1,034,943
Telephone expense	**931,135**	779,973
Insurance expense	**852,802**	739,583
Contribution to Eastern Caribbean Securities Regulatory Commission	**805,171**	764,415
Staff vacation grant	**582,551**	360,697
Repairs and maintenance	**574,352**	406,630
Legal fees	**564,155**	454,563
Other staff expenses and amenities	**405,450**	409,085
Community outreach	**312,792**	218,072
Rental expense	**298,738**	996,895
Subscriptions and fees	**265,154**	262,275
Cafeteria subsidy	**251,866**	198,396
Affiliate groups	**211,981**	73,941
Public education and communication	**191,115**	-
Advertising and promotion	**129,400**	200,459
Other expenses	**129,253**	104,734
Contribution to staff association	**60,290**	70,200
Printing and postage expenses	**34,057**	20,449
Directors' travel and other expenses	**31,472**	13,500
Contribution to intra-regional central bank games	**22,169**	-
Total administrative and general expenses	**30,290,374**	28,397,879

33. Events after the reporting period

ECSE Redeemable Preference Shares

In April 2020, the Eastern Caribbean Securities Exchange paid the ECCB, the sum of $1.2m representing full settlement of the redeemable cumulative preference shares issued to the Bank in April 2019.

These redeemable shares were previously issued in April 2019, subsequent to the Bank's Agreement with the ECSE regarding a long outstanding receivable. 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 then agreed to issue additional ordinary shares together with redeemable cumulative preference shares to the ECCB to discharge of the remaining balance due.

COVID-19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on 11 March 2020. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. The ECCB has enhanced its business continuity and disaster recovery plan aimed at protecting the health and safety of all staff, mitigating the overall impact on the Bank's business and ensuring a continued focus on serving the region well.

In the Eastern Caribbean Currency Union, cases of the virus were first reported in March 2020. Due to the on-going containment efforts, there are resulting concerns regarding the economic impact this may have on a global, regional and domestic scale given the significant disruption to business operations in particular for entities in highly exposed sectors such as Tourism on which the ECCU is very dependent.

The full extent of the impact of the COVID-19 outbreak on the financial performance of the Bank will depend on future developments, including the duration and spread of the outbreak, related advisories and restrictions and its impact on the financial markets and the overall economies of the ECCU, all of which are highly uncertain and cannot be predicted. If the financial markets and overall economies are impacted for an extended period, the Bank's future results may be adversely affected. The Bank continues to monitor this situation closely.

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