



## 2009 Annual Report



Barbados Deposit Insurance Corp.  
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**BARBADOS DEPOSIT INSURANCE CORPORATION**  
ANNUAL REPORT 2007

## MISSION & VISION OF THE BDIC

**The mandate of the Barbados Deposit Insurance Corporation is to:**

- Provide deposit insurance and contribute to the stability of the financial system for the benefit of depositors while minimising its exposure to loss.

**The goals of the Barbados Deposit Insurance Corporation are to:**

- Protect small depositors within the banking system from the risk of loss in the event of institutional or systemic failure; and
- Contribute to ensuring the soundness and stability of the financial system, while serving as the primary provider of deposit insurance within the country.

## Letter of Transmittal

31 March 2008

The Right Hon. David Thompson  
Prime Minister and Minister of Finance, Economic Affairs,  
Labour and the Civil Service  
Prime Minister's Office  
Government Headquarters  
Bay Street

Dear Mr. Prime Minister:

In accordance with Section 15 (1) of the Deposit insurance Act 2006-29, I have the honour to submit to you the initial Annual Report of the Barbados Deposit Insurance Corporation for the period June to December 2007, a copy of the audited Corporation's Accounts as at December 2007, and a Statement of the Deposit Insurance Fund as at December 2007, duly certified by its Auditors.

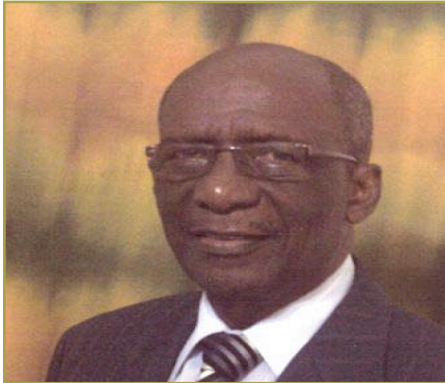
Yours sincerely

Winston LeRoy Inniss QC.  
Chairman

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**Winston Leroy Inniss QC – Chairman**

Mr. Inniss is a Queen's Counsel who has practised as an Attorney-at-Law since 1978. In 2001, he became a judge of the High Court in Barbados and served until his retirement in 2006.

Mr. Inniss was an independent member of the Senate of Barbados from 1991 to 1995. He has also served as a member of the Cave Hill Campus Council of the University of the West Indies from 1986 to 1992. He is a past President of the Barbados Bar Association, and has served for many years as a member of the Judicial Council and the Community Legal Services Commission.

At present, he is the President of Parent Education for Development in Barbados (PAREDOS).

His publications include: *Civics for Barbados*, Kingston Publishers Limited; *Civics for the Eastern Caribbean*, Kingston Publishers Limited, 1987; *The Constitution and You. Barbados*, UWI/ USAID Caribbean Justice Improvement Project, 1991; *Doing Business in Barbados* in "Legal Aspects of Doing Business in Latin America, Austria: Centre for International Legal Studies, 1993; *Agency and Distributorship (Barbados)* in

"Commercial Agencies & Distributorship: An International Guide". Prentice Hall, 1993. He is also the author of *Labour Law Selected Case Notes* "(unpublished).



**Bernard Codrington – Deputy Chairman**

Mr. Bernard Codrington is a retired banker and economist. He held the post of Manager in the Research Department of the Eastern Caribbean Currency Authority during the period 1968-1972. Subsequently, from 1973 – 1975, Mr. Codrington was a Senior Economist at the Central Bank of Barbados, and then served as Research Fellow at the Institute of Social & Economic Research (ISER) Cave Hill until 1978. He ended his career as the General Manager of BNB Finance and Trust Corporation, having previously held the post of General Manager of Strategic Planning at the Barbados National Bank.

Mr. Codrington is a Commonwealth Scholar and holds a Bachelor of Science degree from the University of the West Indies (Mona) and a Master of Arts degree in Economics from the University of Leeds. He is a past President of the Barbados Economic Society and served on the Board of Directors of the Central Bank of Barbados, and the National Insurance Scheme.



**Ronald Bascombe – Director**

Mr. Bascombe is currently the Permanent Secretary with responsibility for the Energy and Telecommunications portfolio in the Ministry of Finance, Investment, Energy and Telecommunications.

He is a career civil servant of 38 years, and has served in various capacities in several government ministries and departments. Mr. Bascombe is a graduate of the University of the West Indies, with a BSc. in Accounting, holds a Certified Management Accountant designation and is a member of the Institute of Chartered Accountants of Barbados.



**Dr. Marion Williams**

Dr. Marion Williams is Governor of the Central Bank of Barbados, a position

which she has held since 1999. She has worked in the area of economics and finance for most of her working life. She holds a Ph.D. from the University of Surrey and a Masters Degree in Economics from the University of the West Indies. She is a Fellow of the Institute of Bankers (FCIB) of the U.K., and a Certified Management Accountant (CMA). Dr. Williams was the first President and a founding member of the Barbados Institute of Banking and Finance. She is a former Chairman of the Steering Committee of the Caribbean Regional Technical Assistance Centre (CARTAC) and Chairman of the Executive Committee of the Caribbean Centre for Monetary Studies (CCMS). In 2006 Dr. Williams was the recipient of the Award of Honorary Fellow of the Caribbean Association of Banking and Financial Institutes (CABFI). She received a national honour of Gold Crown of Merit by the Government of Barbados in 2006.

She has represented the Bank at several meetings and conferences, both regionally and internationally; has published articles in local, regional and international journals, and has served on many advisory boards and committees. She is the author of three books "Liberalising a Regulated Banking System: The Caribbean Case", published by Avebury, "Managing Public Finances in a Small Developing Economy – The Case of Barbados", published by Praeger, and "Strategic Repositioning:

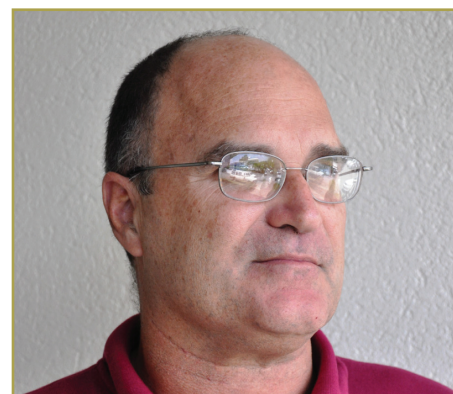
A Caribbean Perspective on Economic Policy Making", published by the Central Bank of Barbados.



Cleviston Haynes – Director

Mr. Cleviston Haynes is the Deputy Governor (Ag.), Central Bank of Barbados. Previously he served as Adviser to the Governor of the Central Bank of Barbados and more recently as Director, Bank Supervision Department. A graduate of the University of the West Indies and the University of Western Ontario, he joined the Research Department of the Central Bank in 1980 as an Economist. He has also served as Technical Assistant to the Executive Director for Canada, Ireland and the Caribbean at the Executive Board of the International Monetary Fund (IMF) during the period 1987-1989.

He has authored a number of academic papers in local and international publications, including papers on monetary policy and financial sector issues in the Barbados economy.



Charles Herbert – Director

Mr. Herbert graduated from University of Edinburgh in 1978 and is a Fellow of the Institute of Actuaries and an Associate of the Society of Actuaries. He has worked in the field of insurance and employee benefits in the Caribbean since 1980, with clients in Barbados, Bermuda, Trinidad & Tobago, the Bahamas, and the Eastern Caribbean.

Mr. Herbert specializes in employee benefit services, risk management for local organizations, actuarial services for the Caribbean insurance industry, and for the Barbados offshore financial services industry, as well as general actuarial services for government agencies in the areas of pension, health care and social security. He also acts as appointed actuary to various insurance companies.

Mr. Herbert is a Principal of Eckler Ltd. He joined the firm in 1996 to manage and develop the Barbados office. The office has grown to a staff of 13 including 3 actuaries.



The Barbados Deposit Insurance Corporation (BDIC), established under the Deposit Insurance Act 2006-29, came into operation on June 8, 2007. The BDIC provides insurance coverage of up to \$25,000 for depositors of commercial banks and other member institutions. The Corporation manages the Deposit Insurance Fund (DIF), which is financed by initial contributions and annual premiums from all deposit-taking financial institutions governed by the Financial Institutions Act Cap 324A. In addition, the Central Bank of Barbados matched the initial contributions of all member institutions.

Deposit insurance in Barbados has been conceptualized to reduce the social fallout which is likely following the failure of a financial entity, through the provision of a safeguard for small depositors.

The financial climate in Barbados remains sound, however it was considered prudent to establish the Corporation and the associated Fund during a period of stability to enable it to build the systems necessary for an adequate response in the event of any adverse developments brought about by the failure of a member institution. Accordingly, this Fund should be viewed as an extension of the financial sector's safety net, thus contributing to the maintenance of public confidence in deposit-taking institutions.

As Chairman of the Barbados Deposit Insurance Corporation, I am satisfied that during its first seven (7) months of operation, the Corporation has been able to meaningfully respond to the fulfilment of its mandate. We have established the Deposit Insurance Fund, levied and collected initial contributions and premiums from member institutions.

In 2008, we will select and appoint staff, and grow the Fund through the investment and the diligent collection of premiums due, while pursuing a shrewd investment policy. We will begin our education and public awareness programme with a view to promoting standards of sound business and financial practices with respect to member institutions, and for the benefit of persons having insurable deposits with member institutions.

As a member of the International Association of Deposit Insurers we will forge linkages with the Regional Committee, and seek assistance in the implementation and utilisation of monitoring systems and tools as well as embark on other initiatives.

It is envisaged that 2008 will be a busy year, but we have had a sound foundation on which we can grow. I wish to thank the Directors and the Project Coordinator for their support.

Winston LeRoy Inniss QC  
Chairman  
Barbados Deposit Insurance Corporation



# Background to the Establishment of the Barbados Deposit Insurance Corporation

Barbados Deposit Insurance Corporation Annual Report

Consideration for the implementation of a deposit insurance scheme for depository institutions in Barbados had been “in train” since 1988. The Central Bank of Barbados (Bank) had been examining its introduction through its Financial Markets Committee (FMC), which had subsequently prepared a report on the subject.

In this report, the FMC reviewed the experiences of the United States of America, Canada, Trinidad and Tobago and Jamaica and recommended that the derived benefits from the implementation of a deposit insurance system were significant. The main unresolved issue was related to the cost of such a system.

In 1994, a Report of the CARICOM Bank Supervision Harmonisation Project arrived at essentially the same conclusion as the FMC, and further recommended

that consideration be given to creating a single scheme for the entire Caribbean.

During the following year, the Bank commissioned Stanley Silverberg to review the efficiency of the implementation of a deposit insurance system for financial institutions in Barbados. The study also identified the benefits of its introduction, particularly during a period of financial and economic stability. The Bank subsequently took steps to design and implement an appropriate system of deposit insurance for Barbados following further exploratory studies in 1995 and 1997 by an internal team of analysts.

In 2001, the Bank drafted an implementation plan for the establishment of a deposit insurance system in Barbados. This plan focused on two fundamental elements – a legal analysis and the preparation of an appropriate legal framework for the proposed system,

along with a business analysis and business plan for the system.<sup>1</sup>

The Bank subsequently established a project team to manage the project with the assistance of consultants in completing the drafts of an appropriate legislative framework, which was completed by Mrs. Lucille Mair, while the policy framework and business plan for the proposed Barbados Deposit Insurance Corporation (BDIC) was completed by Mr. Osborne Nurse,.

Between 2001 and 2006, there were several discussions on the drafts of the Deposit Insurance Bill, backed by consequential amendments to the Financial Institutions Act Cap 324A, the Central Bank Act Cap 323C and other enabling legislation. Intensive studies were also completed on the role that the new entity is likely to play as a component of the local financial system's safety net, along with its staffing and other needs.

<sup>1</sup>*Business Plan 2003-2005 for the Barbados Deposit Insurance Corporation, Osbourne Nurse, Management Consultant*

The Deposit Insurance Act was passed in November 2006 and proclaimed on June 8, 2007. The Deposit Insurance (Insured Limit) Order 2007 and the Deposit Insurance (Contribution and Premium Percentage) Order 2007 were both made by the Minister of Finance on July 9, 2007.

On March 1, 2007, Ms. Octavia Gibson, Deputy Director, Currency, Central Bank of Barbados, and a former member of the BDIC Project Team was seconded as Project Coordinator to the Barbados Deposit Insurance Corporation (BDIC) to head a team to set up the entity.

During 2007, emphasis fell on ensuring the office was ready for occupancy, securing an affiliation to the International Association of Deposit Insurers (IADI); coordinating meetings of the Board; and notifying the members of the Fund of the existence of the entity and their legal obligations to the Fund.

## Office Accommodation

The Central Bank of Barbados was instrumental in providing accommodation for the fledgling corporation - Level 5 of the Tom Adams Financial Centre. It had also facilitated the acquisition of resources necessary to enable the office of the Project Coordinator to function prior to the formation of the BDIC Board.

## International Relations

In July 2007 membership to the International Association of Deposit Insurers (IADI) was sought and obtained, and from that time the IADI has provided the BDIC with guidance notes and access to a well-defined website, along

with opportunities for training and sharing experiences.

### Affiliation to International Association of Deposit Insurers

IADI was formed on 6 May 2002 as a non-profit organization constituted under Swiss Law. It is a separate legal entity domiciled at the Bank for International Settlements (BIS) in Basel, Switzerland. It was created following the work of the study and working groups on deposit insurance (1999 - 2001). Those groups were formed when the Financial Stability Forum (FSF) first tasked them to consider the usefulness of setting out guidance, along with the development of approaches to help policymakers design and improve the effectiveness of deposit insurance systems. When the Working Group of Deposit Insurers submitted its final report to the FSF in September 2001, efforts soon got underway to form the IADI.

### Sharing Deposit Insurance Expertise with the World

The key objectives of the IADI are to contribute to the stability of financial systems by promoting international cooperation, and encouraging wide international contact among deposit insurers and other interested parties. In particular, IADI:

- Enhances the understanding of common interests and issues related to deposit insurance;
- Sets out guidance to enhance the effectiveness of deposit insurance systems taking into account different circumstances, settings and structures;
- Facilitates the sharing and exchange of expertise and

information on deposit insurance issues through training, development and educational programs;

- Provides advice on the establishment or enhancement of effective deposit insurance systems;
- Undertakes research on issues relating to deposit insurance; and
- Takes such other action as may be necessary or useful for its objects and activities<sup>2</sup>

## Board Meetings

Section 4. (l) of the Deposit Insurance Act 2006-29, makes provision for the establishment of a Board of Directors of the Corporation which is responsible for the policy and general administration of the Corporation. The Board was appointed on April 1, 2007 and held three Board Meetings during the period ending December 2007.

## Notification of the Existence of BDIC and Members' Legal Obligations

Section 18(1) of the Deposit Insurance Act 2006-29, highlights that "on the commencement of this Act, all financial institutions that are licensed under the Financial Institutions Act 1996-16 which are permitted to accept in the course of business, deposits that are insurable under this Act, shall be deemed to be members of the Fund."

Accordingly, all commercial banks and non-bank deposit-taking entities were informed, and based on internal analysis,

<sup>2</sup>IADI website <http://www.iadi.org/pages/Mission.aspx>

# Project Coordinator's Report

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and backed by their responses, their status as members of the Fund was determined. Fourteen (14) members were identified and provided with copies of the Deposit Insurance Act 2006-29 and the relevant Orders.

All members submitted relevant data on their deposit liabilities for 2006, which facilitated the determination of their premiums and initial contributions. The Board of the BDIC determined that members would pay the full initial contribution, but would be charged half of

the annual premium since the BDIC had only come into operation effective June 8, 2007.

As at December 31 2007, twelve (12) members had paid both premiums and initial contributions to the Fund. As prescribed by the Deposit Insurance Act 2006-29, the premium assessed by the BDIC, and levied on the members, is based on a 5 (five) basis point contribution of members' total deposit liabilities.

In 2008, it is expected that the BDIC will be in a position to collect a full year's premium from its members, proceed with investing the Fund, appoint staff, issue member certificates, proceed with reviews, risk profiling and ranking of members and embark on its training and education programme for staff, members and the general public. During 2007 a number of initiatives were targeted and the following scorecard indicates that most of them were reached, while the others are earmarked to be fulfilled in 2008. (See Table 1)



Table 1 Performance Matrix		
Business Initiative	Performance	Exception Report
Establishment of two accounts at the Central Bank of Barbados	The Operations and Premium accounts were opened at the Central Bank of Barbados	
Preparation of the annual budget	The annual budget was prepared and approved by the Board	
Collection of half of the equity injection by the Central Bank of Barbados	\$500,000.00 was collected from the Central Bank	
Determination of members of the Fund	Six commercial banks and eight non-banks were identified as members of the Fund	
Collection of data on deposit liabilities and incorporation documents from members	All members submitted data on their deposit liabilities for 2006 and their incorporation documents	
Calculation of premiums and initial contributions and collection of same	Premiums were calculated and at the end of December, \$1,707,059.34 was collected. Initial contributions collected totaled \$3,414,118.68	
Affiliation to IADI	In July 2007, BDIC became a member of IADI	
Branding of the BDIC	the Logo submitted by G and A Design & Advertising Inc. Communications was selected as the BDIC's Logo.	
Appointment of External Auditors	Brian F Griffith & Co was selected as the External Auditors	
Recruitment of a CEO for the BDIC	Advertisements were placed and individuals shortlisted	CEO to be appointed in 2008
Recruitment of Administrative Assistant recruited	Advertisements to be placed in 2008	Administrative Assistant to be in 2008
Purchase of furniture & equipment	Requests for proposals have been set out to vendors	Furniture and equipment to be purchased in 2008
Issue of Membership Certificates	Certificates were designed and submitted to the Board for approval	Certificates to be printed in 2008
Signing of Memorandum of Understanding (MOU) with Central Bank of Barbados	Request made to Central Bank for the MOU	MOU to be drafted and finalised in 2008
Establishment of a website 2008	Site Map developed for the website	Requests for proposal (RFP) for website development to be sent out in 2008
Ratification of draft policies & manuals developed by the consultant	Policies and manuals ratified by the Board	

## BOARD OF DIRECTORS

Mr. W. Leroy Inniss QC	Chairman
Mr. Bernard Codrington	Deputy Chairman
Mr. Charles Herbert	Director
Dr. Marion Williams	Director, Ex Officio, Governor, Central Bank of Barbados
Mr. Cleviston Haynes	Director, Ex Officio, Director, Bank Supervision, Central Bank of Barbados
Mr. Ronald Bascombe	Representative, Ministry of Finance

## AUDITORS

Brian F Griffith & Co.

## BANKERS

Central Bank of Barbados

## ADDRESS

Level 5, Tom Adams Financial Centre, Spry Street, Bridgetown

At December 31, 2007, there were fourteen (14) members of the Fund. These consisted of six (6) commercial banks, and eight (8) non-bank deposit-taking institutions.

## **Commercial Banks**

Barbados National Bank Inc.  
The Bank of Nova Scotia  
Butterfield Bank International (Barbados) Ltd  
FirstCaribbean International Bank (Barbados) Ltd  
RBC Royal Bank of Canada  
RBTT Bank (Barbados) Ltd

## **Non-bank Deposit-Taking Institutions**

Citicorp Merchant Bank Ltd  
Signia Financial Group Inc.  
Globe Finance Inc.  
BNB Finance & Trust Corporation  
Clico Mortgage & Finance Corporation  
The Bank of Nova Scotia Trust Company (Caribbean) Ltd  
Consolidated Finance Co. Ltd  
FirstCaribbean International Trust and Merchant Bank (Barbados) Ltd



The Central Bank of Barbados (Bank) regulates the domestic banking sector under the Financial Institutions Act 1996-16 (FIA). The sector comprises six commercial banks and fourteen non-banks, and has, over the years, been host to large cross-border entities. Accordingly, FIA has enabled the Bank to conduct the necessary consolidated supervision of these entities. Based on their current activities, the six banks and eight non-banks were deemed eligible to join the deposit insurance scheme.

## Regulatory Framework

FIA provides for licenses to be issued to entities as either Part II (commercial banks) and Part III (non-banks), and establishes the processes for licensing and ongoing supervision of licensees. Furthermore, FIA allows for the enforcement of prudential norms for licensees, particularly in relation to capital adequacy and large credit exposures. Where a licensee conducts its business in an unsafe and unsound manner, the Bank is empowered to take action against the entity, including the ultimate sanction of closure.

In the exercise of its functions, the Bank issues general guidance to licensees, but may issue specific directives if it considers that such action is warranted. It further conducts on-going monitoring of licensees through the analysis of periodic reports required under statute, dialogue with management and engages in on-site examinations. The Boards of Directors and management meet with the Governor of the Bank or his nominee to discuss the findings of inspection reports

or material events impacting on the safety and soundness of licensees, or to give updates on the strategic direction of licensees.

Apart from the review of licensees on an individual basis, the Bank also holds responsibility for implementing consolidated supervision for those entities that operate multiple entities within Barbados.

## State of the Banking Sector

The sector has proven robust when measured by the standard prudential indicators of asset growth, asset quality, profitability, liquidity and capital adequacy. While there remains room for the enhancement of risk management systems of some licensees, there is no evidence of risk management weaknesses of systemic proportions.

### i. Asset Growth

The sector has experienced an average growth of 9.9% per annum for the period 2003-2006, while in 2007, the sector expanded by 24.1%, with the majority of growth concentrated in the commercial banking sector. Thus far the sharp rise in 2007 has proven to be manageable, but too rapid credit growth can result in a shift in the distribution of financial assets, and needs to be continuously monitored from a macroeconomic and prudential perspective.

As at December 31, 2007, the six commercial banks accounted for 87.7% of assets. However, assets were unevenly distributed across the sector, with the two largest banks by assets accounting for 50.7% of the asset base.

### ii. Asset Quality

Across the system, asset quality remained satisfactory. Both banks and non-banks reported declining levels of classified debt, which resulted in a drop in the delinquency ratio to 4.5%. Nonetheless, two banks reported levels of classified debt that exceeded the prudential standard of 5.0%. Consequently, doubtful accounts which is represented as a percentage of total loans, increased marginally. Still, provisions were adequate for the level of reported classified debt across both sub-sectors.

Notwithstanding, the asset quality continue to be closely monitored as loan portfolios spurred by the ensuing low-interest rate regime have expanded rapidly in recent years. Towards the end of the reporting period, interest rates have started to rise in step with prices, which is likely to impact adversely on the credit quality.

### iii. Liquidity

Deposits represent the main source of funds for the sector. However, a number of non-banks that are affiliated with larger commercial banks typically receive significant funding from their affiliate rather than directly from the external sources. Domestic deposits expanded by 22% in 2007, compared to an average annual growth rate of 8%, over the most recent 5-year span 2001-2006; the majority of growth recorded occurred in 2007. The domestic deposit base, as at December 31, 2007 was BDS\$10.0 billion, and was eligible<sup>1</sup> for coverage under the Deposit Insurance Scheme.

<sup>1</sup> The actual amounts eligible may vary slightly because of intra group transactions.

As a prudential measure, commercial banks are required to hold reserves equivalent to 5% of their domestic deposits in cash, while 12% of their deposits must be held in Government securities. The level of compliance among domestic entities is generally not problematic, especially since failure to meet the cash reserve ratios carries financial penalties. Banks can address temporary cash shortages through inter-bank borrowings or at the discount window at the Central Bank. Currently, there are no penalties for non-compliance with the securities requirements, but breaches are not common, and where they do occur, it is sometimes attributable to the unavailability of adequate stocks of government securities.

The sector's liquidity position, as measured by the liquid assets to short-term liabilities ratio remains high. Of note, liquidity in the system is impacted by fiscal and external imbalances, and may also be affected by seasonal influences. However, depending on circumstances, liquidity can be unevenly distributed across the financial system. Such unevenness has required close monitoring by the Bank of the liquidity positions of some entities whose ratios have fallen below the target liquid assets/short-term liabilities ratio of 100%.

#### **iv. Profitability**

In 2007, profitability rose marginally across the industry as modest gains by banks were slightly eroded by the weaker

performance by non-banks. Both sectors reported a higher cost of funds, following increases in the benchmark deposit rate which was aimed at combating inflation, but impacted adversely on net interest rate margins. The return on assets for Part III entities fell slightly below that of banks, and the industry's return on assets (ROA) stood at 1.9% at the end of 2007.

#### **v. Capital**

Both the bank and non-bank sub-sectors were adequately capitalised, with all entities reporting reserve ratios in excess of the prudential requirement of 8%. Licensees are expected to maintain ratios sufficiently in excess of the ratio such that rapid asset growth or shocks to earnings can be absorbed without significantly impacting on capital adequacy.

# Review of Operations – A Comparison with Business Plan

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The size and growth of the Fund are dependant on the level of deposits in the system, and the deposit insurance premium rate. According to the Business Plan 2003-2005, total deposits were projected to grow from BDS\$4,743 million in 2001 to BDS\$6,035 million by the end of 2005.

The average deposits on which the premiums are calculated were BDS\$6,928 million. Compared to the Business Plan, premiums in 2007 were anticipated to have been higher than those projected. In addition, the premiums collected were lower in 2007 because of a policy decision by the Board to collect only half of the

estimated amount of premiums since the Act was proclaimed in June 2007.

In contrast, the projected initial contribution was \$2.52 million, but the actual amount collected was BDS\$3.41 million. This is largely attributed to the increase in reported deposits for 2006, and it should be noted that even though the contribution was collected in 2007, it was based on the previous year's deposits, as prescribed by the Deposit Insurance Act.

According to the Business Plan, by 2005, or year three (Year 3) of the Corporation's operation, the Fund should have grown

to approximately \$14.50 million, without taking into account administrative expenses and interest earned. At the end of 2007, (Year 1) the Fund stood at \$8.51 million, while the projected intake by the end of 2008, (Year 2) and 2009 (Year 3) is expected to be \$3,690,109.04. Year 3, the end of 2009, will show a similar figure to that of 2008. This implies that the Fund stands to be on par with a projected amount of \$14.50 million after three years of operation. The Business Plan had incorporated the assumption that by year 3, the premium would increase to 0.075%, and remains a facet of ongoing operations to review the level of premiums.



## APPENDIX

**Table 2 - Assets in the Banking System**  
BDS \$000

Period	Commercial Banks	Trust Companies	Finance Companies	Total
2002	6,267,136	537,339	299,572	7,104,047
2003	6,812,600	560,326	304,251	7,677,177
2004	7,302,812	599,338	343,105	8,245,255
2005	8,297,345	760,169	501,960	9,559,474
2006	9,069,255	737,910	528,668	10,335,833
2007	11,357,154	897,347	590,735	12,845,236

Source: Central Bank of Barbados Economic and Financial Statistics

**Table 2 – Domestic Deposits in the Banking System**  
BDS \$000

Period	Commercial Banks	Trust Companies	Finance Companies	Total
2002	5,142,105	416,950	250,895	5,809,950
2003	5,493,838	376,395	246,648	6,116,881
2004	6,135,662	410,699	259,259	6,805,620
2005	7,005,876	484,224	407,005	7,897,105
2006	7,337,764	489,917	399,127	8,218,381
2007	9,056,386	523,590	452,271	10,032,247

Source: Central Bank of Barbados Economic and Financial Statistics



## **Independent Auditors' Report**

### **To the Directors of Barbados Deposit Insurance Corporation**

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We have audited the accompanying consolidated financial statements of **Barbados Deposit Insurance Corporation**, which comprise the consolidated balance sheet as of December 31, 2007, and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the 7 months then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion the consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Barbados Deposit Insurance Corporation** as of December 31, 2007, and its consolidated financial performance and its consolidated cash flows for the 7 months then ended in accordance with International Financial Reporting Standards.

A handwritten signature in dark ink, appearing to read "Brian F. Griffith & Co.", with a stylized flourish at the end.

**Brian F Griffith & Co.**  
**Chartered Accountants**

September 9, 2008  
Bridgetown, Barbados



**Barbados Deposit Insurance Corporation**  
**Consolidated balance sheet**  
**As at December 31, 2007**  
**(Expressed in Barbados dollars)**

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		<b>2007</b>
	Notes	\$
<b>Current assets</b>		
Cash and bank balances	7	5,475,754
Accounts receivable	8	3,538,741
Other receivables		7,123
		<u>9,021,618</u>
<b>Fixed assets</b>	2(d) & 3	<u>18,359</u>
<b>Total assets</b>		<u><b>9,039,977</b></u>
<b>Current liabilities</b>		
Central Bank of Barbados	4	13,638
Accounts payable and accruals		11,964
		<u>25,602</u>
<b>Net assets</b>		<u><b>9,014,375</b></u>
<b>Financed by:</b>		
Paid up capital	5	500,000
Deposit Insurance Fund		<u>8,514,375</u>
<b>Total capital</b>		<u><b>9,014,375</b></u>

The accompanying notes form part of these consolidated financial statements.

Approved by:

CHAIRMAN .....

DIRECTOR .....

**Barbados Deposit Insurance Corporation**  
**Consolidated statement of changes in equity**  
**For the 7 months ended December 31, 2007**  
**(Expressed in Barbados dollars)**

Barbados Deposit Insurance Corporation Annual Report

	<b>Paid Up Capital \$</b>	<b>Deposit Insurance Fund \$</b>	<b>Total \$</b>
<b>Balance at June 1, 2007</b>	0	0	0
<b>Paid up capital</b>	<u>500,000</u>	<u>0</u>	<u>500,000</u>
	500,000	0	500,000
<b>Net income for the period</b>	<u>0</u>	<u>8,514,375</u>	<u>8,514,375</u>
<b>Balance at December 31, 2007</b>	<u>500,000</u>	<u>8,514,375</u>	<u>9,014,375</u>

The accompanying notes form part of these consolidated financial statements.

**Barbados Deposit Insurance Corporation**  
**Consolidated statement of income**  
**For the 7 months ended December 31, 2007**  
**(Expressed in Barbados dollars)**

Barbados Deposit Insurance Corporation Annual Report

		<b>2007</b>
	Notes	\$
<b>Income</b>		
Central Bank initial contribution		3,463,968
Membership:		
Initial contributions		3,463,967
Annual premiums		<u>1,731,984</u>
<b>Total income</b>		<u>8,659,919</u>
<b>Expenses</b>		
General and administrative costs	9	<u>145,544</u>
<b>Net income</b>		<u>8,514,375</u>

The accompanying notes form part of these consolidated financial statements.

**Barbados Deposit Insurance Corporation**  
**Consolidated statement of cash flows**  
**For the 7 months ended December 31, 2007**  
**(Expressed in Barbados dollars)**

Barbados Deposit Insurance Corporation Annual Report

	<b>2007</b>
	\$
<b>Cash flows from operating activities</b>	
Net income for the period	8,514,375
Add non cash item:	
Depreciation	<u>2,839</u>
<b>Operating profit before working capital changes</b>	8,517,214
Increase in accounts receivable	(3,538,741)
Increase in other receivables	(7,123)
Increase in current liabilities	<u>25,602</u>
<b>Net cash from operating activities</b>	<u>4,996,952</u>
 <b>Cash flows from investing activities</b>	
Additions to fixed assets	<u>(21,198)</u>
<b>Net cash (used in) investing activities</b>	<u>(21,198)</u>
 <b>Cash flows from financing activities</b>	
Paid up capital	<u>500,000</u>
<b>Net cash from financing activities</b>	<u>500,000</u>
 <b>Net decrease in cash and cash equivalents for the period</b>	5,475,754
<b>Cash and cash equivalents, beginning of period</b>	<u>0</u>
 <b>Cash and cash equivalents, end of period</b>	<u><b>5,475,754</b></u>
 <b>Cash and cash equivalents comprise:</b>	
Cash at bank	<u>5,475,754</u>
	<u><b>5,475,754</b></u>

The accompanying notes form part of these consolidated financial statements.





**Independent Auditors' Report  
On  
The Deposit Insurance Fund**

**To the Directors of  
Barbados Deposit Insurance Corporation**

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In accordance with Section 15, 1(b) of the Deposit Insurance Act, 2006, we have audited the statement of the **Deposit Insurance Fund** of the Barbados Deposit Insurance Corporation for the 7 months ended December 31, 2007.

**Management's Responsibility for the Fund**

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

**Auditor's Responsibility**

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

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

**Opinion**

In our opinion the statement of the Deposit Insurance Fund presents fairly, in all material respects, the financial position of the Fund as of December 31, 2007, and its financial performance for the 7 months then ended in accordance with International Financial Reporting Standards.

**Brian F Griffith & Co.  
Chartered Accountants**

September 9, 2008  
Bridgetown, Barbados

**Barbados Deposit Insurance Corporation**  
**Statement of the Deposit Insurance Fund**  
**For the 7 months ended December 31, 2007**  
**(Expressed in Barbados dollars)**

Barbados Deposit Insurance Corporation Annual Report

	Notes	2007 \$
<b>Fund balance at beginning of the period</b>		0
<b>Income</b>		
Central Bank initial contribution		3,463,968
Membership:		
Initial contributions		3,463,967
Annual premiums		1,731,984
<b>Total income</b>		<u>8,659,919</u>
<b>Expenses</b>	6,9	<u>(145,544)</u>
<b>Fund balance at end of the period</b>		<u><b>8,514,375</b></u>
<b>Represented by:</b>		
Cash at bank		5,121,178
Central Bank initial contribution receivable		3,463,968
Premium income receivable		24,924
Initial contributions receivable		49,849
		<u>8,659,919</u>
<b>Less: Expenses payable to Barbados Deposit Insurance Corporation</b>	6	<u>(145,544)</u>
		<u><b>8,514,375</b></u>

The accompanying notes form part of these consolidated financial statements.

## **1. Incorporation and functions**

The Barbados Deposit Insurance Corporation is an independent statutory body established under the Deposit Insurance Act 2006-29, which was proclaimed on June 8, 2007.

The functions of the corporation are:-

- a) To manage the Deposit Insurance Fund and to provide through that Fund, insurance up to the insured limit against the loss of insured deposits.
- b) To levy the initial contributions and premiums in relation to the Fund in accordance with the Act.
- c) To charge any fees necessary for the administration of the Act.
- d) To act as a liquidator or manager of member institutions in accordance with the Act.
- e) To facilitate the reorganization or takeover of a member institution pursuant to the Financial Institutions Act in appropriate circumstances.
- f) To carry out any other function which is necessary for the management of the Fund.

## **2. Significant accounting policies**

### **a) Basis of accounting**

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention or fair value as appropriate. The accounting records reflect the activities of the Deposit Insurance Corporation and the resulting assets, liabilities, revenues and expenses of the Corporation and the related Deposit Insurance Fund it has been established to manage.

### **b) Initial Contribution**

Each member institution will be mandated to pay an initial contribution equivalent to 0.05% of the insurable deposits held by the member for the calendar year preceding the commencement of the Act. The Central Bank of Barbados will make a matching contribution equivalent to the initial contributions payable by members.

**Barbados Deposit Insurance Corporation**  
**Notes to consolidated financial statements**  
**December 31, 2007**  
**(Expressed in Barbados dollars)**

Barbados Deposit Insurance Corporation Annual Report

**2. Principal accounting policies (cont'd)**

**c) Premium income**

Premiums are determined by the amount of insurable deposits held by member institutions, and are calculated based on the average deposits held at the end of each of the four quarters of the preceding calendar year. Premiums are recorded annually based on the return of insurable deposits submitted by member institutions, which is due by January 15 of each year. Premiums are payable in two equal installments on February 15 and July 15 each year. For the current period, only half of the premium was charged to member institutions as the corporation was established from June 2007. Premium income is recognized on the accrual basis.

**d) Depreciation**

Depreciation is provided on a reducing balance basis at rates calculated to write off the cost of the assets over their estimated useful lives. The rates used are as follows:-

Fixtures & fittings	- 10%
Office equipment	- 15%

**g) Risk management**

The corporation might be exposed to the following risks, classified as follows:-

- i) Insurance risks – the risks of loss associated with insuring deposits, including costs incurred in the event of an intervention in a failed or failing institution.
- ii) Financial risks – the risks associated with managing the assets and liabilities of the corporation, including those that appear on and off the balance sheet.
- iii) Operational risks – the risks of loss resulting from inadequate or failed internal processes, people or systems, or from external events.
- iv) Reputation risks – the risks of an event significantly affecting stakeholder's perceived trust and confidence in the corporation, and which could result in financial or other loss to the corporation.



**Barbados Deposit Insurance Corporation**  
**Notes to consolidated financial statements**  
**December 31, 2007**  
**(Expressed in Barbados dollars)**

Barbados Deposit Insurance Corporation Annual Report

**g) Risk management (cont'd)**

The Act establishes a Board of Directors, which shall be responsible for an appropriate governance structure for the management of such risks.

**3. Fixed assets**

	<b>Fixtures &amp; Fittings</b>	<b>Office Equipment</b>	<b>Total 2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cost</b>			
Balance at June1, 2007	0	0	0
Additions	6,822	14,376	21,198
Disposals	0	0	0
Balance at December 31, 2007	<u>6,822</u>	<u>14,376</u>	<u>21,198</u>
<b>Depreciation</b>			
Balance at June1, 2007	0	0	0
Charge for year	682	2,157	2,839
Disposals	0	0	0
Balance at December 31, 2007	<u>682</u>	<u>2,157</u>	<u>2,839</u>
<b>Net Book Value</b>	<u><b>6,140</b></u>	<u><b>12,219</b></u>	<u><b>18,359</b></u>

**4. Central Bank of Barbados**

The Central Bank will provide the Barbados Deposit Insurance Corporation with accommodation and administrative support. A current account will be maintained with the Central Bank to which will be charged, the cost of goods and services provided or paid for by the Central Bank.

**5. Paid up capital**

The capital of the corporation shall be a sum of not less than \$1,000,000 which shall be subscribed by the Central Bank. An amount of \$500,000 has been paid up as of December 31, 2007 and the remaining capital is to be subscribed for and paid up within one year of the commencement of the Act.



**Barbados Deposit Insurance Corporation**  
**Notes to consolidated financial statements**  
**December 31, 2007**  
**(Expressed in Barbados dollars)**

Barbados Deposit Insurance Corporation Annual Report

**6. Expenses payable to Barbados Deposit Insurance Corporation**

Pursuant to Section 27 of the Deposit Insurance Act, the Deposit Insurance Fund is required to reimburse the Corporation for costs and expenses incurred in respect of the administration of the Act.

**7. Cash and bank balances**

	<b>2007</b>
	\$
Central Bank of Barbados:	
Operating account	354,576
Premium account	<u>5,121,178</u>
	<b><u>5,475,754</u></b>

**8. Accounts receivable**

	<b>2007</b>
	\$
Central Bank initial contribution	3,463,968
Initial contributions receivable	49,849
Premium income receivable	<u>24,924</u>
	<b><u>3,538,741</u></b>

**Barbados Deposit Insurance Corporation**  
**Notes to consolidated financial statements**  
**December 31, 2007**  
**(Expressed in Barbados dollars)**

Barbados Deposit Insurance Corporation Annual Report

**9. General and administrative costs**

	<b>2007</b>
	<b>\$</b>
Audit fees	8,050
Bank charges	79
Computer supplies	80
Conferences/official visits	37,411
Consultant's fees	15,717
Depreciation	2,839
Directors' fees	39,600
Entertainment	125
Miscellaneous	3,177
Office supplies	455
Postage and courier	87
Printing and stationery	878
Recruitment expenses	2,446
Subscriptions	30,000
Telephone and fax	4,600
	<u>145,544</u>



