

DEPOSIT INSURANCE CORPORATION



ANNUAL REPORT and STATEMENT OF ACCOUNTS 2019





Deposit Insurance Corporation of Guyana

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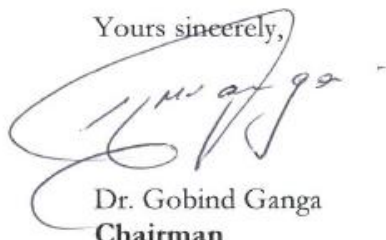
April 27, 2020

Hon. Mr. Winston Jordan, MP
Minister of Finance
Ministry of Finance
49 Main & Urquhart Streets
Georgetown

Dear Minister:

In accordance with Section 22 (1) of the Deposit Insurance Act 2018, I have the honour to submit to you the first Annual Report of the Deposit Insurance Corporation including a certified copy of the Auditors' reports on the Financial Statements of the Corporation and the Deposit Insurance Fund, in respect of the period ended December 2019.

Yours sincerely,



Dr. Gobind Ganga
Chairman



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Chairman's Remarks

It is with great pleasure that we present to you, the inaugural Annual Report for the Deposit Insurance Corporation of Guyana for the financial period April - December 2019.

The Deposit Insurance Corporation (DIC / Corporation) was established on April 2, 2019 under the Deposit Insurance Act 2018. The Board of Directors were appointed and operational staff from the Bank of Guyana were seconded. Since the Corporation commenced operations, three regulations were drafted; and the Deposit Insurance Fund was established, as well as the supporting policy and agreement for its investment.

The Corporation has drafted its five year strategic plan, which articulates its vision, core values, goals, and the key activities to be implemented. Importantly, our strategic priorities for 2020 will focus on advancing initiatives to strengthen our operational readiness; to promote public awareness aimed at informing depositors of the benefits and limitations of deposit insurance, and to strive to align ourselves with international best practice for an effective deposit insurance scheme.

The business strategies and performance of our member institutions are directly impacted by domestic economic conditions, which have been characterized by a moderate growth momentum in recent years. The persistence of elevated loan delinquencies was counterbalanced by capital levels which exceeded prudential requirements. This, together with the regulatory and supervisory oversight employed by the Bank of Guyana, contributed to the sustainment of a safe and sound banking system. With that being said, all member financial institutions were able to fulfil their obligation by making their initial contribution to the Deposit Insurance Fund. Regular premiums are due in the second half of 2020.

The achievements of the DIC are attributed to the support of the Board of Directors and the dedication of the staff of the DIC. I would like to extend my sincere gratitude and appreciation to all stakeholders involved and look forward for their continued support in the future.

Yours sincerely,

Dr. Gobind Ganga
Chairman

Deposit Insurance Corporation



MANDATE

The objective of the scheme is to foster the stability of the financial sector of Guyana, and by contributing resources to the resolution of member financial institutions.

VISION

To achieve operational readiness for timely compensation and depositors' awareness that will support an effective deposit insurance system.

OUR CORE VALUES

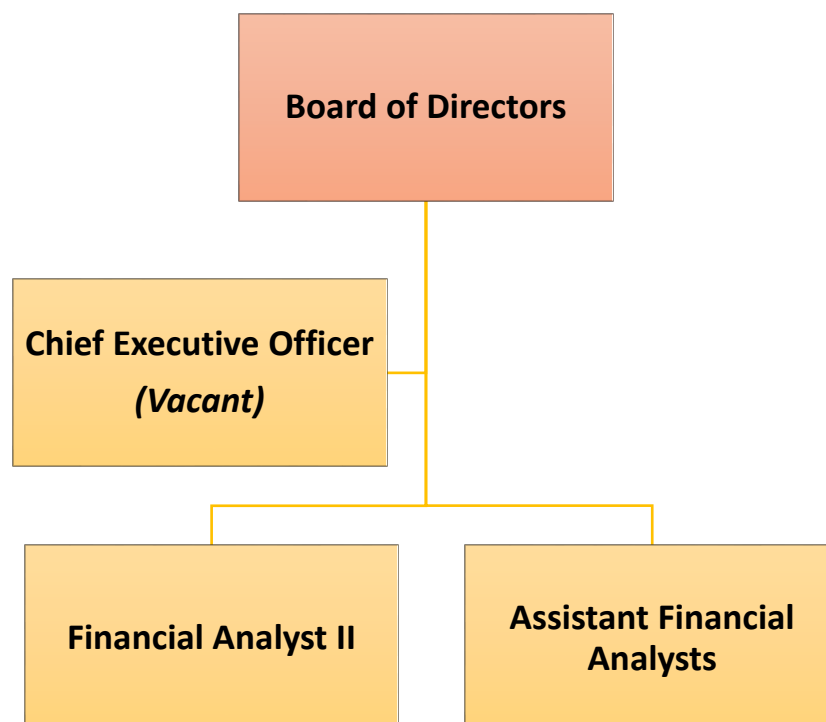
- Accountability** - To operate transparently and take responsibility in all aspects of our work.
- Integrity** - To exhibit the highest ethical standard in the performance of our duty.
- Teamwork** - To collaborate extensively with all participants in the commitment to financial stability.
- Adaptability** - To be proactive to a changing environment for an effective deposit insurance system.
- Communication** - To ensure full and prompt sharing of information with depositors and other stakeholders.

The Board

The Board of Directors of the Deposit Insurance Corporation was appointed in accordance with Section 12 (1) of the Deposit Insurance Act 2018 and have held statutory meetings five times during 2019:

1. Dr. Gobind Ganga - Chairman
2. Ms. Debra Roberts - Ministry of Finance representative
3. Ms. Pauline Chase - Independent Director (Legal)
4. Mr. O'Neil Greaves - Independent Director (Professor of Economics)
5. Mr. Jawahar Persaud¹ - Independent Director (Accounting and Finance)

Organizational Structure



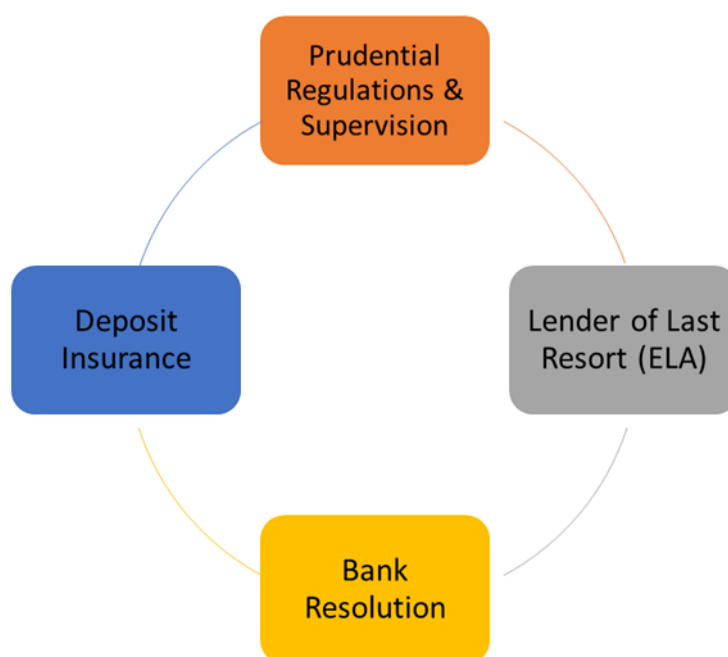
¹ Mr. Persaud has resigned from the Board and has been replaced by Mr. Navindra Prashad (Accounting and Finance) effective January 2020.

Background

The need for deposit insurance stemmed from past experience by the Bank of Guyana (BOG) with the failure of a financial institution in 2001 and the resulting shock to depositor confidence which caused brief and temporary deposit runs on two commercial banks, which were resolved over time. The lengthy process to resolve a failed financial institution reinforced the need for adequate system to facilitate an orderly resolution or liquidation process.

The Financial Sector Assessment Program (FSAP) conducted by the International Monetary Fund and World Bank made recommendations in 2016 for the implementation of a Deposit Insurance System (DIS) in Guyana. To make this possible, amendment to the Financial Institution Act 1995 (FIA) and the development of a new legislation were required for the implementation of the DIS. These adjustments has placed Deposit Insurance as one of the key components of the financial safety net in Guyana.

Guyana Financial Safety Net Participants



On July 13, 2018, the Deposit Insurance Act 2018 (DIA) was passed by the National Assembly and subsequently assented to by the President on August 13, 2018. Following, a commencement order signed by the Minister of Finance and with technical assistance received from the World Bank, the Deposit Insurance Scheme (DIS) became operational on April 2, 2019. The DIA

provides for the establishment of the **Deposit Insurance Corporation (DIC)**, as well as for the creation of a **Deposit Insurance Fund** (the Fund).

The **DIC** will have operational independence and will serve to provide depositor protection and promote public confidence in the financial system and ultimately financial stability. The **DIC** will also assist with facilitating a smooth winding-up process for troubled financial institutions. The **Fund** refers to the money that is specifically dedicated to reimbursing depositors and providing financial assistance in the resolution or winding up process of a failed financial institution.

Set-up of the Deposit Insurance Corporation

As a major participant of the financial safety-net in Guyana, the **BOG** will have oversight on the development of the Corporation in its formative years. In keeping with section 6 (1) of the **DIA**, the **BOG** has paid up/ contributed the authorised capital of \$300 million to the **DIC**. Additionally, the **DIC** received a loan of \$500 million which was guaranteed by the Ministry of Finance.

In addition to the secondment of staff from the **BOG** for the operations of the Corporation, the **DIC** is currently housed in the premises of the **BOG** as allowed by section 10 (1) of the **DIA**, where all necessary facilities are provided to the Corporation. The provision of these facilities are supported by a Memorandum of Understanding between the **BOG** and the **DIC** and has incorporated the clause of mutual confidentiality in the exchange of information.

Uses of the Deposit Insurance Fund

The Fund will be financed mainly through the payment of premiums by deposit-taking financial institutions which are members of the Scheme. The Fund will be used specifically for:

- reimbursing depositors upon an insured event;
- providing financial assistance in the resolution or winding up process of a failed financial institution;
- the repayment of any debts owed by the Corporation; and
- all administrative and management expenses incurred for the effective management of the Corporation.

Members of the Scheme

All licensed deposit-taking financial institutions operating in Guyana are required under section 3 (2) of the DIA to be members of the Deposit Insurance Scheme. There are currently six (6) banks and two (2) non-banks:

1. Republic Bank (Guyana) Limited
2. Guyana Bank for Trade & Industry Limited
3. The Bank of Nova Scotia
4. Demerara Bank Limited
5. Citizens Bank Guyana Inc.
6. Bank of Baroda (Guyana) Inc.
7. The New Building Society Limited
8. Hand-in-Hand Trust Corporation Inc.

Scope of Depositor Coverage

Who is covered?

Section 35 (1) of the DIA stipulates that coverage will be provided to all eligible depositors, who have deposits with member financial institution to an amount not exceeding **\$2 million**, which includes principal and interest.

Who is not covered?

Pursuant to section 36 of the DIA, the following deposits are considered ineligible for protection:

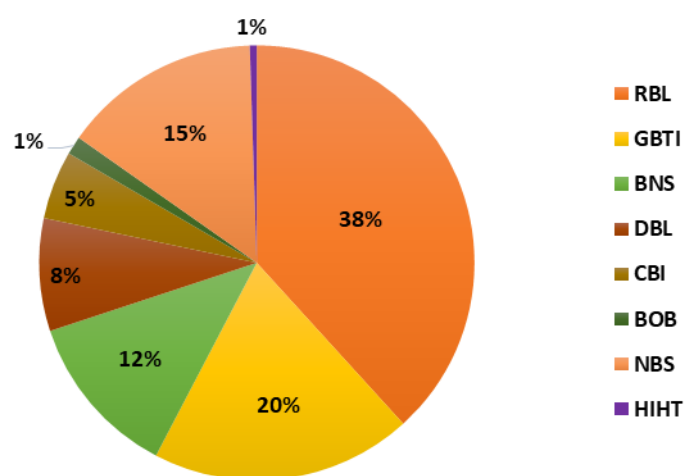
- a. Deposits of financial institutions, including insurance companies and pension funds.
- b. Deposits of central and local government securities.
- c. Deposits of overseas branches of member financial institutions.
- d. Deposits of members of the Supervisory or Executive Board (their relatives and other affiliated persons) of the financial institution that is under resolution or liquidation.
- e. Deposits of shareholders (their relatives and other affiliated persons) who own 5% or more of the financial institution that is under resolution or liquidation.

- f. Deposits of persons under criminal investigation including individuals suspected of engaging in money laundering.

Accomplishments over the past 9 months

In accordance with section 28 (3) of the DIA, the Corporation has collected the full payments of members' initial contribution to the Fund at a rate of 0.5 percent of insured deposits to the sum of \$746 million.

INITIAL CONTRIBUTION BY MEMBER FINANCIAL INSTITUTIONS



Additionally, in accordance with section 54 (Transitional provisions) of the DIA 2018, the following provisions were completed:

- The Independent Directors were appointed.
- The Auditor General was appointed the external auditor of the Corporation.
- Three regulations were drafted and submitted for final review by the Ministry of Legal Affairs.
- Developed the methodology for calculation of regular insurance premiums.
- Developed the investment policy of the Fund.



Audit Office of Guyana

P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana

Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>

AG: 31/2020

22 April 2020

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF THE
DEPOSIT INSURANCE CORPORATION OF GUYANA
ON THE FINANCIAL STATEMENTS
FOR THE PERIOD 2 APRIL TO 31 DECEMBER 2019

Opinion

I have audited the financial statements of the Deposit Insurance Corporation of Guyana, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in funds available and revaluation reserves and statement of cash flows for the period 2 April to 31 December 2019 then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Deposit Insurance Corporation of Guyana as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the Rules of the Deposit Insurance Corporation of Guyana.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC), the International Standards of Supreme Audit Institutions (ISSAIs) and the Audit Act 2004. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements Section of my report. I am independent of the Deposit Insurance Corporation of Guyana in accordance with the ethical requirements that are relevant to my audit of the financial statements in Guyana, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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 IFRSs and the Rules of the Deposit Insurance Corporation of Guyana, and for such internal control as management determine 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements


My objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and ISSAIs 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 my audit in accordance with ISAs and ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to date of my auditor's report.

- 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.

I 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 I identify during my audit.



D. SHARMA
AUDITOR GENERAL
AUDIT OFFICE OF GUYANA
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

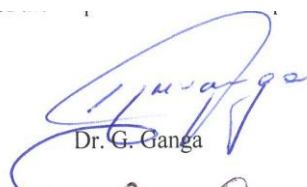
STATEMENT OF FINANCIAL POSITION


AS AT DECEMBER 31, 2019

	Notes	2019 G\$'000
ASSETS		
Deposits with Bank of Guyana		710,841
Foreign Banks	(6)	834,664
TOTAL ASSETS		<u><u>1,545,505</u></u>
LIABILITIES & EQUITY		
LONG-TERM LIABILITIES		
Bank of Guyana - Initial Contribution	(3)	500,000
		<u>500,000</u>
EQUITY		
Paid up Capital	(5)	300,000
Deposit Insurance Fund		745,505
		<u>1,045,505</u>
TOTAL LIABILITIES & EQUITY		<u><u>1,545,505</u></u>

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Management of the Deposit Insurance Corporation of Guyana:


 Dr. G. Ganga (Chairman)


 Mr. O'Neil Greaves (Director)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 2 APRIL TO 31 DECEMBER, 2019

	Notes	2019 G\$'000
Income		
Members Initial Contributions	(3)	744,841
Annual Premiums		-
Interest Earned	(7)	664
Total Income		<u>745,505</u>
Expenses		
General and Administrative Expenses	(8)	<u>-</u>
		<u>-</u>
Net Income		<u><u>745,505</u></u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 2 APRIL TO 31 DECEMBER, 2019

	Paid up Capital G\$'000	Deposit Insurance Fund G\$'000	Total G\$'000
Paid up Capital	300,000	-	300,000
Net Income for Period	-	745,505	745,505
Balance as at December 31, 2019	300,000	745,505	1,045,505

STATEMENT OF CASH FLOWS**FOR THE PERIOD 2 APRIL TO 31 DECEMBER, 2019**

	2019 G\$000
Operating Activities	
Net Income for Period	745,505
Net Cash Flow from Operating Activities	<u>745,505</u>
Investing Activities	
Bank for International Settlements	(834,664)
Net Cash Flow from Investing Activities	<u>(834,664)</u>
Financing	
Paid up Capital	300,000
Bank of Guyana - Initial Contribution	500,000
Net Cash Flow from Financing	<u>800,000</u>
Net Increase/(Decrease) in Cash for the Year	710,841
Cash as at the Beginning of the Year	-
Cash as at the End of the Year	<u><u>710,841</u></u>
Deposits with Bank of Guyana	<u><u>710,841</u></u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2019

1. Incorporation and functions

The Deposit Insurance Corporation of Guyana is an independent statutory body established under the Deposit Insurance Act 2018 (referred to hereinafter as the Act). The Act came into operation on April 2 and 3, 2019 by way of Commencement Order No. 13 of 2019 dated March 27, 2019. Pursuant to section 26(1) of the Act, the Deposit Insurance Fund was established with effect from June 7, 2019.

The functions of the Deposit Insurance Corporation are:-

- a) To manage the assets of the Deposit Insurance Fund and to provide through that Fund, reimbursement to insured depositors up to the insured limit upon the occurrence of an insured event.
- b) To levy the initial contributions and premiums in relation to the Fund from member financial institutions in accordance with the Act.
- c) To contribute funds for the resolution of member financial institutions.
- d) To promote public awareness and education on the Scheme.

The Corporation has appointed the Investment Manager of the Bank of Guyana with responsibility for investing the resources of the Fund pursuant to section 33(5) of the Act.

2. Basis of Preparation and Significant Accounting Policies

A. Basis of Preparation

The 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. The accounting records reflect the activities of the Deposit Insurance Corporation and the resulting assets, liabilities, income and expenses of the corporation and the related Deposit Insurance Fund it has been established to manage.

These statements have been reported in Guyana dollars (G\$) and are presented in thousands (G\$'000). Foreign currency transactions have been translated to G\$ at the rate of exchange ruling at the dates of the transactions. Rate of exchange at December 31, 2019 was GYD 208.50 = USD 1.

3. Initial Contribution

- a) Each member institution was mandated to pay an initial contribution of 0.5% of the average amount of insured deposits held by the member at the start and end of the calendar year preceding entry into force of the Act.
- b) The Bank of Guyana also made an initial contribution of \$500 million to the Deposit Insurance Fund backed by a guarantee from the Government of Guyana. This initial contribution shall be fully repaid by member financial institutions through assessment of regular or extraordinary premiums pursuant to section 28(1 & 2) of the Act.

4. Bank of Guyana

The Bank of Guyana has provided the Deposit Insurance Corporation with accommodation and administrative/operational support. A cash account is maintained with the Central Bank to facilitate local currency deposits and/or withdrawals of the Fund.

5. Paid up Capital

The capital of the corporation shall be a sum of \$300 million which shall be fully subscribed and paid up by the Central Bank. The Bank has fully paid up the sum of \$300 million as at December 31, 2019.

6. Foreign Banks

	US\$	2019 G\$'000
Bank for International Settlements	4,003,187	834,664
		<hr/>
		834,664
		<hr/>

7. Interest Earned

Interest earned is recognized in the Statement of Comprehensive Income for deposits held at the Bank for International Settlements on an accrual basis.

8. General and Administrative Expenses

The Bank of Guyana has absorbed operational expenses of the Deposit Insurance Corporation for the year. General and administrative expenses absorbed for the period ended December 31, 2019 were as follows:

	2019 G\$'000
Director fees	231
Employment expenses	9,067
Other expenses	78
	<hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px; width: 100%;"/> 9,376 <hr style="border-top: 1px solid black; border-bottom: 1px solid black; height: 3px; width: 100%;"/>

9. Key Management Personnel

The Board of Directors of the Deposit Insurance Corporation of Guyana comprised of the following members:

Dr. Gobind Ganga	-	Chairman
Ms. Debra Roberts	-	Representative of the Minister of Finance
Ms. Pauline Chase	-	Independent Director
Mr. Jawahar Persaud	-	Independent Director
Mr. O'Neil Greaves	-	Independent Director