

SUPERVISION PROFILE

BANK OF JAMAICA

1. NAME OF SUPERVISORY AGENCY

Bank of Jamaica (BOJ)

CATEGORIES OF FINANCIAL INSTITUTIONS FOR WHICH IT HAS REGULATORY OVERSIGHT: -

The Bank of Jamaica supervises the activities of deposit-taking entities as provided for under Section 34A of the Bank of Jamaica Act¹, as well as provides regulatory oversight for foreign exchange traders and remittance companies under Section 22B and Section 22G(2) of the Bank of Jamaica Act, respectively. The Financial Institutions Supervisory Division of Bank of Jamaica undertakes the supervisory responsibility for deposit-taking institutions while the Cambio Remittance, Licensing and Monitoring Department within the Banking and Market Operations Division discharges oversight responsibility for Money Services Businesses.

Financial Institutions and/or Services Supervised by the Bank of Jamaica are:

Deposit-taking Institutions:

- Commercial banks licensed under The Banking Act;
- Merchant banks licensed under The Financial Institutions Act;
- Building societies licensed under The Building Societies Act; and

While the supervisory framework for commercial banks, merchant banks and building societies are well established in their governing legislation, Credit Unions (which operate under the Co-operative Society Act) have been designated by the Minister of Finance as 'specified financial institutions' under the Bank of Jamaica Act, enabling the Bank to obtain information on their operations. Regulations to establish a formal supervisory framework for these entities inclusive of a licensing regime and other prescriptions regarding prudential criteria and minimum solvency standards, have been drafted after extensive discussions with sector representatives and are to be presented to Parliament. Since 2003, Bank of Jamaica has conducted on-site examinations and collected prudential return data from these entities in anticipation of the new Regulations.

¹ Regulatory oversight of non-deposit-taking financial institutions resides with the Financial Services Commission which has supervisory responsibility for securities dealing, unit trusts, mutual funds, insurance and private pension funds services (See Section 10 (i) Financial Regulatory Council).

CATEGORY OF SERVICE PROVIDERS OVER WHICH IT HAS SUPERVISORY AUTHORITY:-

Money Service Businesses:

- Cambios
- Bureaux de Change
- Remittance Companies

2. (a) NUMBER OF DEPOSIT-TAKING ENTITIES SUPERVISED IN EACH CATEGORY (as at 30 June 2014)

Category	No. of Entities
Commercial Banks	6
Building Societies	3
FIA Licensees	2

Note: Credit Unions, which are legally not yet subject to full regulation by the BOJ, number 37.

2. (b) DEPOSIT-TAKING ENTITIES SUPERVISED IN EACH CATEGORY

FINANCIAL INSTITUTIONS		
Type	Number	Names
Commercial Banks	6	The Bank of Nova Scotia Jamaica Limited
		Citibank N.A.
		FirstCaribbean International Bank (Jamaica) Limited
		First Global Bank Limited
		National Commercial Bank Jamaica Limited
		Sagicor Bank Jamaica Limited
Building Societies	3	Jamaica National Building Society
		The Scotia Jamaica Building Society
		Victoria Mutual Building Society
FIA Licensees	2	JMMB Merchant Bank Limited
		MF&G Trust & Finance Limited

2. (c) CREDIT BUREAUS

Under the Credit Reporting Act 2010 (CRA), the Bank of Jamaica is designated as the Supervising Authority for credit bureaus. To date, two licences have been issued by the Minister of Finance under the Act.

Number	Names
2	Creditinfo Jamaica Limited
	CRIF NM Credit Assure Limited

2. (d) MONEY SERVICE BUSINESSES

Information pertaining to Cambios and Remittance Companies inclusive of lists of licensed companies, may be accessed on the Bank's website as follows:

Cambios: http://www.boj.org.jm/financial_sys/cambios.php

Remittance Companies: http://www.boj.org.jm/financial_sys/remittance.php

3. PRUDENTIAL INFORMATION/DATA REQUIRED OF LICENSED DEPOSIT-TAKING INSTITUTIONS/SERVICE PROVIDERS AND REPORTING INTERVAL

	RETURN NAME	REPORTING FREQUENCY		COMMENTS
1	Balance Sheet and Supplementary Information	Weekly	Commercial Banks	Self-explanatory
2	Total Claims on and Deposits of Selected and Other Public Entities	Weekly	Commercial Banks	Used specifically by the Research & Economic Programming Division (REPD)
3	Return of Foreign Currency Deposits	Weekly	Commercial Banks	Self-explanatory
4	Balance Sheet and Supplementary Information	Monthly	Commercial Banks FIA Licensees Building Societies Credit Unions	Self-explanatory
5	Domestic Currency Cash Reserve and Liquid Assets	Monthly	Commercial Banks FIA Licensees Building Societies	Self-explanatory
6	Return of Foreign Currency Cash Reserves and Liquid Assets	Monthly	Commercial Banks FIA Licensees Building Societies	Self-explanatory
7	Profile of Credit and Deposits by Customer Group	Monthly	Commercial Banks FIA Licensees	Self-explanatory
8	Sectoral Return of Customers' Liabilities in respect of Total Loans, Advances and Discounts	Monthly	Commercial Banks FIA Licensees Building Societies	Provides a profile of credit distribution by economic sector.
9	Sectoral Return of Customers' Liabilities in respect of Foreign Currency Loans, Advances and Discounts	Monthly	Commercial Banks FIA Licensees Building Societies	Provides a profile of foreign currency credit distribution by economic sector.

	RETURN NAME	REPORTING FREQUENCY		COMMENTS
10	Foreign Currency Assets and Liabilities	Monthly	Commercial Banks FIA Licensees Building Societies	Self-explanatory
11	Distribution of Deposits by Class and Maturity	Monthly	Commercial Banks FIA Licensees Building Societies	Self-explanatory
12	Interest Rates Paid on Domestic Currency - Deposits and Loans	Monthly	Commercial Banks FIA Licensees Building Societies	Self-explanatory
13	Interest Rates Paid on Foreign Currency Deposits and Loans	Monthly	Commercial Banks FIA Licensees Building Societies	Self-explanatory
14	Instalment Credit	Monthly	Commercial Banks FIA Licensees	Used specifically by REPD.
15	Analysis of Foreign Currency Deposit Flows	Monthly	Commercial Banks FIA Licensees Building Societies	Used specifically by Banking & Market Operations Division (BMOD)
16	Total Claims on and Deposits of Selected and Other Public Entities	Monthly	Commercial Banks FIA Licensees Building Societies	Used specifically by REPD.
17	Foreign Currency Claims on and Deposits of Selected and Other Public Entities	Monthly	Commercial Banks FIA Licensees Building Societies	Used specifically by REPD.
18	Update on Credits and Investments Exceeding Section 13 Limits	Monthly	Commercial Banks FIA Licensees Building Societies	Provides an update on credits and investments in violation of statutory lending limits and status of programmes for regularization.
19	Renegotiated Facilities	Monthly	Commercial Banks FIA Licensees Building Societies	Provides details on non-performing loans that have been renegotiated.
20	Earnings and Expenditure	Quarterly	Commercial Banks FIA Licensees Building Societies Credit Unions	Self-explanatory
21	Connected Persons Exposure	Quarterly	Commercial Banks FIA Licensees Building Societies	Self-explanatory
22	Return of Quarterly Financing for Fixed Capital Investment	Quarterly	Commercial Banks FIA Licensees	Used specifically by REPD.

	RETURN NAME	REPORTING FREQUENCY		COMMENTS
23	Details of Past Due Loans	Quarterly	Commercial Banks FIA Licensees Building Societies	Provides customer profile of past due loans.
24	Maturity Profile of Financial Assets and Liabilities	Quarterly	Commercial Banks FIA Licensees Building Societies	Provides liquidity gap analysis by maturity buckets.
25	Breakdown of New Mortgage Advances	Quarterly	Building Societies	Used specifically by REPD
26	Sectoral Profile of Past Due Loans	Quarterly	Commercial Banks FIA Licensees Building Societies	Provides a profile of past due loans by economic sector
27	Capital Adequacy	Quarterly	Commercial Banks FIA Licensees Building Societies	Provides a capital sufficiency profile based on specified benchmarks
28	Repricing Gap Analysis	Quarterly	Commercial Banks FIA Licensees Building Societies	Provides data for the analysis of interest rate sensitivity of portfolios
29	Customer Concentrations	Quarterly	Commercial Banks FIA Licensees Building Societies	Provides a profile of counter-party credit risk and funding source concentrations
30	Investment Profile	Quarterly	Commercial Banks FIA Licensees Building Societies	Provides a profile of investments by type of financial instruments
31	Earnings and Expenditure	Annually	Commercial Banks FIA Licensees Building Societies Credit Unions	Self-explanatory
32	Return of Land Acquired in the Satisfaction of Debts	Annually	Commercial Banks FIA Licensees Building Societies	Self-explanatory
33	Return of Unclaimed Balances	Annually	Commercial Banks FIA Licensees Building Societies	Collected on behalf of the Ministry of Finance & Planning
34	Return of Branch Information	Annually	Commercial Banks FIA Licensees Building Societies	Provides a profile of branch locations and business activity.
35	Annual Questionnaire	Annually	Commercial Banks FIA Licensees Building Societies	Provides comprehensive profile of: - Significant Shareholders - Corporate Governance - Structure

Note: Direct transmission of prudential data by the credit unions commenced in November 2003, with the submission of monthly balance sheets and quarterly

income and expenditure statements respectively. It is expected that with the passage of the appropriate regulations to give BOJ full regulatory powers, these entities will be placed on a more rigid and structured reporting regime, consistent with what now currently obtains with respect to commercial banks, FIA licensees and building societies.

4. PRUDENTIAL INFORMATION/DATA PUBLISHED BY SUPERVISORY AUTHORITY AND PUBLICATION INTERVALS

The following **un-audited** information is published quarterly by the BOJ:

1. Assets and Liabilities of Commercial Banks
2. Assets and Liabilities of Licensees Under The Financial Institutions Act
3. Assets and Liabilities of Building Societies
4. Prudential Indicators of Commercial Banks, Licensees Under The Financial Institutions Act and Building Societies. (This provides trends in specific financial data sets and specific ratios of licensees' sub-sectors and the total deposit-taking system)

Note: The published data on the Bank of Jamaica's website may be accessed via the following link:

http://www.boj.org.jm/financial_sys/financial_data.php

5. PRINCIPAL PIECES OF LEGISLATION GOVERNING THE OPERATIONS OF DEPOSIT-TAKING LICENSEES

Principal Legislation:

- The Bank of Jamaica Act
- The Banking Act
- The Financial Institutions Act
- The Building Societies Act

Subsidiary Legislation:-

- The Bank of Jamaica (Building Societies) Regulations
- The Building Societies (Licences) Regulations
- The Banking (Establishment of Branches) Regulations
- The Financial Institutions (Establishment of Branches) Regulations
- The Banking (Amalgamation and Transfer) Regulations
- The Financial Institutions (Amalgamation and Transfer) Regulations
- The Financial Institutions (Licence Fees) Regulations
- The Banking (Licence Fees) Regulations
- The Banking (Capital Adequacy) Regulations
- The Financial Institutions (Capital Adequacy) Regulations

Other Relevant Legislation

Licensees also have statutory responsibilities which may or may not be peculiar to their nature of business, which devolve from other pieces of legislation the administration of which reside principally with other competent authorities (e.g. The Jamaica Deposit Insurance Corporation; The Financial Investigations Division (FID);

the Department of Public Prosecutions). These non-financial statutes include, but are not limited to:

- Deposit Insurance Act
- Income Tax Act
- Companies Act
- Terrorism Prevention Act
- Terrorism Prevention (Reporting Entities) Regulations
- Proceeds of Crime Act (POCA)
- Financial Investigations Division Act
- Credit Reporting Act

6. MAJOR CHANGES TO BANKING/FINANCIAL AND RELATED STATUTES SINCE 1998:-

Year 2014

Banking Services Act

The Banking Services Act was passed in June 2014 and is to take effect on a date to be determined by the Minister of Finance. The legislation will serve to further strengthen oversight of the deposit-taking financial sector and achieve greater conformity with the Basel Core Principles. Significant enhancements/provisions incorporated in the Banking Services Act include:-

- i. Supervisory autonomy
- ii. Enhancements to provisions for consolidated supervision
- iii. Strengthening the corrective and sanctioning framework
- iv. Rulemaking powers which will allow the Supervisor to issue legally binding rules that will treat with certain operational and prudential aspects of banking operations.
- v. Agent banking framework which will permit some banking businesses to be undertaken through agents authorized by the Supervisory Authority. (See Section 10 iv below).
- vi. An enforceable Code of Conduct for deposit-taking institutions, which will outline their responsibilities to customers (e.g. disclosure of relevant information regarding product and service offerings; notice of changes in fees and charges; and resolution of disputes with customers – See Section 10 v below).

The legislation will also consolidate three deposit-taking statutes – The Banking Act, The Financial Institutions Act and The Bank of Jamaica (Building Societies) Regulation – into a single piece of legislation and eliminate existing inconsistencies and arbitrage situations.

Year 2013

Amendment to the Terrorism Prevention (Reporting Entities) Regulations (October 2013)

The Terrorism Prevention (Reporting Entities) Regulations were amended to consolidate and intensify the requirements for customer due diligence, the application of Customer Due Diligence (CDD) measures for politically exposed persons (PEP), and the use of risk-based processes to identify and address AML/CFT risks.

Amendment to the Terrorism Prevention Act (October 2013)

The Act was amended to, among other things:

- a. ensure that property of corresponding value can be confiscated;
- b. address the omission of an express suspicious transaction reporting obligation; and
- c. allow for the implementation of the listed entity provisions in the Act.

The Financial Investigations Amendment (FIDA) Bill

Amendments to the FIDA were passed in July 2013, following Cabinet's approval in December 2012. The amendments, among other things, clearly incorporate provisions that expressly establish the FID's ability to function with operational independence and autonomy and its ability to cooperate with its international counterparts.

United Nations Security Council Resolution (Implementation) Act, 2013

The Act reflects Jamaica's compliance with FATF Recommendation 7 (Targeted Financial Sanctions Related to Proliferation) of the revised FATF Forty (40) Recommendations issued in 2012.

Amendments to the Proceeds of Crime Act (POCA)

The Proceeds of Crimes Act (POCA) was amended to:

- a. Clarify the suspicious transactions reporting requirements;
- b. Outline the powers that competent authorities designated under the POCA will have in relation to their role of monitoring compliance of financial institutions and designated nonfinancial businesses and professions (DNFBPs) with the applicable AML/CFT requirements under the POCA;
- c. Incorporate a cash transaction limit (i.e. \$1 million) above which transactions in physical currency cannot be conducted unless with a person in the category of a 'permitted person';
- d. Ensure that obligations placed on financial institutions are similarly placed on the entities that are responsible for the implementation of AML prevention, policies and procedures in the financial institution's group of companies; and
- e. Effect other amendments to the Money Laundering Prevention Regulations under the POCA to bolster Jamaica's anti-money laundering framework to include the following matters:
 - i. Customer Due Diligence (CDD) requirements and the application of CDD measures for politically exposed persons (PEP);
 - ii. Emerging technology and non-face-to-face business;
 - iii. Customers conducting business through third parties and introducers; and
 - iv. Record keeping obligations.

The following Designation Orders relating to the oversight of Designated Nonfinancial Businesses and Professions (DNFBPs) were signed to take effect between April and June 2014:

1. The Proceeds of Crime (Designated Non-Financial Institution) (Real Estate Dealers) Orders, 2013
2. The Proceeds of Crime (Designated Non-Financial Institution) (Gaming Machine Operators) Order, 2013
3. The Proceeds of Crime (Designated Non-Financial Institution) (Public

- Accountants) Order, 2013
4. The Proceeds of Crime (Designated Non-Financial Institution) (Casino Operators) Order, 2013
 5. The Proceeds of Crime (Designated Non-Financial Institution) (Attorneys-at-law) Order, 2013.

Year 2011

The Credit Reporting Regulations

The Credit Reporting Regulations, issued under the Credit Reporting Act, were approved by Parliament in January 2011. The Regulations, among other matters set out the procedures for licensing including the form of application; licensing fees, and information and documentation to be provided in support of an application for a licence.

Year 2010

The Payment, Settlement and Clearing Act

The Payment, Settlement and Clearing Act was passed in November 2010. The legislation formally establishes the legal framework for the oversight of the payment and settlement system and addresses matters such as: finality of payments, effect of insolvency on payments already in the system, and upgrading of the settlement infrastructure by, *inter alia*, allowing for real-time gross settlement. In this regard, Jamaica implemented a real-time gross settlement system in February 2009 and introduced a Central Securities Depository (CSD) in May 2009. The CSD is intended to house Government of Jamaica and Bank of Jamaica (domestic) securities. Passage of this legislation is the first step in ensuring that Jamaica's payment and settlement system operates in accordance with the Bank for International Settlements (BIS) Core Principles for Systemically Important Payment Systems.

The Credit Reporting Act

The Credit Reporting Act was passed in August 2010 and became effective 1 October 2010. This statute establishes a credit reporting framework which is designed to improve credit assessment processes and to facilitate enhanced risk management and loan pricing strategies throughout the financial sector. A licensing system is imposed on persons who intend to offer credit reporting services and prescribed reporting processes are outlined to ensure objective and standardized reporting of credit information. The Bank of Jamaica is the designated supervising authority under the Act and is responsible for reviewing and recommending on applications for license to the Minister of Finance and maintaining general supervisory oversight of the credit reporting regime in Jamaica.

The Financial Investigations Division Act (FIDA)

This Act was passed in March 2010 and formally establishes the Financial Investigations Division (FID) on a statutory basis in conformity with recommendation 26 of the (FATF) 40 (revised) Anti-Money Laundering (AML) Recommendations.

Terrorism Prevention (Reporting Entities) Regulations

These regulations came into effect during March 2010 and were promulgated under the Terrorism Prevention Act. The regulations outline the operational controls that must be maintained by financial institutions particularly when contemplating the commencement of a business relationship or one-off transaction. As such, these regulations largely mirror the Know Your Customer (KYC) obligations contained in

regulations under the Proceeds of Crime Act and will therefore require financial institutions to establish and maintain appropriate procedures in relation to identification, record-keeping (minimum 5 years retention period), internal controls, communication, and training of employees.

The Government Securities Dematerialization Act, 2010

This Act was passed in February 2010 and provides that every government security which is issued by the Government of Jamaica under any Act specified in the schedule, shall be issued in dematerialized form or electronic format. The intention is for such securities to be issued and recorded in electronic form through the Central Securities Depository (“CSD”) which was established in May 2009 for fixed income securities.

Year 2007

Proceeds of Crime Act (POCA)

This Act was passed by Parliament in March 2007 and came into effect on May 30, 2007. POCA is a wide-ranging legislation that targets benefits derived from the commission of any crime, and incorporates the concept of money laundering as well as introduces the principle of civil procedure. With the passage of POCA the Drug Offences (Forfeiture of Proceeds) Act, Dangerous Drugs Act, Money Laundering Act, 1996, and the Money Laundering Regulations, 1997 were effectively repealed and replaced.

Since its passage in 2007, further amendments were made to the POCA to extend the list of predicate offences and offences in respect of which an assumption of criminal lifestyle can be made, to include offences under the Law Reform (Fraudulent Transactions) Special Provisions Act, which targets offences such as lotto scam activities.

Year 2005

The Terrorism Prevention Act

The Terrorism Prevention Act, which was passed by Parliament during April 2005, took effect in June 2005. This Act serves to criminalize acts of terrorism and the financing of terrorism and imposes obligations on financial institutions for customer identification, record keeping, internal controls and reportage of suspicious transactions relating to possible terrorist activities or terrorist entities to the Designated Authority.

The Bank of Jamaica Act

Amendments were:

- The inclusion of a definition of “overseas regulatory authority”
- The expansion of the information sharing provisions in Section 34D to include:
 - The “Solicitor General” as another person to whom an authorized officer is permitted to disclose information regarding the operations of any commercial bank or specified financial institution
 - Provisions regarding the disclosure of information to an overseas regulatory authority for purposes of facilitating that authority exercising its regulatory functions, including the conduct of civil or administrative investigations and proceedings to enforce laws, regulations and rules.

Year 2004

Amendment to the Bank of Jamaica Act (February 2004)

The Bank of Jamaica Act was amended to give the Bank of Jamaica regulatory powers in respect of the operations of Money Transfer and Remittance Agents and Agencies.

The Banking (Licences Form of Application and Fees) Regulations, 1973 (Validation and Indemnity) Act, 2004

This Act was passed into law in December 2004 and came into effect in January 2005. The Act validates and indemnifies the Bank from Liability for acts done in good faith in enforcing the provisions of the Banking (Licences) (Form of Application and Fees) Regulations.

The Bank of Jamaica Act

The Bank of Jamaica Act was amended to include more comprehensive provisions in relation to the sharing of information with overseas regulators with the appropriate mechanisms for control. This Act was also amended to increase the penalties applicable for breach of the confidentiality obligations on the part of the Bank in relation to disclosure other than for the purposes of the Act, the Banking Act, or the Financial Institutions Act, or any information regarding the affairs of a customer of a commercial bank or specified financial institution, obtained in consequence of the performance of duties under the Bank of Jamaica Act.

The Banking Act, Financial Institutions Act and Building Societies Act

Amendments were:

- The inclusion of a definition of ‘competent authority’
- Granting the Supervisor of Banks the power to take regulatory action (including the revocation of licences) in any case where a licensee is found to be in breach of criminal statutes relating to money laundering or any other statute relating to financial crime.
- The expansion of the definition of “regulated or supervised institution” to include financial institutions in foreign jurisdictions that are regulated or supervised by authorities bearing similar supervisory or regulatory responsibilities as those carried out by the Bank of Jamaica or the Financial Services Commission.
- The correction of specific typographical and other errors in the referenced statutes, including the misquotation of fines and incorrect reference to sectional areas.

The Banking (Capital Adequacy) Regulations and the Financial Institutions (Capital Adequacy) Regulations, 2004

The Minister of Finance approved regulations dated March 8, 2004 which established minimum risk-based capital standards for commercial banks and licensees under the Financial Institutions Act. These regularized the formalized concept of Tier I and Tier II capital, defined the eligible components, and provided the framework for assigning risk weights to on and off balance sheet items and foreign exchange exposures. Under the regulations, the overall minimum capital to be maintained in relation to risk assets is 10%. A primary (regulatory capital:total assets) ratio of 6% is also required.

Year 2003

Amendments to The Banking (Licence Fees) Regulations and The Financial Institutions (Licence Fees) Regulations, 2003

Amendments included:

- The promulgation on 5 November 2003 of the Banking (Licence Fees) Regulations which replaced The Banking (Licence Fees) (Forms of Application) Regulations, 1973;
- The promulgation on 27 February 2003 of the Financial Institutions (Licence Fees) Regulations that brought licensees under the Financial Institutions Act in line with banks and building societies in that they are now required to make annual licence fee payments.

Year 2002

Amendments to The Banking Act, The Financial Institutions Act, and The Building Societies Act

Amendments included:

- The transfer to the Bank of Jamaica, of the Minister's powers to assume temporary management of deposit-taking institutions in the event that the Bank of Jamaica believes that such an institution is, or appears, unlikely to meet its obligations;
- The granting to the Bank of Jamaica of powers to assess and impose financial penalties/fines for specific operational type offences under the Banking, Financial Institutions and Building Societies Acts. (Sanctioning of other more egregious offences/breaches are required to be dealt with by way of referral to the courts);
- The granting to the Bank of Jamaica of power to require an institution to legally separate its banking operations from investment activities undertaken on behalf of investor clients through transfer of the latter to a separate legal entity;
- The granting to the Bank of Jamaica of power to effectively carry out consolidated supervision of deposit-taking entities and other companies which are members of a group of which the deposit-taking licensee is a member. This specifically entails the supervision of a group on a consolidated basis, including the financial holding company, which entity would also be subject to being monitored on a similar basis as its subsidiary banking entity, specifically as it relates to the management of risks and assessment of capital adequacy requirements. Under consolidated supervision, the existence of mixed conglomerates is specifically prohibited, and where such groups do exist BOJ has the power to direct a restructuring in order to facilitate the establishment of a financial holding company, to which the banking entity would report;
- The broadening of the types of cases in which a bank may disclose information concerning specific customer accounts (for example, where the information is being disclosed to an authorized officer, or is in connection with civil proceedings, or where the customer involved is an un-discharged bankrupt, or in the case of a company, is being wound up, or where the Minister in writing directs such disclosure).

Year 2001

i. The Financial Services Commission Act, 2001

This Act provided for the establishment of the ‘Financial Services Commission’ (FSC) as the regulatory body for persons and entities providing services in connection with insurance, securities and unit trusts. The establishment of the FSC effectively subsumed the operations of the Office of the Superintendent of Insurance (previously a Department of the Ministry of Finance), the Office of the Superintendent of Unit Trusts and the operations of the earlier Securities Commission. The FSC has oversight responsibility for the non-deposit taking financial sector which includes:

- Unit Trusts (regulated under the Unit Trust Act),
- Insurance Companies (regulated by the Insurance Act),
- Pension Funds (governed by the Pension Funds Act),
- Securities Companies (governed by the Securities Act), and
- Mutual Funds (legislation in progress)

ii. The Securities (Amendment) Act, 2001, and the Unit Trusts (Amendment) Act, 2001

These statutes were amended to incorporate the regulatory provisions introduced by The Financial Services Commission Act 2001

iii. The Insurance Act, 2001

This statute replaced the old Insurance Act and introduced a new more comprehensive regime governing the conduct of insurance business in Jamaica.

iv. Amendment to the Bank of Jamaica Act (March 2001)

The Bank of Jamaica Act was amended to allow the Bank of Jamaica to share regulatory information regarding its licensees, with the Financial Services Commission and the Jamaica Deposit Insurance Corporation.

Year 1999

Supervision of Credit Unions

Credit Unions were designated ‘specified financial institutions’ under the Bank of Jamaica Act, thus bringing credit unions within the category of financial institutions to which BOJ’s supervisory jurisdiction will extend. Draft Regulations under the Bank of Jamaica Act which specify the principles and modalities of formal supervision for these entities have benefited from extensive discussions with sector representatives and are pending presentation to Parliament by the Minister of Finance).

Year 1998

The Deposit Insurance Act, 1998

This act established the Jamaica Deposit Insurance Corporation (JDIC) to administer a Deposit Insurance Scheme and Fund to provide insurance coverage for deposits up to prescribed limits. (JDIC became operational in June 1999. The individual deposit coverage has increased from an original J\$100,000 to J\$ 300,000 in July 2001, and again to J\$600,000 in July 2007).

7. AREAS IDENTIFIED FOR FURTHER LEGISLATIVE CHANGES:-

The Bank of Jamaica Act – Financial System Stability

Amendments to the Bank of Jamaica Act have been drafted to provide for the institutional responsibility for the stability of Jamaica's financial system to be assigned to the Bank of Jamaica. The amendments will, among other things, serve to:

1. Expand the regulatory oversight of the Bank of Jamaica to financial institutions whose operations are deemed to be of systemic importance.
2. Grant the Bank of Jamaica powers to obtain information from these financial institutions to allow for the assessments of risks to the financial system (including the powers of inspection);
3. Give the Bank of Jamaica powers to impose measures to mitigate and control these risks (including the extension of liquidity; and powers to issue Prescriptive Rules, Standards and Codes pertinent to oversight of the stability of the financial system).
4. Legally mandate the publication of a financial stability report within three (3) months after the end of each financial year. (Such reports have been produced by Bank of Jamaica since 2005).

The decision for the institutional responsibility for the stability of Jamaica financial system to be statutorily assigned to the Bank of Jamaica was approved by Cabinet in December 2010. The decision was consistent with the global response to the recent financial crisis and the route taken by most jurisdictions to locate this function within the respective central banks.

Other Subsidiary Legislation/Policy Documents in Progress

Drafting of the following subsidiary legislation (i.e. Regulations) and Best Practice Standards are in progress:

i) Bank of Jamaica (Credit Unions) Regulations

Regulations to establish the supervisory regime that will be applicable to credit unions have been drafted. These regulations will, among other things, prescribe prudential criteria covering capital adequacy, liquid assets, credit limits, non-accrual and provisioning requirements, submission of financial statements, minimum solvency standards and remedial action that can be taken by supervisory authorities with respect to statutory violations, unsafe and unsound practices or insolvency. The draft Regulations have benefited from extensive dialogue with the credit union sector and are pending presentation to Parliament.

ii) The Cooperative Societies (Amendment) Bill

Amendments to the Cooperative Societies Act will, among other things, bring credit union cooperative societies under the regulatory ambit of the Minister of Finance and the Bank of Jamaica. Under the revised legislation, deposit-taking activities of cooperative societies will be restricted to those cooperative societies which operate as credit unions. Other substantive enhancements to the Cooperative Societies Act are contemplated by the Ministry of Industry Investment and Commerce, which is the Ministry with portfolio responsibility for cooperative societies.

8. FORMAL DIRECTIVES, POLICIES, GUIDELINES/GUIDANCE NOTES ISSUED BY SUPERVISORY AUTHORITY TO LICENSEES:-

Supervisory Policy Documents Issued to the Industry

Since 1993, the following ‘Standards of Best Practice’ and supervisory guidelines were issued to supervised institutions. These ‘Standards’ provide clear guidance on supervisory expectations of prudent operations in various areas of a licensee’s operations. The Standards are:

1. Capital Management
2. Credit Risk Management
3. Liquidity Risk Management
4. Securities Portfolio Risk Management
5. Interest Rate Risk Management
6. Foreign Exchange Risk Management
7. Internal Control
8. Real Estate Appraisal Management
9. The Management or Investment of Customers’ Funds
10. Fit and Proper Guidelines
11. Country and Transfer Risk
12. BOJ Guidance Notes for the Prevention and Detection of Money Laundering and Terrorism Financing Activities (revised 2009)
13. Standard of Best Practice for Effective Corporate Governance

Note: i) The Management or Investment of Customers’ Funds

This Standard gives effect to the statutory requirement (in accordance with legislative amendments in 2002) for each licensee to legally separate its deposit-taking activities from its off-balance sheet activities viz. managed funds operations and securities dealing. The Standard outlines the required framework for the orderly process of transfer or disposal of institution’s managed funds operations during the transition process, as well as delineates operational boundaries for separation of Trust facilities that are permissible under the Standard. Separation was deemed necessary to prevent the possible co-mingling of on-balance sheet deposit-taking operations with funds management activities, in light of the exponential growth in reported managed funds operations since 1995 vis-à-vis traditional banking activities, particularly at merchant banks. The separation exercise should mitigate the liquidity and other risks associated with co-mingling as well as facilitate the clear demarcations in supervisory responsibility of the Bank of Jamaica and the Financial Services Commission. As at 30 September 2003, all required separation exercises had been completed.

9. JURISDICTION’S STATUS VIS A VIS FINANCIAL SECTOR ASSESSMENT PROGRAMME (FSAP)

Jamaica underwent an IMF/World Bank Financial Sector Assessment Programme during 2005 which report is available on the IMF and BOJ websites. The scope of Jamaica’s FSAP mission covered the following areas:

- Financial Sector Supervision (Banking, Insurance and Securities)
- Financial System Stability Indicators (FSIs)
- Financial Safety Nets (Deposit Insurance, Crisis Management)
- Monetary and Financial Policy Transparency
- Systemically Important Payment Systems
- Creditor Rights System

With specific regard to the Basel Core Principles (BCP) review, the report indicated an overall improvement in ratings as against an earlier 2002 assessment conducted by the IMF. In the 2005 assessment, Jamaica's supervisory framework was rated as fully or largely compliant with 22 of the 25 original BCPs issued in 1997. Mindful of its goal of achieving the fullest possible compliance with the revised Basel Core Principles (September 2012), the Bank of Jamaica is currently undertaking a self-assessment exercise and is engaged in policy revisions where necessary, in order to benchmark its supervisory systems and standards with this revised internationally-accepted best practice standard. Arising from this self-assessment process the Bank of Jamaica has developed an Action Plan, and it is expected that this initiative will provide for a smooth transition to implementing the Basel II Capital Adequacy Framework.

CFATF AML/CFT Mutual Evaluation

Jamaica underwent an evaluation of its anti-money laundering and combating of terrorism financing (AML/CFT) framework by the Caribbean Financial Action Task Force during 2005. The results of this assessment showed Jamaica's framework satisfying 23 out of the 40 Recommendations of the FATF on Money Laundering and 5 of the 8 Special Recommendations of the FATF on Terrorism Financing. The majority of areas of non-compliance have been addressed with the passage of the Terrorism Prevention Act (2005); Proceeds of Crimes Act (2007); Financial Investigations Division Act (2010); and the Terrorism Prevention Regulations (2010). Consistent with on-going efforts aimed at strengthening the overall AML/CFT framework, Jamaica has issued to the supervised deposit-taking community since the 1990s, 'Anti-Money Laundering Guidance Notes' which have undergone repeated revisions to reflect current developments. Essentially, the Guidance Notes provide specific guidance to all supervised licensees on the detection and prevention of Money Laundering and the Financing of Terrorism. The Guidance Notes were upgraded in 2004 to include, inter alia, provisions consistent with the referenced FATF 40 Recommendations and the Eight Special Recommendations for Terrorist Financing. Subsequently, revisions to the Guidance Notes were issued in 2005 and 2007 to incorporate, among other things, the Ninth Recommendation of the FATF on combating of terrorism financing and enhanced guidance on customer due diligence verification. Between 2007 and 2010 the Bank undertook a series of revisions with a view to incorporating relevant provisions of the Proceeds of Crime Act (POCA) and the POCA (Money Laundering Prevention) Regulations which were promulgated in 2007.

Given the 2013 amendments to the POCA (referred to above) the Guidance Notes are slated for further revisions to incorporate those amendments.

10. OTHER INFORMATION OF INTEREST

i) **Admission to the Egmont Group**

Jamaica's Financial Investigations Division (FID) which operates as the country's Financial Intelligence Unit (FIU), was admitted to the Egmont Group² at their meeting held 2 – 4 June 2014.

ii) **Foreign Account Tax Compliance Act (FATCA)**

Jamaica and the United States signed an Intergovernmental Agreement (IGA) during May 2014. The Agreement will facilitate the exchange of information between the Tax Administration Jamaica and the US Internal Revenue Service.

iii) **Survey on Fees and Charges**

The Bank of Jamaica undertook a special survey on fees and charges of deposit-taking institutions as at 31 October 2013 pursuant to a Resolution of the Honourable House of Representatives on 5 November 2013, which required that the Bank of Jamaica submit to a Committee of Parliament within sixty (60) days of the Resolution, a report on the charges being levied by banks and credit unions as at 31 October 2013. The Resolution also required that where any of the supervised banks "operate in other Caribbean territories and/or any other jurisdiction outside the Caribbean" the report should provide the charges being levied by those banks for the same or similar services.

An interim report on the findings of the survey was submitted to Parliament on 6 January 2014, and the Final Report was submitted on 14 March 2014. Both reports have been published on the BOJ Website.

With a view to promoting transparency and access by consumers to comparative information on fees and charges offered by deposit-taking institutions, the Bank of Jamaica has published annually, information on fees and charges of commercial banks, building societies and FIA licensees on its website since December 2010.

iv) **Development of Guideline for Agent Banking**

Pursuant to provisions in the Banking Services Act, the Bank of Jamaica is in the process of drafting an Agent Banking Guideline which will articulate deposit-taking institutions' responsibilities with respect to agent activities, and the proposed programme for the regulation and supervision of such activities by the Supervisory Authority. The supervisory programme will, among other things, treat with the agent approval process, agent due diligence (fit and proper testing), verification and customer identity (Customer Due Diligence and record keeping), agent exclusivity and interoperability, internal controls and reporting requirements.

² The Egmont Group is an informal group of financial intelligence units (FIUs) established in 1995. The goal of this group is to provide a forum for FIUs to improve support to their respective national anti-money laundering programmes. This support includes expanding and systemizing the exchange of financial intelligence information, improving expertise and capabilities of personnel of such organizations, and fostering better communication among FIUs through application of technology'. Source: Information Paper on FIUs and the Egmont Group – (See the FATF website at: www.fatf-gafi.org or see www.oecd.org/fatf/ctry-orgpages/org-egmont_.htm.)

v) **Enforceable Code of Conduct**

The Banking Services Act makes provision for the implementation of an enforceable Code of Conduct which will outline specific obligations of deposit-taking institutions to their customers on matters relating to the disclosure of relevant information regarding product and service offerings (e.g. fees and charges); truthful advertising; notification requirements prior to the taking of actions that may be detrimental to a customer's interest; and resolution of disputes with customers.

The Supervisory Authority will be appropriately empowered to obtain information necessary to establish whether the Code has been breached as well as impose administrative sanctions for breaches of, or non-compliance with the Code. The Bank of Jamaica will also have the express power to publish statistics on customer complaints.

vi) **Basel II/III**

The Bank of Jamaica had scheduled adoption of Basel II under a four phased approach leading to full implementation by 2012. However, in light of the developments in international markets since 2008, as well as recent reform of capital standards by the Basel Committee, the Bank of Jamaica has suspended the timeline while still proceeding with work in accordance with its four phase strategy viz:

- Phase 1 - implementation of preconditions for Basel II, involving full compliance with the Revised Basel Core Principles, inclusive of full implementation of consolidated supervision;
- Phase 1I - implementation of Pillar II (Supervisory Review Principles);
- Phase 1II - implementation of Pillar III (Transparency and Disclosure); and
- Phase 1V - full adoption of Basel II with implementation of Pillar I (quantitative assessments).

vii) **Financial Regulatory Council**

The Financial Regulatory Council (the Council) was established in 2000 with the mandate to develop policies and strategies to facilitate greater co-ordination and information sharing between the various supervisory and related agencies operating in the Jamaican financial sector. The conduct of the Council is guided by a Memorandum of Understanding signed by each member that addresses a range of common issues, including information sharing. The Council comprises the following members:

- The Governor of the Bank of Jamaica, Chairman
- The CEO, Financial Services Commission (FSC)
- The CEO, The Jamaica Deposit Insurance Company
- The Financial Secretary

viii) **Conglomerate/Consolidated Supervision**

Although the Bank of Jamaica has already introduced aspects of conglomerate supervision (e.g. fit and proper assessments of principals of the parent company and subsidiaries of licensed entities and requirement for the submission of annual audited financial statements of all members of the conglomerate group), the Bank has identified a need to widen its supervisory scope consistent with international standards. In this regard, legislation governing the activities of deposit-taking entities was amended in 2002 to extend the regulatory and supervisory reach of the Bank of

Jamaica beyond the licensee itself, to include the wider financial group. Among other matters, these amendments require groups to which deposit-taking licensees belong to reorganize such that the licensee is directly owned by a financial holding company, which does not own other companies within the group unless those companies are regulated or supervised by financial institutions. This provision is aimed at ensuring that groups are established as “supervise-able” financial groups. In this regard therefore, the Bank of Jamaica is currently monitoring reorganizations/restructurings of financial groups of which deposit-taking entities form a part. Further, an enhanced legal framework for conglomerate and financial holding company supervision has been provided for under The Banking Services Act in furtherance of objectives for enhancing the regime for consolidated and conglomerate supervision and ensuring full compliance with Basel Core Principles. (See Section 7). The Banking Services Act was passed on 13 June 2014 and is to take effect on a date to be determined by the Minister of Finance.

ix) **Adoption of International Accounting Standards**

The Institute of Chartered Accountants of Jamaica (ICAJ) adopted the International Financial Reporting Standards (IFRS) as Jamaica's national accounting standards with effect from 1 July 2002. The additional disclosures required of licensed financial institutions under the new standards are seen as complementary to supervisory objectives. There are however a number of issues and implications flowing from the implementation of IFRS on which the BOJ has held dialogue with the ICAJ. One such issue relates to differences between regulatory provisioning requirements and IFRS. In instances where application of IFRS would likely result in a lower level of provisioning than is prudentially required, it has been agreed by BOJ with ICAJ, that any shortfall in regulatory provisioning be taken as an appropriation of retained earnings and carried in a non-distributable capital reserve created specifically for the purpose. The Bank of Jamaica has also stipulated that gains/losses on “available-for-sale” assets be carried in a special revaluation reserve account and not be recognized in the profit and loss account.

x) **Stress Testing**

In recent years, the Bank of Jamaica has incorporated stress testing exercises in its early warning systems. Various financial and prudential indicators are monitored and subjected to scenario and stress tests to allow for forward looking assessments to facilitate proactive supervisory responses. In this regard, the Financial Stability Department of the Research and Economic Programming Division of the Bank of Jamaica generates forecasts and scenario reports (usually quarterly) based on prudential information and, in collaboration with the Financial Institutions Supervisory Division, reviews and assesses system vulnerabilities arising from cross cutting risks, macro-economic policy and real sector developments, in addition to other exogenous influences. The role of the Bank Supervisors in these exercises may also include recommendation on the stress scenarios to apply as well as reviewing and interpretation of results within the context of prudential/management information which is not necessarily borne out in the positional financial statements. Another key role of the Supervisor in the process is also ensuring the correct use and interpretation of the positional financial data that is input into the stress test. An Annual Financial Stability Report has been published since 2005.

xi) **The Electronic Transactions Act (ETA)**

This Act was passed in 2006 and came into effect on March 21, 2007. The introduction of the ETA is the first step towards establishing an environment for the pursuit of e-commerce. The Act deals with matters such as:

- Electronic signatures
- Formation and validity of contracts
- Information retention requirements
- Certification of the Service Providers
- Liability of Intermediaries
- Admissibility and evidential weight of information on electronic form; and
- Offences and Penalties

The Bank of Jamaica will be moving to implement electronic signatures for its prudential returns. This will remove the need for supervised institutions to file physical returns bearing approved signatures, along with their existing electronic submission. In this regard, provisions have been made in the new Banking Services Act to facilitate the use of electronic signatures.

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