FINANCIAL SECTOR ASSESSMENT PROGRAM
DEVELOPMENT MODULE

JAMAICA

FINANCIAL INFRASTRUCTURE
TECHNICAL NOTE
April 2015

This Technical Note was prepared in the context of a World Bank Financial Sector Assessment Program mission in Jamaica during April-May 2014 led by Alfonso Garcia Mora, and overseen by Finance & Markets Global Practice, World Bank and the Monetary and Capital Markets Department, IMF. The note contains technical analysis and detailed information underpinning the FSAP assessment’s findings and recommendations. Further information on the FSAP program can be found at www.worldbank.org/fsap.

THE WORLD BANK GROUP
FINANCE & MARKETS GLOBAL PRACTICE
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## Glossary

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<th>Description</th>
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<tr>
<td>ACH</td>
<td>Automated Clearing House</td>
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<tr>
<td>AG</td>
<td>Accountant General</td>
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<td>ATM</td>
<td>Automated Teller Machine</td>
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<tr>
<td>BCP</td>
<td>Business Continuity Plan</td>
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<tr>
<td>BIS</td>
<td>Bank for International Settlements</td>
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<td>BoJ</td>
<td>Bank of Jamaica</td>
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<td>CBS</td>
<td>Core Banking System</td>
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<td>CCP</td>
<td>Central Counterparty</td>
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<td>CD</td>
<td>Certificate of Deposit</td>
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<td>CIP</td>
<td>Credit Information Provider</td>
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<td>CoJ</td>
<td>Company Office of Jamaica</td>
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<td>CPSS</td>
<td>Committee on Payment and Settlement Systems</td>
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<td>CSD</td>
<td>Central Securities Depository</td>
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<td>CRS</td>
<td>Credit Reporting System</td>
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<td>CTMS</td>
<td>Central Treasury Management System</td>
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<td>DvP</td>
<td>Delivery versus Payment</td>
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<td>FSC</td>
<td>Financial Services Commission</td>
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<td>FX</td>
<td>Foreign Exchange</td>
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<td>G2B</td>
<td>Government to Business</td>
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<td>G2P</td>
<td>Government to Person</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GOJ</td>
<td>Government of Jamaica</td>
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<td>GSDA</td>
<td>Government Securities Dematerialization Act</td>
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<td>IDL</td>
<td>Intraday Liquidity</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>IOSCO</td>
<td>International Organization of Securities Commissions</td>
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<tr>
<td>JamClear-CSD</td>
<td>JamClear Central Securities Depository</td>
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<td>JamClear-RTGS</td>
<td>JamClear Real time Gross settlement system</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>JCBA</td>
<td>Jamaica Clearing Bankers Association</td>
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<td>JCSD</td>
<td>Jamaica Central Securities Depository</td>
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<td>JCUL</td>
<td>Jamaica Credit Union League</td>
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<tr>
<td>JSE</td>
<td>Jamaica Stock Exchange</td>
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<td>JMD</td>
<td>Jamaican Dollar</td>
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<tr>
<td>KYC</td>
<td>Know Your Customer</td>
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<tr>
<td>MICR</td>
<td>Magnetic Ink Character Recognition</td>
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<tr>
<td>MDAs</td>
<td>Ministries, Departments and Agencies</td>
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<tr>
<td>NCB</td>
<td>National Commercial Bank</td>
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<td>NDX</td>
<td>National Debt Exchange</td>
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<td>NIS</td>
<td>National Insurance Scheme</td>
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<td>NPS</td>
<td>National Payments System</td>
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<td>NPSC</td>
<td>National Payment System Council</td>
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<td>OTC</td>
<td>Over the Counter</td>
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<td>OUR</td>
<td>Office of utility regulation</td>
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<td>P2B</td>
<td>Person to Business</td>
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<tr>
<td>P2P</td>
<td>Person to Person</td>
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<tr>
<td>PATH</td>
<td>Programme of Advancement through Health and Education</td>
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<td>PCSA</td>
<td>Payment Clearing and Settlement Act</td>
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<td>PFMI</td>
<td>Principles for Financial Market Infrastructures</td>
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<td>POS</td>
<td>Point of Sale</td>
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<td>PSDG</td>
<td>Payment Systems Development Group (of the World Bank)</td>
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<td>PvP</td>
<td>Payment versus Payment</td>
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<tr>
<td>Repo</td>
<td>Repurchase Agreement</td>
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<tr>
<td>RMOC</td>
<td>Regulatory and Market oversight Committee</td>
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<tr>
<td>ROSC</td>
<td>Report on Observance of Standards and Codes</td>
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<tr>
<td>RSP</td>
<td>Remittance Service Provider</td>
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<tr>
<td>RTO</td>
<td>Recovery Time Objective</td>
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<tr>
<td>SIPS</td>
<td>Systemically Important Payment System</td>
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<td>SIRPS</td>
<td>Systemically Important Retail Payment System</td>
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<tr>
<td>SRO</td>
<td>Self-Regulatory Organization</td>
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SSS  Securities Settlement System
STP  Straight Through Processing
SWIFT  Society for World-wide Interbank Financial Telecommunication
TAJ  Tax Administration Jamaica
TRN  Tax registration number
TSA  Treasury Single Account
USD  United States Dollar
WB  World Bank
I. EXECUTIVE SUMMARY

Payment and Settlement Systems

1. Payment and settlement systems play a crucial role in fostering financial inclusion and in contributing to financial stability and containing systemic risk. It is often the case, that either sending and receiving remittances or being beneficiaries under Government schemes are the first steps towards accessing formal financial services by the financially excluded. It has therefore been recognized by policy makers that providing access to safe and efficient payment systems with easy to use safe and innovative payment instruments is a first step towards financial inclusion. Innovations in technology enable provision of retail payment services at a relatively low cost to the financially excluded and therefore need to be actively encouraged by policy makers for adoption in delivering payment services to the poorer and marginalized sections of society. At the same time access to the domestic payments infrastructure should be widened as to embrace a wider section of the stakeholders, to enable these stakeholders to provide modern payment products to their customers at competitive prices.

2. Jamaica has a well-developed payment and settlement infrastructure, in which all systemically important payment systems and the funds leg of the securities segments settle in central bank money, through the JamClear-RTGS system, thereby mitigating credit and liquidity risks. The main components of the payments and settlement systems infrastructure in Jamaica are: (i) BoJ owned and operated JamClear-RTGS (real time gross settlement system); (ii) JamClear-CSD (the central securities depository for the Government and BoJ securities), also owned and operated by BoJ; (iii) Jamaica Central Securities Depository (JSCD) a fully-owned subsidiary of the Jamaican Stock Exchange (JSE) performing the roles of a central securities depository (CSD), securities settlement system (SSS) and central counterparty (CCP) for corporate securities; (iv) the Automated Clearing House (ACH) for retail payments, owned and operated by a consortium of seven commercial banks clearing and settling JMD denominated cheques, credit transfers and debit transfers; and (v) two payment card switches – MultiLink (owned by four commercial banks, credit union league and two building societies), and QNet (owned by the Credit Union League). The net settlement files from the retail Automated Clearing House (ACH), the payment card switch MultiLink, and funds leg of the capital markets emanating from the Jamaica Central Securities Depository (JCSD) are all settled in the JamClear-RTGS system.

3. The BoJ should immediately document and formally adopt a Business Continuity Plan taking into account its own systems and the systems of participants. The BCP should have arrangements including procedures for crisis management and information dissemination. The BCP once finalized, should be regularly tested and reviewed. The BCP should also cover other systems such as the JCSD and JamClear-CSD.

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1 This Technical Note has been prepared by Gynedi Srinivas (payment and settlement systems) and Fredes Montes (credit reporting), both from the World Bank, team members of the Jamaica Financial Sector Assessment Program (FSAP) mission that took place during April 28 – May 9, 2014.
4. The legal framework for the payment systems and Government securities has been strengthened and harmonized as per international standards as part of the NPS reform strategy. The PCS Act enacted in 2010 provides a legal basis for netting, finality and irrevocability of payments and provides the BoJ with statutory powers of oversight over the payment and settlement systems in Jamaica. The GSD Act, 2010 provides the statutory basis for the immobilization and dematerialization of Government and BoJ securities and enables their trading and settlement in scripless form through electronic book-entry.

5. The BoJ should take necessary measures to ensure that JamClear-CSD functions with robust audit and accounting arrangements in compliance with Principle 11 of the PFMIs. These include putting in place appropriate rules, procedures, and controls, including robust accounting practices, and conducting periodic and at least daily reconciliation of securities issues and balances that are held in its books of accounts.

6. The BoJ should take necessary measures in consultation and coordination with the Government for the dematerialization of Treasury bills. In addition, the process of developing an integrated primary auction module may be expedited and implemented.

7. The FSC should undertake a comprehensive legal review of the various provisions under the Securities Act, to provide a robust legal basis for the safe and efficient functioning of the securities market, as laid down in Principle 1 of the Principles for Financial Market Infrastructures. For example, the Securities Act, 1993 and regulations framed thereunder do not provide a legal basis for (i) immobilization and dematerialization of corporate securities; and (ii) for the functioning of a SSS and a CCP in the corporate securities market. Similarly, while a central counterparty is defined and recognized under the Payment Clearing and Settlement Act, it is not defined under the Securities Act. The FSC Act, 2001 should also be amended to specifically provide statutory powers to the FSC to authorize the establishment of a SSS and CCP in the corporate securities market and vest necessary regulatory oversight powers. In addition, legal opinion may be obtained to ensure that the Securities Act and the FSC Act cover all the relevant material aspects of a sound legal framework as laid down in Principle 1 of the Principles for Financial Market Infrastructures.

8. The JCSD should undertake a study based on historical data whether the line of credit, IDL facility and its capital and reserves are sufficient to take care of the default of the participant with the single largest debit in the system and share the results with the FSC. In the event, that the extant measures are insufficient, the JCSD in consultation with FSC may introduce appropriate risk management measures such as margins, with a clearly defined water-fall approach to take care of defaults. These studies may be carried out on a periodical basis.

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2 The FSC regulates registration stock exchanges in keeping with section 18 of the Securities Act. FSC also has powers to regulate a central securities depository pursuant to section 67A of the Securities Act. The JSE operates a securities settlement system and the JSE rules are enforced by the FSC.
9. **Regarding retail payments, consideration should be given to finding measures for expanding electronic use of retail payments.** Policy measures should be taken by BOJ in consultation with all stakeholders to increase the usage of retail electronic payments. These include amongst others: (i) deepening the payment infrastructure in the rural areas possibly by locating ATMs in Post Offices in consultation with the Government and other stakeholders; (ii) reviewing and revising the extant direct membership access criteria based on ownership for the ACH to one based on risk and efficiency considerations; (iii) using the Centralised Treasury Management System (CTMS) for effecting Government welfare and pension payments. In order to eliminate unwinding of the ACH net settlement file, BOJ is encouraged to use the intraday liquidity facility in the RTGS for overcoming funds shortages in a member’s account, when the net settlement position file from the ACH is settled in the JamClear-RTGS system.

10. **BoJ should consider measures to expand consumer choices and increase competition in retail payments systems.** As part of its oversight function, BOJ may undertake an exercise in compiling the fees and charges levied by banks and other authorized entities for various payment services and products and publish it on its website. This would serve the aim of fostering transparency and would enable the consumers to make educated choices and foster competition. As a first step, the charges levied by banks for using ATMs may be prominently displayed at ATMs. Exclusivity arrangements in respect of both remittance companies and non-bank electronic payment service providers may be explicitly barred to increase market penetration and competitive prices for customers. In addition, BOJ should develop and implement a policy framework for opening of “no frill” accounts in banks for deepening financial access. As a reference point, the BOJ may take into account the prescribed graded KYC requirements laid down in the case of Custodian Account Based Payment Services under the Guidelines for Retail Electronic Payment Services. In addition, in providing its final approval to the two mobile wallet pilots, BOJ should ensure that the authorized entities adhere to interoperability and also prohibit any exclusivity arrangements for agents.

11. **BoJ should take a comprehensive overview of its regulatory framework for the appointment of agents and design a coordinated approach.** BOJ is encouraged to achieve the objectives of safety and efficiency by prescribing policy guidelines to be followed by the remittance companies, non-bank payment service providers, and banks (at a later stage), and devolve the responsibility of appointing agents as per the prescribed policy framework on to the Principal authorized entities. While it is recognized that a consensus on this needs to be evolved within the BOJ, as an interim measure, steps may be taken to automate the process of authorization of agents and minimize the use of paper. Oversight arrangements may be fine-tuned to achieve the objectives of safety and efficiency in agency linked payment system arrangements.

12. **A strategic plan on increasing usage of retail payments in coordination with relevant stakeholders would be helpful.** BoJ should consider establishing a Working Group on Retail Payments under the NPSC, with representation of all relevant stakeholders including the Government, to develop a strategic Action Plan. In addition, to ensure buy-in from all
Credit Reporting System

13. Creditors still face information asymmetry problems and large expectations are present in the market regarding the role that recently established credit bureaus will play in the credit market. It is expected that the fully operation of credit bureaus will allow banks and other financial institutions to extend their credit portfolios to new clients, establish risk based pricing in their lending practices, venture into new lending instruments, and reduce their current levels of NPLs.

14. There is no National Strategy for the development of CRS, including policy objectives developed and adopted by the authorities. There is no credit registry, but there are two credit bureaus operating in the country since 2013. A third credit bureau was licensed in 2014, but it has not started operations as of December 2014. The BoJ has acted as a catalyst to the establishment of the Credit Bureaus. Due to the recent reforms to the credit reporting system, Jamaica is well-positioned vis-à-vis its Caribbean regional peers. Commendable efforts undertaken by the BoJ have created the foundation blocks of a robust credit reporting system in Jamaica; fine-tuning the implementation of the system is the next step.

15. The Credit Reporting Act enables the establishment of credit bureaus and governs their operations. In general, both positive and negative credit information is shared within the industry. Solidifying the recent reforms would entail the implementation of effective supervision and more inclusive credit information from government agencies, banks, building societies, cooperatives, microfinance institutions, and telecommunication companies. Although several banks have committed to the sharing of information with the credit bureaus, in practice not all key banks are currently sharing data with a credit bureau.

16. The data collection process from the two credit bureaus is taking place at a slower pace than initially expected. The two credit bureaus were licensed in 2012, but the initial period of six months established in the Credit Reporting Act for credit bureaus to start operations was extended to twelve months allowing them more time for the data collection process. Some reasons to this problem are attributed to: (i) the existence of individual and substantially different data structure and requirements by each credit bureau; (ii) technological requirements and modifications needed in their core banking systems to contribute data to the system; (iii) lack of current practices from the banks to collect certain key data items required by credit bureaus as mandatory fields, and; (iv) competition fears faced by creditors.

17. Information flow and current data supply practices shows signs of data fragmentation. There are signs in the market that show that relevant creditors are willing to participate in one of the credit bureaus but not in both which might lead to data fragmentation. Because credit bureaus operate in the form or reciprocity, if creditors are not providing data they will not be able to access data, therefore preventing them from accessing comprehensive credit reports.
18. Creditors are currently requesting consumers to access their credit reports before obtaining a loan. Creditors that do not participate in a credit bureau are able to access data from such credit bureau through the consumer; this is becoming a common practice in the market. This practice might hamper the confidentiality in the CRS and might impede its adequate development in a safe and efficient manner.

19. The prescriptive nature of the Credit Reporting Law imposes some challenges to the inclusion of additional sources as credit information providers (CIPs, e.g. microfinance institutions and retailers) to the credit bureaus. The legal framework does not seem to be an impediment for the participation of most of the relevant CIPs to the credit bureaus; however some additional clarification is still required due to the excessively prescriptive nature of Section 8.2 of the Credit Reporting Act.

20. The consumer consent requires further clarification. The market has not clearly understood the meaning of Section 8.6 of the Credit Reporting Act as regards to consumer consent – whether this is required for data disclosure or also for data collection. In practice, the consumer consent clauses analyzed do not follow the minimum requirements for a clear consent on the disclosure of consumer’s information. This might be caused by a conflict of rules between Section 8.6c) and Section 8.10b) of the Act.

21. There are areas of the credit information system that could benefit from complementing with the information already available in public databases. In this regard, there is no framework for cooperation between participants of the CRS that allows coordinating progress being made by the public and the private sector in Jamaica. For instance Information from other databases such as the Companies Office of Jamaica, the Collateral Registry, the tax registration number (TRN), and utility companies is not currently available in the credit bureaus.

22. Implementation of a comprehensive oversight function is in progress. The BoJ is responsible for the oversight of the CRS. Currently, there are no other authorities involved in the oversight function besides the BoJ and the Ministry of Finance. Other authorities and Government agencies are not currently playing any role in the development of the CRS in Jamaica (e.g. the Company Office of Jamaica, the Broadcasting Commission, the Office of Utilities, and the Fair Trading Commission). Therefore, the establishment of a cooperation framework between authorities could contribute to the development of a safe, efficient, and reliable CRS.

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3 Section 8.2 establishes the type of CIPS that are able to participate and consists on a defined list of potential participants.
Table 1: Recommended actions

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Recommendation</th>
<th>Priority and timeline</th>
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<tbody>
<tr>
<td>1. Legal framework</td>
<td>The Securities Act, 1993 and regulations framed thereunder may be suitably amended to provide a legal basis for (i) immobilization and dematerialization of corporate securities; and (ii) for the functioning of a SSS and a CCP in the corporate securities market. The FSC Act, 2001 should also be amended to specifically provide statutory powers to the FSC to authorize the establishment of a SSS and CCP in the corporate securities market and vest necessary regulatory oversight powers. In addition, legal opinion may be obtained to ensure that the Securities Act and the FSC Act cover all the relevant material aspects of a sound legal framework as laid down in Principle 1 of the Principles for Financial Market Infrastructures.</td>
<td>High priority / short term</td>
</tr>
<tr>
<td>1. Legal framework</td>
<td>The BoJ may obtain expert legal opinion as to whether the definition of transfer order under the PCS Act and the reference to payment messages in Section 27 of the BoJ Act can be construed as defining electronic payment/transfer order and whether these provide a statutory basis for electronic transfers. The decision to amend any relevant laws may be taken based on the expert legal opinion obtained.</td>
<td>Medium priority / medium term</td>
</tr>
<tr>
<td>2. Large value payment systems</td>
<td>BoJ should amend Rule 7.7.6 of the RTGS participant rules to clearly define the time after which an unsettled payment instruction may not be revoked by the sending participants as laid down in Principles 7 and 8 of the Principles for Financial Market Infrastructures. This would to a large extent help in mitigating any liquidity risk.</td>
<td>High priority / short-term</td>
</tr>
<tr>
<td>2. Large value payment systems</td>
<td>BoJ should immediately document and formally adopt a Business Continuity Plan taking into account its own systems and the systems of participants. The BCP should have arrangements including procedures for crisis management and information dissemination. The BCP once finalized, should be regularly tested and reviewed. The BCP should also cover other systems such as the JCSD and JamClear-CSD.</td>
<td>High priority / short-term</td>
</tr>
<tr>
<td>2. Large value payment systems</td>
<td>IDL facility should be made available for settling the net settlement batch files to enable their settlement on an “all or none” basis in JamClear-RTGS. The</td>
<td>High priority / short-term</td>
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practice of returning the file and its resubmission after unwinding the defaulting participant’s position, for settlement to the JamClear-RTGS can create liquidity pressures for the other members in the system and in extreme circumstances can lead to systemic risk.

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<th>3. Retail payments</th>
<th>BoJ should frame an access policy for retail payments infrastructure in consultation with various stakeholders. The access to the retail payment infrastructure in Jamaica continues to be skewed and restrictive in nature, in the absence of any specific policy framework initiatives and regulations by BoJ. This has resulted in sub-optimal utilization of the infrastructure with the concomitant effect of impeding the growth of retail electronic payment products and has constrained the ability of the various stakeholders to leverage on the existing infrastructure to promote retail electronic payment products.</th>
<th>High priority / short-term</th>
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<tr>
<td>3. Retail payments</td>
<td>Policy measures are required to be taken by the BoJ in consultation with all stakeholders to deepen the payment infrastructure in the rural areas to provide a fillip to the use of retail electronic payment products. To begin with, in consultation with the Government and other stakeholders, the possibility of locating ATMs in Post Offices could be explored. In order to fully utilize ATM infrastructure (and not only for cash withdrawal and balance enquiry as is largely done now), additional functionalities such as bill payments, internet banking etc. should be operationalized to encourage the growth of cashless payments.</td>
<td>High priority / short-term</td>
</tr>
<tr>
<td>3. Retail payments</td>
<td>BoJ may undertake an exercise to compile the fees and charges levied by banks and other authorized entities for various payment services and products and publish the same on its website. This would foster transparency, competition and enable the consumers to make educated choices.</td>
<td>High priority / short-term</td>
</tr>
<tr>
<td>3. Retail payments</td>
<td>The BoJ is encouraged to achieve the objectives of safety and efficiency by prescribing policy guidelines to be followed by the remittance companies, non-bank payment service providers, and banks (at a later stage), and devolve the responsibility of appointing agents as per the prescribed policy framework on to the Principal authorized entities. As a part of this exercise, BoJ should take a comprehensive overview of its regulatory framework for the appointment of agents and design a coordinated approach. While it is recognized that a consensus on this needs to be evolved within the BoJ, as an interim measure,</td>
<td>High priority / short-term</td>
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steps may be taken to automate the process of authorization of agents and minimize the use of paper. Oversight arrangements may be fine-tuned to achieve the objectives of safety and efficiency in agency linked payment system arrangements.

<table>
<thead>
<tr>
<th>3. Retail payments</th>
<th>Exclusivity arrangements may be explicitly barred to increase market penetration and competitive prices for customers.</th>
<th>High priority / short-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Retail payments</td>
<td>In providing its final approval to the two mobile wallet pilots, the BoJ should ensure that the authorized entities adhere to interoperability and also prohibit any exclusivity arrangements for agents.</td>
<td>High priority / short-term</td>
</tr>
<tr>
<td>3. Retail payments</td>
<td>The BoJ may develop and implement a policy framework for opening of “no frill” accounts in banks for deepening financial access. As a reference point, the BoJ may take into account the prescribed graded KYC requirements laid down in the case of Custodian Account Based Payment Services under the Guidelines for Retail Electronic Payment Services.</td>
<td>High priority / short-term</td>
</tr>
<tr>
<td>3. Retail payments</td>
<td>BoJ should establish a Working Group on Retail Payments under the NPSC, with representation of all relevant stakeholders including the Government, to develop a strategic Action Plan. Such a plan should focus on optimal utilization of infrastructure through greater access to the participants and their customers with a view to achieving and promoting greater usage of retail electronic payment products. In addition, to ensure buy-in from all stakeholders, the BoJ is encouraged to include remittance companies in the NPSC as a first step, and later Custodian Account Service providers of payments.</td>
<td>High priority / short-term</td>
</tr>
<tr>
<td>4. Government payments</td>
<td>The Government should develop a comprehensive strategy to reduce administrative costs and improve efficiency of the direct benefit transfer schemes such as PATH and NIS through retail electronic payment products. The strategy should be drawn up in coordination with BoJ and other stakeholders for bringing about a shift in G2P payments to electronic payment modes within a defined time frame. The contours of such a strategy should encompass amongst others: (i) streamlining the approval process for a beneficiary to obtain a KeyCash card; (ii) enabling cash-outs at Post offices through KeyCash cards; (iii) simplifying the KYC requirements for opening a “no frills” bank account to enable beneficiaries to receive benefits their benefits into their bank accounts; and (iv) fully leveraging upon the CTMS application</td>
<td>High priority / medium term</td>
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for effecting transfers directly to bank accounts of beneficiaries. As part of the strategy and as part of BoJ supervision and oversight functions, BoJ should use moral suasion and its statutory powers for putting a stop to restrictive practices such as charging for balances falling below the minimum thresholds prescribed.

### 4. Government payments

The functionalities of the web portal of Tax Administration Jamaica should be enhanced to enable it to accept payments made through credit cards and through online banking. To this end, a Task Force may be constituted to work out the modalities of the scheme including the collection of customs duties.

### 5. Securities settlement systems

The BoJ should take necessary measures to ensure that JamClear-CSD functions in compliance with Principle 11 of the PFMIs. These include putting in place appropriate rules, procedures, and controls, including robust accounting practices, and conducting periodic and at least daily reconciliation of securities issues and balances that are held in its books of accounts.

| 5. Securities settlement systems | JCSD may obtain legal opinion and place it in the public domain clarifying the details of beneficial ownership and segregation of securities held in its custody, in view of the conflicting claims made on its website. This would serve customer interests and aid in transparency. | High priority / short-term |
| 5. Securities settlement systems | The legal basis for the JCSD to act as a SSS and CCP is not available under the extant legal provisions. The Securities Act would have to be amended for this purpose. As amending the law may take time, as an interim measure FSC may obtain a legal opinion as to whether JCSD could continue to function as a SSS or CCP under any relevant contractual arrangement recognized under the law, with relevant risk management provisions. | High priority / short-term |
| 5. Securities settlement systems | JCSD should undertake a study based on historical data whether the line of credit, IDL facility and its capital and reserves are sufficient to take care of the default of the participant with the single largest debit in the system and share the results with the FSC. In the event, that the extant measures are insufficient, JCSD in consultation with FSC may introduce appropriate risk management measures such as margins, with a clearly defined water-fall approach to take care of defaults. | High priority / short-term |
| 5. Securities settlement systems | JCSD as a measure of transparency should publish its audited balance sheet, independent of JSE to enable the overseers to determine its sound financial | High priority / short-term |
footing, given the multifarious tasks and its systemic importance to the financial stability of the Jamaican economy.

| 5. Securities settlement systems | The BoJ should take necessary measures in consultation and coordination with the Government for the dematerialization of Treasury bills. In addition, the process of developing an integrated primary auction module may be expedited and implemented. | Medium priority / medium-term |
| 6. Interbank money markets | BoJ may draw up suitable action plans to revitalize the interbank money market as it is an important source of liquidity to the participants in the system. It is gathered that BoJ is already engaged in this exercise and that discussions are being held with the market participants. | Medium priority / medium term |
| 6. Interbank money markets | BoJ is encouraged to take up suitable measures for implementing the recommendations made by an IMF Technical Assistance team on the measures needed to be taken to make the interbank foreign exchange market more transparent and vibrant. Amongst others, the recommendations include: (i) issuance of price-discovery data on exchange rate on an intra-day basis; (ii) enhancements to the e-gate system to make it a web based application; and (iii) developing a trading for FX transactions. | Medium priority / medium term |
| 7. International remittances | As stated elsewhere, BoJ should take a comprehensive overview of its regulatory framework for the appointment of sub-agents and design a coordinated approach. The current regulatory framework for licensing of sub-agents is quite onerous and time consuming. The BoJ is encouraged to achieve the objectives of safety and efficiency by prescribing policy guidelines to be followed by the remittance companies, and devolve the responsibility of appointing agents as per the prescribed policy framework on the primary agents. | High priority / short-term |
| 7. International remittances | The BoJ is encouraged to revisit its regulations to be in line with the General Principles for Remittances. As stated in the General Principles of Remittances (CPSS and World Bank, 2007)⁴ the relatively small values involved in remittance transfers mean that it is unlikely that these would pose a systemic risk. However, it is necessary to acknowledge that remittance companies face the possibility of financial, legal, operational, fraud and reputational risks. | High priority / short-term |

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⁴ http://www.bis.org/publ/cpss76.htm
Accordingly, General Principle 5 recognizes that remittance services should be supported by appropriate governance and risk management practices. Such governance and risk management practices need to be proportionate for the size and type of an RSP’s business and the level of risks can improve the safety and soundness of remittance services and help protect consumers.

| 7. International remittances | The BoJ may explicitly ban exclusivity arrangements. As stated elsewhere above, exclusivity arrangements stifle market competitiveness and lead to de facto monopolies. Exclusivity conditions can pose particular difficulties, especially where an exclusivity clause would mean that an agent retail outlet would be able only provide a single remittance service. This is particularly important in receiving countries if a local market such as a small village has only one potential agent (e.g. the local shop) so that there is only one remittance service available if an exclusivity condition is allowed to be in operation and result in higher remittance costs. | High priority / short-term |
| 7. International remittances | The BoJ should consider carrying out a study weighing the costs and benefits of allowing remittance companies to be direct participants in the domestic payments system infrastructure. The study should take into account the conditions that banks may impose on non-bank RSPs in providing indirect access to the domestic payments system infrastructure, which in some cases could result in higher costs and confer undue advantages to the direct participants. | High priority / short-term |
| 7. International remittances | There is a need to have in place policy measures by BoJ to target the remittance proceeds to be deposited in bank accounts as a first step towards financial inclusion. | Medium priority / medium term |
| 8. Payment systems oversight | In order to foster and transparency and competition in the market, BoJ is encouraged to compile a database of the fees and charges being charged by payment service providers (both banks and non-banks) and make it available in the public domain. Illustratively, the database could contain charges for various payment services such as cheque collection; ATM usage fees (own bank ATM and other bank ATM); fees for direct credits and debits; etc. | High priority / short-term |
| 8. Payment systems oversight | BoJ should undertake a self-assessment of the systems owned and operated by it as laid down in the PFMIs. The BoJ should use the Assessment Methodology | High priority / medium term |
for the self-assessment and publish the same as indicated in Principle 23 of the PFMIs.

| 8. Payment systems oversight | BoJ should establish a Working Group on Retail Payments under the NPSC, with representation of all relevant stakeholders including the Government, to develop a strategic Action Plan for promoting electronic retail payments and aiding financial inclusion. | High priority / short-term |
| 8. Payment systems oversight | BoJ is encouraged to undertake a review of the adequacy of the human resources engaged in the discharge of the oversight function. The review would help BoJ in assessing the resources with a view to fulfilling its oversight mandate as laid down in the Payment Clearing and Settlement Act, 2010. This would also help in furthering its objective of ensuring a safe and efficient national payment systems in Jamaica as outlined in the Oversight Policy document. | Medium priority/short-term |
| 8. Payment systems oversight | FSC may obtain a legal opinion as to whether JCSD could continue to function as a SSS or CCP under any relevant contractual arrangement recognized under the law, with relevant risk management provisions, pending amendments to the Securities Act. As indicated elsewhere, the FSC has licensed the JCSD as a central securities depository in terms of Section 67 B of the Securities Act. In addition to its role as a central securities depository, the JCSD also functions as SSS and a CCP. | High priority / short-term |
| 8. Payment systems oversight | FSC should mandate JSCD to undertake an individual self-assessment as a CSD, as a SSS and as a CCP using the Assessment Methodology for the self-assessment and publish the same as indicated in Principle 23 of the PFMIs. The self-assessment should be reviewed by the FSC and suitable remedial measures in furthering prudent and effective risk management guidelines should be prescribed with a defined time frame for compliance by the JCSD. | High priority / short-term |
| 8. Payment systems oversight | FSC is encouraged to undertake a comprehensive legal review of the various provisions under the Securities Act, to provide a robust legal basis for the safe and efficient functioning of the securities market, as laid down in Principle 1 of the principles for Financial market Infrastructures. | High priority / short-term |

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5 [http://www.bis.org/publ/cpss106.htm](http://www.bis.org/publ/cpss106.htm)

6 The Prudential Regulations and the Retail Repurchase Agreement Regulations were issued in 2014 covering investor protection mechanisms to support the functioning of the securities markets. The Regulations were issued following the assessment in this Note.
central counterparty is defined and recognized under the Payment Clearing and Settlement Act, it is not under the Securities Act.

<table>
<thead>
<tr>
<th>8. Payment systems oversight</th>
<th>FSC should mandate JCSD to obtain a legal opinion and place it in the public domain clarifying the details of beneficial ownership and segregation of securities held in its custody, in view of the conflicting claims made on its website. This would serve customer interests and aid in transparency.</th>
<th>High priority / short-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Payment systems oversight</td>
<td>FSC may implement the recommendations of the IMF technical assistance mission with regard to the interim arrangements for protecting investor rights under a Trust.</td>
<td>High priority / short-term</td>
</tr>
<tr>
<td>9. Cooperation with stakeholders and other relevant authorities</td>
<td>Given the significant role played by remittance companies in the remittances market, the BoJ is encouraged to bring on board remittance companies as members of the NPSC. At a later stage, the membership of the NPSC could be extended to Custodian Account Service providers authorized by the BoJ to provide payment services. Such a broad basing of membership of the NPSC will help in evolving a more holistic strategy in the development of retail electronic payments and encourage the optimal usage of the domestic payments infrastructure in this regard.</td>
<td>High priority / short-term</td>
</tr>
<tr>
<td>9. Cooperation with stakeholders and other relevant authorities</td>
<td>The BoJ should establish a Working Group on Retail Payments under aegis of the NPSC, with representation of all relevant stakeholders including the Government, to develop a strategic Action Plan. The plan should have definite time lines of implementation for the greater usage of retail electronic payment products in a safe and efficient manner at affordable prices to foster financial inclusion.</td>
<td>High priority / medium term</td>
</tr>
<tr>
<td>Credit Reporting</td>
<td>Authorities should develop a comprehensive oversight framework, whereby they identify clear policy objectives and roles and the responsibilities of all participants.</td>
<td>Short term</td>
</tr>
<tr>
<td>Credit Reporting</td>
<td>Authorities should establish a cooperation framework that include the Department of Co-operatives and Friendly Societies (DCFS), the Financial Services Commission, the Fair Trading Commission, and the BoJ</td>
<td>Medium term</td>
</tr>
<tr>
<td>Credit Reporting</td>
<td>Authorities should develop a comprehensive consumer protection framework</td>
<td>Medium term</td>
</tr>
<tr>
<td>Credit Reporting</td>
<td>The BoJ should conduct a post-operation examination to credit bureaus and CIPs regarding the CRS activities.</td>
<td>High priority/ short term</td>
</tr>
<tr>
<td>Credit Reporting</td>
<td>Authorities should take into consideration the development of adequate regulations, guidelines, and other regulatory instruments to ensure adequate implementation of the Credit Reporting Act.</td>
<td>High priority</td>
</tr>
<tr>
<td>Credit Reporting</td>
<td>Authorities should adopt measures to encourage credit bureaus to compete in services and not in data, and should review the current information sharing arrangements to ensure the absence of anticompetitive practices among certain creditors.</td>
<td>High priority/ short term</td>
</tr>
<tr>
<td>Credit Reporting</td>
<td>The BoJ should establish additional measures to ensure that banks and other financial institutions are effectively providing the entire credit and loan portfolio to the credit bureaus on a systematic basis.</td>
<td>Medium term</td>
</tr>
<tr>
<td>Credit Reporting</td>
<td>Authorities should consider the creation of a “Credit Information Task Force/Council” to identify the needs of credit information and establish goals.</td>
<td>Short term</td>
</tr>
<tr>
<td>Credit Reporting</td>
<td>Credit bureaus should seek reliable and cost-efficient methods to access information from the Company Office of Jamaica regarding SMEs, the collateral registry, telecommunication companies, and utilities.</td>
<td>Medium term</td>
</tr>
</tbody>
</table>
II. INTRODUCTION

23. Financial infrastructure is the underlying foundation of a country’s financial system. It is comprised of all institutions, information, technologies, rules, and standards which enable financial intermediation. The quality of a country’s financial infrastructure determines the efficiency of intermediation, the ability of lenders to evaluate risk and of borrowers to obtain credit, insurance, and other financial products at competitive terms. For instance, the efficient and smooth functioning of the payment, remittances, and securities settlement systems facilitates the discharge of financial obligations and the safe transfer of funds across distances and institutions; hence, it support the stability of the financial system. A robust credit reporting system reduces information asymmetries between lenders and borrowers, permitting more efficient and less costly allocation of credit.

24. This report covers two dimensions of Jamaica’s financial infrastructure: 1) payments, remittances, and securities settlement systems, and; 2) credit reporting systems. The assessment was undertaken in the context of the World Bank’s (WB’s) Financial Sector Assessment Program (FSAP) Development Module in Jamaica from 28 April to 9 May, 2014. The assessors would like to thank the Jamaican counterparts for their excellent cooperation during the mission.

25. This Technical Note does not provide a detailed assessment of individual payments system in the form of a Report on Observance of Standards and Codes (ROSC), but uses the framework of international standards for carrying out a detailed analysis of the existing systems in Jamaica, including the Committee on Payment and Settlement Systems (CPSS) and International Organization of Securities Commissions (IOSCO) Principles for Financial Markets Infrastructure (PFMIs), the CPSS General Guidance for National Payment System Development, the CPSS-World Bank General Principles on International Remittance Services (GPs), the World Bank General Principles for Credit Reporting and related methodologies.  

26. The information used in the assessment includes relevant national laws, regulations, rules and procedures governing the systems and other available material. Other available material included the responses to the WB mission questionnaires; websites of the various stakeholders and other relevant documents. In addition, discussions were held with regulators i.e. the BoJ, the FSC and various stakeholders including the Ministry of Finance, the Jamaica Stock Exchange, the Jamaica Central Securities Depository, commercial banks, the Bankers Association, building societies, credit union, Jamaica Credit Union League, remittance companies, ACH operator, ATM switch operators, and a telecom company. In addition meetings where held with Victoria Mutual, JPS electricity service provider, National Water

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7 The review of the National Payments System (NPS) in Jamaica adopts the World Bank (WB) “nine pillars” approach. The nine pillars comprise: Pillar 1 – Legal framework; Pillar 2 – Settlement mechanisms for large-value and time critical payments; Pillar 3 – Securities settlement systems; Pillar 4 – Inter-bank money markets; Pillar 5 – Retail payment systems; Pillar 6 – Government payments; Pillar 7 – Remittances; Pillar 8 – Oversight of the NPS; and Pillar 9 – Cooperative framework for the development of payment systems in Jamaica.
Commission, NCB, RBC, First Caribbean, Companies Office of Jamaica, CRIF credit bureau and Creditinfo Credit Bureau and Office of the Presidency as regards to the National Identification Initiative (NIDS).

III. PAYMENT AND SETTLEMENT SYSTEMS

A. Legal and regulatory framework

27. There are several statutes governing the payment and securities settlement systems in Jamaica. These are the Bank of Jamaica Act (BoJ Act), 1960 with latest amendments; Payment Clearing and Settlement Act (PCS Act), 2010; Government Securities Dematerialization Act (GSD Act), 2010; Financial Services Commission Act (FSC Act), 2001; the Securities Act, 1993 with latest amendments and the Bills of Exchange Act, 1893 with latest amendments.

28. The legal framework for the payment systems and Government securities has been strengthened and harmonized as per international standards as part of the NPS reform strategy. In 2010, as part of the reform strategy the PCS Act and the GSD Act were enacted. The PCS Act provides a legal basis for netting, finality and irrevocability of payments and provides the BoJ with statutory powers of oversight over the payment and settlement systems in Jamaica. The GSD Act provides the statutory basis for the immobilization and dematerialization of Government and BoJ securities and enables their trading and settlement in scripless form through electronic book-entry. In addition, the amended Section 27 of the BoJ Act provides powers to BoJ to clear and settle payment obligations or payment messages between financial institutions and reinforces oversight powers of the BoJ over the payments and settlement systems in Jamaica.

29. While cheques and bank drafts are defined under the Bills of Exchange Act, there is no clear definition and legal recognition to electronic payment transfers in the existing legislation. The PCS Act defines a transfer order⁸ in very broad terms and amended Section 27 of the BoJ Act makes a reference to the clearing and settlement of payment messages⁹. Taken together, these could be surmised as alluding to electronic payment transfer/payment messages/orders, but it is not very clear.

30. In respect of the corporate securities market, the legal framework in terms of the Securities Act, 1993 needs to be amended to harmonize and strengthen it. Amendments to the Securities Act, 1993 are required to provide a legal basis for the immobilization and

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⁸ Section 2 of the PCS Act defines transfer orders as “any instruction by a participant to place at the disposal of a recipient an amount of money by means of a book entry on the accounts of a credit institution, settlement agent or the Bank, or any instruction which results in the assumption or discharge of a payment obligation, or any instruction by a participant to transfer the title to, or interest in a security, or securities by means of a book entry on register or otherwise”.

⁹ Amended Section 27 of the BoJ Act while defining a clearing and settlement system says that a “clearing and settlement system or System means a system or arrangement for the clearing or settlement of a payment obligations or payment messages”.
dematerialization of corporate securities. In addition, while the Act provides for the establishment of a central securities depository for corporate securities, it does not contain any legal provisions for the establishment of a securities settlement system (SSS) and a central counterparty (CCP) for the corporate securities market. A noteworthy feature in the Securities Act is that it provides for the establishment of a Trust account under Section 36 whereby a securities dealer has to open a trust account with a bank for depositing client funds which can only be used for designated purposes as laid down in the Act.

31. The Financial Services Commission established under the Financial Services Commission Act 2001, has the regulatory and oversight powers over the corporate securities market. Article 6 of the Financial Services Commission Act, lists out the General duties and powers of the FSC. Article 6 provides powers to FSC to licence, regulate and supervise financial institutions for the purpose of protecting customers of financial services. To this end, FSC promotes the adoption of risk management practices by the boards of financial institutions. FSC’s mandate also includes promoting public confidence and transparency and emphasizes on the stable operations of the institutions in line with international standards. The FSC is authorized to carry out annual examinations to determine the regulated institutions’ compliance with the prescribed standards.

Recommendations

32. The BoJ may obtain expert legal opinion as to whether the definition of transfer order under the PCS Act and the reference to payment messages in Section 27 of the BoJ Act can be construed as defining electronic payment/transfer order and whether these provide a statutory basis for electronic transfers. The decision to amend any relevant laws may be taken based on the expert legal opinion obtained.

Medium priority/Medium term

33. The Securities Act, 1993 and regulations framed thereunder may be suitably amended to provide a legal basis for (i) immobilization and dematerialization of corporate securities; and (ii) for the functioning of a SSS and a CCP in the corporate securities market. The FSC Act, 2001 should also be amended to specifically provide statutory powers to the FSC to authorize the establishment of a SSS and CCP in the corporate securities market and vest necessary regulatory oversight powers. In addition, legal opinion may be obtained to ensure that the Securities Act and the FSC Act cover all the relevant material aspects of a sound legal framework as laid down in Principle 1 of the Principles for Financial Market Infrastructures.

High priority/Short term

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10 The Jamaican Central Securities Depository (JCSD) established under Part VIA of the Securities Act also acts as a SSS and a CCP in addition to its statutory functions as a CSD.
B. Large-value payment systems

34. All systemically important payment systems and the funds leg of the securities segments settle in central bank money in Jamaica, through the JamClear-RTGS system, which is owned and operated by the BoJ. Implemented in February 2009, the JamClear-RTGS system is a multi-currency system (JMD and USD) that enables real time funds transfer on own account and third-party transfers in a gross mode between its members – the commercial banks, primary dealers and other financial institutions. Transactions once settled are final and irrevocable. Settlement of the funds leg in respect of Government and BoJ securities takes place in the JamClear-RTGS in a DVP 1 mode through an interface between the JamClear-RTGS and the JamClear CSD. In addition, the net settlement files from the retail Automated Clearing House (ACH), the payment card switch MultiLink, and funds leg of the capital market segment emanating from the Jamaica Central Securities Depository (JCSD) are settled in it. The volume and value of transactions settled in JamClear-RTGS are given below.

Table 2: JamClear-RTGS – volume and value of transactions

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>February 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume (in millions)</td>
<td>Value (in millions)</td>
<td>Volume (in millions)</td>
</tr>
<tr>
<td>JMD</td>
<td>214,689</td>
<td>13,308,755</td>
<td>249,265</td>
</tr>
<tr>
<td>USD</td>
<td>5,742</td>
<td>2,387</td>
<td>6,810</td>
</tr>
<tr>
<td>Total</td>
<td>220,431</td>
<td>256,075</td>
<td>29,159</td>
</tr>
</tbody>
</table>

Source: Bank of Jamaica

35. The BoJ has a well laid down clear and transparent access policy for participation in JamClear RTGS. The policy framework lays emphasis on broadening access to JamClear-RTGS to promote finality and irrevocability of payments, and improve the safety and efficiency of the payment and settlement system. Entities licensed under the Bank of Jamaica Act; Banking Act; Financial Institutions Act; Building Societies Act; and the Payments Clearing and Settlement Act are eligible to access the JamClear-RTGS. In addition entities such as securities dealers operating as Primary Dealers, Clearing houses and clients of the BoJ such as the Government of Jamaica and the Jamaica Stock Exchange are also eligible for access. The access criteria also permit direct and indirect participation. The total number of direct participants is 21 and there are two indirect participants. The BoJ is also a participant in the system.

36. The types of services that participants can avail in JamClear-RTGS depend on their activity profile. For example deposit taking institutions, primary dealers and the JCSD have access to intraday liquidity facility from the BoJ and have settlement accounts in the JamClear-RTGS system. Only deposit taking institutions are allowed to perform third-party funds transfers for their customers. Clearing houses are only allowed to submit their net settlement files for settlement in central bank money in JamClear-RTGS, but do not hold a settlement account in JamClear-RTGS system. The net settlement file is settled on an “all or none” basis and in the event of lack of balances in any member’s account, the file is returned

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11 JamClear-RTGS Access Policy, July, 2012, BoJ
to the sender, and the defaulting member’s position is unwound by the Clearing house and a new net settlement file is resubmitted for settlement in JamClear-RTGS.

37. **The BoJ does not incur any credit risk when providing intraday liquidity (IDL) facility to eligible participants in the system.** The IDL is extended on a fully collateralized basis and at the discretion of the BoJ. the participants have to repay the funds at the end of the day. In the event that a participant fails to repay at the end of the day, the RTGS rules provide for the collateral to be liquidated immediately by BoJ. Government Treasury Bills are taken as collateral with a prescribed haircut to take care of market risk.

38. **The operating hours of the system are well defined with specified cut-off times for various types of transactions.** Priority is set for the BoJ transactions at the beginning of the operating hours for transactions such as securities maturity proceeds and return leg of overnight repos. This aids in adding liquidity to the system at the beginning of the day. Cut-off times are prescribed for the net settlement batches emanating from the ACH and MultiLink systems. Customer transactions are not accepted beyond the initial cut-off time of 16:20 hours. Inter-participant transactions can happen till the final cut-off time at 16:45 hours. Thereafter, all pending transactions are cancelled and the end-of-day operations take place.

39. **Payment orders are settled on a First-in-First-out basis, with a centralized queuing mechanism.** In the case of insufficient balances, the payment is queued and taken up for processing later. Participants can assign priority to their payment messages. Multilateral offsetting mechanism is used as a resolution algorithm, which is triggered at discrete intervals. Participants have the option to cancel transactions in the queue pending settlement. Pricing policy is used as an incentive by the BoJ to smoothen payment flows in the system. In addition, participants have real time access to their settlement balances.

40. **RTGS messages are based on SWIFT MT standards.** A proprietary communication network is used for the transmission of messages. They are communicated through a proprietary network, the Payments System Communication Network provided by the BoJ.

41. **In line with international best practices, the system has a Recovery Time Objective (RTO) of 30 minutes, but it is not very clear whether this has been tested.** Back-up servers are available at the main site and a fully equipped alternate site exists. However, there is no formally documented business continuity plan, nor has any testing been carried out.

**Recommendations**

42. **The BoJ should amend Rule 7.7.6 of the RTGS participant rules**\(^{12}\) which permits the cancellation of a payment instruction by the sending participant, pending its settlement. The BoJ should amend the rule to clearly define the time after which an unsettled payment instruction may not be revoked by the sending participants as laid down in Principle 8 of the Principles for Financial Market Infrastructures. This would to a large extent help in mitigating any liquidity risk.

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\(^{12}\) RTGS Participant Rules, BoJ, February 2009
High priority / short-term

43. The BoJ should immediately document and formally adopt a Business Continuity Plan taking into account its own systems and the systems of participants. The BCP should have arrangements including procedures for crisis management and information dissemination. The BCP once finalized, should be regularly tested and reviewed. The BCP should also cover other systems such as the JCSD and JamClear-CSD.

High priority/short-term

44. The IDL facility should be made available for settling the net settlement batch files to enable their settlement on an “all or none” basis in JamClear-RTGS. The practice of returning the file and its resubmission after unwinding the defaulting participant’s position, for settlement to the JamClear-RTGS can create liquidity pressures for the other members in the system and in extreme circumstances can lead to systemic risk.

High priority/short-term

C. Retail payment systems and instruments

45. Compared to regional peer countries, Jamaica has one of the lowest outreach levels in terms of the distribution of bank branches, ATMs and POS terminals.13 There are 27 ATMs and 6 commercial bank branches per 100,000 adults in Jamaica, way behind the Bahamas (74 and 35 respectively) or Antigua and Barbados (58 and 27 respectively). According to the 2010 World Bank Global Payment Systems Survey, there were almost 5,000 POS terminals per million inhabitants in Jamaica, below 12,000 and 9,450 in Belize and Trinidad and Tobago, respectively.

Figure 1. Outreach indicators in Jamaica and peer countries

Source: IMF FAS, 2012

46. Cash and cheques continue to remain the dominant payment modes, though there are a range of retail electronic payments available. Although the usage of cheques has been steadily declining by volume and value over the years, they still continue to remain the most widely used non-cash payment instrument with Government welfare payments in cheques

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13 Towards the end of 2013, there were 112 bank branches, 33 building society branches and 444 remittance company locations with 446 ATMs and 19,666 POS terminals in the island. ATMs and POS terminals are largely concentrated in three parishes.
contributing significantly to cheque volumes. The range and usage of retail payment instruments, including debit and credit cards, debit and credit transfers and funds transfers within accounts in the same institution, bill payments and mobile top-ups has been increasing. About 40 percent of the population has debit cards, and about 7 percent have credit cards. In addition, two mobile payment projects initiated by non-bank service providers have been approved to operate on a pilot basis providing bill payment and mobile air-time top-up services to customers. Data on volume and value of transactions with various retail payment instruments is given in the Table below.

Table 3: Retail Payments – volume and value of transactions in JMD

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Value (in millions)</th>
<th>2013</th>
<th>Value (in millions)</th>
<th>February 2014</th>
<th>Value (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheques</td>
<td>19,251,523</td>
<td>2,615,086</td>
<td>18,734,491</td>
<td>2,433,362</td>
<td>1,410,226</td>
<td>172,927</td>
</tr>
<tr>
<td>Credit transfers</td>
<td>969,350</td>
<td>81,645</td>
<td>1,405,706</td>
<td>107,212</td>
<td>138,329</td>
<td>10,193</td>
</tr>
<tr>
<td>Direct debits</td>
<td>443,599</td>
<td>9,545</td>
<td>461,650</td>
<td>8,151</td>
<td>15,039</td>
<td>487</td>
</tr>
<tr>
<td>Debit cards</td>
<td>55,706,312</td>
<td>404,189</td>
<td>58,673,799</td>
<td>463,965</td>
<td>4,793,130</td>
<td>38,994</td>
</tr>
<tr>
<td>Credit cards</td>
<td>18,420,827</td>
<td>152,352</td>
<td>20,672,283</td>
<td>183,961</td>
<td>1,690,805</td>
<td>15,481</td>
</tr>
<tr>
<td>Total</td>
<td>94,791,611</td>
<td>3,262,816</td>
<td>99,947,929</td>
<td>3,196,650</td>
<td>8,047,529</td>
<td>238,083</td>
</tr>
</tbody>
</table>

Source: Bank of Jamaica

47. The retail payments infrastructure in Jamaica comprises an Automated Clearing house (ACH) and two card switches – MultiLink and Q Net. There are 445 ATMs and 19,666 POS terminals in the country, with most of them largely concentrated in three parishes. The details of these infrastructures are given in the subsequent paragraphs.

48. The Automated Clearing House (ACH) handles the clearing and settlement of JMD denominated cheques, credit transfers and debit transfers. The ACH is owned by a consortium of the seven commercial banks in Jamaica, which have formed a company – APL Limited, with equal shareholding. The operation of the ACH has been outsourced by APL Limited to another company – JETS. Governance arrangements and rules and regulations for the ACH operations for the clearing and settlement process have been laid by the Jamaica Clearing Bankers Association (JCBA), and the APL Limited is bound to follow the rules laid down by the JCBA. The maximum value of a single transaction in the ACH has been capped at JMD$ 2 million by the BoJ, in 2013. This has resulted in a decrease in the total value of transactions processed by the ACH and at the same time ensuring that all higher value items are cleared and settled in JamClear-RTGS.

49. Settlement of the net clearing position files of the ACH happen in central bank money in the JamClear-RTGS system twice a day. The net settlement file is settled on an “all or none” basis. In the event of lack of balances in a members settlement account in JamClear-RTGS, the file is returned and the defaulting member’s position is unwound and the file is resubmitted for settlement. Unwinding of the net settlement file can cause liquidity risks
to the remaining participants and in extreme scenarios contribute to and exacerbate systemic risk.

50. **Access to the ACH is restricted to the seven commercial banks.** Other significant players in the retail payments arena such as building societies, credit unions and remittance companies do not have any direct access to the ACH. This to a significant extent has hampered their ability to provide various electronic retail payment products to their customers.

51. **The Multilink is a payment card switch which clears and settles both ATM and POS transactions.** It is owned and operated by JETS which is owned by a consortium of four commercial banks, two building societies and the Jamaica Credit Union League (JCUL). There are 3 additional entities (2 commercial banks and 1 merchant bank) participating as licensed issuers in the MultiLink system.

52. **In order to mitigate settlement risk failure, JETS collects collateral in form of pledged government securities equivalent to four days gross issuer positions for the peak weekend period in the last year for each participant.** The net settlement position file from MultiLink is settled in the JamClear-RTGS system once a day at 11 am.

53. **The JCUL owns a payment card switch which is operated by QNet an independent technology company.** The QNet is connected to the MultiLink system, thus ensuring interoperability of the cards issued by the credit unions branded as “AccessPlus” amongst ATMs and POS terminals across the country. The settlement of QNet card “off us” transactions are done in MultiLink system, once a day at 11 am. “On us” transactions of the QNet cards are settled on a multilateral net basis in the books of JCUL which holds the accounts of all the credit unions.

*Regulatory and policy framework developments*

54. **In order to facilitate financial inclusion and provide an impetus to the use of retail electronic payments, the BoJ issued “Guidelines for Electronic Retail Payment Services” in 2013.** With this objective in mind, the Guidelines permit both non-banks and banks to provide retail electronic payment services through agents. All such agents have to be approved and licensed by the BoJ through a vetting process which includes the directors and officers of the agent fulfilling fit and proper criteria amongst other requirements as prescribed by the BoJ.

55. **In order to provide greater access to retail electronic payments, simplified KYC requirements have been prescribed for users to avail services from non-bank service providers in the Guidelines.** Amongst others the Guidelines also prescribe the requirements for authorization and outline the standards to be observed by authorized entities in providing safe, efficient and reliable retail electronic payment services.

56. **In order to protect customer funds in the event of bankruptcy of a non-bank payment service provider, the Guidelines enjoin upon such entities to deposit the customer funds in specialized trust accounts in deposit taking institutions regulated by**
the BoJ with bankruptcy remote provisions. These services are known as Custodian Account Based Payment Services. Only banks are permitted to provide Customer Account Based Payment Service, which allows customers to effect payments from their deposit accounts held with the banks.

57. **Exclusivity arrangements which hinder competition are not explicitly barred in the Guidelines.** Exclusivity arrangements are required to be submitted to the BoJ for prior authorization, with the BoJ retaining the right to prohibit such arrangements in the interest of development, access, and utilization of electronic retail payment services.

58. The BoJ has since received applications from 13 entities, interested to operate electronic retail payment service, and has accorded “in principle” approval to two pilot projects of non-bank payment service providers using mobile technology. In the pilot phase bill payments and mobile air time top-up have been permitted. The final approval would enable other services such as P2P and P2B payments.

**Recommendations**

59. The BoJ should frame an access policy for retail payments infrastructure in consultation with various stakeholders. The access to the retail payment infrastructure in Jamaica continues to be skewed and restrictive in nature, in the absence of any specific policy framework initiatives and regulations by the BoJ. This has resulted in sub-optimal utilization of the infrastructure with the concomitant effect of impeding the growth of retail electronic payment products. For example, access to the ACH is restricted to the shareholders of APL Limited i.e. the banks. Building societies and the JCUL do not have a direct participant access to the ACH, though they have access to the card switches. Other significant players like remittance companies can access any infrastructure only through a direct participant. This has constrained the ability of the various stakeholders to leverage on the existing infrastructure to promote retail electronic payment products.

**High priority/short-term**

60. **Policy measures are required to be taken by the BoJ in consultation with all stakeholders to deepen the payment infrastructure in the rural areas to provide a fillip to the use of retail electronic payment products.** To begin with, in consultation with the Government and other stake holders, the possibility of locating ATMs in Post Offices could be explored. In order to fully utilize ATM infrastructure (and not only for cash withdrawal and balance enquiry as is largely done now), additional functionalities such as bill payments, internet banking etc. should be operationalized to encourage the growth of cashless payments.

**High priority/short-term**

61. The BoJ may undertake an exercise to compile the fees and charges levied by banks and other authorized entities for various payment services and products and publish the
This would foster transparency, competition and enable the consumers to make educated choices.

**High priority/short-term**

62. The BoJ is encouraged to achieve the objectives of safety and efficiency by prescribing policy guidelines to be followed by the remittance companies, non-bank payment service providers, and banks (at a later stage), and devolve the responsibility of appointing agents as per the prescribed policy framework on to the Principal authorized entities. As a part of this exercise, the BoJ should take a comprehensive overview of its regulatory framework for the appointment of agents and design a coordinated approach. While it is recognized that a consensus on this needs to be evolved within the BoJ, as an interim measure, steps may be taken to automate the process of authorization of agents and minimize the use of paper. Oversight arrangements may be fine-tuned to achieve the objectives of safety and efficiency in agency linked payment system arrangements.

**High priority/short-term**

63. Exclusivity arrangements may be explicitly barred to increase market penetration and competitive prices for customers.

**High priority/short-term**

64. In providing its final approval to the two mobile wallet pilots, the BoJ should ensure that the authorized entities adhere to interoperability and also prohibit any exclusivity arrangements for agents.

**High priority/short-term**

65. The BoJ may develop and implement a policy framework for opening of “no frill” accounts in banks for deepening financial access. As a reference point, the BoJ may take into account the prescribed graded KYC requirements laid down in the case of Custodian Account Based Payment Services under the Guidelines for Retail Electronic Payment Services.

**High priority/short-term**

66. Given the above reform agenda, the BoJ should establish a Working Group on Retail Payments under the NPSC, with representation of all relevant stakeholders including the Government, to develop a strategic Action Plan. Such a plan should focus on optimal utilization of infrastructure through greater access to the participants and their customers with a view to achieving and promoting greater usage of retail electronic payment products. In addition, to ensure buy-in from all stakeholders, the BoJ is encouraged to include remittance companies in the NPSC as a first step, and later Custodian Account Service providers of payments.

**High priority/short-term**
D. Government payments and receipts

67. The Government has implemented a Centralized Treasury Management system (CTMS), which went live in November 2012 with three ministries. By June 2013, it is expected to cover all Ministries and Departments. Under this system, the multiple accounts of the various ministries, departments and agencies (MDAs) of the government have been consolidated into a single treasury account within the BoJ. All MDAs access the system through the CTMS web portal and upload their payment files (G2P and G2B), comprising salary and vendor payments. The file is downloaded at the Accountant General’s (AG’s) office and validation checks are conducted with regard to availability of budget, beneficiary bank account number etc. The files are also split into G2P and G2B payment files and are then uploaded to the BoJ payment gateway. BoJ releases the files either into the ACH (for all payment orders up to JMD $2 million) or to the RTGS for higher value payment orders and the accounts of the beneficiaries are credited.

68. Government benefit transfers are not part of the CTMS and continue to be paper based and need to be migrated to retail electronic payments more effectively. The Ministry of Social Security and Labour administers the Programme of Advancement through Health and Education (PATH) which provides cash grants to various needier sections of society. PATH payments are made by way of cheques drawn on a commercial bank which the beneficiaries encash at local Post Offices. It is estimated that approximately 700,000 cheques are issued per annum to more than 120,000 beneficiaries. In addition, the Ministry also administers the National Insurance Scheme (NIS) which is a compulsory contributory funded social security scheme. Pensions are paid through pension vouchers which can be encashed at the post office selected by the pensioner or at any branch of the National Commercial Bank (NCB), with each voucher representing payment for two weeks.

69. A small beginning in using pre-paid cards for PATH payments has been made but the progress of migration to this instrument has been very slow. The beneficiaries can also receive their welfare payments through KeyCash card (a branded pre-paid card of the NCB). To date only 15,000 beneficiaries are using pre-paid cards. Some of the inhibiting factors for the slow offtake are (i) the time taken in the approval process for a beneficiary to obtain a KeyCash card; (ii) the lack of adequate number of cash-out points such as ATMs and agents in rural areas. In addition, other major impediments are: (i) the beneficiaries not being able to fulfill KYC requirements for opening a bank account to receive direct credits and (ii) banks levying charges if the minimum balance is not maintained in the account.

70. Government revenue collections are largely cheque and cash based, though with limited usage of cards. Domestic taxes such as stamp duty, property tax, income tax, general consumption tax, vehicle registration fees etc. can be paid at 29 tax offices nation-wide through cash, cheques and debit and credit cards. Payments can also be made online through the Tax Administration Jamaica (TAJ) web portal14 though by using only credit cards. Taxes can also be paid directly to the bank account of TAJ. The tax payer after effecting the transfer through

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14 https://www.jamaicatax-online.gov.jm
his bank has to send a Direct Banking Payment Advice containing the details of the transfer (amount and type of tax) and his TRN. The receipt can be picked up after 24 hours from any one of the offices indicated by the tax payer in the Banking Payment Advice. Customs duties and taxes are also largely paid through cash and cheques at the Customs Department Offices and at post Offices for imported postal packages.

**Recommendations**

71. **The Government should develop a comprehensive strategy to reduce administrative costs and improve efficiency of the direct benefit transfer schemes such as PATH and NIS through retail electronic payment products.** The strategy should be drawn up in coordination with the BoJ and other stakeholders for bringing about a shift in G2P payments to electronic payment modes within a defined time frame. The contours of such a strategy should encompass amongst others: (i) streamlining the approval process for a beneficiary to obtain a KeyCash card; (ii) enabling cash-outs at Post offices through KeyCash cards; (iii) simplifying the KYC requirements for opening a “no frills” bank account to enable beneficiaries to receive benefits their benefits into their bank accounts; and (iv) fully leveraging upon the CTMS application for effecting transfers directly to bank accounts of beneficiaries. As part of the strategy and as part of the BoJ supervision and oversight functions, BoJ should use moral suasion and its statutory powers for putting a stop to restrictive practices such as charging for balances falling below the minimum thresholds prescribed.

**High priority/medium term**

72. **The functionalities of the web portal of Tax Administration Jamaica should be enhanced to enable it to accept payments made through credit cards and through online banking, including providing the receipt online to the tax payers.** To this end, a Task Force may be constituted to work out the modalities of the scheme including the collection of customs duties.

**High priority/medium term**

E. **Securities clearing and settlement systems**

**Government securities**

73. **BoJ is the designated public debt manager of the Government as laid down in Section 38 of the BoJ Act, 1960. In addition, BoJ issues its own securities in the form of Certificates of Deposits (CDs) for conducting its open market operations (which also involves the purchase and sale of government securities).**

74. **The Government Securities Dematerialisation Act, 2010 (GSD Act) provides the statutory basis for the immobilization and dematerialization of Government and BoJ securities and enables their trading and settlement in scripless form through electronic book-entry.**
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75. **Government securities comprise Treasury Bills and bonds.** Treasury bills are issued in tenors of 1, 3 and 6 months. The tenor of bonds ranges from 1 to 27 years. The bonds comprise JMD$ Fixed rate and Variable notes; US$ denominated debt; US$ benchmark bonds and CPI Indexed bonds. As at the end of the financial year 2013/14, the largest component of the domestic debt portfolio\(^\text{15}\) was made up of Fixed rate notes at 41.1%, followed by Variable rate notes at 32.7%. The US dollar Benchmark and CPI-Indexed Bonds represented 6.9% and 3.9% respectively. Merchant Banks, Trust Companies and Brokers were major holders of GOJ securities accounting for 23.0%. In addition, Insurance companies’ holdings constituted 21.4%, which was followed by the Bank of Jamaica and other public sector entities which accounted for 21.3% and Other Institutions which comprised 11.0%. The Government borrowed from the PetroCaribe Development Funds during FY2013/14, and did not tap the domestic markets for its borrowing needs. The Government also implemented the National Debt Exchange (NDX)\(^\text{16}\) programme, to increase the maturity profile of its outstanding debt and decrease its interest burden.

76. **Government T-bills are issued in physical form and are not dematerialized.** The primary auction process is semi-automated with bids being received through fax or by mail. The auction module is a proprietary application of the BoJ which has not yet been integrated with the JamClear-RTGS system. Settlement occurs on a T+2 basis. The process of developing an integrated module is underway.

77. **The BoJ issues CDs as a tool for conducting its open market operations.** It issues a regular 30 day CD in Jamaican dollars and a longer term Variable rate CD in JMD for a tenor of 6 to 18 months. BoJ also issues US$ Indexed loans for tenors of 6 to 12 months and foreign currency CDs with maturities ranging from 2 to 5 years.

78. **The JamClear-CSD implemented in May 2009, is the central securities depository for sovereign and BoJ securities.** It is owned and operated by the BoJ. The interface between the JamClear RTGS and the JamClear CSD enables the settlement of securities trades in DVP 1 model, thereby mitigating principal risk. The CSD is an electronic registry of holders of debt and money market instruments issued by the Government of Jamaica and the Bank of Jamaica, respectively.

79. **Participants in the JamClear-CSD are 7 commercial banks, 11 primary dealers\(^\text{17}\), and 33 secondary dealers\(^\text{18}\).** While commercial banks and primary dealers can be members of the JamClear-CSD and JamClear-RTGS systems, secondary dealers can only be members of the JamClear-CSD. Secondary dealers settle their payment obligations through a

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\(^{16}\) The NDX extended the maturity profile of the domestic portfolio by approximately five years and reduced interest rates by 200 basis points (bps). Source http://www.mof.gov.jm/sites/default/files/publications/dmbar_2013-2014.pdf

\(^{17}\) Security dealers licensed by the Financial Services Commission (FSC) and designated as Primary dealers by BoJ.

\(^{18}\) Secondary dealers are licenses by FSC but who are not designated as Primary dealers by BoJ.
commercial bank which is a member of the JamClear-RTGS system. Primary dealers and secondary dealers are permitted to hold proprietary positions and also trade on behalf of their clients. Banks on the other hand can only hold proprietary positions.

80. **JamClear-CSD has a segregated account structure in line with international standards.** It holds segregated accounts for each participant’s proprietary holdings known as “Own account” and for their clients designated as “Client accounts”. All beneficial rights of ownership are defined at the client account level, thereby protecting the customers in the event of bankruptcy of the participant.

81. **BoJ JamClear-CSD has clear and transparent participant rules**. The participant rules define the roles and responsibilities of the participants, the operator of the systems, the issuers and the overseer. The operating rules and the governance arrangements for JamClear-CSD are clearly spelt out in the rules. There is however no mention in the governance arrangements with regard to periodicity of reconciliation of securities balances and other practices to ensure the integrity of the securities issues.

82. **Efforts are underway to fine-tune the roadmap for phasing out retail repos.** Retail repo is an instrument used by retail customers to invest in Government securities through brokers. The legal and regulatory framework for this instrument is not well defined. While the retail investor parts with his funds, the underlying securities are not registered in the names of the beneficial owners. With the IMF technical assistance, and in consultation with the sector, as a first step, the authorities plan to submit for consultation to the industry the legal and regulatory framework to establish a Trust to hold the underlying securities on behalf of the retail repo clients’. The framework is expected to be in place by end June 2014.

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**Corporate securities**

83. **The Jamaica Stock Exchange (JSE) was established as a private limited company in 1969 and was demutualized in 2008.** The JSE is licensed by the Financial Services Commission (FSC) under the Securities Act. It is governed by a Board of Directors comprising: the Governor of BoJ or his nominee; a representative from the Ministry of Finance; 3 independent members other than seat holders; and up to ten seat holders representing members.

84. **Since its demutualization it has a regulatory division which reports to a committee of the Board -the Regulatory and Market Oversight Committee (RMOC).** The RMOC is a committee of the Board comprising the independent Directors on the Board and is headed by the Deputy Governor, BoJ. All decisions of the RMOC are final and binding on the JSE. The RMOC provides a monthly report to the Board of the JSE. The RMOC interacts with the FSC and seeks its approval for any amendments to the rules.

85. **The JSE has four market segments: Main, Junior, US equity and corporate bonds.** The Main market comprises companies with a larger capital base, while companies in the

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Junior market have a threshold of JMD$ 500 million as their capital. Put together the total number of shares listed comprising the Main and Junior markets is 55. There is one US equity listed on the JSE. Corporate bonds segment was reintroduced in July 2013 and currently 2 bonds are listed.

86. **Trading takes place on an exchange driven screen based trading platform, through broker members.** There are 12 broker members who are licensed by the FSC. Retail clients execute their buy and sell orders through the brokers. The daily average trading volume is around 75 trades for an approximate value of JMD$ 4.5 million in the Main market and around 25 trades for an approximate value of JMD$0.5 million in the Junior market.

87. **Trades are settled on a DvP 3 basis on T+3 with the funds settlement happening in central bank money in the JamClear-RTGS system.** Buying brokers have to make their funds pay-in by 10.30 am on settlement day, with funds pay-out to the selling brokers happening at 12 noon. Once the funds settlement is complete, securities are delivered to the buying broker.

88. **The Jamaican Central Securities Depository (JCSD) is a fully owned subsidiary of the JSE and is licensed by the FSC as a Central Securities Depository under the Securities Act.** Physical securities are immobilized by JCSD and trading takes place based on the creation of a “Jumbo certificate” – a global note. At any point of time, the Jumbo certificate represents the total value of a particular issue which has been custodized and is immobilized at the JCSD and does not represent the total issue size.

89. **In line with international best practices, the JCSD does a daily reconciliation of the trades done with the Jumbo certificate balances.** Internal audit of the JCSD custodial operations is carried out twice a year. An external audit is conducted once a year.

90. **The JCSD has a segregated account structure reflecting beneficial ownership details.** Retail investors open accounts in JCSD through their brokers. However, this aspect of segregation and ownership is not very clear as it is stated in the public domain that the “JCSD registers the stock in its nominee name, in this case the JCSD limited”

91. **The JCSD also functions as a securities settlement system (SSS), facilitating the transfer of securities through an electronic book-entry system and as a central counterparty (CCP) which novates and guarantees all trades.** The legal basis for the JCSD to act as a SSS and CCP is not defined under the extant legal provisions. The current provisions of the Securities Act do not provide a legal basis for novation.

92. **There are no specific risk management provisions governing the activities of the JCSD as a CCP.** The recourse that is currently available is that in the event of a settlement failure, is that JCSD can draw on a line of credit from the National Commercial Bank, and avail IDL facility from the BoJ to complete the settlement and in a worst case scenario would

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have to utilize its capital and reserves. There have been no specific studies done to ascertain whether the current measures are adequate to take care of default of the participant with the single largest debit position.

**Recommendations**

93. **The BoJ should take necessary measures in consultation and coordination with the Government for the dematerialization of Treasury bills.** In addition, the process of developing an integrated primary auction module may be expedited and implemented.

**Medium priority/medium-term**

94. **The BoJ should take necessary measures to ensure that JamClear-CSD functions with robust audit and accounting arrangements in compliance with Principle 11 of the PFMIs.** These include putting in place appropriate rules, procedures, and controls, including robust accounting practices, and conducting periodic and at least daily reconciliation of securities issues and balances that are held in its books of accounts.

**High priority/short-term**

95. **The JCSD may obtain legal opinion and place it in the public domain clarifying the details of beneficial ownership and segregation of securities held in its custody, in view of the conflicting claims made on its website.** This would serve customer interests and aid in transparency.

**High priority/short-term**

96. **The legal basis for the JCSD to act as a SSS and CCP is not available under the extant legal provisions.** The Securities Act would have to be amended for this purpose. As amending the law may take time, as an interim measure FSC may obtain a legal opinion as to whether JCSD could continue to function as a SSS or CCP under any relevant contractual arrangement recognized under the law, with relevant risk management provisions.

**High priority/short-term**

97. **The JCSD should undertake a study based on historical data whether the line of credit, IDL facility and its capital and reserves are sufficient to take care of the default of the participant with the single largest debit in the system and share the results with the FSC.** In the event, that the extant measures are insufficient, JCSD in consultation with FSC may introduce appropriate risk management measures such as collateral and margins, with a clearly defined water-fall approach to take care of defaults.

**High priority/short-term**
98. The JCSD as a measure of transparency should publish its audited balance sheet, independent of JSE to enable the overseers to determine its sound financial footing, given the multifarious tasks and its systemic importance to the financial stability of the Jamaican economy.

High priority/short-term

F. Interbank money market

99. There is a collateralized interbank money market in operation in Jamaica, but details regarding the same in terms of volumes and values transacted are not available. Anecdotally, it has been gathered that very few trades happen. It is an OTC market. The collateral can be in the form of GoJ, BoJ, corporate bonds and foreign securities.

100. There is an OTC interbank foreign exchange market in which the participants are commercial banks, building societies and merchant banks who are licensed by BoJ as Authorized dealers. On an average an amount of US$ 40 million is transacted in the market. Both JMD$ and US$\textsuperscript{21} legs of the transaction are settled in the JamClear-RTGS system.

101. All trades have to be reported to the ‘e-gate’ system of BoJ by the end of day at 3.30 pm. BoJ publishes the weighted average exchange rate of the JMD$ based on the trades reported to “e-gate” and publishes the same on its website on a daily basis.

Recommendations

102. The BoJ may draw up suitable action plans to revitalize the interbank money market as it is an important source of liquidity to the participants in the system. It is gathered that BoJ is already engaged in this exercise and that discussions are being held with the market participants.

Medium term/medium priority

103. The BoJ is encouraged to take up suitable measures for implementing the recommendations made by an IMF Technical Assistance team on the measures needed to be taken to make the interbank foreign exchange market more transparent and vibrant. Amongst others, the recommendations include: (i) issuance of price-discovery data on exchange rate on an intra-day basis; (ii) enhancements to the e-gate system to make it a web based application; and (iii) developing a trading platform for FX transactions.

\textsuperscript{21} The US$ dollar balances reflected in the accounts in the JamClear-RTGS system represent the actual US$ balances in the Nostro account of BoJ.
G. International remittances

104. **Cross-border inward remittances are a very important source of income for the economy of Jamaica.** At end-2013, remittances constituted about 13 percent of Jamaica’s GDP. Remittance transfers come mainly from the US, the UK, and Canada. The remittances are largely small value in nature with the average value of a remittance being US$200.00.

105. **The bulk of remittance inflows into Jamaica are received through the remittance companies.** As can be seen from the table below, of the total of US$ 1730 million received in remittances the bulk of the remittances amounting to US$1478 million were received through remittance companies during the fiscal year 2013/14.

**Table 4: Jamaica’s Remittances**

<table>
<thead>
<tr>
<th>JANNAICA’S REMITTANCES</th>
<th>January 2013</th>
<th>January 2014*</th>
<th>Change %</th>
<th>Change**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Remittance Inflows</td>
<td>154.0</td>
<td>158.2</td>
<td>4.2</td>
<td>2.7</td>
</tr>
<tr>
<td>Remittance Companies^</td>
<td>129.3</td>
<td>134.9</td>
<td>5.6</td>
<td>4.3</td>
</tr>
<tr>
<td>Other Remittances</td>
<td>24.7</td>
<td>23.3</td>
<td>-1.4</td>
<td>-5.7</td>
</tr>
<tr>
<td>Total Remittance Outflows</td>
<td>24.2</td>
<td>20.3</td>
<td>-3.9</td>
<td>-16.0</td>
</tr>
<tr>
<td>Net Remittances</td>
<td>129.8</td>
<td>137.8</td>
<td>8.0</td>
<td>6.2</td>
</tr>
</tbody>
</table>

* Provisional  
** Growth relative to the corresponding period of the previous year  
^ Flows through Remittance Companies

Source: Bank of Jamaica

106. **Jamaica has 8 remittance companies which have 444 remittance locations across the country.** Remittance companies and their sub-agents are licensed by BoJ under Section 22 of the BoJ Act. The licensing requirements for operating a remittance service in Jamaica are available on the website of the BoJ. Remittance companies and their sub-agents have to fulfill the requirements of fit and proper criteria as part of the licensing requirements in order to undertake remittance business in Jamaica. The licensing requirements for sub-agents are onerous and it takes about 3 to 6 months on an average to obtain a license from the BoJ. All licenses are renewed on an annual basis by the BoJ.

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107. **The remittance companies have to adhere to the “Operating directions for remittance companies”**. The operating directions designate remittance companies in Jamaica as “primary agents”, where they have a tie-up with an overseas remittance services provider. In addition, the operating directions list out the requirements that have to be fulfilled in terms of providing: (i) the details of the overseas service provider, primary agent and sub-agents; (ii) maintenance of transaction records and their submission to the BoJ; (iii) disclosure of fees and conversion rates to the beneficiary on the transaction slips; (iv) settlement account arrangements. The directions specifically prohibit in-bound cross-border remittances through stored-value cards. All in-bound remittances have to be properly accounted for and pay-outs can happen either through cash or through credit to a bank account, which is afforded upon a written request from the recipient to the remittance company.

108. **The directions do not explicitly bar exclusivity arrangements for primary agents and sub-agents.** This has led to exclusivity arrangements being put in place by the overseas service provider on primary agents and by primary agents on their sub-agents, stifling market competitiveness and resulting in de facto monopolies with higher remittance costs. The average percentage costs of sending remittances into Jamaica by the Jamaican diaspora are significantly higher than the global average percentage costs.

109. **The remittance companies do not have any direct access to the domestic payments infrastructure, as for example direct participation in the ACH.** During discussions, it was revealed that banks in most cases impose conditionalities on remittance companies in providing indirect access to the domestic payments system infrastructure. This in turn has also led to higher costs to the customers.

**Recommendations**

110. **As stated elsewhere, BoJ should take a comprehensive overview of its regulatory framework for the appointment of sub-agents and design a coordinated approach.** The current regulatory framework for licensing of sub-agents is quite onerous and time consuming. The BoJ is encouraged to achieve the objectives of safety and efficiency by prescribing policy guidelines to be followed by the remittance companies, and devolve the responsibility of appointing agents as per the prescribed policy framework on to the primary agents.

**High priority/short-term**

111. **The BoJ is encouraged to revisit its regulations to be in line with the General Principles for Remittances.** As stated in the General Principles of Remittances (CPSS and

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24 The average percentage costs of sending a US $ 200 remittance to Jamaica is higher than the global average percentage cost of 8.36%. The average percentage costs are higher in respect of Canada to Jamaica corridor at 10.83% and in the UK to Jamaica corridor at 12.83%. In the case of USA to Jamaica corridor the average percentage cost trends a bit lower than the global average at 7.65%.
World Bank, 2007)\(^{25}\) the relatively small values involved in remittance transfers mean that it is unlikely that these would pose a systemic risk. However, it is necessary to acknowledge that remittance companies face the possibility of financial, legal, operational, fraud and reputational risks. Accordingly, General Principle 5 recognizes that remittance services should be supported by appropriate governance and risk management practices. Such governance and risk management practices need to be proportionate for the size and type of a remittance service provider’s (RSP) business and the level of risks can improve the safety and soundness of remittance services and help protect consumers.

**High priority/short-term**

112. The BoJ may explicitly ban exclusivity arrangements. As stated elsewhere above, exclusivity arrangements stifle market competitiveness and lead to de facto monopolies. Exclusivity conditions can pose particular difficulties, especially where an exclusivity clause would mean that an agent retail outlet would be able only provide a single remittance service. This is particularly important in receiving countries if a local market such as a small village has only one potential agent (e.g. the local shop) so that there is only one remittance service available if an exclusivity condition is allowed to be in operation and result in higher remittance costs.

**High priority/short-term**

113. The BoJ should consider carrying out a study weighing the costs and benefits of allowing remittance companies to be direct participants in the domestic payments system infrastructure. The study should take into account the conditions that banks may impose on non-bank RSPs in providing indirect access to the domestic payments system infrastructure, which in some cases could result in higher costs and confer undue advantages to the direct participants.

**High priority/short-term**

114. There is a need to have in place policy measures by the BoJ to target the remittance proceeds to be deposited in bank accounts as a first step towards financial inclusion.

**Medium priority/medium term**

115. The Payment Clearing and Settlement Act,\(^{26}\) 2010 provides explicit oversight powers to the BoJ on all payment systems operating in Jamaica. The Act is quite elaborate in defining the powers of the BoJ to regulate clearing and settlement systems, prevents judicial stay of decisions taken under the Act, creation of a National Payments System Council,

\(^{25}\) [http://www.bis.org/publ/cpss76.htm](http://www.bis.org/publ/cpss76.htm)

prescribes offences and penalties and provides the BoJ with the powers to issue guidelines and regulations.

116. The objective of the oversight function as stated in the Payments System Oversight Policy document is to ensure the safety and efficiency of the national payment system in Jamaica, through: (i) preventing or controlling systemic risk; (ii) fostering fair access to the payments systems for market participants; (iii) promoting competition in the payment services market; (iv) protecting consumer interest; and (v) fostering co-operation with other regulators. The above objectives are sought to be achieved through an explicit commitment to comply with and adhere to international standards such as the Principles for Financial Market Infrastructures and the General Principles for international remittance services. In accordance with the above objectives, the oversight policy document outlines the scope, approach, guiding principles and standards, and the tools of oversight.

117. The scope of oversight covers all existing payment, clearing and settlement systems operating in Jamaica and the payment channels and instruments that are offered via these systems. These include systems owned and operated by the BoJ and other entities.

118. BoJ has adopted a risk based approach for conducting oversight and has identified the necessary tool-kit for the same. It has accordingly classified systems as in order of potential risk and systemic importance as: (i) Systemically Important Payments systems (SIPS); (ii) Systemically Important Retail Payment Systems (SIRPS); (iii) Prominently Important Retail Payment Systems; and (iv) Other systems, the disruption of which could undermine public confidence in the entire payment system. The oversight tool-kit amongst others includes: (i) data collection and analysis on all system activities; (ii) on-site inspections; (iii) periodic assessment of systems against international standards; (iv) collaboration with all stakeholders; (v) cooperation with other regulators; (v) inducing change through remedial measures; and (vi) imposing sanctions where necessary.

119. In line with the above approach, and to aid in transparency, the BoJ policy guidelines are available in the public domain on its website. The policy guidelines pertain to: (i) the JamClear-RTGS access policy rules (July, 2012); (ii) JamClear-CSD Participant rules (February, 2011); and (iii) the Guidelines for Retail electronic payment services (permitting non-bank service providers to provide payment services - February, 2013).

120. The Financial Services Commission (FSC) is an omnibus regulator for the securities, insurance and private pension industry. The FSC draws its powers to regulate the corporate securities market from the Securities Act and the FSC Act. Through powers

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28 The systems include: (i) JamClear-RTGS; (ii) JamClear-CSD; (iii) ACH; (iv) Multilink; and (v) all non-cash payment systems, services and instruments that are offered in Jamaica.
derived from the Securities Act, the FSC regulates the stock market, the JSE and the JCSD. In addition, the FSC oversees the licensing, registration, capital adequacy and conduct of securities dealers, investment advisors, securities dealers representatives, investment advisors representatives, mutual funds and unit trusts. The FSC is also designated under the statute to handle all customer grievances related to the securities, insurance and pension industries. The FSC is a member of IOSCO and is committed to implement the international standards “Objectives and Principles of Securities Regulation” (Principles). 32

121. The FSC’s governance structure consists of a Board of Commissioners with a Chairman, and up to 9 other Commissioners. The Commissioners, who are appointed by the Minister of Finance, choose one amongst themselves as an Executive Director. The Executive Director is the only full time Commissioner and he is responsible for managing the activities of the Commission.

Recommendations

122. Given its commitment to comply with international standards, the BoJ should undertake a self-assessment of the FMIs owned and operated by it as laid down in the PFMIs. The BoJ should use the Assessment Methodology for the self-assessment and publish the same as indicated in Principle 23 of the PFMIs.

High priority/medium term

123. In order to foster and transparency and competition in the market, BoJ is encouraged to compile a database of the fees and charges being charged by payment service providers (both banks and non-banks) and make it available in the public domain. Illustratively, the database could contain charges for various payment services such as cheque collection; ATM usage fees (own bank ATM and other bank ATM); fees for direct credits and debits; etc.

High priority/short-term

124. As indicated elsewhere, the BoJ should establish a Working Group on Retail Payments under the NPSC, with representation of all relevant stakeholders including the Government, to develop a strategic Action Plan for promoting electronic retail payments and aiding financial inclusion.

High priority/short-term

125. BoJ is encouraged to undertake a review of the adequacy of the human resources engaged in the discharge of the oversight function. The review would help BoJ in assessing the resources with a view to fulfilling its oversight mandate as laid down in the Payment

32 The FSC is also a member of IOPS and IAIS, the international standard setting organisations for Pension Supervisors and Insurance Supervisors, respectively.
33 http://www.bis.org/publ/cpss106.htm
Clearing and Settlement Act, 2010. This would also help in furthering its objective of ensuring a safe and efficient national payment system in Jamaica as outlined in the Oversight Policy document and enable it to effectively exercise its mandate.

Medium priority/short-term

126. FSC may obtain a legal opinion as to whether the JCSD could continue to function as a SSS or CCP under any relevant contractual arrangement recognized under the law, with relevant risk management provisions, pending amendments to the Securities Act. As indicated elsewhere, the FSC has licensed the JCSD as a central securities depository in terms of Section 59 of the Securities Act. In addition to its role as a central securities depository, the JCSD also functions as SSS and a CCP.

High priority/short-term

127. FSC should mandate the JCSD to undertake an individual self-assessment as a CSD, as a SSS and as a CCP using the Assessment Methodology for the self-assessment and publish the same as indicated in Principle 23 of the PFMIs. The self-assessment should be reviewed by the FSC and suitable remedial measures in furthering prudent and effective risk management guidelines should be prescribed with a defined time frame for compliance by the JCSD.

High priority/short-term

128. The FSC is encouraged to undertake a comprehensive legal review of the various provisions under the Securities Act, to provide a robust legal basis for the safe and efficient functioning of the securities market, as laid down in Principle 1 of the principles for Financial market Infrastructures. Illustratively, while a central counterparty is defined and recognized under the Payment Clearing and Settlement Act, it is not under the Securities Act.

129. The FSC should mandate the JCSD to obtain a legal opinion and place it in the public domain clarifying the details of beneficial ownership and segregation of securities held in its custody, in view of the conflicting claims made on its website. This would serve customer interests and aid in transparency.

High priority/short-term

130. The FSC may implement the recommendations of the IMF technical assistance mission with regard to the interim arrangements for protecting investor rights under a Trust.

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34 http://www.bis.org/publ/cpss106.htm
High priority/short-term

I. Cooperation with stakeholders and other relevant authorities

131. The National Payments System Council (NPSC) has been in existence since 2006 and spearheaded the payment systems reform in Jamaica. It acquired a legal basis with the enactment of the Payment Clearing and Settlement Act in 2010. The NPSC has spearheaded and guided the implementation of the reforms and modernization of the payment and settlement systems in Jamaica comprising among other initiatives the JamClear-RTGS, JamClear-CSD, ACH and the drafting of the PSC Act. The NPSC with the Governor of the BoJ is currently constituted as a statutory body under Section 23 of the Payment Clearing and Settlement Act, 2010. The NPSC meets on a quarterly basis.

132. The membership of the NPSC comprises various stakeholders such as banks, building societies, credit unions, securities dealers, the FSC, the JSE, the ACH operator, the Bankers Association, and the Ministry of Finance. The Office of Utility Regulation (OUR), the regulator for telecom companies is an invitee to the NPSC. Remittance companies however are not members of the NPSC.

133. The NPSC constitutes Working Groups on various issues related to payment and settlement systems. However, there has been no dedicated Working Group constituted for retail payments and the financial inclusion aspects with specific reference to the role that payment systems can play in enhancing financial inclusion.

134. The BoJ and the FSC cooperate with each other through mutual information and sharing of expertise. For example, the BoJ is actively involved in the discussions regarding establishing a trust arrangement for retail repos which is an instrument under the supervision of the FSC. It has also been gathered that a Memorandum of Understanding has been executed between the BoJ and the FSC.

Recommendations

135. Given the significant role played by remittance companies in the remittances market, the BoJ is encouraged to bring on board remittance companies as members of the NPSC. At a later stage, the membership of the NPSC could be extended to Custodian Account Service providers authorized by BoJ to provide payment services. Such a broad basing of membership of the NPSC will help in evolving a more holistic strategy in the development of retail electronic payments and encourage the optimal usage of the domestic payments infrastructure in this regard.

High priority/short-term

136. The BoJ should establish a Working Group on Retail Payments under aegis of the NPSC, with representation of all relevant stakeholders including the Government, to develop a strategic Action Plan. The plan should have definite time lines of implementation
for the greater usage of retail electronic payment products in a safe and efficient manner at affordable prices to foster financial inclusion.

**High priority/medium-term**

**IV. CREDIT REPORTING SYSTEMS**

**A. Overview**

137. Credit to the private sector in Jamaica is mostly provided by 6 commercial banks, 3 merchant banks, 3 building societies, 37 credit unions and a large number of more than 100 microfinance institutions. While commercial banks, merchant banks and building societies that take deposit from the public are regulated by the BoJ, there is an array of additional institutions that operate in the form of companies registered at the Companies Office Registrar and that provide credit to consumers and micro small and medium enterprises (MSMEs). In addition, many appliances and other consumer goods are financed by hire-purchase companies that offer such products, in particular two retailers broadly established in the country. Most of the commercial lending is provided by the largest banks in the country, while all banks compete in the retail segment (credit and loans facilitated to consumers, sole traders and micro enterprises) with credit unions, microfinance institutions, retailers and money lenders. In terms of lending to SMEs, most of the lending is either provided through secured loans or based on the credit history of the main owner of the SME. The market perceives the availability of information for the evaluation of SMEs as available but not easily accessible and very costly.

138. The credit reporting system in Jamaica is composed of three credit bureaus. CreditInfo Jamaica (CIJ) is participated by Creditinfo Group and Coalesce Credit Solutions, a local credit solutions company, CRIF is participated by CRIF Italy and Neal & Massey a conglomerate from Trinidad & Tobago, both licensed in 2012. In addition, a third credit bureau, Credit Information Services, was licensed in 2014, but has not yet started operations. There is no credit registry in Jamaica, although BoJ has plans to develop a comprehensive financial information data collection system for prudential oversight purposes. Finally, there is no commercial credit reporting system in the country offering financial information on lending between companies. Two credit bureaus started operations in 2013 and, although they offered credit reports, data gathering from key creditors still presents a challenge. Figure 1 depicts the information flow in Jamaica based on signed contracts between service providers and CIPs and service providers and third party data providers. In total, credit information contained in the credit bureaus represents 6.2% of the population in Jamaica.

139. There are a number of additional data sources that are relevant to the evaluation of the credit behavior of consumers in Jamaica. In particular, the Company Office of

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35 20 microfinance institutions have already requested an exemption to the Ministry of Finance to participate in the Credit Bureaus.
36 As of December 2014. There is also a development bank.
37 This calculation is based on total population of 2.7 million using data facilitated by BoJ on April 2014.
Jamaica (CoJ) contains information regarding: (i) the name of companies; (ii) sector of activity; (iii) status and legal establishment; (iv) main shareholders, and; (v) years of activity. The future Collateral Registry at the CoJ can provide relevant information on the type of collateral, value of the collateral and date of notice as well as number of searches that could be offered to the CIPS through the Credit Bureaus in an efficient manner. Also, information from Jamaica Public Service on payment pattern of their 600,000 consumers, including: (i) amount and (ii) date of payment on a monthly basis in addition to identification information is a relevant source of data to credit bureaus. The National Water Commission also holds information on 450,000 consumers which, with some additional data cleansing to their databases, could be very useful to lenders. The tax authorities hold information on the tax registration number that serves to validate the TRNs provided to the credit bureaus by the CIPs. Finally, information from telecommunication service providers are also potential sources of data to the credit bureaus.

140. **Figure 2 shows the flow of information amidst the various providers of credit information and the users of that information.** Usually, the users are also the source of the information, i.e. creditors share their portfolio information in order to receive back that information processed and filtered to determine their credit granting strategies, or to monitor their portfolio quality. Credit reporting service providers are in charge of adding value to information collected through the development of scoring and forecasting tools to improve the degree of prediction of the information, thus helping the decision of users in granting new loans or following up the current borrowers’ portfolio.

**Figure 2 Credit information flow in Jamaica**

*Source: Author’s elaboration based on mission findings, July 2014*
The main legal aspects of credit reporting activities in Jamaica are covered under the Credit Reporting Act (2010). The BoJ issues regulation on certain rules contained in the CRA that require further elaboration (e.g. January 2014 Consumer Disclosure Order), while the legal framework is complemented by general laws including The Bank of Jamaica Act of 1960, The Banking Act of 1992, The Financial Institutions Act of 1992, the Building Societies Act of 1997, the Bank of Jamaica Building Societies Regulations of 1995, the Co-operatives Societies Act of 1950, the Money Lending Act of 1938, and the Companies Act. The Banking Services Act was adopted in 2014 to make new provisions with regard to the supervision of banks, merchant banks, and building societies. While there is no specific law on consumer protection for financial services, the Consumer Protection Act of 2005 covers general consumer protection issues, and the CRA provides for several consumer protection mechanisms in the sharing of credit information. There is a Data Protection Bill currently under discussion to be adopted in Jamaica in the near future. A Microcredit Act is also under development. The current legal framework is prescriptive and often requires additional regulation to adjust to the nature of credit reporting activities in Jamaica. In addition, conventional arrangements between bureaus and CIPs for data supply and data access and also data access agreements are signed between service providers and third party data suppliers. These are also part of the legal and regulatory framework for credit reporting. Finally, service level agreements are signed with vendors supporting the system, developing the software and maintaining the hardware for each system.

The BoJ is the only overseer of the credit reporting system. The BoJ, in exercising its oversight function, has a dual approach based on: (i) conducting oversight activities, and; (ii) acting as a catalyst for the development of credit bureaus and commercial credit reporting companies. These approaches are not mutually exclusive, rather complement each other. Therefore, actions undertaken by the BoJ carefully balance these two approaches. No strategy policy document for credit reporting systems has been developed and no policy objectives to oversee credit reporting systems have been disclosed.

B. Legal and regulatory framework and consumer protection

The Credit Reporting Act was issued in 2010 with the objective of providing a legal framework for the operations of credit bureaus. The scope of the Act is limited to the

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38 BoJ regulations with respect to the Credit Reporting Act are subject to affirmative resolution by Parliament.
40 The current laws allow credit bureaus to charge a fee to the consumer for accessing reports more than once a year, but the amount of the fee is not mentioned in the laws or further notices. In addition, consumers have a deadline to submit a complaint to the supervisory authority from the time of the response from the credit bureau regarding the complaint. However, there are no deadlines for credit bureaus or CIPs to respond to consumers (please see section 16 of the Credit Reporting Act, 2010). Finally, complaints should be done in person creating additional burden to consumers.
41 For example, if new data providers with relevant and reliable data were to participate in any credit bureau, an additional Notice issued by the Minister would be required.
establishment and operation of credit bureaus, while there is no mention in the Act of the establishment and functioning of a credit registry or commercial credit reporting system.

144. The Act covers the main aspects of credit reporting including: (i) entry criteria to CRSPs and licensing regime; (ii) limits to data collection and further processing and distribution; (iii) types of data providers; (iv) rules regarding data disclosure; (v) provisions related to location to store data both in Jamaica and in other jurisdictions; (vi) data retention; (vii) consumers rights, and; (viii) offences. While the Act is comprehensive in terms of aspects covered related to credit bureaus, there are certain areas that require further attention. For example, the fact that credit information providers (CIPs) are listed in an exhaustive manner leads to the intervention of the Ministry of Finance to enable the participation of CIPs not listed in the law.

145. The Act is complemented by the Credit Reporting Regulations issued by the Minister of Finance and directions issued by BoJ, and other laws which have an impact on CRS and contractual arrangements between CRSPs and CIPs. Each credit bureau and CIPs sign bilateral agreements for data supply and data access. Further, data access agreements are also signed between service providers and third party data suppliers. Finally, service level agreements are signed with vendors supporting the system, developing the software and maintaining the hardware for each system. While there is no specific law on financial consumer protection and no data protection legislation, a Data Protection Bill is currently under discussion and will be adopted in the near future. A new law, the Banking Services Act, adopted in 2014 also replaced several financial sector laws. The current legal framework is prescriptive and often requires additional regulation to adjust to the nature of credit reporting activities in Jamaica. Other laws that impact the development of CRS include:

a. BoJ Act, which establishes the power of the BoJ to influence the volume and conditions to supply credit (see article 5). The BoJ also has the power to request any type of information from merchant banks and specified financial institutions.


c. Money Lender Act, 1996 as regards to CIPs.

d. The Cooperatives Societies Act, 1976 as regards to CIPs and the role of the DCFS.

e. Data Protection bill, which might impact the current data sharing framework for credit reporting.

146. Conflicting rules in the Credit Reporting Act call for the review of the consumer consent process. Section 8.6 of the Act establishes that data credit information is considered reliable if: a) it is accurate in all material aspects; b) it is presented in a fair and balanced manner, and; c) it does not include the personal information of any consumer unless the consumer consents to the inclusion in writing attached to the information. On the other hand,

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42 Please see The Credit Reporting Regulation Resolution 2010, published in January 14, 2011
under section 8.10 b) of the Act, there is a provision on the need to notify consumers about the sharing of consumer’s information with credit bureaus (notification). This situation shows the case for a conflict of rules between section 8.6.c and section 8.10.b impeding the correct implementation of the consumer consent. GP1 of the General Principles for Credit Reporting establishes that only reliable information should be included in a CIP. However, section 8.6.c defines reliable information as the one that includes the consent of the consumer when it relates to personal information. In practice, the clauses developed by the CIPs only relate to the “disclosure” of credit information from credit bureaus to the CIPs, while they include a “notification” clause for sharing data with credit bureaus. Section 8 allows CIPs to provide transactional information on loans and credits to credit bureaus provided that information is reliable, accurate, presented in a fair and balanced manner and consumer has consented to this disclosure.

147. **The international framework on privacy and data protection is clear regarding the need for notification and the need for consumer consent prior to data collection.** Moreover, in common law countries, unless the law clearly establishes that data will be collected by credit bureaus and consumers have no choice to oppose to such data collection, consumer consent is obtained to collect such data and share it with credit bureaus and CIPs. Providers collecting data from the consumers should request their consent to collect such data and further disclose it with credit bureaus. In the consent clauses all relevant information regarding further data disclosure and procedures to exercise consumers’ rights should be explained. On the contrary, notification is frequently used to inform consumers that certain data items have been included in a database, informing them also about the consumer’s rights, name of the credit reporting service provider and purposes for such data use.

148. **The legal and regulatory framework for credit reporting covers basic concepts of consumer protection including:** (i) conditions for data disclosure; (ii) permissible purposes; (iii) right of consumers to access their data; (iv) right of a free credit report per year, (v) right to challenge data, and; (vi) dispute resolution mechanism at the BoJ. In addition, there are several regulations that have been issued to further develop the Credit Reporting Act. In particular: regulations on licensing issued by the Minister of Finance in 2010, regulations on consumer protection as it relates to consumers’ credit reports and Notice given by the MoF enabling additional CIPs to participate in the CRS. In addition, MFIs are governed under the Money Lending Act (MLA) of 2004. The BoJ is currently reforming the legal framework for credit unions. This situation has an impact on the enforcement of rules established under the Credit Reporting Act to CIPs that are not regulated by BoJ.

149. **It is premature to assess the effectiveness of the new consumer protection framework for credit reporting.** Credit bureaus are currently fine-tuning consumer protection units and procedures, protocols with CIPs are being designed and the BoJ dispute resolution unit is now under development. The law allows consumers to request a copy of their credit reports and receive a response in not later than 14 days, however it is not clear if this process requires consumers to request such copy in person or if additional choices such as internet access or other method is available for consumers provided sufficient identification is proved.
Recommendations

150. **Authorities should take into consideration the development of adequate regulations, guidelines, and other regulatory instruments to ensure adequate implementation of the Credit Reporting Act.** In particular, guidelines on data quality requirements and consumer protection aspects would benefit the CRS as a whole.

151. **Authorities should closely monitor the data submission and data access procedures and current practices in both credit bureaus.** Although both credit bureaus report to being issuing credit reports and holding a large number of records in their databases (close to 300,000 records), large banks are not currently participating in the CRS and nor are many credit information providers. Also, credit reports requested to the credit bureaus and CIPs relate to data from samples and not to actual reports pulled at the time of the request. Authorities should carefully monitor the development of the credit bureaus while allowing them time to start their operations. The BoJ could conduct a post-operation on-site examination of both credit bureaus and CIPs that are currently participating with the goal of identifying potential gaps and activating corrective measures to the provision of credit information to the market.

152. **The development of a comprehensive consumer protection framework is necessary.** While the consumer protection framework is fully developed, there are some practices observed in the market (e.g. consumers requesting credit reports before applying for a loan) that require immediate attention. These practices can lead to unintended consequences such as: (i) consumers bearing the cost of the credit reports; (ii) existence of “free riders” that will use credit reports without providing their data to any credit bureau; (iii) credit market distortion. Since the essence of credit bureaus is the “reciprocity principle”, this practice would create unfair situations on some lenders. In addition, the adoption of a standardized consumer consent clause could also provide additional confidence to the CRS. In the short term authorities should:

a. Instruct credit bureaus to stop this practice and limit testing to a limited period of time subject to certain criteria (not using the credit reports for making credit decisions until they submit the data).

b. Instruct credit bureau to publish information regarding consumers’ rights in their website, including the dispute resolution mechanism.

c. Include an area in the site of the Central Bank regarding the consumers’ rights for the credit registry and a link to credit bureaus for consumers’ complaints.

d. Consider an awareness campaign on consumer protection issues related to credit reporting. Consumers should understand the benefits of building a good credit history and the implications of requesting several credit reports to be used for lending.

e. Enable on-line system for consumers to access their own reports provided sufficient authentication mechanisms are in place or other consumer friendly means;

f. Keep record of the consumers’ enquiries regarding the consumers’ own data;

g. Publish relevant information regarding this process in the BoJ website;

h. Include a standard consumer consent clause in the credit and loan applications from all CIPs.
153. **The consumer protection framework should be enhanced in coordination with the overall framework for consumer protection in financial services.** This framework should take into consideration that a level of coordination between CIPs, users and credit bureaus is required as well as the designated authority for dispute resolution. Figure 3 below depicts a consumer dispute resolution framework for credit reporting. Authorities should pay attention to existing consumer consent clauses and consider the establishment of a standard consent clause that would serve on both the collection of data and further disclosure of information.

**Figure 3: Example of a consumer dispute resolution framework**

C. **Credit reporting service providers**

154. **There is no credit registry in Jamaica.** The authorities are currently working on the development of a comprehensive financial reporting system, for prudential supervision purposes only, it is not clear whether this development will include a credit registry or not.

155. **There are three**\(^{43}\) **credit bureaus licensed in Jamaica.** Creditinfo is participated by Creditinfo (80 percent) and Coeslesc (20 percent) and has been operating since 2013. CRIF is participated by Illuminat Jamaica Limited – owned by Neal & Massey ITC Group Ltd. – (51 percent) and CRIF S.p.A. of Italy (49 percent), and also started operations in 2013. The third credit bureau, Credit Information Services, has not yet started operations as of December 2014. The two credit bureaus have implemented procedures and routines to ensure the security and integrity of their services and databases. Both bureaus perform daily backups and can ensure

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\(^{43}\) A third credit bureau “Credit Information Services Limited” was licensed during the elaboration of this technical note in August 2014, although by December 2014 was still not active.
business continuity with remote alternate processing sites located in Jamaica and outside Jamaica for both Creditinfo and CRIF. Both credit bureaus have partnered with local firms and are registered under the company law of Jamaica.

156. **The reports produced by the credit bureaus are focused on mostly on credit data, although they also collect some information from court judgments.** The credit bureaus do not collect information on bounced cheques, or data from collateral registries yet. Currently the only two services offered are credit reports and scoring. The cost of the credit report ranges between approximately US$7 and US$17 depending on the credit bureau and the volume of queries and number of pages of the report. Thanks to the sharing of positive and negative data, both credit bureaus can offer value added services on top of the credit reports. They offer generic credit scoring models and plan on offering additional services once they have sufficient data in the system both historic and comprehensive from all relevant CIPs.

157. **Credit reports analyzed contain sufficient and comprehensive credit information, although this is not necessarily relevant or easily available in Jamaica**\(^{44}\). While both credit reports contain different fields of information and data is presented differently in the reports, the common data items included in the reports are:

a) **identification of the consumer** (e.g. name, address, previous addresses, date of birth, TRN, telephone number, other identification documents and name of company in case of sole traders) which allow for merge and match methodology to effectively identify consumers. However, some of the data requested by the credit bureaus is not systematically collected by the CIPs (e.g. date of birth, name at birth).

b) **credit information**: (i) type of loan; (ii) role of consumer; (iii) number of installments; (iv) total amount of loan; (vi) amount of monthly installments; (vii) maturity date; (viii) date of last payment; (ix) outstanding amount; (x) currency; (xi) date of the contract.

c) **previous loan applications** that is captured by the credit bureau through the previous searches of issuing credit reports. This information is shown in the report as rejected or active based on the status of the loan (e.g. became active).

d) **historical data** back to 3 years (November 2011).

e) **analytics**.

One of the reports includes credit score while the other provides an affordability analysis. Both reports allow for the inclusion of information on collateral, employment data, and additional identification data. Data on one of the credit reports is presented in the currency of the loan while the other one is presented in USD. No information on income or name of the creditor is included in the credit reports analyzed.

158. **Information providers do not participate in the ownership structure or decision making body of either credit bureau.** This is important to avoid potential conflicts of interest

\(^{44}\) This analysis is based on “sample” credit reports obtained from each credit bureau. A more detailed analysis using data from a real credit report would show data inconsistencies, data inaccuracy, gaps in data submission and potential errors in data processing. This exercise needs also to be complemented with a similar exercise on the data format or data structure from each credit bureau.
or deceptive commercial practices that favor some users – those that have an interest in the bureau – against the rest of the information providers; particularly regarding the ability to access the credit bureau database. The experience in other countries has shown the important role authorities can play in preventing the occurrence of this situation.

159. **Main CIPs have signed agreements to submit data and access data with one or two of the licensed credit bureaus.** While the main focus of both credit bureaus is to secure key credit providers (largest banks) and they have designed different strategies to achieve this objective in the retail sector, information from merchants (i.e., Corts) is perceived as unique and very relevant for consumer lending. However, this information is not available to the market due to the lack of appetite from retailers to participate in the CRS.

160. **Several CIPS have reported that data quality requirements set forth in the Credit Reporting Act is an impediment to their immediate participation to the CRS.** The Act sets up specific data quality requirements and various CIPs have expressed their concerns in their ability to meet these requirements.

**Recommendations**

161. **A modern credit-based economy requires access to complete, accurate, and reliable information concerning borrowers’ payment history.** Credit reporting addresses a fundamental problem of credit markets: asymmetric information between borrowers and lenders that leads to adverse selection and moral hazard. The heart of a credit report is the record it provides of a consumer or firm’s payment history. Since one of the best predictors of future behavior is past behavior, data on how a potential borrower has met obligations in the past enable lenders to more accurately evaluate credit risk, erasing adverse selection problems.

162. **An effective credit information system can be integral to the operation of modern financial systems, improving the efficiency of financial institutions by reducing loan processing costs as well as the time required to process loan applications; it could also eliminate the need to make physical inspections.** Lenders may also use credit data to monitor their existing portfolios, identify potential problems, and develop and sell new products, thus contributing to their profitability to more accurate pricing and targeting.

163. **Credit information systems also make it possible to empirically assess, in the form of credit scoring tools, which factors are most predictive, permitting finely tuned credit decisions.** As a result, creditors can more intelligently assess consumer and business lending decisions, thus promoting the extension of credit and economic development in the countries in which they operate.

164. **The reputation of credit reporting firms is a crucial factor to gain trust and confidence from the consumers and creditors.** Key elements to consider in this regard are: quality of the information; extensive coverage (e.g., financial institutions, retail sector, public registries, utilities, positive and negative data) to present a complete picture of the person or firm’s debt situation; consumer protection and rights; clear circumscription of permissible uses
of information, and; permanent measures to safeguard information contained in the credit information system.

165. The degree of concentration of credit grantors and the quality of the infrastructure (i.e. public good) that is necessary for running a credit business are two key determinants of the degree and type of competition in the marketplace. In those cases in which concentration is high and infrastructure quality is low and participants’ access to this infrastructure is uneven and unfair, players will tend to compete more on the basis of the partial infrastructure each of them has deployed rather than through price and quality. Lastly but equally important, competition between credit reporting firms promotes and encourages many positive aspects, such as quantity and quality of information, services, products, price reduction, etc. Nevertheless, negative aspects can also arise if there no appropriate regulations are in place.

166. From this perspective, a well-functioning credit reporting system can help in providing a more level playing field for smaller banks and other credit providers by reducing the information advantage some institutions have over their existing clients and by giving quick, reliable, and affordable access to credit histories. Reliable information in these registries lowers costs and improves the efficiency of the system as a whole. Furthermore, when credit reporting systems include information from a wide variety of lenders (both commercial banks and other types of lenders such as leasing firms, finance companies, retailers) further competitive pressures are brought to bear as consumers can effectively seek finance from a variety of outlets and providers. The availability of bureau scores (credit scores based exclusively upon credit bureau data) can also provide another element of increased competition in financial service markets – if the scores have sufficient predictive power to enable small and less sophisticated lenders who would not otherwise have been able to develop such tools to use them as a key part of their credit evaluation procedures.

167. In order for these benefits to materialize, however, several other conditions must be fulfilled as well. These include fair access to credit reporting services, appropriate governance structure for the private credit reporting firm(s), appropriate regulation, and an oversight function that aims at improving the overall information infrastructure (i.e. not only the services provided by credit reporting firms) that facilitates credit decisions.

168. Although both credit bureaus are offering similar products and services to the market, efforts should be made to compete on services and product quality instead of competing on data between the two existing credit bureaus. The CRS in Jamaica is recent and credit bureaus are still collecting first time data from key relevant creditors. However there is a strong competition from both bureaus on obtaining key data on an exclusivity basis.

169. Authorities should adopt measures to encourage credit bureaus to compete in services and not in data and should review the current information sharing arrangements to ensure the absence of anti-competitive practices among certain creditors. Accessing credit information is considered a necessary tool to improve credit decision making. Authorities should devote efforts to establish a framework were all participants supply data
and access information under equitable terms. Credit bureau practices such as: (i) development of significantly different credit information data structures and (ii) potential adoption of exclusivity data supply agreements might lead to data fragmentation due to the level of effort required to the CIPs by each credit bureau. Although banks and financial institutions are not prohibited to participate in both credit bureaus in practice they are required a greater level of effort than expected to provide data to both. This fact couples with the existing competition between the two credit bureaus to gather data from CIPs presents serious risks to the development of an effective credit reporting system in the country.

D. Other public databases

170. **There are certain Government agencies that hold relevant information for CRS purposes.** In particular, the CoJ holds information regarding: (i) the name of companies; (ii) sector of activity; (iii) status and legal establishment; (iv) main shareholders, and; (v) years of activity. The future collateral registry at the CoJ can provide relevant information on the type of collateral, value of the collateral, and date of notice as well as number of searches that could be offered to the CIPs through the credit bureaus in an efficient manner. This information is electronically available and there is no legal impediment to access this information by CRSPs.

171. Other databases include information on the payment behavior of consumers regarding utilities services. Information from the Jamaica Public Service on payment pattern of their 600,000 consumers including amount and date of payment on a monthly basis, in addition to identification information, is a relevant source of data to credit bureaus. The National Water Commission also holds information on 450,000 consumers which, with some additional data cleaning to their databases, could be very useful to lenders. The tax authorities hold information on the tax registration number that serves to validate the TRNs provided to the credit bureaus by the CIPs. As of August 2014, the Jamaica Public Service, the National Water Commission, and persons licensed by the Telecommunications Act, were designated to be credit information providers.

172. Finally, information from telecommunication service providers on their payment behavior can also benefit the completeness of the credit history of consumers—provided that the data is accurate. Telecommunication companies, particularly those that provide mobile phone services, cover a large percentage of the population. The payment history collected through the billing records of those consumers under post-paid services are also potential sources of data to the credit bureaus. In Jamaica, no telecommunication company is currently providing data to any of the two existing credit bureaus. Reasons for this include: (i) the Credit Reporting Act does not specifically include telecommunication companies as CIPs; (ii) telecommunications service providers have no sufficient incentives to participate in a CRS; (iii) most of the service is provided under pre-paid model. Frequently these service providers hold very accurate data on identification of individuals enabling debt collection.

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45 The inclusion of telecommunication service providers is currently under the consideration of the MoF.
173. Credit bureaus are currently seeking additional sources of data from CIPS and Government agencies. While at this stage of development the main focus is the gathering of credit information from CIPS, credit bureaus are also seeking ways to incorporate information from Government agencies which is not always available, easily accessible or cost efficient.

Recommendations

174. Although the Jamaica Public Service, the National Water Commission, and persons licensed by the Telecommunications Act, have been designated to be credit information providers, the information might require additional data cleaning and updates. Sources could be put into these institutions to ensure adequate levels of data accuracy before the data is included in any credit bureau. In addition, the Council could take on board the evaluation of the necessary measures from legal or regulatory challenges to data collection or data automation processes.

175. The recently established collateral registry can also serve as an additional source of data to the credit bureaus. Authorities should use this instrument to monitor trends in terms of type of collateral used for secured lending. While this information is not currently being exploited by the Companies Office Registrar, this is available in the system and could be further used by the authorities. This information is of particular interest for banks and other lenders to evaluate the creditworthiness of SMEs.

176. Credit Bureaus should seek reliable and cost efficient methods to access information from the Company Office of Jamaica regarding SMEs.

E. Oversight and cooperation

177. The BoJ is the overseer of the CRS in Jamaica. The Credit Reporting Act recognizes the role of the BoJ as the supervisory authority to CRS. Despite the efforts undertaken by the BoJ to support the establishment and development of credit bureaus, there is no strategic vision on CRS in Jamaica. This role might require additional resources to fulfill their responsibilities. The BoJ currently conducts this role through the supervision unit. However, there are plans to develop a dedicated unit for CRS. In this context additional training on CRS aspects would be welcomed.

178. The BoJ is currently enhancing the oversight framework and the instruments and tools to exercise their authority. The BoJ takes a dual approach to CRS: (i) it supports the development of credit bureaus, and (ii) it oversees the safe, reliable and efficient CRS.

179. There are different public sector authorities that have some sort of legal power or interest over the CRS. However, there is no collaborative and formal agreement among the authorities; each of the authorities works in an isolated fashion focusing on their own jurisdiction. The Ministry of Finance is charged with the issuing of licenses to CRSPs, the BoJ is designed as the supervisory authority, the Fair Trading Commission looks at aspects related to competition, the Ministry of Industry, Investment and Commerce (Department of
Cooperatives), the Financial Services Commission and the Consumer Affairs Commission have responsibility over general consumer protection aspects.

**Recommendations**

180. **There is no strategic vision for the CRS as a whole, enabling coordination with all stakeholders, which is an important step to continue the development of the credit reporting system.** The strategic vision must identify an accepted set of longer term objectives and a credible action plan to achieve them. It also has to take into consideration three important pillars: i) the full implementation of the supervision of the credit bureaus; ii) the oversight of the CRS, and; iii) cooperation among all participants.

181. **The implementation of an oversight function sharpening the policy objectives and publicly disclosing such objectives could enhance the current role of the BoJ in supporting the development of the CRS.** With regard to policy objectives, the mission suggests that the BoJ broaden the scope beyond traditional main objectives like efficiency and reliability of credit reporting systems to a wider set of issues, including ensuring an adequate balance between competition and cooperation in the credit reporting market. To achieve this goal, the oversight function should consider aspects related to consumers’ rights compliance, financial stability, security measures, data quality, anti-competitive practices, fair conditions to participants, efficiency of systems, use of data, entry and exit criteria, management of risk, governance and ownership, and access to public databases. Instruments of oversight range from moral suasion to on-site inspections, from regulation to cooperation, from sanctions to the direct provision of credit reporting services.

182. **In implementing its policy objectives, the BoJ should apply consistent policy requirements and standards in order to avoid competitive distortions between comparable systems in the country.** Credit bureaus play a relevant role in the stability and efficiency of the financial sector and in the economy as a whole and therefore their role should be taken into consideration in a Policy Document.

183. **Authorities should consider the creation of a “Credit Information Task Force/Council” to identify the needs of credit information and establish goals.** This Task Force/Council will benefit from the participation of relevant stakeholders in the credit market representing both public and private sector and integrating the views of consumers, creditors, regulators and credit information providers. The BoJ, as the primary overseer of the credit reporting system and respected authority in Jamaica, could act as the coordinator of those actions and a dialogue facilitator.
Box 1 Credit Reporting Systems Task Force – Terms of Reference

Objectives
The Credit Reporting Systems Task Force aims to support the achievement of sound and efficient credit reporting systems in Trinidad and Tobago. It can also serve as a forum for cooperation with other neighboring countries facilitating cross-border systems.

Main Tasks
♦ The Task Force works to facilitate the necessary cooperation between all market participants and regulators in the credit reporting area.
♦ The Task Force promotes common initiatives towards the implementation of the credit reporting system infrastructure. These initiatives should not impede, and should in fact foster, healthy competition among market participants.
♦ The Task Force plays a key role in preparing strategic documents for the overall credit reporting system in the country.
♦ The Task Force plays a key role in monitoring the implementation of credit reporting system reforms.
♦ The Task Force plays a key role in facilitating the sharing of information on economic and business requirements.
♦ The Task Force helps to identify the impact of different options on participants business and daily operations and on end-user interests.
♦ The Task Force plays a key role in endorsing the priority and the schedule of individual projects to be launched, financed and implemented.
♦ The Task Force promotes standardization of procedures and systems.
♦ The Task Force is responsible for promoting knowledge and education of credit reporting system issues in the country. To this end, the Task Force uses any means it might find appropriate (workshops, seminars, web pages, newsletter, etc.).
♦ The Task Force seeks to promote cooperation among all institutions active in credit reporting system within the region and at the international level.

Methodology
♦ The Task Force prepares ad hoc reports on credit reporting issues. The reports would not have prescriptive nature. However, they would serve as a reference for the ongoing reforms in the country.
♦ The Task Force establishes ad hoc working groups on credit reporting systems matters. Working groups may or may not be composed of the totality of the institutions represented in the Task Force.
♦ The Task Force reports on its activities to the Top Management of the constituting institutions on an annual basis.

Representation and Organizational Structure
♦ The Task Force gives representation to all the stakeholders of credit reporting systems. These include: the Central Bank (BoJ), the Ministry of Finance, The Financial Services Commission (FSC), the Fair Trading Commission (FTC) other agencies responsible for relevant public registries (CoJ, Ministry of Justice), the Telecommunications Authority, The Office of Utilities, the credit bureaus, the Bankers Association, the Credit Union League, the Micro-finance Association, and other relevant CIPs.
♦ The BoJ serves as the secretariat of the Task Force.
♦ Appointed representatives of the stakeholders are senior managers with an involvement in credit reporting system matters. They report directly to the top management of their respective institutions.
♦ The Task Force is comprised of an appropriate number of experts. The composition of the Task Force should be consistent with the objective of having effective discussion in the meetings.
♦ The Task Force has an internal governance structure with a chairperson and deputy(s), an executive body, formal rules to determine the terms and conditions for the appointment of the executive positions, and formal rules to govern the activity of the executive body.
♦ In the early stage of its life, the Task Force might seek, if necessary, assistance from other national and international entities highly experienced in managing credit reporting system.
184. The BoJ should establish additional measures to ensure that banks and other financial institutions are effectively providing the entire credit and loan portfolio to the credit bureaus on a systematic basis. Cross-checking existing information on each bank with the information provided to the credit bureau could be an option for the consideration of the BoJ. Even balancing the need to develop a credit reporting system at the earliest, an on-site examination process with the objective of understanding the current data included in the system, errors, credit reports provided, costs and benefits, security measures and other operational risks could allow authorities to adopt the necessary measures to address identified market failures.
ANNEX 1: WORLD BANK GENERAL PRINCIPLES FOR CREDIT REPORTING

The General Principles

The General Principles aim at the following public policy objectives for credit reporting systems: Credit reporting systems should effectively support the sound and fair extension of credit in an economy as the foundation for robust and competitive credit markets. To this end, credit reporting systems should be safe and efficient, and fully supportive of data subject and consumer rights.

Data
General Principle 1: Credit reporting systems should have relevant, accurate, timely and sufficient data—including positive—collected on a systematic basis from all reliable, appropriate and available sources, and should retain this information for a sufficient amount of time.

Data Processing: Security and Efficiency
General Principle 2: Credit reporting systems should have rigorous standards of security and reliability, and be efficient.

Roles of Key Players

Role A: Data providers should report accurate, timely and complete data to credit reporting service providers, on an equitable basis.

Role B: Other data sources, in particular public records agencies, should facilitate access to their databases to credit reporting service providers.

Role C: Credit reporting service providers should ensure that data processing is secure and provide high quality and efficient services. All users having either a

Legal and Regulatory Environment
General Principle 4: The overall legal and regulatory framework for credit reporting should be clear, predictable, non-discriminatory, proportionate and supportive of data subject and consumer rights. The legal and regulatory framework should include effective judicial or extrajudicial dispute resolution mechanisms.

Governance and Risk Management
General Principle 3: The governance arrangements of credit reporting service providers and data providers should ensure accountability, transparency and effectiveness in managing the risks associated with the business and fair access to the information by users.

Cross-Border Data Flows
General Principle 5: Cross-border credit data transfers should be facilitated, where appropriate, provided that adequate requirements are in place.

Role D: Users should make proper use of the information available from credit reporting service providers.

Role E: Data subjects should provide truthful and accurate information to data providers and other data sources.

Role F: Authorities should promote a credit reporting system that is efficient and effective in satisfying the needs of the various participants, and supportive of data subject/consumer rights and of the
lending function or a supervisory role
should be able to access these services
under equitable conditions.

Recommendations for Effective Oversight

Recommendation A: Credit reporting systems should be subject to appropriate and effective regulation and oversight by a central bank, a financial supervisor, or other relevant authorities. It is important that one or more authorities exercise the function as primary overseer.

Recommendation B: Central banks, financial supervisors, and other relevant authorities should have the powers and resources to carry out effectively their responsibilities in regulating and overseeing credit reporting systems.

Recommendation C: Central banks, financial supervisors, and other relevant authorities should clearly define and disclose their regulatory and oversight objectives, roles and major regulations and policies with respect to credit reporting systems.

Recommendation D: Central banks, financial supervisors, and other relevant authorities should adopt, where relevant, the General Principles for credit reporting systems and related roles, and apply them consistently.

Recommendation E: Central banks, financial supervisors, and other relevant authorities, both domestic and international, should cooperate with each other, as appropriate, in promoting the safety and efficiency of credit reporting systems.