

The current Retail Repo market in Jamaica is undergoing significant changes aimed at offering better protection to investors. The reform is expected to implement additional safeguards which will serve to improve the safety of these investments. All Retail Repurchase (Retail Repo) Agreements in Jamaica must be transferred to a trust arrangement by August 31, 2015 in keeping with the commitment made by the Government of Jamaica with the International Monetary Fund. This reform will involve securities dealers transferring the legal ownership of the underlying securities for all Retail Repos to a trustee approved by the Financial Services Commission (FSC) by that deadline. The trustee approved by the FSC is JCSD Trustee Services Limited.

## **What is required of YOU as a current Retail Repo investor by the August 31, 2015 deadline?**

**“You must carefully read and sign the Master Retail Repurchase Agreement and then return it to your licensed securities dealer.”**



frequently  
asked  
QUESTIONS

### **What is a Retail Repo Agreement?**

A Retail Repurchase Agreement, commonly referred to as a Retail Repo, is a repurchase agreement between a securities dealer and an investor, whereby the dealer does not completely and outrightly transfer legal ownership of the underlying securities to the investor.

A Retail Repo is different from the standard Repurchase Agreement (Repo), because with a Repo, the securities dealer completely and outrightly transfers the legal ownership of the underlying security to the

investor on a specific date, with a commitment to buy back the security at an agreed future date and price. Retail Repos must only be sold by financial institutions that are licensed as securities dealers by the **Financial Services Commission (FSC)**.

Note that this reform to implement a trust arrangement by August 31, 2015 **ONLY** applies to Retail Repos.

### **What major changes have been implemented during the reform process?**

- 1) New Securities (Retail Repurchase Agreements) Regulations were enacted effective December 31, 2014.
- 2) After the August 31, 2015, all Retail Repos in Jamaica will operate under a trust arrangement involving a third party, referred to as a trustee. The trustee will hold the securities in custody for the benefit of Retail Repo investors; therefore, the securities will be separated from the assets of the dealers during the term of the Retail Repo Agreement, so that they are easily identified as belonging to the investors.
- 3) Under the new trust arrangement, the two options for funding Retail Repos are the Jamaican dollar and the United States dollar.
- 4) A new minimum transaction size for Retail Repos was introduced in October 2014. The current minimum of J\$500,000 and US\$5,000 will be increased on a phased basis, and is scheduled to be increased to J\$1,000,000 and US\$10,000 effective December 31, 2015.
- 5) The documentation supporting Retail Repo products has been enhanced to provide more disclosure to investors.

### **What types of securities can a dealer use to back my investments in Retail Repos?**

The securities may include Government of Jamaica securities, Bank of Jamaica CDs, securities issued by the US, UK or Canadian sovereigns and any other security as specified by the FSC.

### **When will the transition to the trust arrangement take place?**

The transition to the trust arrangement is scheduled to commence in July 2015 and must be completed by the August 31, 2015.

### **What are the main benefits of the new Retail Repo Framework?**

- 1) Enhanced investor protection - The involvement of a trustee offers greater protection for the securities underlying Retail Repos. If, for example, a securities dealer becomes insolvent, the securities underlying Retail Repo contracts offered by that dealer would not be considered a part of the dealer's holdings, but would instead be recognized as being held by a trustee for the benefit of that dealer's Retail Repo investors.
- 2) More disclosure arising from the new Retail Repo documentation. Accordingly, detailed information will be provided to investors by way of receipts, transaction confirmations and disclosure statements. This additional information will enhance investors' knowledge, thereby allowing them to make informed decisions regarding their investment.
- 3) Access to account balances online - Investors will be able to view and monitor their account balances online using the service provided by the Trustee.

### **What is your role and responsibility as a Retail Repo investor?**

As a Retail Repo investor, you should ensure that you:

- 1) Only conduct Retail Repo transactions with licensed securities dealers.
- 2) Review and monitor the receipts, transaction confirmations and disclosure statements received from the dealer to ensure that they reflect the terms agreed.
- 3) View and monitor your account balances online using the service provided by the Trustee.
- 4) Ask questions of the dealer's representative to get a clear understanding of the specific Retail Repo product that you are investing in, and get the relevant documentation.
- 5) Do not treat your investment in a Retail Repo Agreement as a bank deposit, since such actions would constitute a breach of the terms in your Agreement.
- 6) **Carefully read and sign the Master Retail Repurchase Agreement and then return it to your licensed securities dealer.**
- 7) Pay keen attention to any advisory which the FSC may issue, especially in relation to Retail Repo products. These advisories are posted on the FSC's website: [www.fscjamaica.org](http://www.fscjamaica.org)