

# invested

Information for investors in Securities, Pensions and Insurance

October 2020

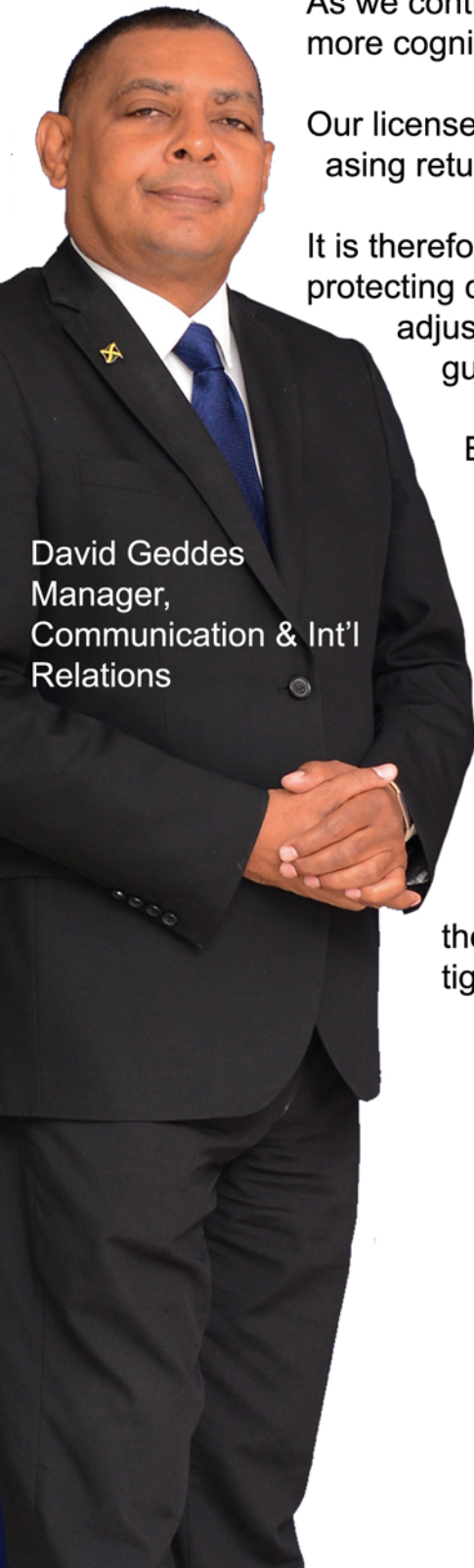
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Manager of Communications and International Relations, David Geddes (left) hands a token of appreciation to Ms. Jamaica Festival Queen Dainalyn Swaby (right) at the 2017 World Investor Week Youth Forum

Promoting Integrity in the Jamaican Financial Sector.



David Geddes  
Manager,  
Communication & Int'l  
Relations

As we continue to mend our way through Covid 19, as regulators we must be even more cognizant of our role and how history will view our actions or inactions.

Our licensees as have most stakeholders in the economy been battered by decreasing returns and profits.

It is therefore impatient of debate that as regulators we have to fulfill our mandate of protecting consumers of financial services, albeit the mode of operations may be adjusted. Now more than ever our hand must be steady on the wheel and our guidance impeccable.

But also at a time when private sector companies in the Securities, Insurance and Pensions sectors are laying off staff, cutting salaries and benefits and implementing other cost cutting measures it is imperative that regulators examine their respective budgets and ensure that "lavish" is not an adjective that comes to mind when they are scrutinized.

We would hope that as prudent stewards, financial regulators have at the heart of our operations a commitment to protecting consumers of financial services and promoting integrity in the sector therefore we may not cut the staff complement or reduce already depressed salaries but certainly we will signal to our stakeholders-licensees, the Government and consumers et al that we recognise what Covid 19 has wreaked on the economy and have cut non-essential expenditure and essentially further tightened our belts.



# Private Pension Industry Quarterly Statistics

June 2020



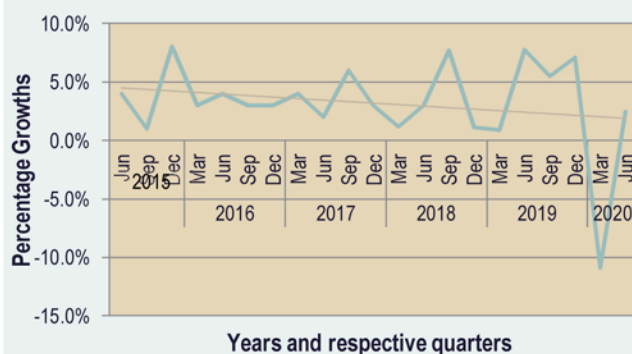
## INSIDE THIS REPORT

1. Private Pension Industry Overview
2. Investment Mix
3. Operating Statistics
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Table 1: Key Statistics

	June 2020	March 2020	December 2019
<b>Number of Plans<sup>1</sup></b>	811	809	809
<b>Asset Values (\$' Millions)</b>	639,802	624,600	700,730
<b>Total Membership</b>	134,733	134,034	127,347

Figure 1.0 Growth Trend of Total Industry Assets



## Private Pension Industry Overview

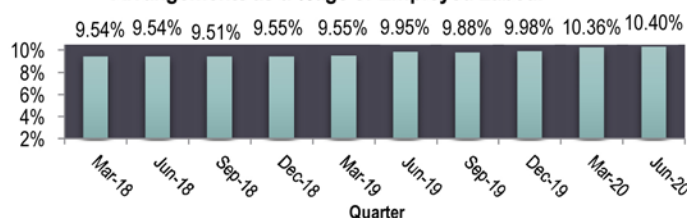
The Jamaican private pension industry exhibited resilience amid the lingering negative impact of the Covid-19 pandemic and provided a positive outturn for the June 2020 quarter. Over the period, the industry increased by 2.4%, marking a rebound from the 11% decline experienced during the March 2020 quarter. By June 30, 2020, the total value of assets in the industry stood at \$639.8 billion. This asset growth returned the average quarterly growth of the industry to 3%. (See: Table 1 & Figure 1.0; details of the five-year (20 quarters) review of the average growth of the private pension sector). It is noteworthy that this growth was not enough to return the industry to the pre-Covid-19 levels as asset values continue to fluctuate given the current uncertainties.

With the introduction of two new pension plans, the industry now consists of a total of 811 pension plans. Membership levels marginally increased over the quarter as well; continuing on an upward trajectory. Both the Jamaican employed labour force<sup>2</sup> and the private pension industry membership continue to depict steady growth quarter over quarter. At the end of June 2020, pension coverage continues to hover around 10%, as there was a marginal increase in the number of individuals participating in private pension arrangements in Jamaica. Figure 1.1 below details this coverage as follows:

- 10.62% in terms of all plans
- 10.40% in terms of active plans

(See: Figures 1.1 & 2)

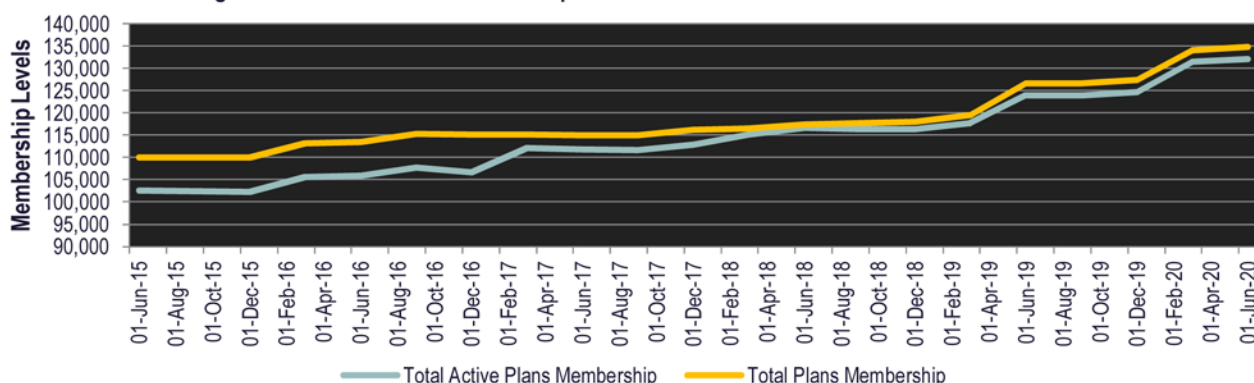
Figure 1.1: Active Membership in Private Pension Arrangements as a %age of Employed Labour



<sup>1</sup> This number includes pension plans which are active, terminating and those that are inactive.

<sup>2</sup> The Jamaican employed labour force as at January 31, 2020 was 1,269,100 according to the Planning Institute of Jamaica (pioj.gov.jm). No labour market update was available for as at April 30, 2020.

Figure 2: Growth Trends: Membership Levels of Active Pension Plans vs All Pension Plans



## Investment Mix

### Private Pensions Investments

In the second quarter of 2020, the industry saw the rebound of certain asset classes such as Pooled Investment Arrangements ("PIA"), which, partially due to the negative economic impact of Covid-19, deteriorated over the March 2020 quarter. PIA assets grew by 3.7% in the June 2020 quarter and are currently at \$239.4 billion. This asset class remains the largest within the aggregate portfolio at 37%.

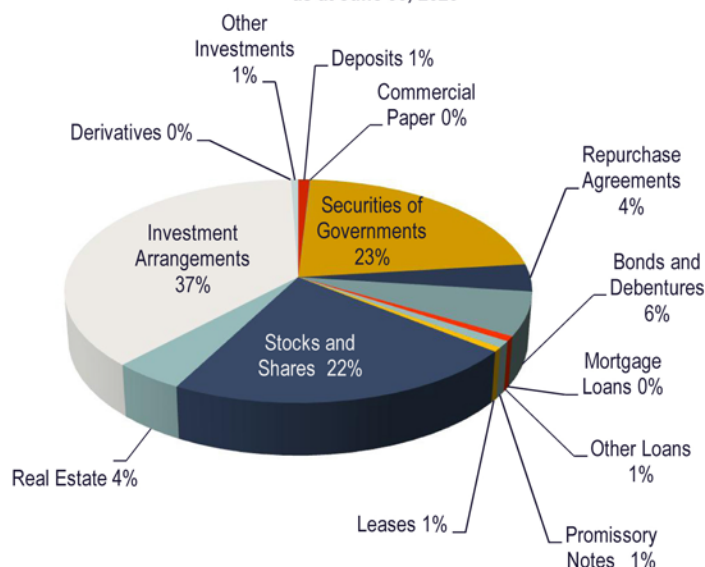
The second-largest portion of pension assets (23%), Government of Jamaica ("GOJ") securities, experienced a significant quarterly increase of approximately 9%. These assets currently stand at approximately \$142 billion. An uptick in less risky sovereign debt is not uncommon in instances of economic recession such as the current financial atmosphere being imposed by the pandemic. Additionally, similar growth in asset classes such as Leases – 6.9% return and Repurchase Agreements ("Repos") – 3% return, were also observed over the quarter. Collectively, these assets represented approximately \$30 billion of total private pension invested assets as at June 2020.

Direct holdings of listed equities continued to decline over the June 2020 quarter, as equity prices further declined while firms retreated from the market. As at June 2020, stocks and shares encompassed the third-largest portion (21%) of total private pension invested assets or \$140 billion. Likewise, direct investments in non-governmental fixed-income investments, such as bonds and debentures, mortgage loans and promissory notes, all suffered marginal declines in values over the quarter.

Investments in real property recorded a minute increase in value within the aggregate portfolio and stood at \$27.9 billion. Growth in this asset class has been relatively stable over the past three quarters and perhaps may remain the same for the medium term. Larger institutional investors such as pension funds may be faced with the decision to accept reduced rental income from tenants adversely affected by Covid-19.

(See: Chart 1 & Table 2)

Chart 1: Allocation of Total Private Pension Assets as at June 30, 2020





# Pensions Division Report

**Table 2: Aggregate Investment Mix**

Types of Investment	Amount Invested \$' Millions	% of Total Investments	Amount Invested \$' Millions	% of Total Investments	Amount Invested \$' Millions	% of Total Investments
	Jun-20		Mar-20		Dec-19	
Deposits	5,728.31	0.89%	6,246.72	1.00%	6,069.75	0.86%
Commercial Paper	337.44	0.05%	333.35	0.05%	437.53	0.06%
Securities of Governments	141,900.99	22.15%	130,762.00	20.91%	143,807.94	20.48%
Repurchase Agreements	25,384.19	3.96%	24,604.19	3.93%	19,445.09	2.77%
Bonds and Debentures	40,665.51	6.35%	40,941.16	6.55%	38,809.98	5.53%
Mortgage	44.47	0.01%	47.67	0.01%	32.63	0.00%
Other Loans	4,631.70	0.72%	4,839.91	0.77%	4,233.75	0.60%
Promissory Notes	6,304.65	0.98%	6,430.31	1.03%	9,857.88	1.40%
Leases	3,883.84	0.61%	3,630.37	0.58%	5,182.18	0.74%
Stocks and Shares	140,907.80	21.99%	145,058.77	23.20%	180,819.45	25.75%
Real Estate	27,900.23	4.35%	27,722.36	4.43%	25,672.87	3.66%
Investment Arrangements	239,401.51	37.37%	230,740.59	36.90%	263,484.47	37.52%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	3,618.71	0.56%	4,001.98	0.64%	4,314.22	0.61%
Total Investments	640,709.34	100.00%	625,359.37	100.00%	702,167.15	100.00%
Other Net Assets	-907.79		-806.06		-1,436.87	
Total Assets	639,801.54		624,553.32		700,730.28	

The March 2020 quarter has been restated

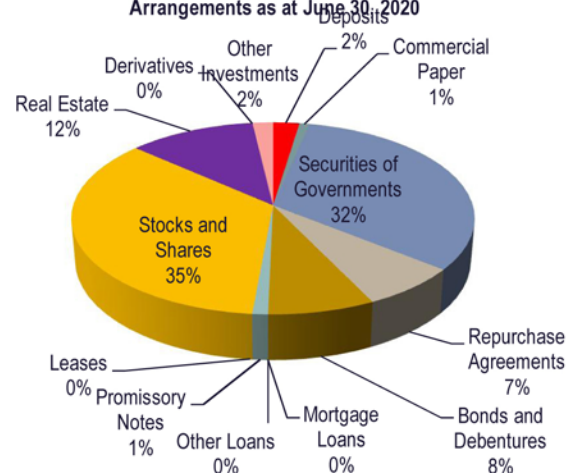
## Pooled Investment Arrangements ("PIA")

The PIA portfolio rebounded from March 2020 quarter by reporting an increase of 3.7% in total assets held. This increase was mainly due to increases in the value of GOJ Securities (10%), Deposits (8%), and promissory notes (5%) held by pension plans.

Within the PIA portfolio, GOJ securities account for the second-largest portion (32%) of assets at just over \$75 billion. Equities account for the largest portion of the PIA portfolio (35%). Over the June 2020 quarter, indirect equity investments experienced low growth, unlike the direct equity investments within the aggregate portfolio. As at the end of the quarter, total stocks and shares held within the PIA portfolio stood at \$80.6 billion.

Indirect investments in real estate assets marginally declined during the quarter. These assets currently account for 12% of total PIA assets or \$26.9 billion. (See: Chart 2 & Table 3).

**Chart 2: Allocation of Pension Assets in Investment Arrangements as at June 30, 2020**



**Table 3: Pooled Investment Arrangements Portfolio Mix**

Types of Investment	Amount Invested (\$' Millions)	% of Total Investments	Amount Invested (\$' Millions)	% of Total Investments	Amount Invested (\$' Millions)	% of Total Investments
	Jun-20		Mar-20		Dec-19	
Deposits	5,574.80	2.41%	5,145.93	2.30%	3,844.36	1.50%
Commercial Paper	2,121.29	0.92%	2,242.82	1.00%	2,250.25	0.88%
Securities of Governments	75,163.74	32.43%	68,264.56	30.54%	82,204.28	32.16%
Repurchase Agreements	16,337.71	7.05%	16,544.39	7.40%	11,561.05	4.52%
Bonds and Debentures	17,477.22	7.54%	17,080.30	7.64%	15,633.04	6.12%
Mortgage	0.07	0.00%	0.07	0.00%	0.07	0.00%
Other Loans	0.00	0.00%	0.26	0.00%	0.26	0.00%
Promissory Notes	2,550.34	1.10%	2,430.47	1.09%	2,435.70	0.95%
Leases	648.82	0.28%	644.51	0.29%	715.70	0.28%
Stocks and Shares	80,650.88	34.80%	80,108.58	35.84%	104,864.93	41.02%
Real Estate	26,916.72	11.61%	27,381.16	12.25%	28,271.12	11.06%
Derivatives	0.00	0.00%	0.00	0.00%	0.00	0.00%
Other Investments	4,336.45	1.87%	3,645.44	1.63%	3,858.36	1.51%
Total Pooled Investments	231,778.03	100.00%	223,488.50	100.00%	255,639.13	100.00%
Other Net Assets	1,452.11		1,211.47		1,163.64	
Deposit Administration	6,171.37		6,040.62		6,681.71	
Total Assets	239,401.51		230,740.59		263,484.47	

The March 2020 quarter has been restated

## Operating Statistics

### Active Pension Plans

The June 2020 quarter saw the registration of two new pension plans, however, three plans also initiated winding-up proceedings. Currently, there are 376 active pension plans - 46% of the total private pension industry. Nevertheless, the industry still experienced a quarter over quarter growth in membership. (See: Table 4).

During the quarter active plans showed signs of recovery from significant losses experienced in the March quarter, as total net assets for active pension plans increased marginally to close out the quarter at \$628.7 billion.

Over the quarter, the total asset value of defined benefit ("DB") pension plans experienced a minor decline. However, defined contribution ("DC") pension plans experienced a 7% increase in total pension assets. Notwithstanding, DB pension plans still account for the larger portion of total private pension assets at 60% or \$377.8 billion and DC plans accounted for the remaining 40% of assets or 250.9 billion. (See: Table 5)

### Active Plans by Type

As at June 30, 2020, the industry consists of just over 132,000 active members. During the review period, there was a marginal decline in the active membership of retirement schemes ("RS"). Conversely, superannuation funds ("SF") experienced a marginal increase in membership. Currently, 49% of the total number of participating members is enrolled in RS and 51% are participating in SF.

Currently, there are 363 SF or 97% of the total number of active plans. There are still 13 RS that represent the remaining 3%. The total net assets of RS increased significantly by 11% and stood at approximately \$52 billion, exceeding the pre-Covid 19 values. SF grew marginally to close out the quarter at just over \$577 billion as this segment is taking a little longer to recover from the effects of the macroeconomic decline. (See: illustrations in Table 5 - Parts A & B, Charts 3 - 4).

**Table 4: Active Pension Plans by Type**

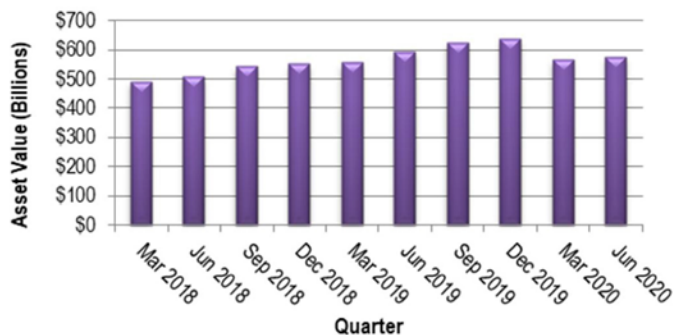
	Jun 2020	Mar 2020	Dec 2019
<b>Number of Plans</b>			
Defined Benefit	88	90	92
Defined Contribution	288	287	287
<b>Total Active Plans</b>	<b>376</b>	<b>377</b>	<b>379</b>
<b>Membership</b>			
Defined Benefit	20,029	20,140	20,487
Defined Contribution	111,974	111,368	104,144
<b>Total Membership</b>	<b>132,003</b>	<b>131,508</b>	<b>124,631</b>
<b>Assets Values</b>			
Defined Benefit (\$' Millions)	377,829	380,617	419,349
Defined Contribution (\$' Millions)	250,892	234,968	271,223
<b>Total Asset Values (\$' Millions)</b>	<b>628,721</b>	<b>615,585</b>	<b>690,572</b>

**Table 5: Active Plans by Type as at June 30, 2020**

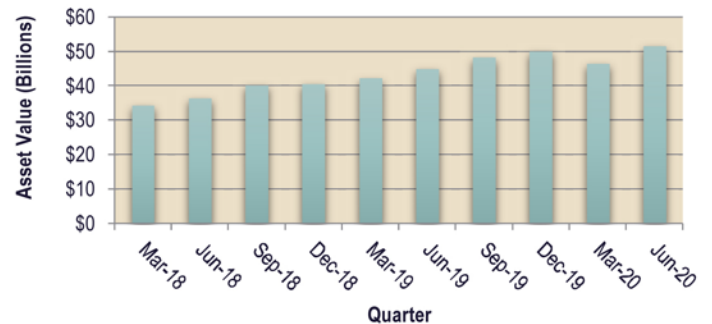
<b>Part A</b>				
	Number of Active Plans	Percentage of Plans	Number of Members	Percentage of Membership
<b>Retirement Schemes</b>	13	3.46%	65,300	49.47%
<b>Superannuation Funds</b>	363	96.54%	66,703	50.53%
<b>TOTAL</b>	<b>376</b>	<b>100.00%</b>	<b>132,003</b>	<b>100.00%</b>
<b>Part B</b>				
	Asset Value as at June 30, 2020 (\$' Millions)		Percentage of Asset Value	
<b>Retirement Schemes</b>	51,574		8.20%	
<b>Superannuation Funds</b>	577,147		91.80%	
<b>TOTAL</b>	<b>628,721</b>		<b>100.00%</b>	



**Chart 3: Asset Values for Active Superannuation Funds**



**Chart 4: Asset Values for Active Retirement Schemes**

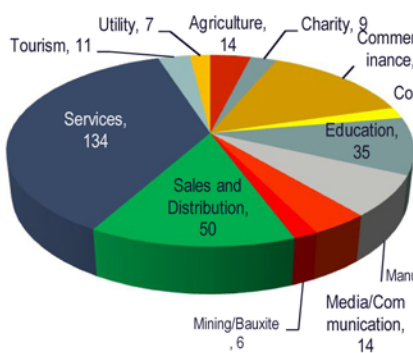


## Active Superannuation Funds by Industry

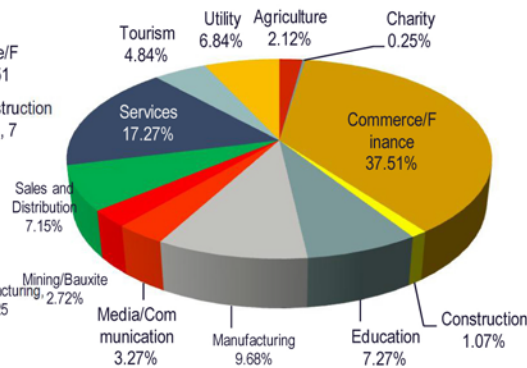
For the June 2020 quarter, the Planning Institute of Jamaica ("PIOJ")<sup>3</sup> reported that the Services industry contracted by approximately 21%. The PIOJ stated that this sector was one of the sectors most significantly impacted by Covid-19. Nevertheless, total pensions assets as at the end of the quarter in the Services sector stood at \$99.6 billion; a marginal increase when compared to the \$98.2 billion reported in March 2020, while the Commerce and Finance sector accounted for \$216.5 billion; a likewise marginal growth when compared to the previous quarter's \$214.3 billion. A marginal reduction in the membership levels of active plans within the Services industry was observed over the quarter. Approximately 10% of the Jamaican employed population includes individuals working within this sector. Currently, there are just over 23,800 pension plan members in the Services sector; the largest number of active private SF participants within the Jamaican private pensions industry - 36%. (See: Charts 5 - 7).

The PIOJ also reported a minute contraction of the Commerce and Finance sector. However, this segment of the private pension industry experienced a marginal increase in total membership. The Commerce and Finance sector accounts for the second-largest number of pension plan participants with just over 11,800 members - 18%.

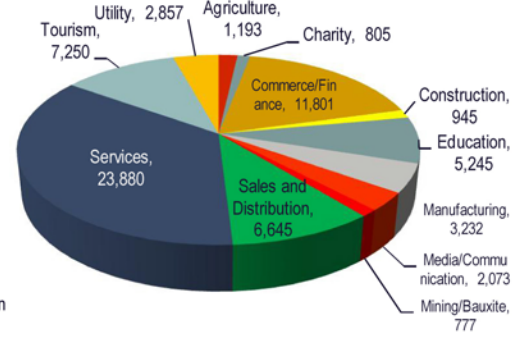
**Chart 5: Number of Active Funds by Industry**



**Chart 6: Asset Values by Industry**



**Chart 7: Number of Active Membership by Industry**



## Solvency of Active Pension Plans

Solvency risk must be managed by trustees and their agents. Of the 363 private pension plans that submitted actuarial valuation reports, 95% or 347 plans were solvent. (See: Table 6)

In cases of DB plans, the obligation to fund any shortfall lies with the sponsors who will have to explore measures to maintain coverage of liabilities or increase pension reserves that can pose a risk to the sponsoring company remaining as a going concern. Trustees are guided to be vigilant in understanding the risks being faced by the sponsors and their ability to continue to fund pension liabilities.

<sup>3</sup> The Planning Institute of Jamaica's Review of Economic Performance April – June 2020 - [www.pioj.gov.jm](http://www.pioj.gov.jm)

# Pensions Division Report

Figure 3 illustrates the trend in the solvency levels of pension plans between 2015 and 2020

**Table 6: Solvency Levels of Active Plans as at June 30, 2020**

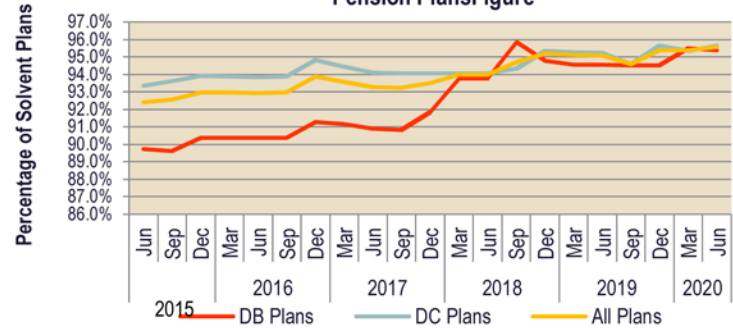
	#.of. plans	Solvency Level				% of plans which are solvent
		Less than 100%	Between 100% & 120%	Between 120% & 150%	Greater than 150%	
DB	87	4	20	24	39	95%
DC	276	12	189	55	20	96%
Total	363	16	209	79	59	96%

## Inactive Pension Plans

In Jamaica there are 17 inactive pension plans. As at June 30, 2020, the total asset values of these dormant pension plans stood at \$284 billion: no change from the previous quarter ended March 31, 2020.

Similarly, membership within this subsection remained unchanged. Currently, there are just over 1,800 inactive pension plan members within the industry. (See: Table 7).

**Figure 3: Quarterly View of the Percentage of Solvent of Pension Plans**



**Table 7: Inactive Pension Plans by Type**

	Jun 2020	Mar 2020	Dec 2019
<b>Number of Plans</b>			
Defined Benefit	4	4	4
Defined Contribution	13	13	13
<b>Total Terminating Plans</b>	<b>17</b>	<b>17</b>	<b>17</b>
<b>Membership</b>			
Defined Benefit	1,815	1,815	1,827
Defined Contribution	56	56	55
<b>Total Membership</b>	<b>1,871</b>	<b>1,871</b>	<b>1,882</b>
<b>Asset Values</b>			
Defined Benefit (\$ Millions)	222	223	260
Defined Contribution (\$ Millions)	62	61	69
<b>Total Asset Values (\$ Millions)</b>	<b>284</b>	<b>284</b>	<b>329</b>



# Pensions Division Report

## Terminating Plans

Over the June 2020 quarter, three plans initiated termination proceedings; increasing the number of terminating plans within the industry to 418; 51% of the total number of private pension plans.

As at June 30, 2020, the total asset value of this group of plans stood at approximately \$10.8 billion; an 22.9% increase compared to the previous quarter. (See: Table 8).

**Table 8: Terminating Pension Plans by Type**

	Jun 2020	Mar 2020	Dec 2019
<b>Number of Plans</b>			
Defined Benefit	102	100	98
Defined Contribution	316	315	315
<b>Total Terminating Plans</b>	<b>418</b>	<b>415</b>	<b>413</b>
<b>Membership</b>			
Defined Benefit	305	178	232
Defined Contribution	554	477	602
<b>Total Membership</b>	<b>859</b>	<b>655</b>	<b>834</b>
<b>Asset Values</b>			
Defined Benefit (\$' Millions)	5,353	3,536	4,052
Defined Contribution (\$' Millions)	5,444	5,195	5,776
<b>Total Asset Values (\$' Millions)</b>	<b>10,797</b>	<b>8,731</b>	<b>9,828</b>

## Investment Managers

During the quarter, the Investment Managers' licence of one corporate entity was canceled, consequently, there are now there are 25 licensed investment managers ("IMs"). Securities Dealers ("SD") account for the bulk of the total number of IMs however, the largest market share of private pension assets (52%) is managed by Life Insurance companies ("LIC"). As at June 30, 2020, the three LIC managed assets in excess of \$334 billion, a marginal increase relative to the previous quarter. The 14 SD that account for the second-largest amount of managed pension assets (approximately 40% or \$253.2 billion), continues to experience quarterly declines in asset values.

A sole credit union and seven other entities manage the remaining 8% of total private pension assets. (See Table 9)

**Table 9: Total Assets Under Management of Investment Managers**

Investment Managers	Number of Entities Jun 2020	Asset Values Jun 2020 (\$' Millions)	Number of Entities Mar 2020	Asset Values Mar 2020 (\$' Millions)	Number of Entities Dec 2019	Asset Values Dec 2019 (\$' Millions)
Insurance Companies	3	334,457	3	316,573	3	362,851
Securities Dealers	14	253,204	15	256,371	15	281,160
Credit Unions	1	531	1	516	1	543
Other	7	51,610	7	51,141	7	56,176
<b>Total</b>	<b>26</b>	<b>639,802</b>	<b>26</b>	<b>624,601</b>	<b>26</b>	<b>700,730</b>

## Risk Outlook

The economic outlook for Jamaica remains relatively uncertain given the negative impacts of the ongoing Covid-19 pandemic. The PIOJ reported that for the June 2020 quarter, the economy contracted by as much as 18%. The decline in economic growth was attributed to major contractions of certain sectors, particularly, Services and Tourism, that were greatly impacted by the pandemic and the measures put in place to contain its spread. Approximately 36% of active pension plan participants are individuals employed in the services industry; outlining the importance the viability of the sector to the private pension industry.

Jamaica continues to experience relatively low unemployment rates, even in the midst of the pandemic, however, unemployment may worsen in the short term with the Bank of Jamaica ("BOJ") reporting that the average unemployment rate is projected to increase by 10% for the next four

quarters. Any decrease in disposable income has implications for the viability of the RS segment. During the June 2020 quarter, the BPO<sup>4</sup> sector lost approximately \$5.88 billion in revenue due to imposed restrictions caused by the COVID-19 pandemic. Continued downtime in this sector will significantly stymie the growth of the employed labour force; which in turn could dampen the possibilities of increased participation in pension arrangements necessary to improve overall national pension coverage.

The BOJ reported that, by the end of the quarter, annual inflation accelerated to 6.3%; a 1.5 percentage point increase when compared to the 4.8% reported in March 2020. The central bank attributed this to a rise in food price inflation and increased costs in electricity and water & sewage rates. Inflation is expected to decelerate to 5% over the medium term (the next three quarters).

Further, in light of several factors inclusive of the economic downturn due to Covid-19, Fitch Ratings has revised Jamaica's Outlook from positive to stable and affirmed a B+ with respect to the Long-Term Foreign-Currency Issuer Default Rating. Nonetheless, investors appeared to remain optimistic as the JSE Main Index managed to move from 379,242.11 points as at March 31, 2020, to 383,755.80 points as at June 30, 2020. This performance represents a minor increase when compared to the 21% improvement in the index experienced over the June 2019 quarter. Pension plans have experienced depressed values of their equity investments over the quarter as they further look to diversify their portfolios, spread risks, and better generate funds to meet liquidity needs.

If the localized spread of Covid-19 increases, the government may have to resort to stronger measures to curtail it, which will worsen the economic contraction. Financial markets may be exposed to further shocks to asset prices and firms will have to face continued disruption in business. This may result in further loss of capital for many pension plans and lingering uncertainty within the industry. There are increased risks that some pension plans wind-up because employers have been forced to discontinue business. Pension plan sponsors may also look to take contribution holidays, where the pension plan rules allow, which would further minimize the inflow of assets in the industry.

The FSC continues to urge pension fund trustees, managers, and administrators to ensure that sufficient due diligence is practiced when managing plan assets. At a time when pension beneficiaries, especially those approaching retirement, are threatened by this global crisis, responsible practices, improved governance and effective risk management are particularly crucial.

## Summary

Over the June 2020 quarter the number of active private pension arrangements reduced to 377. Nevertheless, membership growth remained on a steady growth path. Additionally private pension plan asset values are approaching pre-Covid-19 levels.

The current market conditions and the financial shocks being endured by the industry has led to the following concerns:

1. Adequate solvency / funding levels for DB pension plans: Asset price shocks can reduce the value of pension reserves available for DB plans; causing reduced funding ratios. In such instances, the sponsors' obligations will call for swift action to be taken to re-establishing healthy funding ratios within a reasonable period.
2. Declining asset values negatively impact DC plans as declining net yields affect the accumulation of members' accounts and their potential replacement ratios at retirement.
3. There is concern regarding the strength of employer covenants, particularly those from the Services and Tourism sectors.
4. There is also the potential for increased number of wind-up of pension plans which the FSC continues to monitor as a further three plans wound-up during the quarter. In light of this, among other factors, proposals for legislative changes to allow for a smoother transition from a SF to a RS are under consideration.

<sup>4</sup> [http://www.jamaicaobserver.com/news/business-unusual-for-bpos-in-the-covid-19-aftermath\\_195292?profile=1096](http://www.jamaicaobserver.com/news/business-unusual-for-bpos-in-the-covid-19-aftermath_195292?profile=1096)





# The Securities INDUSTRY

## The Role and Function of the Financial Services Commission

**The mandate of the Financial Services Commission (FSC) is to supervise and regulate the securities, insurance and private pensions industries. As such the FSC may be described as an integrated financial services regulator.**

The FSC has responsibility to manage the proper administration of the pensions, securities and insurance laws. In doing so the FSC oversees the registration, solvency and conduct of approximately 614 firms and over 4,800 individuals doing business in the pensions, securities and insurance (Life and General) industries. Such as:

- Securities Dealers
- Investment Advisors
- Securities Dealer's Representatives
- Investment Advisor's Representatives
- Mutual Funds
- Unit Trusts
- Insurance Companies
- Insurance Brokers
- Insurance Agencies
- Insurance Sales Representatives
- Insurance Loss Adjusters
- Insurance Consultants
- Pension Funds and Retirement Schemes
- Pension Administrators
- Pension Investment Managers
- Pension Trustees

The FSC oversees these entities by administering a number of statutes and accompanying regulations. The relevant statutes are the FSC Act, the Superannuation Funds and Retirement Schemes Act, the Securities Act and the Insurance Act

The FSC is governed by a Board of Commissioners established by law and made up of a Chairman, and up to 9 other Commissioners, including the Executive Director. The Executive Director is appointed by the other Commissioners who in turn are appointed by the Minister of Finance. The Executive Director is the only full time Commissioner and he/she is responsible for managing the activities of the FSC.

The FSC also handles customer complaints and provides the public with important financial information. Through its Complaints Department, any grievances consumers may have with the practices of the insurance, securities, or private pensions industries may be examined.

### What is the Securities Industry?

The Jamaican securities industry is the holistic framework of service providers, stakeholders, customers and regulators that deal in the provision and use of financial products that can be exclusively categorized as investment items. Stocks, bonds, equities etc. are all important components of the securities industry.



**Karene Blair**  
Senior Director,  
Securities Division

Securities regulation focuses on monitoring the solvency and market conduct of licensed entities through a programme of routine and special examinations as well as stock market surveillance. Findings from these examinations sometimes identify areas of potential risk exposure and when these deficiencies are identified the licensee is required to put in place effective corrective measures. Whilst it would not be possible to display a wide range of indicators, the growth in the capital base of securities dealers is indicative of the improving financial health of this sector.

The FSC is currently in the process of strengthening the framework for issuer registration. Draft provisions have been prepared and circulated for industry comment. Under the accredited investor concept, investment products can be more flexibly tailored to meet the needs of a more select clientele with the capacity to obtain their own highly skilled professional advice and with sufficient surplus wealth to be able to sustain the loss of their investment. This concept was initially introduced to the local market by the FSC in November 2004 in a consultation paper entitled The Concept of "Qualified Investor" and its Importance to Jamaica's Capital Markets which also can be found on the FSC's website ([www.fscjamaica.org](http://www.fscjamaica.org)).

Another activity of interest in the area of securities regulation has been the FSC's programme of investigation and enforcement. It is well known that the FSC has been seeking to enforce the requirements of the Securities Act in relation to entities that are perceived to be conducting securities business without a license or issuing unregistered securities to the public. The FSC maintains a vigorous interest in detecting and investigating these operations as they arise.

In accordance with the Securities Act, entities that conduct or that proposes to conduct securities business or offer investment advice to the public are required to be licensed, and issuers of securities are obliged to apply to have their securities registered by the FSC before they



are issued. The licensing and registration process gives the FSC the authority to monitor promoters of investment schemes to see that they meet their statutory obligation to make full disclosures to investors so that they can make informed decisions before investing. There are fundamental principles of fairness and equity that are at stake here.

### What is the value of the industry?

As at June 2020, the collective value of the Jamaican Securities Industry Funds Under Management is \$1.76 trillion.

### What is the make-up of the Industry?

There are 39 company dealers and 3 individual dealers. There are also 2 company advisors and 2 individual advisors, as well as their representatives. There are 29 Collective Investment Schemes registered for sale in Jamaica broken down as follows: 18 unit trusts, 1 local mutual fund and 10 overseas mutual funds.



### What is the FSC's relationship with the Jamaica Stock Exchange?

From the perspective of regulation, both the FSC and the Jamaica Stock Exchange are regulators of the securities industry, albeit in different capacities. The relationship between the two entities is as a result of the various companies that seek to become registered investment dealers, whether as a company or as an individual. Service providers must first approach the FSC with proper documentation of their business, inclusive of a prospectus, before they are able to be listed on the Jamaica Stock Exchange.

In terms of investor education, the FSC and the JSE have been partners in various pub-

lic outreach investor education initiatives for years. The two have collaborated on several initiatives across the country, including town hall meetings, seminars, webinars and even internationally recognized events like World Investor Week.

The FSC and JSE are also partners in a joint investor education projects geared towards teaching high school students about personal financial management.

### How many companies are listed on the JSE?

AS at June 2020, there were 91 listed companies with 127 securities. The 91 listed companies are shared between the Main Market, the Junior Market the US Market and the Bond Market.

### How is insider trading discouraged?

The main argument against insider trading is that it is unfair and discourages ordinary people from participating in markets, making it more difficult for companies to raise capital. A part of the FSC's work entails promoting confidence in the financial sector. Trading activity on the market is monitored by both the Jamaica Stock Exchange and the Financial Services Commission in order to discourage insider trading.

### What is the FSC's Schools' Financial Education Programme?

The FSC's Schools' Financial Education Programme (SFEP) is a youth-focused, activity-based programme developed in partnership with Junior Achievement Jamaica JAJ. It delivers knowledge that is essential for developing healthy financial attitudes and behaviors. This can translate to youth making more prudent financial decisions in their future role as adults, parents and leaders in Jamaica's economy. Just over 600 students from 19 high schools across Jamaica have participated in this year's programme, while more than 5,000 have directly benefited since its inception in 2011. However, it is anticipated that the reach to peers, the students' families and communities, will extend the impact far beyond these numbers.

The programme curriculum covers 5 modules:

- Planning to Earn;
- Saving for Life;
- Budgeting;
- Credit Choices; and
- Being a Savvy Consumer.

Teachers are trained to deliver the content in an exciting and engaging style. Students utilize posters, charts, games and other interactive learning aids that allow for hands-on learning and practical application of the concepts discussed.

Participating students have the opportunity to attend an all-expenses paid tour. They

visit the FSC, Bank of Jamaica Money Museum and Jamaica Stock Exchange. They also discuss the Jamaica Deposit Insurance Corporation and the Credit Bureaus. While on the Tour, they meet personnel who shed light on technical concepts. Training sessions on dining etiquette and personal grooming are also part of the student experience.

Students, with the help of their teachers, submit entries for the essay and audiovisual competitions – which are only open to programme participants. Students with different talents and strengths have an opportunity to demonstrate good analytical and research skills, creativity, and critical thinking while they work on their respective projects for each competition. Those who top their peers are rewarded with great prizes.

### What happens if I have an issue with a securities dealer?

If you or anyone you know has an issue with a securities dealer that cannot be resolved between you and the dealer, a formal, documented complaint can be made to the FSC so that we may best assist you according to the governing acts and regulations.

### What is risk based supervision?

The FSC is in the process of implementing Risk-Based Supervision which will result in a move away from the compliance based approach to supervision that has been used since the inception of the FSC.

Risk-Based Supervision (RBS) is gradually becoming the dominant approach to regulatory supervision of financial institutions around the world. It is a comprehensive, formally structured system that assesses risks within the financial system, giving priority to the resolution of those risks.

RBS is often contrasted with rules-based regulation. The latter, also known as principles or compliance-based supervision, is a method of regulation which involves checking for and enforcing compliance with rules – legislation, regulations or policies – that apply to an entity.

The FSC has been collaborating with the Toronto Centre, from Canada to assist in capacity building for our staff members from all sector divisions. The Bank of Jamaica has also begun work to promote capacity building in risk based supervision, and will join the FSC as fellow regulators of the financial industry that will be better equipped to assess the ever changing financial landscape.

The FSC's work on RBS along with Toronto Centre places a strong focus on risk and risk management practices by the entities as well as threats to financial industries and their constituents. ♦

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# SEVEN MORE COMPANIES SEEKING TO HOST VIRTUAL AGMS

The Jamaica Stock Exchange (JSE) is returning to the Supreme Court next month seeking permission to have another set of listed companies host their annual general meetings (AGMs) virtually, given the COVID-19 restrictions.

In June this year, the JSE was successful in its application to the court for an order permitting 16 public companies to hold their AGMs fully or partially by electronic means. This time around, the Jamaican equities trading regulator is seeking an order with respect to seven companies to host their AGMs in a manner to be specified by the court involving livestream or electronic broadcast.

The seven companies are Wisynco Group, NCB Financial Group, KLE Group, Everything Fresh Limited, Ciboney Group, Caribbean Assurance Brokers, and Jamaica Broilers Group.

The JSE petition also seeks an order to have its own upcoming extraordinary general meeting held virtually.

The petition is being made on the ground that Jamaican law requires AGMs and other shareholders' meetings be held "in person", allowing shareholders to discuss, debate and vote on matters and where it is impracticable to do so a court order is required to hold the meeting by electronic means. The application is also based on the ground that it was impracticable for the companies to hold their 2020 annual general meetings in person, given the ongoing COVID-19 pandemic and the social distancing and other requirements designed to limit spread of the virus.

November 25, 2020 is the scheduled hearing date of the JSE's application. If successful, the listed companies can serve their shareholders with notices for meetings and supporting documents by e-mail or by postings on their websites or the JSE's website.

The 16 companies which previously got permission for virtual AGMs were Barita Investments Limited, Berger Paints Jamaica Limited, Caribbean Cement Limited, FosRich Company Limited, JMMB Group Limited, Lasco Distributors Limited, Lasco Financial Services Limited and Lasco Manufacturing Limited, Main Event Limited, Mayberry Investments Limited, Sagicor Group Jamaica, Supreme Ventures Limited, the Jamaica Stock Exchange, Trans Jamaica Highway, Victoria Mutual Investments Limited, and Wigton Windfarm Limited.



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# ***FINANCIAL SERVICES COMMISSION***



*David Geddes*  
*geddesd@fscjamaica.org*

*Patricia McDowell*  
*mcdowellp@fscjamaica.org*

*Toni-Ann Bryson*  
*brysont@fscjamaica.org*

*David Answer*  
*answerd@fscjamaica.org*

The editorial staff of the Invested newsletter welcomes your comments, suggestions and articles as we strive to share financial information with our many stakeholders.

The Financial Services Commission also welcomes invitations to speak at forums as well as community meetings.

Public education and financial literacy are critical elements as we pursue financial inclusion.