

# invested

Information for investors in Securities, Pensions and Insurance

July 2021



PICTURES FROM THE EARLY DAYS OF THE FSC  
IN RECOGNITION OF THE THE COMMISSION'S  
20TH ANNIVERSARY

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Promoting Integrity in the Jamaican Financial Sector.

# **REGULATORY ORGANIZATIONAL STRUCTURE IN THE POST- MODERN DAY WORLD**



Dwayne Smith  
Senior Analyst  
Financial Services Commission.

The efficient and effective structuring of regulatory organizations to meet the challenges of a continuously evolving and increasingly global political, social and economic environment continues to be a challenge for many countries. The traditional dichotomy of a vertical/hierarchical organization structure as opposed to a horizontal/flat organization structure, has become increasingly obsolete in defining what is structurally relevant to, and required of, regulatory entities in the post-modern day world. With the rise of the digital marketplace, decentralized, team-based organisation structures are disrupting these old regulatory models.

One of the first key facts to accept is that all organizational design choices involve trade-offs. Design choices whether functional, divisional, matrix or flat, solve some problems while creating others and therefore explicit consideration must be given for both the

potential costs and benefits. For example, structuring a regulator vertically to be independent imparts several notable advantages, inclusive of the provision of a more stable environment for the regulated industry as well as more durable policy decisions, all while encouraging regulatory personnel to develop deeper expertise. Structural features of an agency that is most often associated with independence is protection of the agency director or directors from removal from office by elected officials, except for “good cause.” The legal documents outlining the agency’s structure may specify that the regulator report to a board with multiple members, possibly with set terms of tenure for these members as is the case with multiple regional regulators such as the Financial Services Commission (FSC). Legal precedent in the United States facilitates U.S. agencies having multimember structures and set tenures and these provisions imply the protection from removal of a director except for cause (Datla & Revesz 2013). This independence can however come at a cost, including raising concerns about public accountability, transparency in the decision-making process, as well as the potential for “regulatory capture”, which is defined as a situation in which the regulator serves the benefit of the regulated industry rather than that of the public interest. It could theoretically also mean that the regulator is serving the public interest at the deleterious expense of the regulated industry.

Regulators that are horizontally structured in contrast possess a much stronger oversight by, and accountability to, elected officials, so as to implement a diverse set of regulatory programs. Combining missions can enable the regulator to realize synergies in sharing information and reduce inefficient duplication within its larger administrative apparatus. There is however the risk of experiencing goal ambiguity, which can increase management challenges and reduce employee motivation and effort.

# **REGULATORY ORGANIZATIONAL STRUCTURE IN THE POST- MODERN DAY WORLD**

Agency features such as the physical proximity of its various divisions, the diversity of employees' professional backgrounds, and the degree to which organizational processes and systems are integrated can serve to reinforce or undermine initial horizontal structural decisions.

The answer to the problem therefore of how regulators should organise their structures for meeting tomorrow's challenges, involves making choices between creating an independent regulatory agency relative to one more connected to elected officials, and balancing the extent to which either achieves accountability and transparency while encouraging investments by employees in developing expertise and creating a stable environment for the regulatory community. It is a function not only of the regulator's mandate, but of several factors, many of which are outside of the control of the organisation.

It is critical for us to recognize and appreciate the importance of non-structural aspects of regulatory organizations, because as previously stated, a regulator's structural design is typically not something in the control of the regulator itself. Rather, it is often determined through a complicated political process involving a multitude of stakeholders with divergent agendas that may care little about how a policy is actually implemented. Even so, despite seldom having control over their organizations' formal structures, regulatory leaders can still use their management of the non-structural aspects of their organizations to foster performance success. The starting point for achieving this success is to be attentive to and understand the key role of Management.

Successful management of these entities requires a tailored synergy between the two main types of organizational structures based on the organization's mandate and the legislative framework within which it operates. In practice this may structurally take a number of forms, for example arranging a portfolio of responsibility characteristic of a horizontal structure which is accountable to political leaders, but with highly specialized and independent "silos" characteristic of a vertical structure employing divisions/departments specializing in particular areas. These silos may act independently or with the oversight of other agencies that may be more concerned about the performance of the particular roles. There should be no pressure placed on management to conform to any one type of structure, but instead in as much as possible, to capitalize on the strengths and avoid the pitfalls of each, with the right people in key positions to adopt, adapt to and capitalize on changes in the legislation, technology, social, demographic, geographic, political and macroeconomic factors governing the society.

It will require the establishment of key leadership positions in areas such as marketing, regulatory affairs, information technology, international relations etc., staffed by qualified personnel with the range and fluidity to adapt to changes in the regulatory framework within which they operate.

# **REGULATORY ORGANIZATIONAL STRUCTURE IN THE POST- MODERN DAY WORLD**

Crucial leadership roles in this effort to guide, inform, influence and effect these changes would include:

- The Marketing manager, who is responsible for the development and employment of new and diverse communication methodologies in the establishment, promotion and maintenance of the regulator's brand to its internal and external stakeholders. The manager would also conduct market research and analysis to inform the strategic planning process which will have direct implications for the structural decision making process
- An International relations officer responsible for analyzing and interpreting foreign policies, liaising with government officials, international organizations, governmental or otherwise, and the public media, providing the organisation with professional advice regarding foreign policies as well as conducting and evaluating programs and activities regarding international cooperation.
- A Director of regulatory affairs charged with ensuring that all government and company regulations are being met, including assessing the regulator's compliance with industry regulations, both external and internal, developing new policies, and training employees.

These and other core management roles would be supported by key positions in Information Technology, Legal Services, and Human Resource management amongst others.

In summary therefore, organizational structures are changing swiftly. Virtual as well as other flexible organization structures are quickly becoming the norm. As they continue to evolve and increase their global presence, regulatory entities must embody a fluid, free-forming organization structure, a hallmark of which is the ability to adapt and realign as needed. To ensure long-term viability, they must adjust to fit new realities without diminishing core capabilities.

Successful realignment will involve closing the structural gaps impeding organizational performance. It also involves the realisation and acceptance that, while structure matters, a regulator's performance is not fully determined by its structure, whether vertical or horizontal. Over time, agencies may reorganize themselves as well as be reshaped by subsequent legislation. As a result, the existing design found at any agency should reflect organizational decisions made based not only on knowledge gained over the lifetime of the agency, but also on the prevailing realities within which it currently exists.

# *Jamaica's Pensions Industry Statistics*

During the March 2021 quarter, the Jamaican private pensions industry continued to exhibit resilience amidst the social and economic climate resulting from the COVID-19 pandemic.

Continuing on the trajectory of growth experienced in the December 2020 quarter, the industry's assets increased by 1.74% by the end of 2021 Q1. Moreover, plan membership and pension coverage increased during the quarter and the majority of pension plans had strong solvency positions. As at March 31, 2021, the total value of assets in the industry amounted to \$673.97 billion.

*[Click here to read the full report!](#)*





# *Organization for Economic Co-operation and Development – Pension Fund Figures 2021*

**Preliminary data for 2020 show that pension funds held more than USD 35 trillion of assets worldwide at end-2020, exceeding 2019 levels despite the headwinds due to COVID-19.**

**[Click here for the full figures!](#)**



## *Jamaican Senate Approves Policies for Microcredit Institutions*

- Jamaica Observer Online

On Friday July 23, 2021 the Senate approved the regulations and rules associated with the Microcredit Act – the Microcredit Fees Regulations, the Microcredit Requirements for Grant of License Regulations and the Microcredit License Form of Applications rules.

The Microcredit Act was passed in the House of Representatives on January 19 and in the Senate on January 22.

Piloting the regulations, Minister without portfolio in the Ministry of National Security Senator Matthew Samuda said it was necessary that the suite of regulations and rules be promulgated for the Act to become effective and for the Bank of Jamaica to start the licensing and supervision of the sector.

He said the deadline for affirmation of the rules and regulations was the end of July, based on the commitment to the Financial Action Task Force.

Senator Samuda said microcredit institutions play an important role in facilitating the provision of credit to individuals and micro, small and medium-sized enterprises.

“As such, in order to improve the monitoring of the industry, promote greater transparency, protection of consumers, and the reduction in risks of the industry being used as a vehicle to facilitate money laundering, it was critical that the Act became effective and operational.

“In order for the commencement of oversight of the microcredit institutions, it is necessary that this suite of regulations and rules be affirmed in both Houses,” he said.

# *Stakeholder Endorsement Crucial for Implementation of CBDC*

- Douglas McIntosh, Jamaica Information Service

Bank of Jamaica (BOJ) Governor, Richard Byles, says stakeholder endorsement and support will be crucial to the successful implementation of the proposed central bank digital currency (CBDC).

Mr. Byles identified the key stakeholders as the Government, merchants, and consumers

“The world is looking at us... with [our development of a] central bank digital currency [to determine whether] it will be a success [and what] are the lessons to be learnt from Jamaica. This is a really important programme... so it’s important that we get it right,” the Governor added.

He was speaking during the Rotary Club of St. Andrew North’s recent virtual installation ceremony for incoming President, Kecia Taylor.

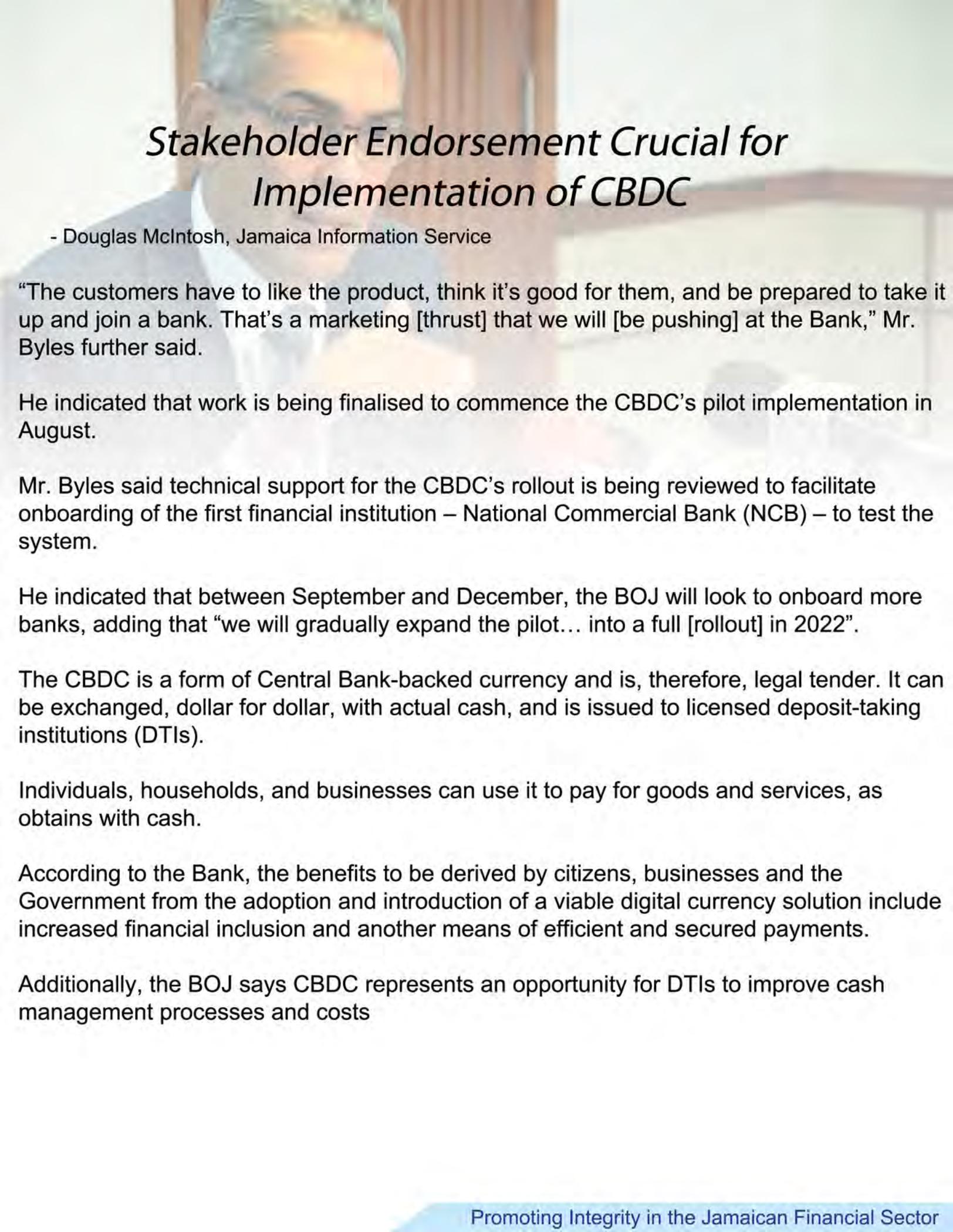
Mr. Byles said the Government’s support for the CBDC was critical particularly in incorporating it into relevant areas of service delivery.

“So, whether it’s to make [Programme of Advancement through Health and Education] PATH payments [or] to make pension payments, whatever it is that they are doing in terms of making [major] payments... this is a big way in which the Government can encourage persons to take up CBDC,” he pointed out.

The Governor also emphasised the need for a “high level” of acceptability by merchants who, he noted, comprise a significant percentage of the clientele base of financial institutions, particularly commercial banks.

Mr. Byles noted that one of the challenges encountered in some instances was “to convince them to accept and be prepared to [utilise] CBDC”.

“[We] need the commercial banks [and other financial institutions] to promote it and recommend it to their customers,” he said, adding that he did not anticipate any major challenge in convincing them to embrace it.



# *Stakeholder Endorsement Crucial for Implementation of CBDC*

- Douglas McIntosh, Jamaica Information Service

“The customers have to like the product, think it’s good for them, and be prepared to take it up and join a bank. That’s a marketing [thrust] that we will [be pushing] at the Bank,” Mr. Byles further said.

He indicated that work is being finalised to commence the CBDC’s pilot implementation in August.

Mr. Byles said technical support for the CBDC’s rollout is being reviewed to facilitate onboarding of the first financial institution – National Commercial Bank (NCB) – to test the system.

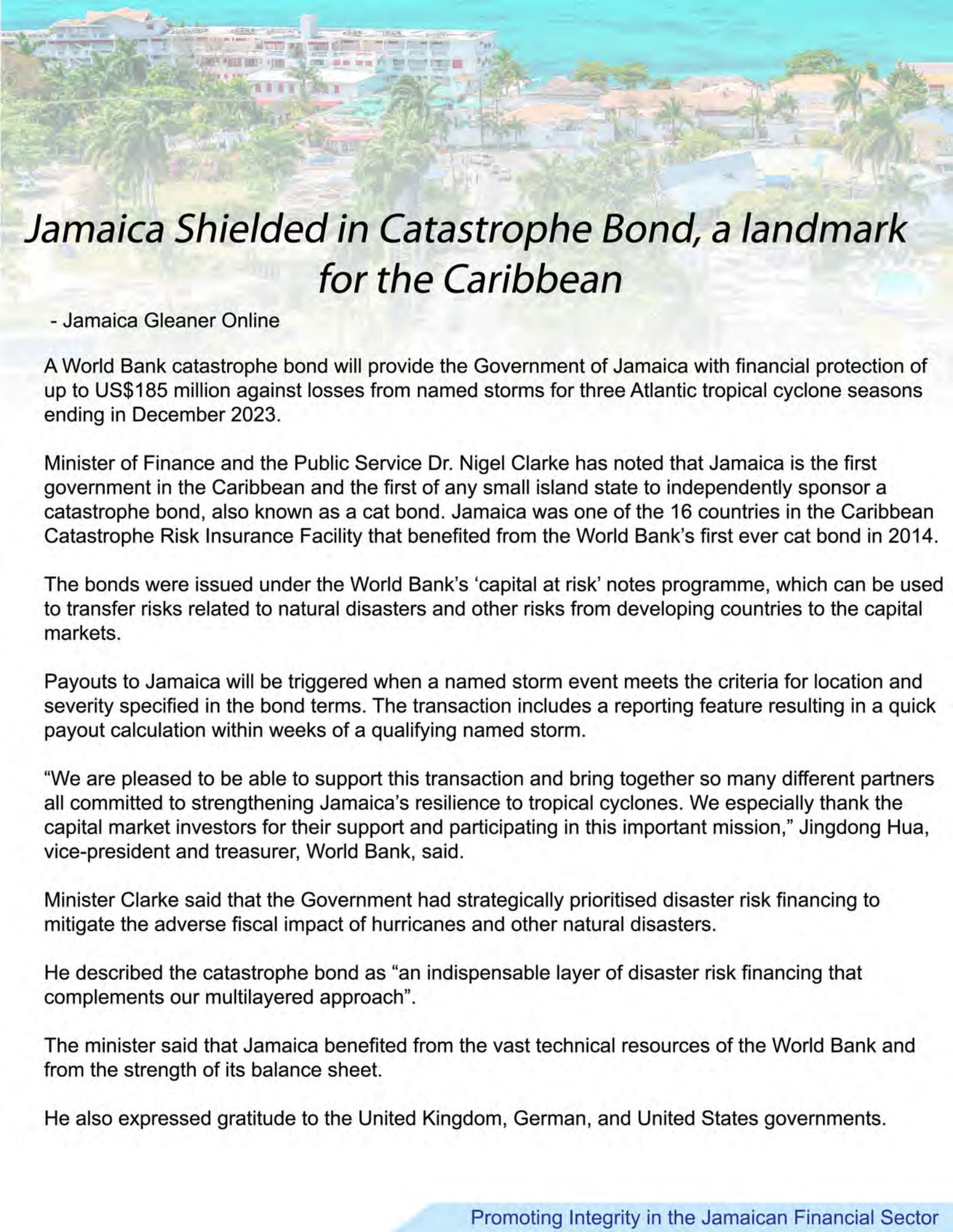
He indicated that between September and December, the BOJ will look to onboard more banks, adding that “we will gradually expand the pilot... into a full [rollout] in 2022”.

The CBDC is a form of Central Bank-backed currency and is, therefore, legal tender. It can be exchanged, dollar for dollar, with actual cash, and is issued to licensed deposit-taking institutions (DTIs).

Individuals, households, and businesses can use it to pay for goods and services, as obtains with cash.

According to the Bank, the benefits to be derived by citizens, businesses and the Government from the adoption and introduction of a viable digital currency solution include increased financial inclusion and another means of efficient and secured payments.

Additionally, the BOJ says CBDC represents an opportunity for DTIs to improve cash management processes and costs



# *Jamaica Shielded in Catastrophe Bond, a landmark for the Caribbean*

- Jamaica Gleaner Online

A World Bank catastrophe bond will provide the Government of Jamaica with financial protection of up to US\$185 million against losses from named storms for three Atlantic tropical cyclone seasons ending in December 2023.

Minister of Finance and the Public Service Dr. Nigel Clarke has noted that Jamaica is the first government in the Caribbean and the first of any small island state to independently sponsor a catastrophe bond, also known as a cat bond. Jamaica was one of the 16 countries in the Caribbean Catastrophe Risk Insurance Facility that benefited from the World Bank's first ever cat bond in 2014.

The bonds were issued under the World Bank's 'capital at risk' notes programme, which can be used to transfer risks related to natural disasters and other risks from developing countries to the capital markets.

Payouts to Jamaica will be triggered when a named storm event meets the criteria for location and severity specified in the bond terms. The transaction includes a reporting feature resulting in a quick payout calculation within weeks of a qualifying named storm.

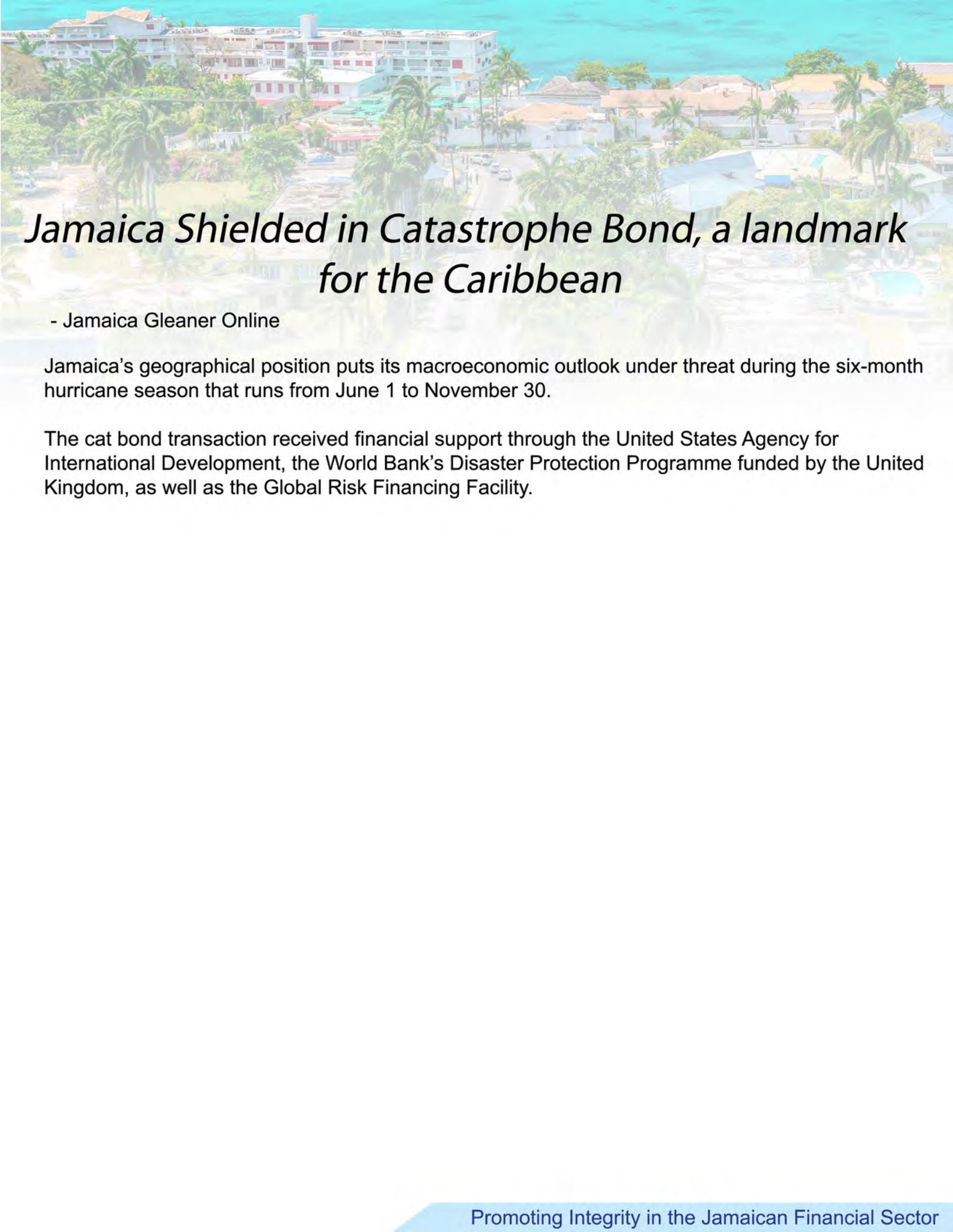
"We are pleased to be able to support this transaction and bring together so many different partners all committed to strengthening Jamaica's resilience to tropical cyclones. We especially thank the capital market investors for their support and participating in this important mission," Jingdong Hua, vice-president and treasurer, World Bank, said.

Minister Clarke said that the Government had strategically prioritised disaster risk financing to mitigate the adverse fiscal impact of hurricanes and other natural disasters.

He described the catastrophe bond as "an indispensable layer of disaster risk financing that complements our multilayered approach".

The minister said that Jamaica benefited from the vast technical resources of the World Bank and from the strength of its balance sheet.

He also expressed gratitude to the United Kingdom, German, and United States governments.



# *Jamaica Shielded in Catastrophe Bond, a landmark for the Caribbean*

- Jamaica Gleaner Online

Jamaica's geographical position puts its macroeconomic outlook under threat during the six-month hurricane season that runs from June 1 to November 30.

The cat bond transaction received financial support through the United States Agency for International Development, the World Bank's Disaster Protection Programme funded by the United Kingdom, as well as the Global Risk Financing Facility.

## Foreign Exchange Summary

as at August 13, 2021

Member State	USD	CAD	GBP	Euro
Bahamas (BSD)	1.00	0.80	1.40	1.19
Barbados (BBD)	2.03	1.62	2.82	2.40
Belize (BZD)	2.02	1.62	2.81	2.39
Guyana (GYD)	218.00	168.04	290.70	247.47
Haiti (HTG)	96.24	79.07	134.86	116.07
Jamaica * (JMD)	155.33	124.83	215.92	182.33
OECS (XCD)	2.71	2.16	3.73	3.17
Suriname (SRD)	21.47	17.15	30.08	23.93
T&T (TTD)	6.75	5.79	9.94	8.44

\*Rates applicable for Customs & GCT purposes

### Business News In Brief

#### Guyana rolls back freight charges to pre-pandemic levels

Effective August 1, 2021, Guyana by statute reduced freight charges to pre-pandemic levels (March 31, 2020) in the calculation of customs duties, excise taxes, and input VAT on goods imported. This facility however expires on January 31, 2022. This was occasioned by marked increase in shipping costs from some countries, moving from an average of US\$2,500 to as much as US\$15,000 per 20-foot container & from US\$3,500 to over US\$20,000 for a 40-foot container. The facility will relinquish revenues of \$4.8 billion over the 6-month period. The Relief will only apply if the actual freight charges paid is higher than the pre-pandemic rate. [\(NG\)](#)

#### Jamaica: 15% increase in bus and taxi fares

The Transport Authority in Jamaica has announced a 15% fare increase in bus and taxi fares, effective August 16, 2021. The Authority said that following several and varying requests for an increase, Cabinet noted the situation, reviewed the requests, along with the economic impact of the pandemic and the resultant effect of the rate of inflation, and sought to find a solution. The Transport Ministry said that the rate for the elderly, the disabled and children will remain at 50% of the adult fare and there will be no change to the fare for the JUTC and Montego Bay Metro. The increase is projected to impact national inflation by approximately 1%. [\(JO\)](#)

#### Bermuda: Air arrivals plummet by 81.7% in second quarter

Air Visitor arrivals in Bermuda plummeted by 81.7% while there were no cruise ship arrivals for the second quarter of 2021 relative to the comparable period of 2019. Leisure visitor air arrivals fell by 78.9%. This highlighted a 75.5% decline in US arrivals, a 99.2% decline in arrivals from Canada and a 92.5% decline in arrivals from the UK. Leisure visitor expenditure declined by 75.1% from \$98.5million in the second quarter of 2019 to \$24.6m million in the quarter ending June 30, 2021. The slump was buoyed by a 25% increase in the average length of stay, which reached a 6.6-day average holiday for the second quarter. During Q2, air capacity made a marked leap upward from the decimated flight schedules of 2020; however, Bermuda remained at 62% below the 2019 benchmark. Whereas there were no cruise ship arrivals, 6% of air visitors flew in for Viking Ocean Cruise's Homeporting programme. 65% of visitors to Bermuda chose to stay in hotels, B&Bs and guesthouses and 9% in vacation rentals. Whereas 11% stayed in private homes, yachts or unspecified accommodation types and 9% came to the island to stay with friends and relatives. [\(BerNews\)](#)

#### Corporate Movements

⇒ PanJam Investment Limited has appointed Joanna A. Banks Rainford to its Board of Directors effective August 11, 2021.

#### 3rd consecutive quarter of deflation in Cayman

A 5.1% drop in the cost of housing and utilities in the first quarter of 2021 in the Cayman Islands has led to a 1% decrease in consumer prices over the same period one year ago. It was the 3rd consecutive quarter of falling consumer prices. However, only 3 of the 12 categories that make up the CPI index saw lower prices during the first 3 months of 2021, the Economics and Statistics Office reported. The cost of electricity and water supply dropped by 8.5% and 6.4%, respectively, during the period. Imputed rentals for owner-occupiers fell by 4.6% and actual rents paid by tenants were 4.2% lower than a year earlier. Fuel prices for first quarter 2021 were down 13.3% compared with the prior-year period and motor vehicle prices came down by 7%. But these declines somewhat masked considerable price increases for car insurance (16.9%), health insurance (5.2%), food and beverages (4.6%) and healthcare (4.5%). [\(CC\)](#)

## Stock Market Summary

as at August 13, 2021

### Jamaica Stock Exchange

Overall Market activity resulted from trading in 46 stocks of which 15 advanced, 23 declined and 8 traded firm. Market volume amounted to 17,455,607 units valued at over J\$87,019,322.09. Radio Jamaica Limited was volume leader with 9,214,962 units. The JSE Index declined by 312.91 points ( 0.08 %) to close at 416,728.75.

### Jamaica Junior Stock Exchange

Overall market activity resulted from trading in 32 stocks of which 11 advanced, 15 declined and 6 traded firm. Market volume amounted to 8,891,277 units valued at over J\$24,705,866.96. Index closed at 3,269.43 .

### Barbados Stock Exchange (as at August 10)

2 securities traded firm as 98,373 shares traded on the Regular Market, with a total value of \$177,404.60. FirstCaribbean International Bank was the volume leader trading 97,183 shares. Index closed at 2,442.31.

### Trinidad & Tobago Stock Exchange

Overall Market activity resulted from trading in 19 securities of which 6 advanced, 3 declined and 10 traded firm. Trading activity on the First Tier Market registered a volume of 266,563 shares crossing the floor of the Exchange valued at TT\$7,527,464.61. Guardian Holdings Limited was volume leader with 83,870 shares changing hands for a value of TT\$2,728,199.02. The All T&T Index advanced by 0.60 points (0.03%) to close at 1934.73 and the Composite Index advanced by 0.52 points (0.04%) to close at 1424.25.

### Guyana Stock Exchange

1 declined and 3 traded firm as 37,620 units crossed the floor. Republic Bank Limited (RBL) was volume leader with 21,575 shares traded. The LSI closed at 823.20.

### Eastern Caribbean Securities Exchange (ECSE)

No trades reported for the Eastern Caribbean Securities Exchange for the week ended August 13, 2021.

CARICOM Business is a weekly newsletter produced by the Directorate of Trade & Economic Integration.

Editorial Manager: Joseph Cox ; Email: [tei.info@caricom.org](mailto:tei.info@caricom.org)

## Business News In Brief

### Jamaica: \$204.7B Building/Planning Applications Received

For the year 2020, building/planning applications received by municipal corporations in Jamaica were valued at an estimated \$204.7 billion. The estimated value of applications approved was \$145.2 billion, while those that were still being processed at the close of the year are valued at approximately \$105.2 billion. Subdivision applications received had an estimated value of \$3.1 billion, while those granted approval were valued at an estimated \$792 million. Building/planning applications submitted to municipal corporations totalled 5,305 but the lion's share of the applications continued to be for residential development (89.4%), followed by commercial (6%). Approval was granted to 204 subdivision applications and 847 were still being processed at the close of the year. Of these, 16.1% were within the 90-day time frame for processing. Two applications were refused. ([JIS](#))



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[The New Normal - A Post-COVID Primer for Business](https://www.caricom.org/the-new-normal/)  
<https://www.caricom.org/the-new-normal/>

### IMF: 1% decline projected for Antigua

The pandemic has intensified cash flow pressures, led to a further accumulation of domestic and external arrears, and sharply increased the public debt and gross financing needs in Antigua and Barbuda. That is the word from the IMF at the conclusion of the Article IV Consultation. The economy is projected to contract by 1% in 2021 before a recovery takes hold in the second half of this year. Downside risks to the outlook are significant, primarily from a more prolonged pandemic due to the spread of new COVID-19 variants and limited vaccine availability. The Fund welcomed the Medium-Term Fiscal Strategy but noted that achieving the fiscal targets will require additional measures, as well as efforts to secure long-term financing on favorable terms. ([IMF](#))

### International Oil Prices as at August 13, 2021

Futures	Price	US\$ Change	Change %
WTI Crude	US\$68.04	-0.88	-1.28
Brent Crude	US\$70.25	-0.90	-1.26
OPEC Basket	US\$71.32	+0.80	+1.19
Natural Gas	US\$3.85	-0.06	-1.53

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**Anna Smith**  
HOST

Co-Host *Centrally Speaking* by  
Bank of Jamaica



**Michael B. Johnson**

Senior Marketing Officer,  
Jamaica Stock Exchange



**Melissa Golden**

Financial Advisor,  
LAWE Insurance Brokers



**Kadia Francis**

Digital Entrepreneur and Strategist,  
Digital Jamaica



**David Geddes**

Director of Stakeholder Engagement,  
Communication and International Relations,  
Financial Services Commission



**Sheldon Christian**

Branch Manager - Spanish Town,  
First Heritage Co-operative Credit Union Ltd.



**Jide Lewis**

Chief Prudential Officer,  
Bank of Jamaica

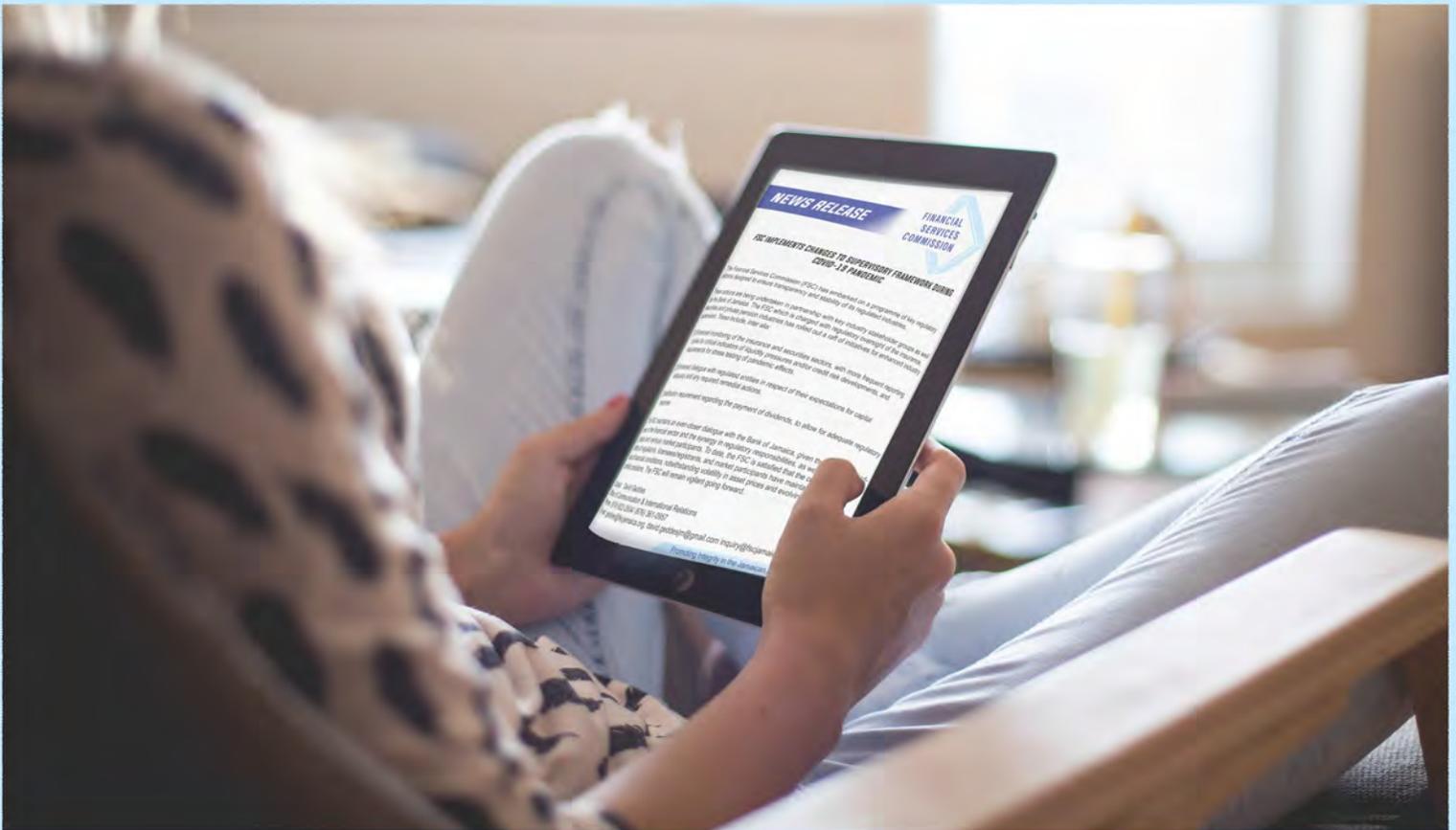
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*David Geddes*  
[geddesd@fscjamaica.org](mailto:geddesd@fscjamaica.org)

*Patricia McDowell*  
[mcdowellp@fscjamaica.org](mailto:mcdowellp@fscjamaica.org)

*Toni-Ann Bryson*  
[brysonat@fscjamaica.org](mailto:brysonat@fscjamaica.org)

*David Answer*  
[answerd@fscjamaica.org](mailto: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.