



## **SECURITIES INDUSTRY ADVISORY**

### **AMENDMENTS TO THE POOL OF ALLOWABLE ASSETS FOR RETAIL REPURCHASE AGREEMENTS**

**The Financial Services Commission  
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**FINANCIAL SERVICES COMMISSION  
ADVISORY FOR THE ADMENDMENTS TO THE POOL OF ALLOWABLE ASSETS FOR RETAIL REPURCHASE  
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**1.0 BACKGROUND**

- 1.01 During the reforms to the retail repurchase agreements (retail repo) market in 2015, the Financial Services Commission (FSC) defined a pool of allowable assets that can be used as underlying securities in the new trust arrangement. Subsequent to the transition, the Jamaica Securities Dealers Association highlighted some inconsistencies in the pool of allowable assets as published in paragraph 2.07 of the Securities Industry Advisory for the New Retail Repurchase Agreement Regulatory and Operational Framework (SR-ADVI-15/07-0009) dated July 9, 2015.
- 1.02 After several discussions, the FSC recognised that the inconsistencies have resulted in the exclusion of securities that are of a similar or higher quality than the ones currently defined in the pool as well as some of the securities that are currently allowed in the pool are not clearly defined in the 2015 advisory. Examples of the inconsistencies are outlined below:
- I. The pool excludes corporate bonds issued by a company with an investment grade but includes corporate bonds issued by a non-investment grade company that is guaranteed by a parent company with an investment grade.
  - II. The pool excludes locally issued corporate bonds secured by cash and cash equivalent but includes corporate bonds secured by less liquid assets such as real estate with a first mortgage lien
- 1.03 Against this background, the FSC seeks to refine the current pool of allowable assets in order to address the inconsistencies and provide greater clarity on the pool of eligible assets for retail repos.

**2.0 AMENDMENTS TO THE UNIVERSE OF ALLOWABLE SECURITIES**

- 2.01 Effective January 2, 2018, paragraph 2.07 of the Securities Industry Advisory for the New Retail Repurchase Agreement Regulatory and Operational Framework (SR-ADVI-15/07-0009) will be revised and will now read as outlined in paragraph 2.02 below.
- 2.02 A pool of allowable securities that can be used as underlying assets for retail repo transactions will be established and will include dematerialized and/or immobilized securities as specified by the FSC.

a) Dematerialized Securities will include:

- (i) Securities issued and/or guaranteed by the Government of Jamaica (GOJ), inclusive of central government, statutory bodies, companies owned or controlled by the GOJ and agencies of the GOJ;<sup>1</sup>
- (ii) Securities issued and/or guaranteed by United States, Canada and United Kingdom sovereigns;
- (iii) Foreign currency denominated investment grade sovereigns and corporates in keeping with the foreign currency restriction outlined by section 22 of the BOJ Act and the BOJ (Dealings in Foreign Currency Instruments) (Eligible Securities Dealers) (Exemption) Orders; and
- (iv) Bank of Jamaica (BOJ) Certificates of Deposit (CD) and any other BOJ issued securities.<sup>2</sup>

b) Immobilized Securities will include:

- (i) Securities issued and/or guaranteed by the GOJ, inclusive of central government, statutory bodies, companies owned or controlled by the GOJ and agencies of the GOJ;
- (ii) Foreign currency denominated investment grade corporates in keeping with the foreign currency restriction outlined by section 22 of the BOJ Act and the BOJ (Dealings in Foreign Currency Instruments) (Eligible Securities Dealers) (Exemption) Orders; and
- (iii) Local currency denominated corporate bonds with any of the following criteria:
  - Listed corporate bond;
  - Unlisted corporate bond which is fully secured by assets that fall within one or more of the following categories : (i) shares of a listed company; (ii) real estate with registration of lien as first mortgage; (iii) receivables; (iv) cash and cash equivalents; (v) GOJ and/or GOJ guaranteed securities<sup>3</sup>; or
  - Corporate bond issued and/or guaranteed by a company with an investment grade credit rating, listed company or regulated financial institutions<sup>4</sup>.

Kindly direct queries in writing to:

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<sup>1</sup> The specification of various categories of GOJ securities adds clarity to the scope of SR-ADVI-15/07-0009.

<sup>2</sup> "Any other BOJ-issued securities" are currently excluded from SR-ADVI-15/07-0009.

<sup>3</sup> Corporate bonds secured by (i) cash and cash equivalents; and (ii) GOJ and/or GOJ guaranteed securities are currently excluded from SR-ADVI-15/07-0009.

<sup>4</sup> Corporate bonds issued and/or guaranteed by a company with an investment grade credit rating, listed company or regulated financial institution are currently excluded from SR-ADVI-15/07-0009.