

FINANCIAL SYSTEM SUPPORT FUND (FSSF): FACT SHEET

The FSSF was established as a Government of Jamaica (GOJ) mechanism to provide short term liquidity and generally support financial system stability during the transition period following the successful 2013 National Debt Exchange Offer (the Offer). The FSSF is financed by funds from the International Monetary Fund (IMF). These funds have been designated to provide financial assistance to individual eligible financial institutions that are regulated by the Bank of Jamaica (BOJ) or the Financial Services Commission (FSC), in the event such institutions encounter financial difficulties directly related to their participation in the debt exchange offer. It is the expectation that the FSSF would cease to operate once normalcy and stability of the financial sector is restored after the debt exchange offer. At that time these financial institutions would return to meeting liquidity needs through the financial and inter-bank markets.

1. INSTITUTIONAL ARRANGEMENTS

1.2. Legal Structure

The GOJ has established a legal corporate vehicle, the Financial System Support Fund Limited (FSSF Ltd.), to facilitate operations of the FSSF. The funds will be held in a specially designated account at the BOJ and will be administered by the BOJ. The Fund will commence with USD 650 million, being funds already advanced to the GOJ by the IMF. Further funds will be added to the FSSF upon the conclusion of an Extended Fund Facility Agreement with the IMF.

1.3. Oversight Body

The Financial Regulatory Council (FRC) is an interagency policy group comprising the heads of the BOJ, FSC, Jamaica Deposit Insurance Corporation (JDIC) and Ministry of Finance. The FRC will oversee the assessments of financial institutions seeking financial assistance under the FSSF and may, on the basis of such assessments, authorise access to the FSSF for liquidity purposes and make recommendations to the Minister with respect to applications for capital support. Assessments of applications by financial institutions seeking financial assistance from the FSSF will be done by a Technical Working Group (TWG) of the FRC.

1.4. Authorisation for Access

The Minister and FSSF Limited will delegate to the FRC full decision-making powers in respect of applications for access to the FSSF for liquidity purposes; and in consultation with the IMF, may authorise access of institutions to the FSSF for capital support purposes.

1.5. Commencement

Access to the FSSF will commence immediately after the Expiration Date of the Government of Jamaica's Debt Offer.

2. ELIGIBILITY CRITERIA

Eligible Financial Institutions comprise licensed deposit taking institutions (i.e. commercial banks, FIA licensees and building societies), securities dealers and insurance companies, **provided** each such institution and the Group of Companies to which it belongs tenders in the Offer no less than 97% percent of the aggregate value of eligible assets.

Eligible Collateral is GOJ instruments, being New Notes, that are issued pursuant to the Offer. In addition, only eligible foreign currency denominated instruments, including GOJ Global Bonds, will be allowed as collateral for foreign currency denominated borrowings from the FSSF. The Bank will not in any circumstances accept Old Notes as Eligible Collateral.

3. PERMISSIBLE USES

3.1. Liquidity Support

The FSSF is to be used primarily for temporary liquidity needs arising as a result of the Offer and related to higher than anticipated demand for payments by clients and decreased levels of credit available within the financial system attributable to the Offer.

In cases where the financial institution is found to be utilizing the FSSF for purposes other than for meeting liquidity needs, the loan documentation will provide for immediate repayment of the facility in such circumstances.

3.2. Capital Support

On a limited scale and in particular circumstances, the FSSF may also be used for the capital support of viable entities which become unable to meet regulatory ratios due to impact of the Offer.

4. GOVERNING POLICY

4.1. Terms and Conditions - Liquidity Advances

4.1.1. Loan Limit – per advance and in aggregate.

The TWG will assess the amounts to be loaned and the relevant time periods on a case-by-case basis relative to the particular circumstances of the applicant entity/group. The use of the FSSF is intended to provide short term temporary liquidity support. The granting of applications will be based on assessed liquidity needs of the financial institution and no facilities for a period exceeding 6 months will be contemplated.

The repeated and/or extensive use of the facility may result in:

- (a) enhanced supervisory surveillance,
- (b) additional reporting to the TWG;
- (c) the imposition of higher rates of interest.

The Bank may also, in particular cases and with the agreement of the financial institution, make payments to third parties on behalf of the applicant financial institution.

Material misrepresentations to the TWG or the FRC will trigger immediate repayment of facilities.

4.1.2. Loan Period

Liquidity advances will be granted for periods up to 30 days, 60 days, 90 days, 180 days or exceptionally six months, via repurchase arrangements with the Bank acting on behalf of the GOJ, subject to assessment and recommendation of the TWG and approval of the FRC in each case.

4.1.3. Security Arrangements

The Bank's interest (on behalf of the GOJ and FSSF Limited) in the sums advanced to the financial institution shall be secured by the way of the transfer of the relevant New Notes in the JAMCLEAR CSD to the Bank (acting as the GOJ's Agent) until repayment has been made in full. In addition, GOJ Globals pledged as collateral will be held in an external account until full repayment has been made.

4.1.4. Loan to Value

Par value of New Notes issued under the Offer pledged as collateral; no haircut. Market value of other GOJ instruments not subject to the Offer; no haircut.

4.1.5. Rate of Interest

The interest rate charged will at least cover the rate the GOJ will pay to the IMF and will be determined in each case with reference to:

- LIBOR for US\$ denominated advances;
- BOJ 30-day Certificate of Deposit rate for J\$ advances;
- The tenure of each advance;
- The aggregate level of FSSF funds accessed by the applicant and its related group.

The Bank reserves the right, in certain specified cases, to vary rates payable on FSSF Funds during the life of the advance including to add a spread. Higher, penalty rates will apply if liquidity advances are not repaid within the agreed repayment period, and further facilities will be declined. The TWG will review FSSF rates at least monthly or more frequently as warranted.

4.2. Terms and Conditions - Capital Support

Financial institutions may, in certain circumstances, access the FSSF for capital support. However such capital needs must be shown to be directly related to the exchange of GOJ Old Notes. It is contemplated that such capital injections will be effected primarily through the issue of preference shares or in certain cases, ordinary shares by the applicant institution to the FSSF Limited.

During their life, these preference shares will qualify to count as regulatory capital.

The terms and conditions with reference to such preference shares' tenure, rate of return and general conditions precedent for such capital support will be determined on a case by case basis according to the circumstances of each applicant.

4.3. Escalated and Intensified Monitoring and Surveillance

The FRC's TWG will place financial institutions under escalated monitoring and surveillance of financial institutions where:

1. the assessment of the cash flow projections indicates other underlying issues;
2. the aggregate funding accessed from the FSSF equals or exceeds certain levels, being 5% of deposits/investor funds and borrowings plus accrued interest (excluding specialized funding) of the applicant entity;
3. capital support is requested.

Licensees utilising the FSSF may also be required to take measures to protect and/or improve their financial condition. In addition supervisory measures as deemed necessary and appropriate may be

taken by the primary supervisor, in consultation with the FRC.

Note that any triggers for supervisory action by the primary supervisor shall be based on legal provisions in the respective statutes.

4.4 Access and Application Process

Applications must be submitted in writing to **the FRC** in case of liquidity support stating the amount required; or to **the Minister**, (with copies to the Chair of the FRC and to the primary regulator) in the case of capital support requests.

Each application should be accompanied by:

- (a) Confirmation of the exchange of the relevant required level of Old Notes;
- (b) The assignment and transfer of the eligible security to secure the facility;
- (c) Liquidity analysis over the period of liquidity requested (indicating maturing liabilities and use of available sources of liquidity other than the FSSF);
- (d) Cash flow projections over the period of liquidity requested and 90 days thereafter.

The FRC will grant applications for liquidity support within one day on the financial institution's on the provision of information to confirm a) and b) and the undertaking to provide documentation with respect to (c) and (d) within 3 working days of the grant of liquidity together with any other information that may be required by the TWG. If sufficient details are not provided within 3 working days, funding at the end of the 3 days will be withdrawn.

Eligible financial institutions are encouraged to keep their supervisors and the TWG abreast of their liquidity situation and to provide to the TWG with as much of the information specified at (a) to (d) as is practicable, even in advance of an application for liquidity support.

In the case of applications for capital support, the TWG will specify the additional financial information to support the application and additional conditions that will be required of the financial institution.

Applicants for capital support should be aware that the TWG will be applying viability tests (including assets quality review and stress tests) to inform its recommendations. Applicants must also submit robust capital restoration plans, which should show in detail how the financial institution will ensure appropriate capital levels and restoration of profitability within the shortest possible time. Priority consideration will be given to applicants who demonstrate that they have made use of all available alternate means of accessing support prior to applying for FSSF support.

5. SYSTEM MONITORING AND REPORTING

5.1. Monitoring Regime

In order to facilitate appropriately close financial system stability monitoring subsequent to the Offer and to support the operations of the FSSF, financial institutions within the deposit-taking licensees, securities dealers and insurance companies sectors accessing support of the FSSF will submit regular (increased frequency) liquidity, balance sheet and profit and loss returns to the TWG of the FRC.

FURTHER INFORMATION MAY BE OBTAINED FROM THE BANK OF JAMAICA