



GOVERNMENT OF JAMAICA

NATIONAL DEBT EXCHANGE

Prepared Remarks

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Ladies and Gentlemen;

I propose to focus my remarks on the role of monetary and exchange rate policy in the context of the transaction as well as over the life of the Extended Fund Facility that is currently being negotiated with the IMF.

The core objective of Bank of Jamaica is to maintain price stability. Over the life of the programme, therefore, monetary policy will aim at maintaining single digit inflation which eventually will be brought into line with our major trading partners.

We will conduct monetary policy within the framework of a flexible exchange rate regime in which the rate is allowed to adjust so as to facilitate the preservation and enhancement of price competitiveness within the Jamaican economy. We expect that this policy, along with the raft of structural reforms in the programme, will induce medium-term improvements in the current account of the balance of payments. The programme, when endorsed by the IMF, will also unlock access to bilateral and multilateral financing that, together with an expected normalisation in confidence and private capital inflows, will support much needed reserve accumulation. In this context, the programme will contain clear targets that will safeguard the adequacy of our gross international reserves.

To further enhance the operation of the foreign exchange market, the Bank will develop and introduce measures aimed at enabling the market to intermediate lumpy flows and efficiently deal with volatility. This process will commence with initiatives to facilitate a better information and price discovery process.

I will now turn to some of the things the Bank will be doing in the context of this transaction. First, it bears mentioning that the Bank, as a major holder of GOJ bonds, will be participating in the exchange with 100% of its holdings.

For the rest of the financial system, the Bank considers the preservation of financial system stability to be of extreme importance. Our technical team has reviewed the debt exchange offer

in detail and has run various stress tests that assure us that the temporary impact on financial institutions' profitability and capital adequacy will be manageable. Nonetheless, in order to ensure financial stability, the Government has revived the Financial System Support Fund ("FSSF"), which will be administered by the Financial Regulatory Council on behalf of the Minister of Finance. The form of support that the FSSF will provide will be repo-based funding. Unlike the Bank's normal liquidity support provided in accordance with the Bank of Jamaica Act, no haircuts will apply so that eligible entities can borrow up to 100% of the pledged nominal amount relating to the new GOJ bonds. Financial institutions regulated by the Bank as well as those not regulated by the Bank will be able to participate in the facility as long as they participated in the NDX.

Conclusion

Thank you for attention to this section of the presentation. I assure you that the Bank is unwavering in its commitment to fostering and maintaining macroeconomic and financial stability. Our technical teams are at hand to assist with any matters that may arise and I, personally, will be available to discuss this matter with any of you wishing to do so. In the final analysis, Bank of Jamaica will be depending on your support for this very important element of the medium-term programme that is designed to move Jamaica forward.