



News Release

18 November 2008

Since the start of October, Bank of Jamaica has used several modes of intervention to support the extraordinary foreign exchange needs of financial institutions and commercial operators that have arisen from the adverse developments in external markets. In addition to sales to authorized dealers, measures have included the direct sale of foreign currency to entities, the extension of collateralized credit to securities dealers to replace volatile margin arrangements and the intermediation of funds among domestic institutions. These measures have contributed to marked slowing in the depreciation of the exchange rate.

More recently, with the maturity of both BOJ and GOJ securities, there has been a build-up of Jamaica Dollar liquidity in the banking system that could threaten stability. In order to remove this liquidity overhang and to preserve order in financial markets, the Bank of Jamaica will implement the following measures:

1. The Bank will offer a Special Certificate of Deposit to Primary Dealers and Commercial Banks, to mature on 3 December 2008. Interest payable on this instrument will be 20.50% per annum. This instrument will be offered from Tuesday, 18 November to Wednesday, 19 November 2008. BOJ's regular menu of CDs ranging from 30 days to 365 days will remain on offer.
2. Effective 3 December, 2008, on the expiration of a 15 day notice period, the cash reserve requirement of commercial banks, merchant banks and building societies will be increased to 11 per cent of Jamaica Dollar liabilities from the current requirement of 9 per cent. The liquid asset requirement would therefore rise to 25 per cent from the current 23 per cent. It is intended to increase these requirements by a further 3 percentage points

These monetary policy actions are temporary measures to support the achievement of the inflation objective and the maintenance of macroeconomic stability.

Bank of Jamaica