

 **Proposal for the
drafting instructions for
the Banking Services
(Financial Holding
Company) (Licence
Application) Rules**





PREFACE

Following on the commencement of the Banking Services Act ("BSA") in September 2015 and affirmation of Regulations for the deposit taking sector under the BSA, Bank of Jamaica is now moving towards the implementation of the Financial Holding Company ("FHC") regulatory regime. The suite of regulations that will be applicable for the FHCs will commence with the issue of regulations pertaining to the licence application for FHCs.

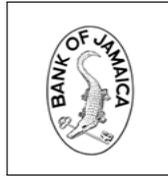
The licence application will cover in large part, the information set which currently applies to applicants for licence to operate as a deposit taking institution ("DTI") and therefore covers areas such as ownership and group structure, financial resources and strength, strategic plans and projections, governance structure and arrangements, risk management and internal controls, corporate governance and IT systems.

This document will form the basis for the issue of a request for drafting instructions to be issued for the preparation of the Supervisory Rules treating with the subject of licence application for FHCs.



PROPOSAL

FOR CONSULTATION



It is proposed that Rules entitled The Banking Services (FINANCIAL HOLDING COMPANY) (LICENCE APPLICATION) RULES, 2016 be drafted and that the contents of the Rules be reflected as follows:

In exercise of the power conferred on the Supervisory Committee by subsection (1) of section 132 of the Banking Services Act, and of every other power hereunto enabling, the following Rules are hereby made:-

1. It is proposed that these Regulations may be cited as the Banking Services Licence (Financial Holding Company Form of Application) Rules, 2016.
2. (1) In these Rules "applicant" means - an applicant for a licence to become a financial holding company.

(2) In these Rules "global group" means a group, offering financial services in several jurisdictions, including a financial holding company in Jamaica which is the subsidiary of an ultimate holding company incorporated outside of Jamaica.

(3) In these Rules "wider group" includes, non-financial entities, which are affiliated with a financial group.
3. An Application under section 19 (2) of the Act for a licence to function as a financial holding company shall-
 - a) be made in the form specified in Schedule 1;
 - b) satisfy the licensing and other requirements specified in the Act or any regulations made under the Act; and
 - c) contain any additional information that is needed for the assessment of the application.
4. (1) An application shall not be considered unless the prescribed documents and any additional information that is needed for the assessment of the application are submitted by the applicant.

(2) Information contained in or accompanying the application shall, if required by the Supervisory Committee, be verified by statutory declaration.

(3) The Supervisory Committee may defer deciding on the application until it receives any statutory declaration required under subsection (2).

(4) The application may lapse if the applicant does not submit any statutory declaration required under subsection (2) upon the expiration of a reasonable period within which to do so, as notified by the Supervisory Committee.

(5) Where, in the opinion of the Supervisory Committee, an application is not complete, the Supervisory Committee may, request an applicant, by a date specified by the Supervisory Committee, in writing to -
 - a) submit a completed application; or
 - b) provide the additional information required to complete the assessment.
5. Where a request for information is made by the Supervisory Committee and the information requested is not received by the date specified by the Supervisory Committee, the assessment of the application may be discontinued and the Supervisory Committee shall inform the applicant of the discontinuation.

**PROPOSED BANKING SERVICES
(FINANCIAL HOLDING COMPANY) (LICENCE APPLICATION) RULES**

Schedule 1

Application for Licence as a Financial Holding Company
(under section 19)

1 Background Information

1.1	Name of applicant	
1.2	Registered Office Address	
1.3	Date of incorporation	
1.4	Country of Incorporation	
1.5	Taxpayer Registration Number (TRN)	
1.6	Telephone Number	
1.7	Fax Number	
1.8	Email address	
1.9	Website Address	

1.10 Indicate the financial year end of the applicant(dd/mm)

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1.11 Indicate whether you propose to function as an operating company or not.

1.12 Attach the following for all members of the financial group:

a) a certified copy of certificate of incorporation.

Attached

b) articles of incorporation or equivalent documents.

Attached



1.13 **Audit Firm**

Name	
Address	
Contact Name	

1.14 **Attorney-at-law**

Name	
Address	



2 Ownership and Group Structures

State the name, address and principal business activities of any parent entity of the applicant. Provide details of the amount and value of the shareholding of the parent entity in the applicant.

2.1

2.2 Provide the name of the stock exchange(s) on which the parent(s) at 2.1. above is listed, if applicable.

2.2

Provided

2.3 Provide a structure chart which clearly outlines the relationships among all the connected entities within the financial group of which the applicant is the head. The chart should highlight any holding entity with controlling interest or with the ability to exercise significant influence over the applicant or over any other entity within the financial group that conducts activities or businesses that are considered material or critical to the financial group's operations. (refer to the definition of "connected person" in Section 2(1) and 2(2) of the Banking Services Act).

2.3

Provided

2.4 State the names and addresses of all subsidiaries, affiliates or other bodies, partnerships and unincorporated associations that are connected with the applicant and provide details of the nature of the applicant's connection with these entities. Explain the nature of the business and principal activities of these subsidiaries, affiliates and other connected bodies and indicate which are considered as material to the activities of the financial group.

2.4

2.5 Provide a list of all the entities within the financial group that are regulated or supervised and the name and address of the relevant Supervisory Authority or Authorities in each case. (refer to the definition of "financial group" in Section 2(1) and 2(2) of the Banking Services Act).

2.5

Provided



Provide details of persons who will, whether alone or jointly, possess or control 5% or more of shares or voting power of the applicant to include:
2.6 a. in the case of a natural person, details of name, nationality, occupation, address (home and business), shareholding and voting power in the applicant;
b. in the case of a legal person, the name, registered address, nature of business, shareholding and voting power in the applicant; and

2.7 If there are no such persons as required at 2.6 above, provide similar details for each of the 10 largest shareholders, grouping together family or "connected persons" as defined in section 2(2) of the Banking Services Act, where possible.

2.8 In cases where a legal entity owns 50% or more of the applicant, the applicant shall provide similar details as in 2.7 above for all the ultimate individuals who hold 20% or more of voting power in the entity or the ultimate individuals who have effective control thereof.

Provided

2.9 For those listed at either 2.6, 2.7 or 2.8 above, provide details of personal and business history(financial or otherwise) along with certified copies of the last three years' financial statements (for all business interests) or statement of affairs, as the case may be. Additionally, attach the "Personal Questionnaire for Connected Persons" (PQ) for these individuals along with a current passport size photograph.

Personal Questionnaire for Connected Persons	<input type="checkbox"/>	Attached
Current Passport Size Photographs	<input type="checkbox"/>	Attached

2.10 Has the applicant or its owners ever been refused, had revoked, or discontinued an application for any licence, membership, authorization, registration or other permission granted by a regulator or government body in Jamaica or overseas?

Yes No

2.11 If the response to 2.10 is in the affirmative, provide details of the event(s) including references to the type and date of event(s), outcome(s), and explanation of the circumstances.

2.12 Has the applicant, any of its subsidiaries, its parent entity, any related subsidiary, associated company or a director of any of the foregoing, been convicted in a court or censured or reprimanded by a regulator of financial services or other regulatory authorities (whether in Jamaica or overseas) during the last 7 years or are there any proceedings now ongoing which may lead to such an outcome? If so give details.



3 Financial Resources and Strength

For the consolidated financial group of which the applicant is the head and all its member entities, provide:-

- 3.1 copies of audited financial statements (including Balance Sheet, Profit & Loss, Cashflow Statement, Auditor's Report and Notes) for the last three years . In any case provide "in-house" financials for the current operating period.

Attached

- 3.2 Where the applicant is part of a global group, include, in response to 3.1(above), the global group's audited consolidated financial statements for the same period.

Attached

- 3.3 Provide the following regarding the applicant's capital accounts:

- (a) authorized capital;
- (b) subscribed capital;
- (c) paid up capital;
- (d) details of types or classes of shares.

Provided



4 Strategic Plans and Projections

- 4.1 Provide a detailed Strategic Plan directing the financial group of which the applicant is the head.

- 4.2 Provide the following in relation to the financial group operations-

details regarding the financial holding company's: financial, operational linkages and interdependencies between the activities in Jamaica and the regional and international operations, where applicable. Where such linkages are considered to be significant, elaborate on assessment of external factors or internal constraints that could impact such linkages and interdependencies.

- 4.3 Indicate whether the financial group or wider group of which the applicant is a part, is undergoing significant changes (locally or cross-border) e.g. merger, restructuring or expansion in particular business areas or markets and whether any such changes are currently being contemplated. Outline and elaborate on how these changes may affect the operations in Jamaica.



5 Governance Structure and Arrangements, Risk Management and Internal Controls

5.1 Attach an organizational chart of the applicant and its subsidiaries and where possible, elaborate on the lines of reporting and accountability within the financial group and lines extending to the global group, if applicable.

Attached

5.2 Provide the name, address, nationality, occupation and responsibilities of each director and officer of the applicant and entities within the financial group. (Indicate if any person named above is or is to be an executive or non-executive director). Also highlight whether any of these persons are employed or contracted to any entity in the financial group or its affiliates, or hold 5% or more of the shares of any entity in the financial group or its affiliates.

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5.3 Provide the name, nationality, occupation, responsibilities and address of key employees across the financial group as defined in the Banking Services Act.

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5.4 Provide in relation to a director, officer and key employee of the applicant and members of the financial group a completed "Personal Questionnaire for Connected Persons" (PQ) and related attachments.

Personal Questionnaire for Connected Persons	<input type="checkbox"/> Attached
Current Passport Size Photographs	<input type="checkbox"/> Attached

5.5 Attach any policy regarding the appointment of officers.

Attached

Compliance

5.6 Provide clear details of the organizational structure, resources and reporting lines to govern the compliance function or the financial group for which the applicant is the head. Also provide a comprehensive compliance manual that may be in place in this regard.

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Compliance Manual(s) Attached

Internal Audit

5.7 Provide clear details regarding the Internal Audit function for the financial group of which the applicant is the head, including an overview of the methodology, the resources employed and the relevant reporting and accountability structures across the group.

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Risk Management

5.8 Provide clear details of the group-wide risk management framework, systems and procedures for the financial group for which the applicant is the head. In addition, attach the relevant risk management policies, where applicable (see 5.9)

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5.9 Attach the key policies/procedures governing the financial group's operation including those which address the following areas:-

Credit/ Lending	<input type="checkbox"/>	Attached
Concentration risk	<input type="checkbox"/>	Attached
Group-wide Liquidity Risk Management	<input type="checkbox"/>	Attached
Group-wide Operational Risk	<input type="checkbox"/>	Attached
Legal risk and Reputational risk across the group	<input type="checkbox"/>	Attached
Abuse of Financial Services	<input type="checkbox"/>	Attached
Remuneration	<input type="checkbox"/>	Attached
Group-wide Outsourcing	<input type="checkbox"/>	Attached
Group-wide Business Continuity	<input type="checkbox"/>	Attached
Group-wide Capital management	<input type="checkbox"/>	Attached
Codes of business conduct used across the group	<input type="checkbox"/>	Attached
Other policies/procedures of significance (if any, list below)	<input type="checkbox"/>	Attached

Corporate Governance

5.10 Provide information regarding the composition of the applicant's Board. This should include notes highlighting instances where directors of the applicant's Board have involvement in other entities within the financial group and whether any Board member resides outside of Jamaica.
 Attached

5.11 Attach policies and procedures related to Corporate Governance across the financial group.
 Attached

Systems

5.12 Provide details of the Information Technology ("IT") systems in use across the financial group and highlight whether any of these systems are undergoing significant alterations, or are expected to be significantly altered in the near future.

5.13 Provide details of any proposed external/or intra-group outsourcing arrangements to support the financial group's operations. These details shall include at a minimum:

- a) Supplier Identity & Location (indicating whether the supplier is in any way connected to the financial group);
- b) The rationale for the outsourcing arrangement;
- c) Details of the due diligence and selection process;
- d) Business Continuity Plans in the event the outsourced service provider experiences an adverse situation.

5.14 Provide details of any proposed external/or intra-group outsourcing arrangements to support the applicant's proposed operations. These details shall include at a minimum:

- a) Supplier Identity & Location (indicating whether the supplier is in any way connected to the applicant);
- b) The rationale for the outsourcing arrangement;
- c) Details of the due diligence and selection process;
- d) Business Continuity Plans in the event the outsourced service provider experiences an adverse situation.

5.15 Attach copies of service level agreements(SLAs) or other contractual arrangements for each outsourced activity, current or pending, across the financial group.
 Attached

Indicate the number of SLAs attached.	
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5.16 Attach your outsourcing policies for members of the financial group and/or the group-wide outsourcing policy

Indicate the number of policies attached.	
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Attached

5.17 Attach the business continuity plans and policies for members of the financial group or the group-wide plan and policy regarding business continuity.

Indicate the number of plans/policies attached.	
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Attached



6 Crisis Management

6.1 Attach your Crisis Management plan for the financial group which shall include:

- all particulars regarding plans for the recovery and resolution of entities within the financial group of which the applicant is the head.
- a clear description of how early warning systems are integrated into the applicant’s risk management framework to inform recovery efforts.
- the range of recovery options, which correspond to various adverse situations which may affect the entities within the financial group (including capital and liquidity shortfalls).

Attached

6.2 In respect of the global group, are there existing recovery and resolution plans which extends to the operations across the financial group of which the applicant is the head? Also indicate whether these plans have been approved by or shared with the home regulator for the global group? If so, explain how the operations of the financial group of which the applicant is the head will fit into global group recovery efforts.

Note: it should not be assumed that information is known to the Supervisory Committee and/or Bank of Jamaica merely because it is in the public domain or has previously been disclosed to the Supervisory Committee and/or Bank of Jamaica or another regulatory body.

Note: knowingly or recklessly giving Bank of Jamaica information pursuant to this application which is false or misleading in a material particular may be a criminal offence (section 38 of the Banking Services Act).

I/We hereby apply for a financial holding company licence under section 19 of the Banking Services Act for the abovementioned Company to carry on the business described in this Application. I certify to the best of my knowledge and belief that all the information given in this application and contained in the supporting statements and documentation submitted is true and correct.

Signature

Signature

Name & Position

Name & Position

Director/Secretary

Director/Secretary

Date

Date



Responding to this Paper:

This document is being circulated to DTIs and other relevant stakeholders to facilitate industry consultation and feedback.

The Bank invites comments on the proposal for the development of the Licence (Financial Holding Company Form

of Application). Comments are most helpful if they:

1. indicate the section and specific point to which a comment relates;
2. contain a clear rationale for an amendment or states a specific area of concern;
3. provide evidence to support the views expressed; and
4. propose alternative regulatory approaches the Bank should consider.

Submission of Responses:

Comments on the proposal will be received up to the close of business on January 31, 2017 by email to fidfeedback@boj.org.jm.

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