

MONETARY POLICY AND FOREIGN EXCHANGE RATE DEVELOPMENTS - 1984 TO PRESENT

OTHER POLICY DEVELOPMENTS

- 1984/01/01 12 percent ceiling on private sector credit by commercial banks established.
- 1984/03/15 Treasury Bill ceiling increased from J\$500 mn. to J\$750 mn.
- 1984/03/29 New Parity Order: Range J\$3.40 – J\$3.70 per US\$1.00 (J\$3.70 actual selling rate).

Treasury Bill ceiling increased from J\$500 mn. to J\$750 mn.
- 1984/06/04 Introduction of Banker's Rediscounting Facility (BRF) replacing the Banker's Export Guarantee Facility (BEGF) the Pre-Shipment Facility (PSF), the Export Credit Facility (ECF) and the Inland Bills of Exchange (IBE).
- 1985/03/08 Credit by commercial banks should not increase until further notice. Not applicable to loans out of resources by National Development Bank and Agricultural Credit Bank.
- 1985/03/31 Credit by trust companies, merchant banks and finance houses should be held within ceiling approved for period ending 31/3/85.
- 1985/06/11 As of September 30 1985, private sector credit increases by commercial banks must not exceed the amount outstanding at March 31, 1985 by 2 percent. Such credit increases for the quarters ending December 31, 1985 and March 31, 1986 should not exceed base March 31, 1985 more than 6 percent and 10 percent, respectively.
- 1985/06/28 Credit by trust companies, merchant banks and finance houses restricted to within 15 percent of amount outstanding at 31st March 1985, for the fiscal year 1985/86. There should be no increase in consumer-oriented credit whether through leasing or other means for 1985/86.
- 1985/08/01 Treasury Bill ceiling up from \$750 mn. to J\$1 bn.
- 1985/10/04 Removal of overall ceiling on private sector credit extended by commercial banks and institutions operating under the Protection of Depositors Act (merchant banks, trust companies, finance houses). However, the ceiling on consumer credit remained.
- 1985/11/18 Introduction of auction for Certificates of Deposit issued by Bank of Jamaica.

- 1985/11/26 The re-introduction of the Pre-Shipment Financing Facility (PSF) and the Bankers Export Guarantee Facility (BEGF).
- 1986/05/02 Auction of Certificates of Deposit suspended, and fixed rate offered at each tender.
- 1986/05/12 Merchant banks, trust companies and finance houses now qualified to participate in Bank of Jamaica's rediscount facility for sectoral credit.
- 1986/08/11 Consumer credit ceiling of commercial banks, merchant banks, trust companies and other financial institutions must be maintained at level outstanding March 31, 1986 until March 31, 1987. Personal and distribution categories must be maintained at current level and should be brought within the specified ceiling by September 30, 1986.
- 1986/12/01 \$100 bill introduced as legal tender.
- 1987/03/02 Treasury Bill ceiling increased to J\$1.5 bn. from J\$1.0 bn.
- 1988/03/01 Treasury Bills ceiling increased from J\$1.5 bn. to J\$2.5 bn.
- 1988/07/27 \$50 bill introduced as legal tender.
- 1988/08/17 Competitive bidding at Certificates of Deposit auction resumes.
- 1988/10/25 Treasury Bill ceiling increased from J\$2.5 bn. to J\$3.5 bn.
- 1989/11/20 The operating policies and procedures of the Export Development Fund have been amended in the following areas so as to improve its effectiveness as a provider of foreign exchange to the non-traditional export sector:
- (a) Treatment of export earnings of EDF financed Jamaican exporters to Caricom region
 - (b) Provision of bank guarantees
 - (c) Duration of credit limits
 - (d) Export credit insurance
 - (e) Foreign exchange commitment approval process
 - (f) Provision of information to exporters
- 1989/12/31 Ceiling imposed on credit extended by commercial banks and non-bank financial institutions. Credit must not exceed the greater of the amount outstanding on November 30, 1989, and such amount as was agreed with each respective institution. Not applicable to loans made by specified financial

institutions out of the resources of the National Development Bank and the Agricultural Credit Bank.

- 1990/08/02 New J\$1.00 coin replaces J\$1.00 note.
- 1990/11/01 Commercial banks will now settle payments and receipts in respect of trade in goods and services with CARICOM countries. This replaces the previous system whereby the above-mentioned transactions were settled through Bilateral Clearing Arrangements operated by the Bank of Jamaica and other CARICOM Central Banks.
- 1991/01/01 Removal of ceiling on loans and advances extended by commercial banks and specified financial institutions.
- 1991/02/08 Bank of Jamaica introduces Repurchase Agreement for Treasury Bills whereby holders of these Bills can contract to sell same for immediately available funds and simultaneously buy these same securities for delivery within a prescribed period.
- 1991/08/13 Treasury Bill ceiling increased from \$3.5 bn. to \$4.5 bn.
- 1991/12/01 Commercial banks as agents of the Bank of Jamaica for the issue of currency will institute measures relating to their ability to meet the instituted currency requirements of account holders/non-account holders.
- (a) Banks are free to meet the currency requirements of their account holders known to them as persons or companies operating a legitimate business, to the extent of their reasonable needs for currency in exchange for cheques against or withdrawals from the applicants accounts.
- (b) For account holders engaged in business operations not known to the bank and who require large amounts of currency in excess of J\$10,000, the bank should determine the legitimacy of the same and may issue currency up to J\$50,000 in exchange for cheques against or, withdrawals from the applicants account.
- Requests for amounts by this group in excess of J\$50,000 should be referred to the Bank of Jamaica.
- (c) Where a request for currency is made by a non account holder or anyone presenting a manager's cheque, third party cheque or similar instrument, the bank should seek information as to the purpose for which the amount is required. Should the bank be satisfied with the purpose for the required amount, the request should be dealt with as in (b). Should establishing legitimacy of use require too extensive or time consuming investigation, the bank may issue currency up to \$10,000 and refer the application for the excess to the Bank of Jamaica.

- (d) The above arrangements do not apply to applications for Jamaica currency in exchange for foreign currency drafts, cheques or other similar foreign currency instruments.

1991/12/03 Bank of Jamaica withdrew guidelines issued on November 26, 1991, regarding the withdrawal of Jamaican currency notes from commercial banks for amounts over \$10,000.

1992/07/22 Treasury Bill ceiling increased from \$4.5 bn. to \$6.5 bn.

1992/12/31 Implementation of revised financial legislation. These involved:-

- (i) The Bank of Jamaica (Amendment) Act, 1992. The main amendments effected by this Act were:-

- (a) Provisions to make the implementation of monetary policy more effective;
- (b) Provisions to rationalise the treatment of BOJ losses;
- (c) Provisions, carried over from Exchange Control, to regulate the management of foreign exchange; and
- (d) Provisions to give statutory recognition, in the Bank of Jamaica Act, to the department of Bank Inspection.

- (ii) The Banking Act, 1992;

- (iii) The Financial Institutions Act, 1992, replaced the Protection of Depositors Act, and is designed to regulate the operation of merchant banks, trust companies and finance houses (near-banks) which take deposits from the public.

The provisions in (ii) and (iii) are largely the same, save that 'near-banks' are not permitted to take deposits repayable on demand, and therefore, not permitted to operate chequing accounts. Some of the more important revised provisions are:-

- (a) Stronger provisions regarding licensing, minimum levels of capital, and levels of deposits which may be taken.
- (b) Stricter prudential controls on the activities of institutions, such as insider loans, investments in commercial companies and levels of lending to single customers or to groups.
- (c) Provisions for possible loan losses.
- (d) Greater scrutiny of persons acquiring control of institutions.

- (e) Strengthening of the powers of the supervisors, both the Inspection Department and the Minister.
- 1992/12/31 (f) Enhancement of regulation making powers to achieve greater flexibility in areas such as the adequacy of capital, solvency, the obtaining of co-operation from auditors, and the maintenance of high personal standards among persons working in the banking industry.
- (g) A full and comprehensive mechanism for identifying and dealing with offences of troubled conditions relating to institutions, including ways of rescuing troubled institutions.
- 1993/05/03 Amendments to guidelines relating to Repurchase Agreement of February 8, 1991 effected. The Liquidity Support/Repurchase Agreement is a facility under which holders of Treasury Bills, Local Registered Stocks or Equity Investment Bonds contract to sell these securities for immediately available funds, and simultaneously buy the same securities for delivery within a prescribed period.
- The Facility allows for the provision of cash flow in situations of tight liquidity which can be corrected over a short period.
- Under the Facility, securities transactions are negotiated without incurring penalties for premature encashment.
- The following stipulations will apply:
1. Repurchase Agreements shall be no longer than five (5) business days in any one (1) month.
 2. No security will be accepted for repurchasing within ten (10) days of their primary issue.
 3. Repurchase application must be accompanied by the relevant security.
 4. Default on any Repurchase Agreement contract will attract early encashment penalty computed from the first day of the transaction.
 5. The purchase and sale price of securities under Repurchase Agreements are determined on execution of contracts.
 6. The pool of Repurchase Agreement will be determined from time to time by the Bank of Jamaica, and because of market and other constraints, it may be necessary to allocate participation.
- 1993/07/14 Treasury Bill ceiling increased from \$6.5 billion to \$7.5 billion.

- 1993/07/26 The following amendments were effected re-Liquidity Support/Repurchase Agreement:-
- (1) The rate on repurchase agreements will reflect current market conditions;
 - (2) At maturity of any repurchase contract, the relevant current account with the Bank of Jamaica will be automatically debited.
- 1994/04/01 Guidelines issued on October 19, 1984 relating to instalment credit which provided for minimum down payments and maximum repayment periods no longer in effect. Institutions free to set down payment and repayment terms appropriate to the particular circumstances.
- 1994/04/18 Bank of Jamaica created a new financial market arrangement involving a number of financial market intermediaries to be known as 'Primary Dealers'. The specific role of these dealers will be to provide continuous underwriting support for all new issues of Government of Jamaica Treasury Bills and LRS issues and all BOJ Certificates of Deposit thereby providing secondary market liquidity for these same securities through an active two-way market.
- 1994/08/17 Government of Jamaica offers Variable Rate Local Registered Stock 1999(A) in exchange for holdings in whole or in part of Variable Rate Local Registered Stock 1994. Stock issued in acceptance of this conversion will not qualify to be counted as Liquid Assets.
- 1994/08/29 Government expanded the group of "Primary Dealers".
- 1994/08/30 Treasury Bill ceiling increased from \$7.5bn. to \$12bn.
- 1994/12/14 A new \$5 coin bearing the portrait of National Hero, the Rt. Excellent Norman Manley was issued to replace the existing \$5 note, and both note and coin will circulate concurrently until all stocks of notes are exhausted.
- 1995/05/09 Implementation of the Bank of Jamaica (Authorized Dealers) Order 1995 which authorizes fifteen (15) institutions licensed under the Financial Institutions Act to operate as Authorized Dealers in relation to all foreign currencies and foreign currency instruments. Licensees are allowed to lend and borrow in foreign currency as well as trade foreign currency instruments. The eleven institutions previously granted limited foreign exchange dealer status have had this status revoked consequent on the granting of full authorized foreign currency dealership.
- 1996/07/10 The Minister of Finance assumed temporary management of Century National Bank Ltd; Century National Merchant Bank and Trust Co. Ltd.; and Century National Building Society.
- 1996/07/25 The Government of Jamaica issues US\$70,000 Fixed Rate Notes due 1999, locally and regionally.

- 1997/07/01 The Government of Jamaica issues US\$200,000,000 Notes due July 2002 at a rate of 9.625 percent per annum payable semi-annually in arrears in US dollars on January 2 and July 2 of each year commencing January 2, 1998. Issue Price: 99.786 percent.
- 1998/02/20 The Minister of Finance and Planning assumed temporary management of Caldon Finance Merchant Bank Limited.
- 1998/02/23 The Minister of Finance and Planning assumed temporary management of Workers Savings and Loan Bank, Corporate Merchant Bank Limited and Capital Assurance Building Society.
- 1998/07/01 Two new Primary dealers, Sigma Investment Management Systems Limited and George and Branday Limited, have been appointed. In addition Horizon Merchant Bank has ceased trading. The number of Primary Dealers now operating is fourteen.
- 1999/03/01 Manufacturers Merchant Bank Limited and Knutsford Capital Merchant Bank Limited appointed as Primary Dealers. This brings to sixteen the number of dealers.
- 2000/04/26 One thousand dollar (\$1000) note introduced as legal tender.
- 2001/06/29 The Bank of Jamaica has added Certificates of Deposit to the instruments used in the conduct of open market operations.
1. Primary Dealers and Commercial Banks will be able to purchase Certificates of Deposit (CDs) directly from the BOJ. The Certificates, issued in the name of the contracting institution are assignable. Except for the underlying securities, all other terms and conditions applicable to the Reverse Repurchase transactions apply to CDs.
- 2001/06/29
2. Bank of Jamaica will continue to conduct Reverse Repurchase transactions evidenced by the Certificates of Securities Held (COSH).
 3. Central Bank deposits which are maintained in statement form (i.e. no physical certificate is issued) will continue to be used for placements of seven (7) days or less.
- 2001/07/02 The operations of Manufacturers Merchant Bank and Sigma Money Managers were merged as Manufacturers - Sigma.
- 2001/07/05 Manufacturers Merchant Bank Limited changed its name to Manufacturers Sigma Merchant Bank Limited.
- 2001/11/26 Union Bank of Jamaica Limited changed its name to RBTT Bank Jamaica Limited.

- 2001/12/11 Trafalgar Commercial Bank Limited changed its name to First Global Bank Limited.
- 2002/09/27 CIBC West Indies Holdings Limited changed its name to First Caribbean International Bank (Jamaica) Limited.
- CIBC Trust and Merchant Bank Limited name changed to First Caribbean International Trust & Merchant Bank (Jamaica) Limited.
- CIBC Building Society name changed to First Caribbean International Building Society.
- 2002/10/14 CIBC West Indies Holdings Limited and CIBC Jamaica Limited began operating as First Caribbean International and First Caribbean International Bank Jamaica, respectively.
- 2002/11/11 Scotia Jamaica Trust and Merchant Bank Limited terminated its operations and surrendered its deposit taking licence.
- 2003/01/31 International Trust and Merchant Bank Limited terminated its operations during January 2003 and surrendered its deposit taking licence on January 31 2003.
- 2003/07/09 First Caribbean International Trust and Merchant Bank Limited (FCITMB) surrendered its deposit-taking licence previously issued under the Protection of Depositors Act, and has been renamed First Caribbean International Securities Limited.
- 2003/01/10 The Bank of Jamaica instituted a “Special Deposit” requirement for Commercial Banks and institutions licensed under the Financial Institutions Act. Each institution will be required to place cash deposits with the Central Bank equivalent to 5% of its Jamaican dollar deposit liabilities. This measure is instituted in a context of increased speculation and heightened instability in the foreign exchange market which has been facilitated by the High levels of Jamaica dollar liquidity in the system.
- The Central Bank intends to retain this measure until normality is restored in the foreign exchange system.
- 2003/02/10 The Bank of Jamaica introduced a special five-month open market instrument which will earn interest at 30% per annum. The interest on all other open market instruments remained unchanged.
- This instrument was introduced in a context of significant Jamaica dollar liquidity and protracted instability in the foreign exchange market. It was intended as a temporary measure to be removed as soon as the corrective fiscal action being developed by the government became effective.

- 2003/02/14 The Bank of Jamaica withdrew the special five-month open market instrument which was introduced on 10 February, 2003.
- The decision to remove this instrument came against the background of tight Jamaica dollar liquidity and the appreciation in the exchange rate over the preceding four days. The removal also came following representations made to the Bank of Jamaica by financial institutions and understandings reached with respect to the development of foreign exchange market protocols.
- 2005/05/27 The Bank of Jamaica ceased using reverse repurchase agreements to conduct open market operations.
- 2006/05/01 The Bank of Jamaica removed requirements on deposit taking institutions to hold portions of their assets as a Special Deposit with the Central Bank.
- The above requirement of the Central Bank was introduced in January 2003 to stabilize the financial markets. The initial deposit requirement was set at 5 per cent of prescribed liability and this was reduced to 1 per cent in two steps between February and May 2005
- The sum due to financial institutions as at 28 April was J\$1564.1 million.
- 2008/11/18 To reduce Jamaican dollar liquidity in the banking system and preserve order in the financial markets, the Bank of Jamaica offered 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.
- 2009/05/18 The Bank of Jamaica launched a \$5,000 note with sixteen (16) security features on the front and back of the note. Noted features include a picture of Hugh Shearer and a black vertical serial number on the right hand side of the note and an image on of highway 2000 on the back.
- 2009/09/08 The Bank of Jamaica introduced the new-shaped One and Ten Dollar coins.
- The current seven-sided (heptagonal) of the One dollar will be replaced by a round coin with the heptagonal shape within a circle. The current scalloped-shaped design of the Ten Dollar will be replaced by a round coin with the scalloped shape within.
- 2011/06/20 FirstCaribbean International Bank now branded under the CIBC banner as CIBC FirstCaribbean International Bank.
- 2011/07/11 RBTT Bank Jamaica Ltd was rebranded RBC Royal Bank (Jamaica) Ltd.
- 2012/07/20 Bank of Jamaica advised that the 2012 issue of four of the five denominations of Bank notes - \$1,000, \$500, \$100, \$50 – which will be released into general circulation on Monday July 23, 2012, would be printed on more durable substrates. Changes became necessary as The Bank seeks to extend the useful life of the banknotes.

- 2012/07/20 Bank of Jamaica advised that the special series of banknotes to commemorate Jamaica's 50 years of political independence will be released in to general circulation on Monday 23 July 2012 and would be available at all commercial banks as at that date.
- 2013/12/31 As part of the programme of reform to develop and strengthen the financial system and, in particular, to facilitate the introduction of collective investment schemes (CIS) in 2014, the Bank of Jamaica announced a timetable for raising the cap on investments in foreign currency securities which currently applies to securities dealers and CIS. The prevailing cap on such investments (with the exception of those categories exempted by Ministerial Order) was 5 per cent. The cap will be lifted in steps to at least 25% by end 2015 with the intention to remove the cap by the end of 2016, unless extraordinary circumstances require a reassessment. Financial entities would be subjected to the prudential standards applicable to each sector of the industry in order to preserve financial stability.
- 2014/1/03 For the period 24 to 31 December 2013, the Bank of Jamaica recorded net currency redemption of *\$57.4 million or 0.08 per cent* from the commercial banks, building societies and cambios. This net redemption resulted in the stock of currency as at 31 December 2013 being *\$69.8 billion* which implied a net increase of *\$11.5 billion or 19.6 per cent* in currency issue for the month. The increase for the month was largely in line with the Bank's projection for growth of *19.0 per cent* (see Chart 1). Given the outturn for the month, annual growth in currency issue was *7.9 per cent* for 2013 compared to an increase of *3.3 per cent* for 2012.
- The Bank anticipated that the majority of the currency issued during December 2013 would be redeemed during January 2014. Over the last five years, net currency redemption in January averaged *79.2 per cent* of net currency issued in the preceding December.
- 2017/7/26 In an effort to upgrade and modernize its intervention and trading framework for foreign currency, the Bank of Jamaica (BOJ), implemented a new tool for its sale and purchase of foreign exchange (FX) to market intermediaries. The framework, called BOJ Foreign Exchange Intervention & Trading Tool (B-FXITT), is a rule-based, competitive, multiple-price intervention system to buy and sell FX to Authorized Dealers (ADs) and Cambios.
- 2017/9/15 **BANK OF JAMAICA DEMONETIZES LOWER VALUE COINS** Bank of Jamaica (BOJ) will soon demonetize the one, 10, and 25 cent coins. This means that the Bank will no longer have these denominations made, and that after a certain time, these coins will no longer be legal tender and the Bank will no longer issue them to the public. **Importantly, however, even after these coins are no longer legal tender for transactions, BOJ will indefinitely continue to redeem them for face value.** What this means is that there will soon be no more cents in circulation, and so the one dollar coin will become the lowest coin denomination, while the total range of coin denominations left – all in dollars - will be the one, five, ten, and twenty dollar coins.

2017/10/17 IMPROVING THE WAY BOJ SELLS FOREIGN EXCHANGE.

A successful pilot in June and a seamless launch in July. Bank of Jamaica's new and improved foreign exchange trading tool is up and running. The BOJ Foreign Exchange Intervention & Trading Tool (B-FXITT) is intended to facilitate buying as well as selling foreign exchange. However, to avoid any risk of confusing the market, the central bank opted to introduce the selling side of the operation first.

2017/11/17 BANK OF JAMAICA'S MEDIUM-TERM INFLATION TARGET

In a significant step in Jamaica's economic reform programme, the Minister of Finance and the Public Service approved a continuous medium-term inflation target for Bank of Jamaica in September 2017. This replaced the customary annual fiscal year inflation target. The medium-term inflation target for Bank of Jamaica is 4.0 per cent to 6.0 per cent. This target will be subject to annual reviews by the Minister, at which time it may be adjusted if economic conditions warrant. Medium-term inflation target is also more clearly harmonised with the projected outcomes of fiscal policy set out in the Government's Fiscal Policy Paper.

2018/06/27 BANK OF JAMAICA LOWERS POLICY RATE

Bank of Jamaica announces its decision to lower the policy rate (the interest rate offered on Over- night placements with Bank of Jamaica) by 50 basis points to **2.00 per cent**, effective 28 June 2018. In March, April and May 2018, inflation fell below the lower end of the Bank's inflation target of 4.0 per cent to 6.0 per cent.

**2018/08/22 NOTICE OF TREASURY BILL DEMATERIALIZATION
GOVERNMENT OF JAMAICA**

THE GOVERNMENT OF JAMAICA (GOJ) HEREBY GIVES NOTICE OF ITS INTENTION TO DEMATERIALIZATE TREASURY BILLS EFFECTIVE SEPTEMBER 2018. IN KEEPING WITH SECTION 14 OF THE PUBLIC DEBT MANAGEMENT ACT 2012, THE GOJ WILL NO LONGER ISSUE PAPER CERTIFICATES FOR TREASURY BILLS COMMENCING WITH THE SCHEDULED ISSUES IN SEPTEMBER 2018.

2018/08/28 BANK OF JAMAICA MAINTAINS POLICY RATE

Bank of Jamaica announces its decision to hold the policy interest rate (the rate offered on overnight placements with Bank of Jamaica) unchanged at 2.00 per cent. This decision reflects the Bank's assessment that inflation, currently below target, will rise towards the lower end of the target of 4.0 per cent to 6.0 per cent by the March 2019 quarter and approach the middle of the target range thereafter.

2018/10/02 BANK OF JAMAICA MAINTAINS POLICY RATE

Bank of Jamaica announces its decision to hold the policy interest rate (the rate offered on overnight placements with Bank of Jamaica) **unchanged at 2.00 per cent**. This decision reflects the Bank's assessment that inflation, currently below target, will be within the 4.0 per cent to 6.0 per cent target range by the March 2019 quarter. Thereafter, inflation is projected to rise to the middle of the target. The Bank's assessment is supported by the twelvemonth inflation rate at August 2018 which rose to 3.9 per cent from 2.8 per cent in June 2018.