



2022 ANNUAL REPORT



ANNUAL REPORT

2022

Report and Statement of Accounts for the
Year Ended 31 December 2022

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Bank of Jamaica Annual Report and Financial Statements
for the year ended 31 December 2022,
prepared pursuant to subsection 44(1) of the Bank of Jamaica Act.

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PREFACE

This Annual Report reviews the operations of the Bank of Jamaica which include monetary policy, financial system stability, payment system oversight, currency and financial market operations.

In keeping with the Bank's continued engagement with stakeholders, the Annual Report also provides a summary of the Bank's strategic plan, governance, communications, outreach and financial inclusion activities.

Information in this new design is presented in an easy-to-flow format with stylized highlights and pictures. In addition, the icon on the right has been embedded in some sections of the Annual Report. This new feature is a guide to links to related topics, publications, statistics and videos on the Bank's website and social media channels.



As is customary, the Report includes the Bank's audited financial statements as at the end of the calendar year.



OUR MISSION

To formulate and implement monetary and regulatory policies to promote price and financial system stability by being a trusted organisation with motivated and professional employees working for the benefit of the people of Jamaica.

OUR VISION

The world's leading central bank contributing to the development of Jamaica.



GOVERNOR



BANK OF JAMAICA
NETHERSOLE PLACE
P.O. Box 621
KINGSTON, JAMAICA, W.I.

31 March 2023

Dr the Hon Nigel Clarke, MP
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4

Dear Minister Clarke,

In accordance with section 44(1) of the Bank of Jamaica Act, 1960, I have the honour of transmitting herewith the Bank's report for the year 2022 and a copy of the statement of the Bank's accounts as at 31 December 2022 duly certified by the auditors.

Yours sincerely,

Richard Byles



BOARD OF DIRECTORS



Richard Byles
Governor & Chairman



Wayne Robinson
Deputy Chairman



Christine Clarke



Andrea Coy



Gary Hendrickson, C.D.,
J.P.



Howard Mitchell, C.D.,
J.P.



Richard Powell



E. George Roper

MANAGEMENT COMMITTEE

as at 31 December 2022



(Left to Right) Jide Lewis, Deputy Governor & Deputy Supervisor; Natalie Haynes, Deputy Governor; Karen Chin Quee Akin, Deputy Governor & General Counsel; Richard Byles, Governor & Chairman; Wayne Robinson, Senior Deputy Governor; E. George Roper Deputy Governor; Robert Stennett, Deputy Governor.



COMMITTEE OF ADMINISTRATION



E. George Roper
Deputy Governor/Chairman



Mark Anderson
*Executive Director,
Financial Markets*



Artwell Bernard
*Chief Information Officer/Division Chief,
Information Technology & Records
Management*



Calvin Brown
*Division Chief
Human Resources*



Andrea Clarke
*Chief Strategy Officer,
Strategic Planning and Project
Management Centre*



Sherene Bailey
Head, Financial Stability



Noel Greenland
*Executive Director,
Communications*



Victor Henry
*Division Chief,
Facilities Management & Protective Services*

COMMITTEE OF ADMINISTRATION

Cont'd



Avlana Johnson
*Deputy General Counsel,
Legal*



Keron Burrell
*Chief Prudential Officer,
Financial Institutions Supervisory*



Chevanese Morais
*Division Chief,
Banking & Currency Operations*



Novelette Panton
*Division Chief,
Financial Markets Infrastructure*



Carey-Anne Williams
*Division Chief,
Research & Economic Programming*



Ian Williams
*Financial Controller/Division Chief,
Finance*



OTHER SENIOR MANAGEMENT



James Robinson
Deputy Division Chief – Regulation and Policy, Financial Institutions Supervisory Division



Wainet Fearon
Division Chief – Bank Examination, Financial Institutions Supervisory Division



Angela Foote
*Chief Audit Executive
Internal Audit Division*



Sharon Miller-Betty
Deputy Division Chief, Monetary Policy Development and Research, Research & Economic Programming Division



Odean White
Chief Risk Officer, Corporate Risk Management





BANK OF JAMAICA
PRINCIPAL OFFICERS
As at 31 December 2022

GOVERNOR & SUPERVISOR

Richard Byles

SENIOR DEPUTY GOVERNOR

Wayne Robinson

DEPUTY GOVERNORS

Jide Lewis (Deputy Supervisor of Banks)	– Financial Institutions Supervisory Division
Karen Chin Quee Akin (General Counsel)	– Corporate Secretary and Legal Services Division
E. George Roper	– Finance, Technology & Administration Division
Natalie Haynes	– Banking, Currency Operations & Financial Market Infrastructure Division
Robert Stennett	– Research & Economic Programming & Financial Stability Division

DIVISION CHIEFS

Keron Burrell (Chief Prudential Officer)	– Financial Institutions Supervisory Division
Calvin Brown	– Human Resources Division
Wainet Fearon	– Financial Institutions Supervisory Division
Chevanese Morais	– Banking & Currency Operations Division
Carey-Anne Williams	– Research & Economic Programming Division
Novelette Panton	– Financial Markets Infrastructure Division
Victor Henry	– Facilities Management and Protective Services Division
Artwell Bernard	– Information Technology & Records Management Division
Ian Williams (Financial Controller)	– Finance Division
Angela Foote (Chief Audit Executive)	– Internal Audit Division

2022 STRATEGIC HIGHLIGHTS

- Bank of Jamaica's strategic plan focused on supporting the achievement of the Bank's primary mandate - which is to maintain price and financial system stability – as well as digital and culture transformation.
- Strategic focus placed on improving the monetary policy transmission mechanism. In this regard, a new programme of strategic initiatives will be geared at addressing the structural impediments of the transmission mechanism, and will begin in earnest in 2023.
- Amendments to the Bank of Jamaica Act (BOJA) 2020 were passed into law in June 2022 to designate the Bank as the sole authority to issue Central Bank Digital Currency (CBDC), JAM-DEX. By the end of the year, over 180,000 individuals had been onboarded by NCB. On 30 December 2022, JN Bank Limited, the second JAM-DEX external wallet provider was successfully onboarded.
- In June 2022, BOJ completed its risk-based supervision framework for cambios which will improve the efficiency and effectiveness of the supervision of these financial institutions.
- Review of the Bank's compensation philosophy was completed in 2022. Arising from this, as a first step, team members' basic salaries were realigned to the 50th percentile of the market.
- Significant progress was made on the Bank's Service Level Standards (SLSs) Assessment project in 2022. The objective of this project is to improve the service that the Bank provides to regulated entities, government agencies and internal stakeholders by ensuring mechanisms are in place to measure compliance with service standards.
- Installation of the major infrastructure components of an Enterprise Document and Records Management System (EDRMS) was completed in 2022. This project is being carried out to digitize the Bank's documents and records management to enable greater levels of efficiency in operations.
- Cabinet granted approval for the Bank to proceed with the Key Information for Organizational Strategic Knowledge (KIOSK) Project in April 2022. Under this project, a centralized data repository will be implemented that will function as the "single source of truth" for statistical and econometric data across the Bank.

658 STAFF MEMBERS



55 Persons
Recruited



1145 Members
BOJ Pension Fund



35 Persons
Exited

STAFF STATISTICS



95%
Retention Rate



14%
Promotion Rate

2%
Staff Earning
Higher Education
Qualification¹



8%
External Hire Rate



130 Courses
Targeted Training Courses
Executed



5.4%
Turnover Rate

QUALIFICATION



19 Units

Business unit reviews completed in high-level organization structure review

¹ Staff who earned higher qualifications during the review period to include Undergraduate and Post Graduate degrees



2022 at



POLICY RATE

7.00%

The key policy rate was increased by 450 basis points (bps) to 7.00 per cent during the year.



INFLATION

9.4%

Inflation remained above the Bank's inflation target of 4.0 to 6.0 per cent for 2022. After peaking at 11.8 per cent in April 2022, annual headline inflation generally trended downwards to 9.4 per cent at December 2022.



GROSS RESERVES

US\$4.5 billion

The country maintained a strong reserve position, equivalent to 112.2% of the ARA metric, at end-2022.



UNEMPLOYMENT RATE

6.6%

As at July 2022.

a Glance



NO. OF DEPOSIT-TAKING INSTITUTIONS (DTIs)

11

The total number of licensed DTIs operating in Jamaica remained unchanged, comprising 8 commercial banks, 1 merchant bank and 2 building societies.



DEPOSIT DOLLARISATION RATIO

39.2%

With improved confidence in the Jamaica Dollar, a smaller portion of deposits by DTIs is being held in foreign currency.



NO. OF EMPLOYEES

658

At end-2022, the Bank's staff comprised of 489 permanent staff and 169 staff on fixed-term contracts.



CURRENCY IN CIRCULATION

\$234 billion

At end-2022, this represented an increase in the value of banknotes and digital currency in circulation by 3.0% when compared to end-2021.

CONTENTS

ABBREVIATIONS	
OVERVIEW BY THE GOVERNOR	
ROLE AND FUNCTIONS	1
GOVERNANCE	4
ADMINISTRATION	13
STRATEGIC PLAN 2021-2023	16

23

33

57

65

73

80

84

88

93

i

REVIEW OF ACTIVITIES:

MONETARY POLICY

FINANCIAL SYSTEM

PAYMENT SYSTEM

CURRENCY

FINANCIAL MARKET OPERATIONS

FINANCIAL INCLUSION

FINANCIAL DEEPENING

CORPORATE RISK MANAGEMENT

COMMUNICATIONS AND
CORPORATE SOCIAL
RESPONSIBILITY

FINANCIAL STATEMENTS

ABBREVIATIONS

ABM	Automated Banking Machine
ACH	Automated Clearing House
ACL	Average Circulation Life
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
BCP	Business Continuity Plan
B-FXITT	BOJ Foreign Exchange Intervention and Trading Tool
BIS	Bank for International Settlement
BMI	Benchmark Investment
Bn	Billion
BOJ	Bank of Jamaica
bps	Basis points
BSJ	Bureau of Standards Jamaica
CAR	Capital Adequacy Ratio
CARICOM	Caribbean Community
CBDC	Central Bank Digital Currency
CD	Certificate of Deposit
CEO	Chief Executive Officer
CIP	Credit Information Provider
CPI	Consumer Price Index
DTIs	Deposit-taking Institutions
EPOC	Economic Programme Oversight Committee
ERPS	Electronic Retail Payment Services
FATF	Financial Action Task Force
FRC	Financial Regulatory Committee
FSSC	Financial System Stability Committee
FX	Foreign Exchange
FY	Fiscal Year
GDP	Gross Domestic Product
GFA	Gross Foreign Assets
GOJ	Government of Jamaica
HRD	Human Resource Development
HQLA	High Quality Liquid Assets
HWEG	Housing, Water, Electricity, Gas and Other Fuels
IMF	International Monetary Fund
JamClear®-CSD	Central Securities Depository
JamClear®-RTGS	Real Time Gross Settlement
JDIC	Jamaica Deposit Insurance Corporation

JMD	Jamaica Dollar
JMMB	Jamaica Money Market Brokers
LCR	Liquidity Cash Ratio
MaFI	Macro-Financial Index
Mn	Million
MiPI	Micro-prudential Index
MPCC	Monetary Policy Consultation Clause
NIDS	National Identification System
NIR	Net International Reserves
NPL	Non-Performing Loans
NRA	National Risk Assessment
OMO	Open Market Operations
PD	Primary Dealers
POS	Point of Sale
PSE	Public Sector Entity
QIS	Quantitative Impact Study
RFI	Rapid Financing Instrument
RMB	China renminbi
RTGS	Real Time Gross Settlement
S&P	Standard and Poor's
SBA	Stand-by Arrangement
SC	Supervisory Committee
SDR	Special Drawing Rights
SGSC	Supervisory Guidance Steering Committee
SLF	Standing Liquidity Facility
US	United States
USA	United States of America
USD	United States dollar
UWI	University of the West Indies
VR	Variable Rate
WASR	Weighted Average Selling Rate
WATBY	Weighted Average Treasury Bill Yield
WGPSLAC	Working Group on Payment Systems for Latin America and the Caribbean
WTI	West Texas Intermediate (crude oil)
Y-O-Y	Year-over-Year

OVERVIEW BY THE GOVERNOR

Bank of Jamaica (BOJ) made significant strides towards the normalization of its operations during 2022, following the Coronavirus (COVID-19) pandemic. Notwithstanding the waning impact of COVID-19, there continued to be significant challenges associated with the conflict between Russia and Ukraine, which fuelled substantial increases in international commodity and shipping prices.

In light of these challenges, domestic inflation remained above the Bank's inflation target of 4.0 to 6.0 per cent for the review year, continuing the trend observed since August 2021. In response, the Bank's Monetary Policy Committee (MPC) employed a three-pronged approach in its monetary policy actions, which had commenced in the last quarter of 2021. These were: (i) raising the Bank's policy interest rate by 450 basis points (bps) to 7.0 per cent during 2022, following increases of 200 bps in the last quarter of 2021; (ii) implementing measures aimed at maintaining tight Jamaican dollar liquidity conditions; and (iii) reducing volatility in the foreign exchange market by re-introducing absolute limits on the Foreign Currency Net Open Positions of authorised dealers and providing US dollar liquidity support to the market.

In December 2022, the Bank announced a conditional pause in its policy rate adjustments and indicated that, in the absence of new shocks, future monetary policy decisions would depend on the continued pass-through effect of the Bank's past policy rate changes on deposit and loan rates. The Bank also signalled that its future decisions was conditional on it observing more pass-through of international commodity price reductions to domestic prices and on the Federal Reserve (Fed) not exceeding its stated policy rate increases.

After peaking at 11.8 per cent in April 2022, annual headline inflation generally trended downwards to 9.4 per cent at December 2022. The moderation predominantly reflected lower energy-related inflation, base effects and the impact of tight monetary conditions.¹ Food-related inflation also stabilised given a deceleration in domestic agricultural price inflation associated with improved production in the sector.

The Jamaican economy continued to show signs of strong recovery in 2022, with real quarterly economic activity estimated to have returned to pre-COVID-19 levels in the December 2022 quarter. Real gross domestic product (GDP) for 2022 is estimated to have grown by 5.4 per cent, above the increase of 4.4 per cent in 2021. This improved performance reflected continued recovery in Tourism and its affiliated services as well as increased production and distribution activities due to the removal of COVID-19 restriction measures.

Notwithstanding a moderate decline in the country's gross foreign assets (GFA) during the year, Jamaica's international reserves remained well above levels considered adequate. The decline in gross reserves largely reflected the impact of Government debt payments, the effect of which was partially offset by net purchases by



¹ Base effects occur when changes in the CPI in the base month (i.e. the comparable month of the previous year) have a significant impact on the year over year/ annual rate of measured inflation.

BOJ from the market. Notably, Jamaica's sovereign bond ratings were reaffirmed in 2022 in the context of the country's continued deployment of sound and prudent fiscal policies as well as the generally positive economic performance and outlook .

Despite the challenges associated with higher domestic and external interest rates, Jamaica's financial system remained sound, profitable, adequately funded and capitalised. Deposit-taking institutions (DTIs) generally maintained capital adequacy ratios (CAR) above the regulatory benchmark and reflected resilience to hypothetical market, credit and liquidity shocks. There was however moderation in DTI's profitability relative to the previous year. Effective 31 July 2022, the Bank discontinued its surveillance of loans granted under moratorium, given the general phasing out of these arrangements. As the Jamaican economy continued to rebound, private sector credit growth trended towards pre-pandemic levels.

BOJ completed and published Jamaica's National Risk Assessment (NRA), which identifies the vulnerabilities and threats to the country's Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) regime.

Bank of Jamaica's oversight of the Financial Market Infrastructures (FMI) remained focused on mitigating systemic risk and improving the safety and efficacy of the payment, clearing and settlement framework for domestic payments. A key development during the year was the onboarding of Jamaica's second central bank digital currency (CBDC) – JAM-DEX – wallet provider, JN Bank in December 2022. In addition, on 15 December 2022, the Bank formally launched its new series of banknotes. The new series of banknotes will be comprised of six denominations, including a \$2000 note. The new notes are expected to be issued to the public in the first half of 2023.

During the review year, the Bank's Board of Directors, its board committees as well as the statutory committees achieved and, in some instances, exceeded the stipulated number of meetings required for the year.

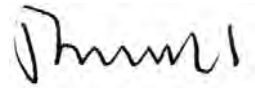
The Bank continued to modify its operations to ensure that staff was able to safely continue carrying out their duties. While the Bank maintained hybrid work-from-home arrangements throughout the year, there was an incremental increase in the number of employees returning to on-site work, given the waning impact of the pandemic. In addition, the Bank continued to place special emphasis on staff engagement activities and initiatives to promote learning and development of staff, in line with its strategic plan.

During 2022, the Bank continued the execution of its three-year strategic plan – 2021 to 2023 'Mission Excellence, Resilience & Innovation'. This plan was focused on (i) supporting the achievement of the Bank's primary mandate; (ii) digital transformation (upgrading processes to improve efficiency); and (iii) culture transformation (improving staff engagement). As such, notable achievements included the completion of a risk-based supervision framework for cambios which will improve the efficiency and effectiveness of the supervision of these financial institutions. In addition, the Bank made progress on its "Key Information for Organizational Strategic Knowledge" (KIOSK) Project, which involves the implementation of a centralized data repository that will function as the "single source of truth" for statistical data across the Bank. The Government also further amended the BOJ Act to incorporate provisions supporting the issue of the CBDC – JAM-DEX – and to ensure the recognition and treatment of CBDC as legal tender. Going forward, strategic focus will be placed on addressing structural impediments to the Bank's monetary policy transmission mechanism in support of the achievement of the Bank's primary mandate.

Bank of Jamaica maintained its practice of pursuing clear and effective communication as a crucial aspect in fulfilling its mandate of price and financial system stability. As such, the Bank continued to employ several communication channels in an effort to enhance its policy effectiveness and encouraging greater confidence in the its policy framework. Consistent with the long-held view that service to community is vital, the Bank also

continued to engage in several outreach programmes that support education, the arts and community development.

In closing, notwithstanding the challenges that persisted throughout 2022 which adversely impacted the attainment of the primary objective of price stability, Bank of Jamaica remains resolute in its commitment to the effective discharge of its mandate. Accordingly, the Bank will continue to closely monitor the global and domestic economy for potential risks price and financial system stability and take appropriate action when necessary. I wish to thank the members of the Board, members of the statutory committees, management and staff for their diligence and extraordinary commitment to excellence as the Bank seeks to become the world's leading central bank, contributing to the development of Jamaica.



Richard Byles



HON. NOEL N. NETHERSOLE
MINISTER OF FINANCE 1955-1959

During His Term Of Office He Laid The
Foundations For The Establishment
Of The Bank Of Jamaica

ROLE AND FUNCTIONS

Bank of Jamaica (BOJ), established by the Bank of Jamaica Act (1960), is responsible for the implementation of sound and consistent monetary policies, while ensuring financial system stability through robust supervisory and regulatory policies.

Under the Bank of Jamaica (Amendment) Act, 2020, which became effective on 16 April 2021, the mandate of Bank of Jamaica was revised. The amended law provides that the principal objectives of the Bank shall be the maintenance of price stability and financial system stability with the primary objective being the maintenance of price stability.

Our Mission Statement



To formulate and implement monetary and regulatory policies to promote price and financial system stability by being a trusted organisation with motivated and professional employees working for the benefit of the people of Jamaica. ”

1. Monetary Policy

Bank of Jamaica conducts monetary policy with the aim of achieving a target for inflation of 4.0 per cent to 6.0 per cent. In formulating monetary policy to achieve this target, the Bank takes into consideration all prevailing and prospective developments in the macroeconomy, fiscal operations and external sector as well as relevant market information. A decision to change the stance of monetary policy is reflected, *inter-alia*, in changes in the rates offered to deposit-taking institutions on overnight placements with Bank of Jamaica. Monetary policy decisions are taken by majority vote by the five-member Monetary Policy Committee (MPC).

2. Financial System Stability

BOJ has supervisory and regulatory oversight of commercial banks and other licensed DTIs. As such, the Bank routinely monitors these institutions' compliance with all the relevant legislation and regulations to ensure the highest level of prudence and integrity in their management. The Bank's overall responsibility for financial stability is supported by micro- and macro-prudential assessments, which are underpinned by the results from early warning systems and risk models.

The Bank undertakes the role of supervisory and financial system stability oversight in collaboration with the Financial Services Commission (FSC) and the

Jamaica Deposit Insurance Corporation (JDIC) in the context of three statutory committees – the Financial System Stability Committee (FSSC), the Financial Regulatory Committee (FRC) and the newly appointed Financial Policy Committee (FPC).¹

Other Responsibilities

In addition to the two primary roles of price stability and financial system stability, the Bank is also responsible for:

- oversight of Jamaica's payment, clearing and settlement systems and the foreign exchange market;
- the issue and redemption of currency;
- the provision of banking services to the Government and commercial banks as well as fiscal agency services to the Government; and
- the management of the external reserves of Jamaica.



[Monetary Policy](#) [Financial System Stability](#)

¹ The FPC became effective on 16 April 2021.

GOVERNANCE



PROF. SIR J. M. RUTHERFORD
PRESIDENT OF THE UNIVERSITY OF AUCKLAND
1961-1968

GOVERNANCE

The Bank of Jamaica (Amendment) Act, 2020, stipulates that the Governor, is the Chief Executive Officer of the Bank as well as the Chairman of the Board of Directors. Other Directors of the Board include the Senior Deputy Governor, a Deputy Governor

appointed by the Governor General in Council and five independent directors appointed by the Governor General in Council. The amended law allows for longer terms for Board Directors and continuity across political cycles.

Provisions under BOJ (Amendment) Act, 2020

The Bank of Jamaica (Amendment) Act, 2020, stipulates that the Governor, who is appointed for a period of five years and is eligible for reappointment, is the Chief Executive Officer of the Bank as well as the Chairman of the Board of Directors. The other Directors of the Board are: (i) the Senior Deputy Governor; (ii) a Deputy Governor appointed by the Governor General in Council on the recommendation of the Board; and (iii) five independent directors appointed by the Governor General in Council. The Governor, Senior Deputy Governor and the appointed Deputy Governor are ex-officio members of the Board. Under the Bank of Jamaica Act, as amended in 2020, the Board term for the independent directors is ten years, with appointments staggered so that only one Board position expires every two years. The initial appointments were staggered at 10, 8, 6, 4 and 2 years, respectively, with the directors so appointed being eligible for reappointment following the expiry of their respective terms for a further term of 10 years.

The provisions of the amended law allow for longer board terms and continuity across political cycles. With the staggered effect, at no point would all

board positions come up for appointment at one time. Save for the first member appointed for 10 years, no member is eligible for reappointment after serving a full 10-year term. Under the amended law, an employee of Government, statutory body or authority, an Executive Agency or Government company does not qualify for appointment to the Board.

Additionally, the oversight responsibilities of the Board were strengthened to include oversight of the statutory committees of the Bank to ensure that these committees are effectively discharging their statutory mandates while not interfering with their decision-making functions.

During 2022, sittings of the Board, Board Committees and Statutory Committees continued to be held virtually in light of the continued impact of the COVID-19 pandemic. The virtual meetings were held with the concurrence of members to ensure observance of precautionary measures and protocols of the Bank that were continuously kept under review.

Board of Directors

Under the Bank of Jamaica Act as amended in 2020, the Board is comprised of eight (8) members, three (3) ex-officio members and five (5) appointed members.

- **Membership**

At 31 December 2022, the ex-officio members of the Board of Directors were: Governor Richard Byles (Chairman), Senior Deputy Governor Wayne Robinson and Deputy Governor Edmond George Roper. The appointed members of the Board were: Dr Christine Clarke, Mrs. Andrea Coy, Mr. Howard Mitchell and Mr. Richard Powell. Mr. Gary Hendrickson, who was first appointed to the Board of Directors on 15 March 2015 and who was reappointed on 16 April 2021 for a four-year period, tendered his resignation with effect from 16 December 2022. The Bank records its appreciation to Mr. Hendrickson for his sterling contribution to the Board over the period of his tenure. At 31 December 2022, there was one vacancy on the Board consequent on Mr. Hendrickson's resignation.

- **Board of Directors' Meetings**

The Board held 11 meetings in 2022. The legal stipulation is for the Board to meet at least ten times annually (see **Table 1**).

- **Committee Meetings of the Board**

There are three standing committees of the Board: the Audit and Risk Committee, Budget Committee and the Human Resource Development (HRD) Committee. These committees have terms of reference, approved by the Board, outlining their respective responsibilities.

The Audit and Risk Committee was chaired by Dr Christine Clarke with the other members being Mrs. Andrea Coy and Mr. Howard Mitchell. The Committee, which is required to meet at least four times per year, met five times in 2022.

Mr. Gary Hendrickson chaired the Budget Committee. The other members of the Committee were Mr. Richard Powell and Dr Wayne Robinson. There was one vacancy at the end of December 2022. This committee met twice in 2022, satisfying the minimum requirement.

With respect to the HRD Committee, the chair was Mrs. Andrea Coy with the other members being Mr. Gary Hendrickson (up to the time of his resignation from the Board) and Mr. Richard Powell. This Committee is required to meet quarterly or more often, as is necessary. Four meetings were held during 2022 (see **Table 1**).

Statutory Committees

The Supervisory Committee (SC) was established by the Banking Services Act of 2014, the Financial System Stability Committee by the 2015 amendment to the Bank of Jamaica Act and the Monetary Policy Committee and Financial Policy Committee by the 2020 amendment to the Bank of Jamaica Act which was brought into effect on 16

April 2021. There is also the Financial Regulatory Committee, which is a committee of regulators established in 2014 by the amendments to the Bank of Jamaica Act. Meetings of these statutory committees were chaired by the Governor (see **Table 2**).

Table 1: Board of Directors' Meetings and Board Committee Meetings for 2022

Committee	Chair	Mandate	No. of meetings
Board of Directors	Governor Richard Byles	The Board is responsible for strategy, policies, general oversight and administration of the affairs of the Bank. In carrying out these functions the Board provides oversight of the performance of the Bank and the Governor. It is provided by the Bank of Jamaica Act that in carrying out its responsibilities the Board is required to oversee the general functions of the statutory committees of the Bank, (save and except for the decisions made by said committees) in order to ensure that said functions are carried out in accordance with their statutory mandate.	11
Audit and Risk Committee	Christine Clarke	The Committee assists the Board in executing its mandate to provide effective independent oversight of the Bank's financial reporting process, system of internal controls, internal audit, external audit, the enterprise risk management functions, and compliance with relevant laws and regulations, as well as the Bank's codes of conduct.	5
Budget Committee	Gary Hendrickson (Resigned effective 16 December 2022)	This Committee is responsible for monitoring and reviewing the Capital and Recurrent budgets of the Bank. In addition, the Committee may meet, at the request of the Board, to review the outturn against budget.	2
Human Resource Development Committee	Andrea Coy	The Committee has the responsibility for reviewing, monitoring and making recommendations to the Board on human resources strategy and policies.	4

- **Supervisory Committee**

The Banking Services Act (BSA) 2014, section 6(1), established the Supervisory Committee as the final decision-making authority in the prudential regulation and supervision of deposit-taking institutions and the financial groups of which they are a part. In that regard, the SC is responsible for functions set out at section 7(1) of the BSA which include making determinations on the granting, refusal and revocation of licences, among other matters. The SC is empowered to ratify, veto or vary supervisory determinations and accept or reject recommendations made via the Bank's supervision department. The establishment of this committee strengthened the accountability, transparency and general governance structure of the Bank's regulatory framework.

The SC is comprised of five members, three of whom are ex-officio and two who are appointed by the Governor General in Council for a period of five years. The Governor is the Supervisor as provided by the Bank of Jamaica Act. Ex-officio members are the Supervisor, the Deputy Supervisor and a member of the senior executive staff of the Bank who has responsibility for the Bank's financial stability oversight. At 31 December 2022, the members of the SC were Governor Richard Byles, Deputy Supervisor Jide Lewis who was appointed to the Committee on 16 June 2022 (Dr Lewis replaced Deputy Governor Maurene Simms who demitted office on 15 June 2022), Senior Deputy Governor Wayne Robinson, Ms. Shirley-Ann Eaton and Professor David Tennant. The SC had seven meetings during 2022.



On the passage of the amendments to the BOJ Act in 2020, the FSSC began to make its recommendations to the Bank through the FPC in respect of policies related to its financial system stability mandate.



- **Financial System Stability Committee**

The Financial System Stability Committee provides support to the Bank in respect of the identification, mitigation and control of systemic macroprudential threats to the financial system. The FSSC is largely tasked with: (i) undertaking assessments in relation to developments in the financial system and international markets as well as the links between the financial sector and developments in other sectors of the Jamaican economy and the global economy; and (ii) giving oversight to the design and conduct of periodic stress tests regarding plausible systemic threats to the stability of Jamaica's financial system. In addition, the FSSC contributes to the development of prescriptive rules, standards and codes for financial institutions which specifically address gaps and imbalances that could threaten the stability of the financial system. On the passage of the amendments to the Bank of Jamaica Act in 2020, the FSSC began to make recommendations to the Bank via the Financial Policy Committee in respect of policies related to its financial system stability mandate.

There are eight members of the FSSC: six ex-officio members and two members appointed by the Minister of Finance and the Public Service on the recommendation of the Governor. The ex-officio members of the Committee are the Governor, the senior officer of the Bank with assigned responsibility for the Bank's financial system stability mandate, the Financial Secretary, the Deputy Supervisor, the Executive Director (ED) of the Financial Services Commission and the Chief Executive Officer (CEO) of the Jamaica Deposit Insurance Corporation. At 31 December 2022, the members were Governor Richard Byles, Senior Deputy Governor Wayne Robinson, Deputy Supervisor Jide Lewis, Financial Secretary Darlene Morrison, Mr. Everton McFarlane (ED of the FSC) and Miss Antoinette McKain (CEO of JDIC). Mr. David Marston and Professor Claremont Kirton are the appointed members of the committee having been each appointed for a three-year term effective 02 January 2020. Six meetings of the FSSC were held during 2022.

Table 2: Statutory Committees Meetings for 2022

Committee	Mandate	No. of meetings
Supervisory Committee	The SC provides prudential regulation and supervision of deposit-taking institutions, their financial groups and holding companies.	7
Financial System Stability Committee	The FSSC identifies, mitigates and controls systemic threats to the financial system.	6
Monetary Policy Committee	The MPC determines the monetary policy of the Bank through its consideration of the results of research and analysis relevant to financial markets, the domestic economy and the international economy.	26
Financial Policy Committee	The Committee is responsible for financial policies of the Bank including those related to prudential supervision and macro prudential policy (financial system stability) as well as statutory mandates or functions delegated by the Minister in relation to remittances and cambios. The FPC is also responsible for matters relating to the payments and settlements systems, credit reporting and other financial policy matters for which the Bank is given responsibility.	6
Financial Regulatory Committee	The FRC facilitates information-sharing, coordination and cooperation among regulatory authorities.	8

- **Monetary Policy Committee**

The Monetary Policy Committee was established by the Bank of Jamaica (Amendment) Act, 2020. The Act states that the principal objectives of the Bank shall be the maintenance of price stability and financial stability, with the primary mandate being the maintenance of price stability. This committee has the responsibility for determining the monetary policy of the Bank. Based on the Act, the MPC in carrying out its functions is required to achieve and maintain price stability as defined by the inflation target set by the Minister of Finance and the Public Service.

There are five members of the MPC, three ex-officio members and two members appointed by the Governor General in Council. The appointed members were each appointed for a five-year term, effective 16 April 2021. The three ex-officio members are the Governor (Chairman), the senior executive responsible for monetary policy and another senior executive appointed by the Board. At 31 December 2022, the ex-officio members were

Governor Richard Byles, Senior Deputy Governor Wayne Robinson and Deputy Governor Robert Stennett. The appointed members were Dr Nadine McCloud and Mr. David Marston. During the year, there were 26 meetings of the MPC. Two of these meetings were special meetings convened to discuss in-depth matters related to financial intermediation, the monetary policy transmission mechanism and inflation.

- **Financial Policy Committee**

Under the Bank of Jamaica (Amendment) Act, 2020, the Financial Policy Committee is charged with the responsibility for determining the financial policies of the Bank, including policies that govern the conduct and promote the proper functioning of the financial system. The committee also has responsibility for decisions on all issues related to financial policy including matters relating to: (i) prudential supervision and macro prudential policy; (ii) financial policies related to the regulation of remittances and cambios; (iii) payments and settlements systems;

(iv) credit reporting; and (v) other financial policy matters for which the Bank is given responsibility.

The FPC is comprised of six members. These include two appointed members, and four ex-officio members. The appointed members were each appointed for a five-year term, effective 16 April 2021. The four ex-officio members are the Governor (Chairman), the Senior Deputy Governor, the senior executive of the Bank responsible for the financial stability oversight function or, where such person is either the Governor, Senior Deputy Governor or Supervisor, such other senior executive of the Bank determined by the Board, and the Deputy Supervisor. At 31 December 2022, the members were Governor Richard Byles, Senior Deputy Governor Wayne Robinson, Deputy Supervisor Jide Lewis, Deputy Governor Natalie Haynes, Mrs. Myrtle Halsall and Professor David Tennant. During 2022, six meetings were held.

● Financial Regulatory Committee

The Financial Regulatory Committee is an inter-agency committee of regulators created pursuant to section 34BB of the Bank of Jamaica Act, per the 2014 amendment to the law, and replaced the Financial Regulatory Council established in 2000.

The FRC is not a committee of the Bank. This committee was established to facilitate information-sharing, coordination and cooperation among regulatory authorities. In that regard, interactions among regulators are governed by a Memorandum of Understanding (MOU) agreed and signed by each regulatory member-agency of the FRC on 14 March 2018. The MOU reflects each member's intent to facilitate information-sharing, coordination and cooperation with a view to: (i) facilitating a member's effective performance of their statutory duties; (ii) minimizing opportunities for regulatory arbitrage; (iii) adequately preparing for intervention and other regulatory actions; and (iv) reducing the regulatory burden, among other objectives. In general, the objectives focus on those policies and procedures appropriate to the strengthening and regulation of the financial system.

The FRC is comprised of four ex-officio members. At 31 December 2022, the members were: the Governor, the Financial Secretary, the Executive Director of the FSC and the CEO of the JDIC. The FRC is statutorily required to meet at least seven times each year. During 2022, eight meetings were held.

The Supervisory Appeals Board

In 2021, the Supervisory Appeals Board (SAB), which was established by section 27 of the Banking Services Act (BSA), was operationalized by the appointment of its first members by the Governor General on the advice of the Minister with responsibility for Finance. The SAB was established to hear appeals made by persons aggrieved by a decision of Bank of Jamaica's Supervisory Committee or the Supervisor (the BOJ Governor) on certain specified matters, namely:

- (i) decisions as to whether a person is fit and proper;
- (ii) objections as to whether an external auditor is an eligible auditor or any decision for removal of an external auditor; and
- (iii) questions of compliance with a code of conduct.

Hon. Ms. Justice Ingrid Mangatal (retired) who served as Chair of the SAB resigned effective 16 December 2022. At 31 December 2022, members of the SAB were Mrs. Audrey Anderson, C.D., (retired Senior Deputy Governor, Bank of Jamaica) and Mr. Barrington Chisholm, J.P. (retired banker). There was one vacancy occasioned by the resignation of Ms. Justice Mangatal (retired).

There were two meetings of the SAB in 2022 with significant work done in the development of the draft Supervisory Appeals Board Rules and Process. Drafting of the document is in the process of being finalized by the Office of the Parliamentary Counsel.

Executive Compensation

The Bank's Executive Management comprises the Governor, Senior Deputy Governor and five Deputy Governors. These officers were appointed under fixed-term contracts by the Minister of Finance and the Public Service, as provided for under the Bank of Jamaica Act.

The salary and allowances of Executive Management for the year ended 31 December 2022 are described below:

- (i) Salary Range of Executive Management
 - \$15 207 540.00 – \$27 973 807.00
- (ii) Allowances – Deputy Governors
 - \$2 311 255.00 – \$6 256 567.00

Members of the Executive Management team are eligible for benefits available to other members of staff, inclusive of health insurance, life insurance and staff loans. At the end of 2022, the Senior Deputy Governor and three of the Deputy Governors were members of the non-contributory pension scheme sponsored by the Bank. The Governor and two Deputy Governors were paid a gratuity in lieu of pension benefits.

The Governor is entitled to be provided with an official residence maintained by the Bank or an allowance and reimbursements in lieu thereof. He is also eligible for reimbursement of prescribed overseas medical insurance premium.

The Governor and the Deputy Governors are provided with motor vehicles or compensation in lieu of a motor vehicle.

Non-Executive Directors of the Board, who are also non-ex-officio members, are paid an annual retainer and per meeting fees as approved by the Minister of Finance and the Public Service. These Directors are not eligible for staff-related benefits.

Appointed members of the statutory committees who are also non-executive and non-ex-officio members, are also paid an annual retainer and per meeting fees as approved by the Minister of Finance and the Public Service. This applies to all statutory committees of the Bank namely; Supervisory Committee, Financial System Stability Committee, Monetary Policy Committee and Financial Policy Committee. Statutory Committee members are not eligible for staff-related benefits.

ADMINISTRATION



DR. ROBERT M. BETHUNE
PRESIDENT OF THE UNIVERSITY OF MISSISSIPPI
1955-1961



BOJ staff sends best wishes to Jamaica for the Christmas 2022 season.

ADMINISTRATION

In 2022, Bank of Jamaica continued adjustments to work arrangements due to the ongoing but waning challenges associated with the COVID-19 pandemic. Over the course of the year, however, there was an incremental increase in the number of staff returning to work on-site. As such, the Bank continued to place special focus on staff engagement and

a number of strategies were employed. In addition, a number of strategic targets were delivered during the year, including but not limited to: (i) implementation of the full-scale Employee Engagement Programme; (ii) implementation of the Compensation Review Project; and (iii) completion of the High-Level Organization Structure Review Project.

BOJ increases staff complement in 2022

At 31 December 2022, the Bank's staff complement was 658, comprising of 489 permanent staff and 169 staff on fixed-term contracts. During the year, 55 persons were recruited while 35 staff exited the organisation through retirement, resignation and the expiration of contracts.

Organizational reviews continued

The Bank's organizational development programme continued to focus on strengthening the effectiveness and efficiency of the organizational arrangements to include structures. Of significance was the conclusion of its High-Level organization structure review and the completion of organisation reviews for 19 business units. The completed organisational reviews were in direct support of the Bank's objectives of strengthening the supervisory function for deposit-taking institutions; enhancing the corporate governance and enterprise risk and compliance functions as well as supporting the strategy of digital transformation. At end-2022, the completed reviews resulted in a 67 per cent achievement rate against a target of 75 per cent of all business units reviewed.

Learning and development initiatives supported major strategic imperatives

During 2022, the strategic focus for staff training was on leadership and support for mandate delivery. In

this context, the Bank executed a Leadership Development Programme for executives and Succession Management Candidates as well as a Leadership Excellence and Development (LEAD) programme for junior and middle managers.



Staff members wear pink in commemoration of 'Breast Cancer Awareness' month (October 2022)



Deputy Governor Natalie Haynes and Senior Deputy Governor Wayne Robinson with Governor's award recipient Tajhia Campbell (Webmaster) at Annual Employee Awards ceremony

In support of mandate delivery, a number of programmes were executed to include a curated course to strengthen the effectiveness of the Bank's supervisory function. The course, entitled Financial Analysis: A Tool to Enhance Risk Focused Supervision of Money Service Businesses, was designed to improve participants' knowledge on Risk Based Supervision of Money Service Businesses (MSBs) and the assessment of financial statements of licensees to assess performance, financial health and underlying risks.

For the year, 130 courses were administered and 436 staff members were trained. In this context, a staff training score of 69 per cent was achieved, just below the year's target of 70 per cent. The score reflected each staff member's exposure to at least one training programme during the course of the year.

Employee relations climate remained stable during the year

In 2022, Bank of Jamaica engaged the services of a consultant to conduct its annual Employee Engagement survey to ascertain engagement levels. There was an overall staff response rate of 82 per

cent and an Employee Engagement Score of 72 per cent, compared to the score of 71 per cent the previous year. A number of initiatives were implemented during the year to address the issues identified in this survey.

The Industrial Relations (IR) climate improved significantly during the year. At end-2022, most IR issues were successfully resolved internally.

BOJ Pension Fund comprises 1145 members

Membership in the BOJ Pension Fund was 1145 as at 31 December 2022. This comprised 486 active members, 488 pensioners, 122 deferred pensioners and 49 beneficiaries (44 spouses and 5 dependent children). Of the 486 active members, 259 or 53 per cent were vested.



Deputy Governor E. George Roper and Jennifer Small ("Jenny Jenny") at the 2022 Employee Recognition week talk-show

STRATEGIC PLAN



DR. JOHN W. BETHUNE
PRESIDENT OF THE UNIVERSITY OF MISSISSIPPI
1955-1961

STRATEGIC PLAN 2021-2023

During 2022, the Bank continued to execute its 2021 to 2023 strategic plan. This plan has three areas of focus: (i) supporting the achievement of the Bank's primary mandate, which is to maintain price stability and financial system stability; (ii) digital transformation, which is geared towards

upgrading processes to improve efficiency, thereby improving service delivery to both internal and external stakeholders; and (iii) culture transformation, which is geared towards ensuring that the workforce is engaged and that operations are grounded in the Bank's core values.

Strategic focus placed on improving the monetary policy transmission mechanism

The Bank made progress in executing the strategic plan in 2022. However, developments during the year highlighted that a critical area, related to supporting the achievement of the Bank's primary mandate, needed to be improved. The Bank increased the policy rate substantially between October 2021 and end-2022, but there was slow response of interest rates of DTIs to the rise in the policy rate. This slow response suggested that the country's monetary policy transmission mechanism was weak and needed to be strengthened if monetary policy is to be effective in achieving and maintaining price stability.

To address the weakness in the transmission mechanism, the Bank established a new programme of strategic initiatives. This programme will explore all options for addressing the structural impediments of the transmission mechanism. The programme will begin in earnest in 2023.



Governor Richard Byles

“ To address the weakness in the transmission mechanism, the Bank established a new programme of strategic initiatives. ”

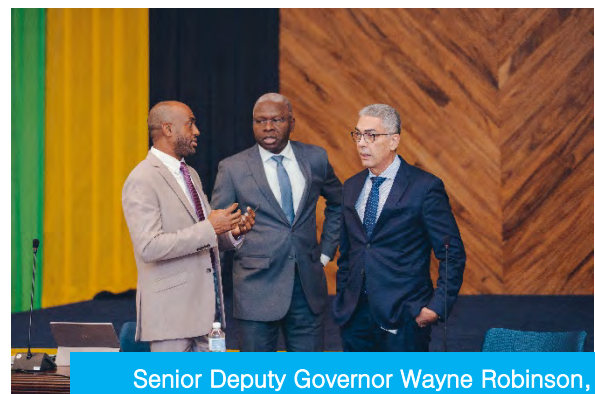


Supporting the Mandate

Strategic Priority

1

- In July 2022, the Bank completed its risk-based supervision framework for cambios. Using this framework, each cambio was assigned a risk rating to determine the scope and frequency of on-site inspections. This work was undertaken to improve the efficiency and effectiveness of the supervision of the country's cambios.
- During the year, significant progress was made on the Bank's Service Level Standards (SLSs) Assessment project. The objective of this project is to improve the service that the Bank provides to regulated entities, Government agencies and internal stakeholders by ensuring mechanisms are in place to measure compliance with service standards. At end-2022, SLSs for key services that the Bank provided to regulated entities and Government agencies were in place, along with mechanisms to measure and report on performance vis-à-vis these SLSs. Of note, the Bank was largely compliant with the SLSs for both the DTIs and the money service businesses during the year.
- To ensure the Bank is in a position to effectively undertake its mandate, focus continued to be placed on attracting and retaining a competent cadre of central bankers. To this end, a review of the Bank's compensation philosophy was completed. Arising from this, as a first step, team members' basic salaries were realigned to the 50th percentile of the market. The Bank's management is committed to reviewing compensation on an annual basis and making the relevant recommendations in accordance with policy.



Senior Deputy Governor Wayne Robinson,
Deputy Governor Robert Stennett and
Governor Richard Byles



Digital Transformation

Strategic Priority

2

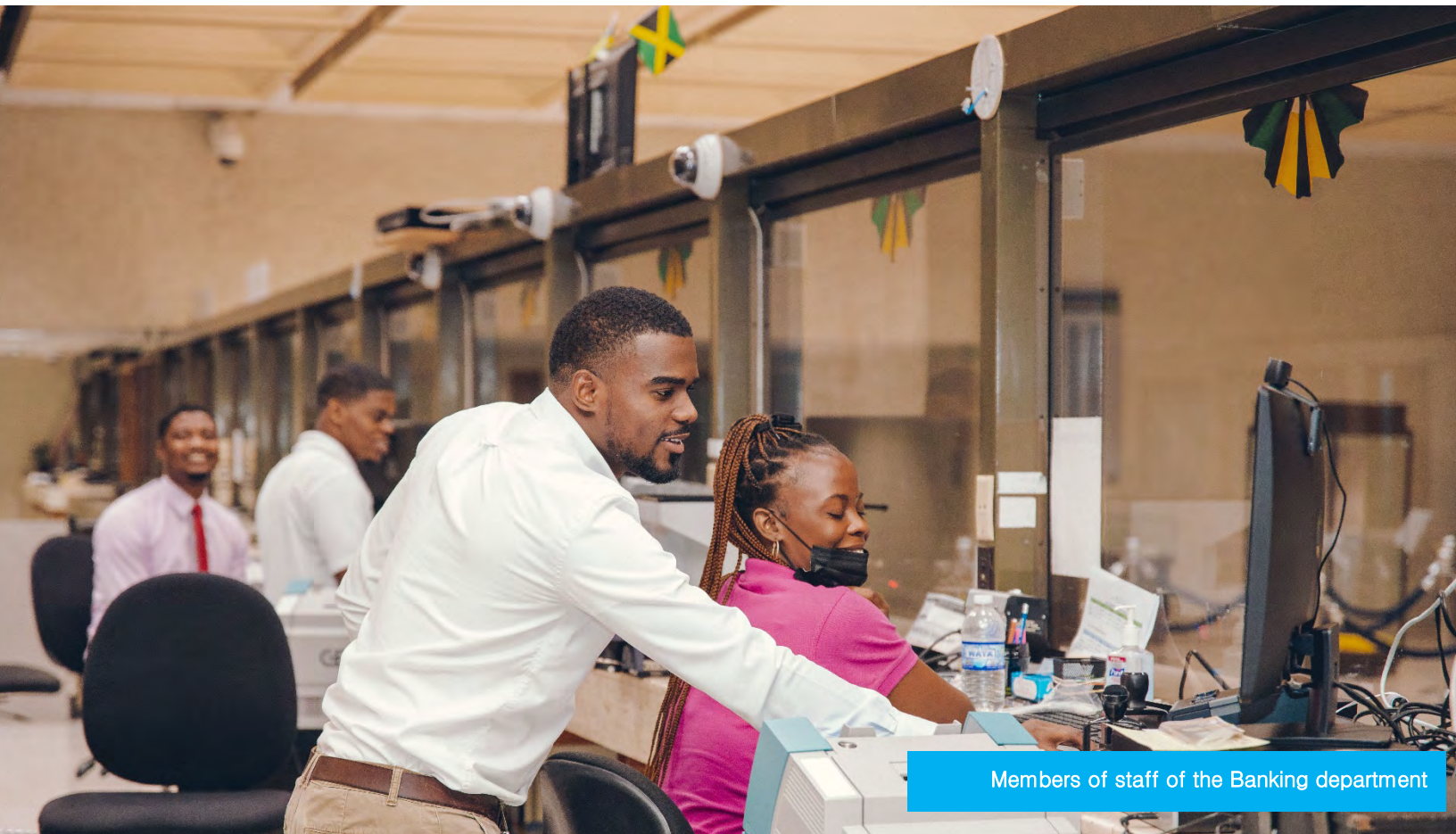
- In June 2022, amendments to the Bank of Jamaica Act (BOJA) 2020 were passed into law to designate the Bank as the sole authority to issue Central Bank Digital Currency, JAM-DEX and for it to be legal tender. Later in the year, a pilot was conducted in partnership with the Constituency Development Fund and the National Commercial Bank (NCB), the country's first wallet provider, to test JAM-DEX as a method of payment for Government workers and welfare programmes. By the end of the year, over 180 000 individuals had been onboarded by NCB. On 30 December 2022, JN Bank Limited, the second JAM-DEX external wallet provider was successfully onboarded. The project to roll out JAM-DEX across the country is being undertaken to facilitate financial inclusion, reduce costs associated with the minting, issuance and distribution of the Jamaica Dollar as well as to enhance currency management and distribution processes.
- Progress was made on the JamFIRMS II project during 2022.¹ Under this project, an information technology (IT) solution is being implemented with the aim of reducing the turnaround times for: (i) carrying out updates to corporate profiles; (ii) undertaking fit and proper assessments; and (iii) assessing licensing and approval applications. Following a soft launch of the Corporate Profile module in December 2021, all DTIs and the Bank's supervisory teams were trained in the use of this module in February 2022. Between March and July 2022, DTIs used the system to submit their annual and personal questionnaires electronically, thereby populating their corporations' profiles. This was the first time that such submissions could be done online. Of note, the online submissions were done in parallel with physical submissions. Work on the other two modules of the system – the Fit & Proper module and the Licensing & Approvals module – commenced in 2022. The work on these modules will continue in 2023.

¹ JamFIRMS – Jamaica Financial Reporting Information Management System

- In April 2022, Cabinet granted approval for the Bank to proceed with the project to identify and implement a Human Capital Management (HCM) System. The HCM system is being implemented to improve the efficiency and effectiveness of the Bank's human resource (HR) related processes. Rather than having disparate HR-related systems, there will be one centralized HR system. The system will allow team members to access and upload information and will also provide data analytics that will enhance the HR decision-making process.
- In May 2022, Cabinet granted approval for the Bank to proceed with the Key information for Organizational Strategic Knowledge project. Under this project, a centralized data repository will be implemented that will function as the “single

source of truth” for statistical and econometric data across the Bank. In addition, data acquisition and dissemination will be streamlined. It is the expectation that, by carrying out this project, the efficiency of the Bank's monetary policy and financial system stability functions will be improved.

- In September 2022, installation of the major infrastructure components of an Enterprise Document and Records Management System (EDRMS) was completed. By the end of the year, a review of the Bank's digital records and other related activities were in train. This project is being carried out to digitize the Bank's documents and records management to enable greater levels of efficiency in operations.



Members of staff of the Banking department

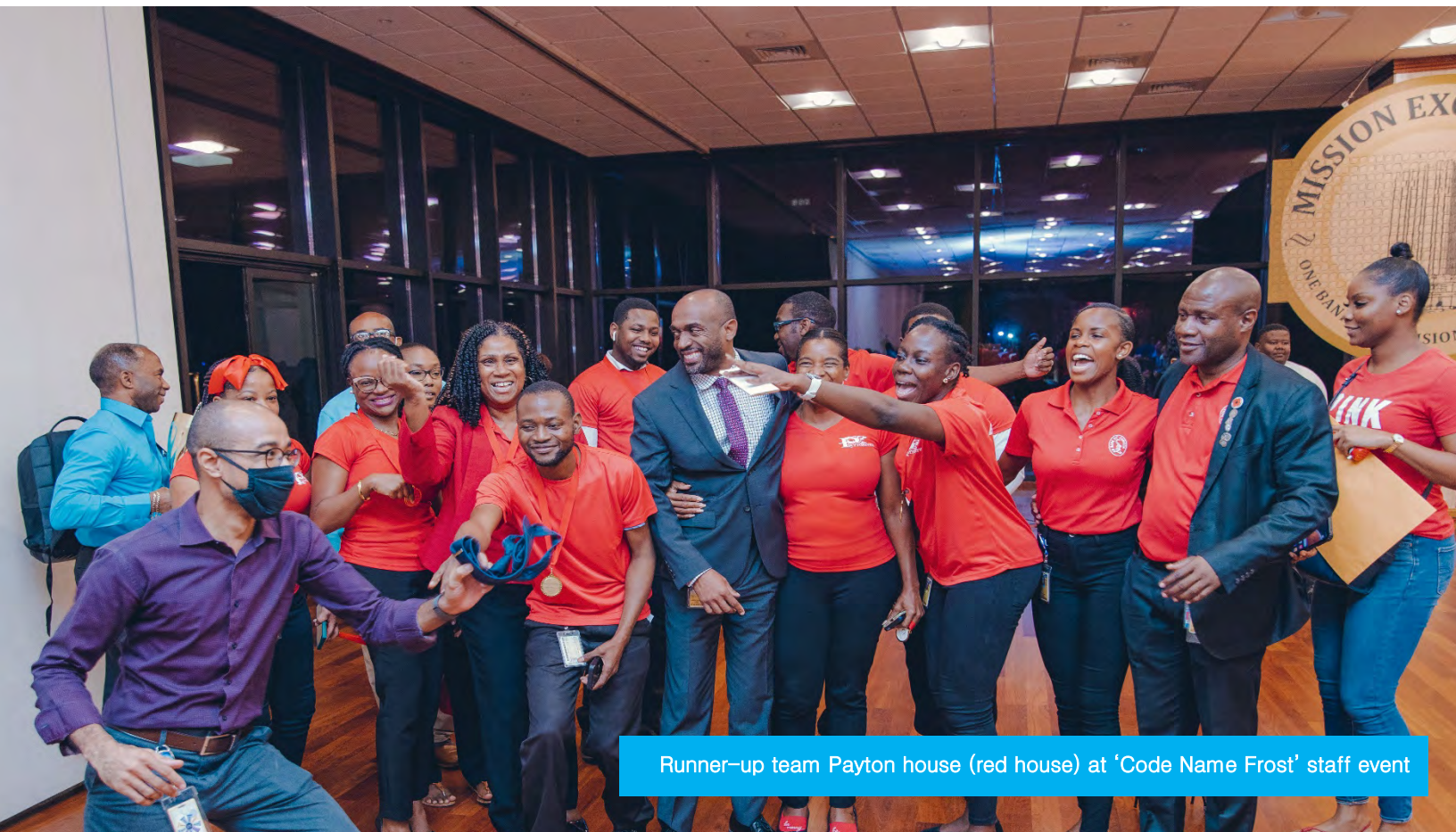


Culture Transformation

Strategic Priority

3

- During 2022, several activities were planned and implemented towards enhancing employee engagement both at the corporate and operational levels. These activities were undertaken using a hybrid approach of face-to-face and virtual in light of ongoing challenges associated with the COVID-19 pandemic.
- To assess the staff engagement climate within the Bank, an employee engagement survey was administered. The results showed a marginal improvement in engagement levels over the previous year. Employee engagement and other transformational efforts towards fostering a robust culture to support the Bank's strategy will continue in 2023.



Runner-up team Payton house (red house) at 'Code Name Frost' staff event

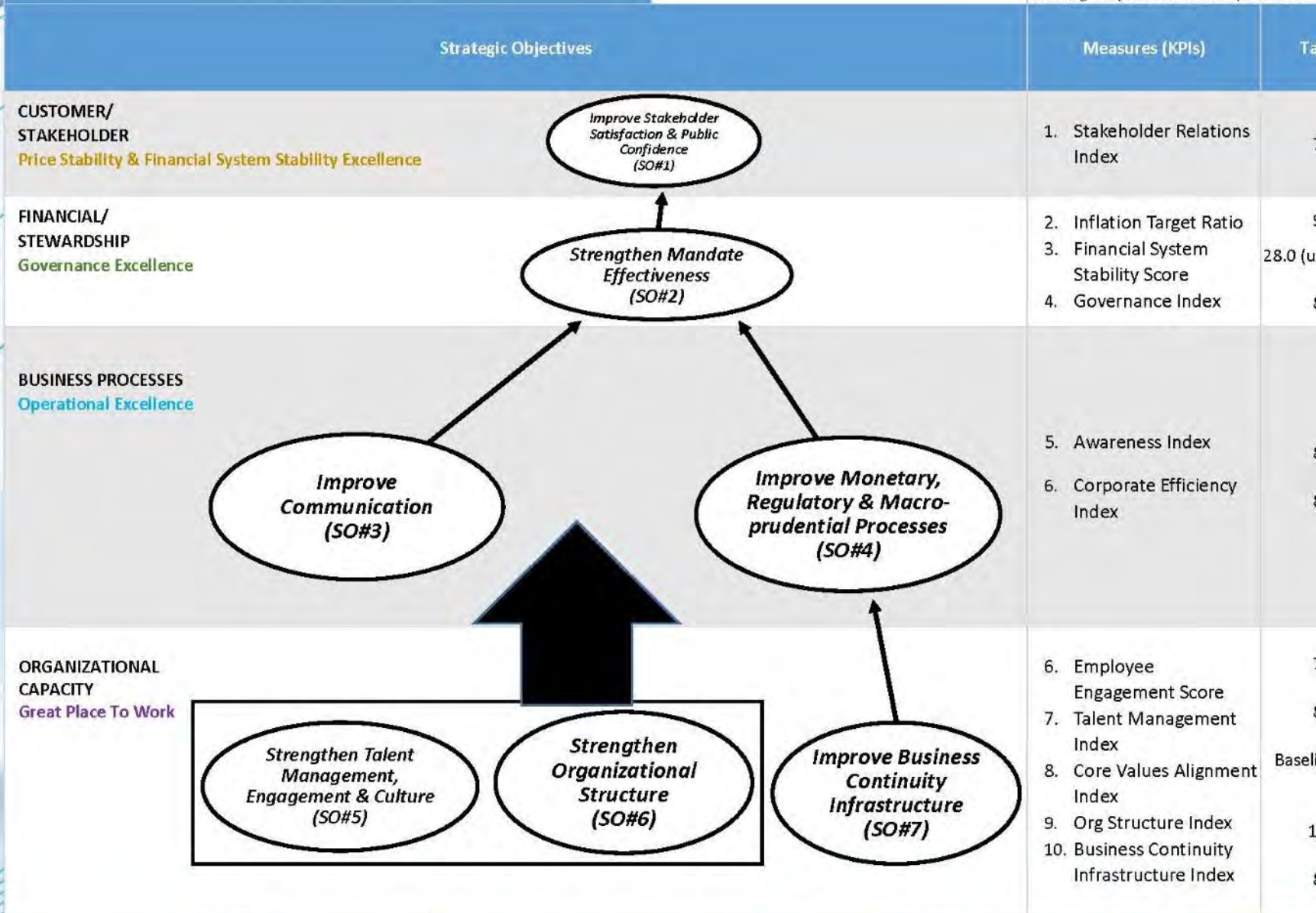


CORPORATE STRATEGY

Bank of Jamaica Strategy

Tagline: Mission Excellence...Realizing the Vision

Vision	The world's leading central bank contributing to the development of Jamaica		
Mission	To formulate and implement monetary and regulatory policies to promote price and financial stability		
Strategic Themes	Operational Excellence	Great Place to Work	
Strategic Results	Timely, accurate, reliable and cost-effective performance in accordance with agreed benchmarks	A safe, comfortable and appealing work environment with rewards and competitive compensation that promotes the wellbeing and professional development of employees	



STRATEGY MAP

Strategic Plan 2022

Resilience & Innovation

Jamaica.

Financial system stability by being a trusted organization with motivated and professional employees working for the benefit of the people of Jamaica.

	Governance Excellence	Price Stability & Financial System Stability Excellence	
	Strong and effective structures, systems and processes that support delivery of the highest standards of accountability, transparency, equity and fairness.	The agreed price stability and financial system stability development objectives are achieved.	
Targets	Strategic Initiatives		
	Culture Transformation	Digital Transformation	Support Mandate
70%			
90% (upper limit)			
80%			
80%		<ul style="list-style-type: none"> 4. National Roll-out of CBDC 5. Implementation of JamFirms II 	<ul style="list-style-type: none"> 11. Enhanced Communication Programme (internal & External) 12. Implementation of Service Level Standards Monitoring Programme 13. Table Legislation & Implementation of SRR Structure 14. Develop and Implement Enabling Regulatory Framework for PSPs 15. Implementation of RBS Framework for MSBs 16. Implementation of Enhanced Macro-prudential toolkit
75%	<ul style="list-style-type: none"> 1. Implementation of Enhanced Employee Engagement Programme 2. Enhanced Performance Management Programme (360°) 3. Develop and implement Culture Transformation Programme 	<ul style="list-style-type: none"> 6. Implementation of Human Capital Management (HCM) 7. Implementation of Business Continuity Infrastructure Programme 8. Implementation of Enterprise Document & Records Management System (EDRMS) 9. Implementation of Key Information for Strategic Knowledge (KIOSK) 10. Develop and implement Framework for Business Processes Inventory 	<ul style="list-style-type: none"> 17. Implementation of High-Level Organization Review & Compensation Strategy
80%			
Line Score			
100%			
80%			
Confidentiality	Honesty	Integrity	Respect
			Team Work

MONETARY POLICY



MON. MRS. J. M. BETHUNE
1914-1994



MONETARY POLICY

Jamaica's economy continued on the path of recovery notwithstanding challenges associated with the waning COVID-19 pandemic, high inflation and monetary tightening. Due to the conflict between Russia and Ukraine, inflation continued to breach the upper-end of the target of 4.0 per cent to 6.0 per cent throughout the year. In this context and in order to meet the inflation target sustainably in the medium-term, the Bank continued the efforts it began in late 2021 to reduce the level of monetary accommodation via a suite of monetary policy

measures. These measures included increases in the Bank's policy rate, actions to maintain tight Jamaica dollar liquidity conditions and the provision of US dollar liquidity support to reduce volatility in the foreign exchange market. Bank of Jamaica will continue to closely monitor the global and domestic economic environments for potential risks that threaten the inflation target and implement appropriate action, as necessary.

BOJ tightened its monetary policy stance in 2022

The ongoing conflict between Russia and Ukraine amplified increases in international commodity and shipping prices, which led to domestic inflation trending above the upper-end of the Bank's target of 4.0 per cent to 6.0 per cent throughout the year. In an effort to guide inflation back within the target in the near-term, the Monetary Policy Committee tightened its monetary policy stance by increasing the policy interest rate (the rate offered to DTIs on overnight placements with BOJ) cumulatively by 450 basis points to 7.00 per cent per annum (see **Chart 1**). In December 2022, the Bank announced a pause in further increases in the policy rate conditional on:

- (i) the continued pass-through effect of its past policy rate changes on deposit and loan rates;
- (ii) more pass-through of international commodity price reductions to domestic prices; and
- (iii) the Federal Reserve not exceeding its stated policy rate increases.

The MPC also decided to continue to contain expansion in Jamaica Dollar liquidity and to maintain relative stability in the foreign exchange market. support the signalling effect of the Bank's monetary policy actions.

Chart 1: Policy interest rates
(percentage rate)



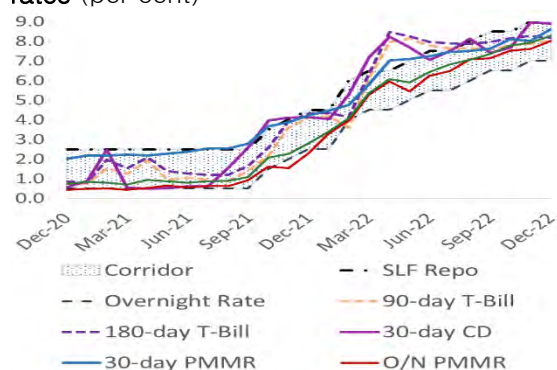
Source: BOJ

Market rates generally converged to the policy rate

In the context of the higher policy rate and tightened liquidity, selected market interest rates generally increased in 2022 (see **Chart 2**). In this regard, the weighted average yields on GOJ 180-day Treasury Bills increased to 8.18 per cent at end-2022 from 4.33 per cent at end-2021. Similarly, there were increases in the daily averages of private money market rates during the year. In contrast, the weighted average lending rate on bank loans to the private sector as at December 2022 was 11.74 per cent, a decline of 7 bps relative to December 2021. However, the weighted average deposit rate as at December 2022 was 1.62 per cent, an increase of

54 bps relative to December 2021. This largely reflected an increase of 241 bps to 5.16 per cent in time deposit rates in December 2022, relative to December 2021.

Chart 2: Interest rate corridor and market rates (per cent)



Source: BOJ

Persistent inflationary pressures related to the continued lagged impact of international commodity price shocks

Annual domestic inflation breached the target of 4.0 per cent to 6.0 per cent for every month of the review year. These breaches reflected the continued lagged impact of high imported inflation, which was exacerbated by the Russia-Ukraine conflict, improvements in domestic demand and heightened inflation expectations. In particular, supply disruptions in international commodity markets and higher global shipping costs had an adverse impact on prices for items such as grains and fuel.

Inflation peaked in April 2022 at 11.8 per cent and generally trended down thereafter. This deceleration in inflation, was facilitated by falling commodity prices, particularly for grains, crude oil and liquid natural gas (LNG). Notably, the price for West Texas Intermediate (WTI) oil fell from a peak average of US\$114.12 per barrel in June 2022 to US\$76.66 per barrel in December 2022. Similarly, LNG prices fell from an average of US\$8.78 per million British Thermal Units (BTU) in August 2022 to US\$5.74 per millions (BTU) in December 2022. Furthermore, the exchange rate was relatively stable for the latter half of 2022 and inflation expectations moderated.

Monetary Policy

Notably, consistent with the fall in international oil price, the domestic cost for energy and transport fell over the latter half of the year. However, processed food prices continued to be negatively affected by the lagged impact of the shock in international commodity prices (grains and oil prices). In this context, the 12-month point-to-point inflation at December 2022 decelerated to 9.4 per cent from the peak in April 2022 (see **Chart 3**).

Underlying (or core) inflation (which removes from headline inflation the impact of changes in food and fuel prices) was 8.5 per cent at December 2022, a slight uptick from the 8.4 per cent at the end of the previous year. The uptick in core inflation was primarily influenced by the lagged impact of imported inflation and elevated inflation expectations (measured through a survey of business firms) rose to 11.5 per cent at November 2022, above the upper-end of the Bank’s inflation target as well as the 9.8 per cent recorded at December 2021. Additionally, higher second-round effects supported higher core inflation.

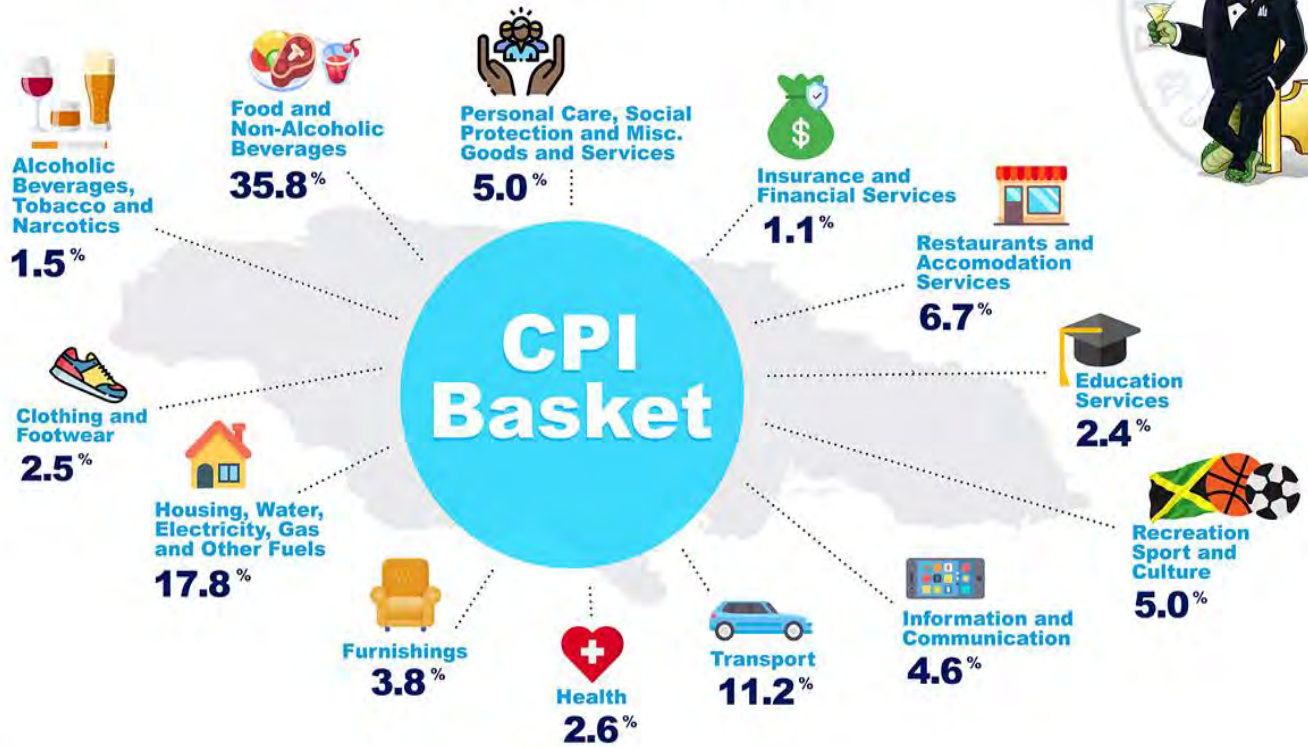
Chart 3: Inflation breached the target for 2022 (annual per cent)



Source: STATIN, BOJ

CPI BASKET

W E I G H T



NOTE: * **WEIGHT**- The amount spent on each item in the CPI "basket" is compared to total household spending to obtain the relative importance or "weight" of the commodities in the "basket"

Data courtesy of STATIN 



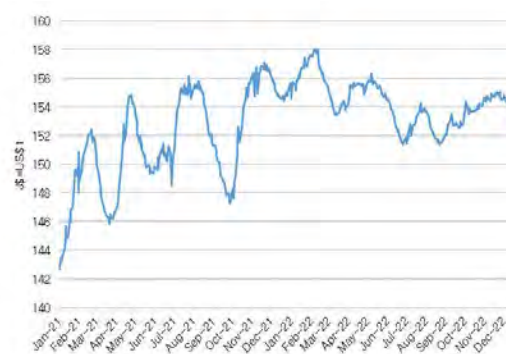
Flexible, two-way movements in the foreign exchange rate

Throughout 2022, the exchange rate continued to be characterized by cycles of appreciation and depreciation (see **Chart 4**). In particular, the Jamaica Dollar experienced at least four cycles of upswings (depreciation) followed by downswings (appreciation). However, these swings were less pronounced when compared to the previous year. The Jamaica Dollar depreciated on an annual average basis by 1.8 per cent against the US dollar for 2022, compared to an annual average of 5.9 per cent for 2021.

The relative stability in the foreign exchange market during 2022 occurred in the context of improved foreign exchange inflows associated with the re-opening of the economy as well as measures implemented by the Bank to attenuate episodic demand pressures. Specifically, the Bank provided approximately US\$1.5 billion to the system through Bank of Jamaica Foreign Exchange Intervention and

Trading Tool (B-FXITT) sale operations, direct sales to key entities and FX swap transactions.¹ Of note, the Bank purchased approximately US\$2.3 billion from the system via surrenders from Authorized Dealers and cambios as well as FX swap transactions.²

Chart 4: Continued flexible cycles in the USD/JMD exchange rate



Source: BOJ

Economic Developments in 2022

Strong growth for 2022

Real economic activity is estimated to have expanded at a faster pace in 2022, relative to the previous year. In this regard, the economy grew by an estimated 5.4 per cent in 2022, relative to the growth of 4.4 per cent in 2021 (see **Chart 5**). The growth for CY 2022 largely reflected continued recovery in Tourism and its affiliated services as well as increased production and distribution activities due to the removal of COVID-19 restriction measures, particularly the Disaster Risk Management Act (DRMA).³ In this context, there was significant growth in value-added in the services industries, in particular, Hotels & Restaurants, Other Services and Transport, Storage & Communication due to an improvement in travel, entertainment and activities at the ports.

Growth is also estimated for Manufacturing, Agriculture, Forestry & Fishing and Wholesale & Retail Trade. With regard to Manufacturing, the expansion in the Food, Beverages & Tobacco sub-industry was influenced by higher demand due to increased tourism and entertainment-related activities. For the Other Manufacturing sub-industry, the expansion reflected growth in paper & paper products and chemicals & chemical products. For Agriculture, Forestry & Fishing, growth was largely influenced by higher demand from tourism as well as increased yields from domestic crop production. The increase in yields for domestic crop production reflected favourable weather conditions for much of the year and various initiatives by the Government to boost output. For Wholesale & Retail Trade, the increase in value-added reflected the improvement

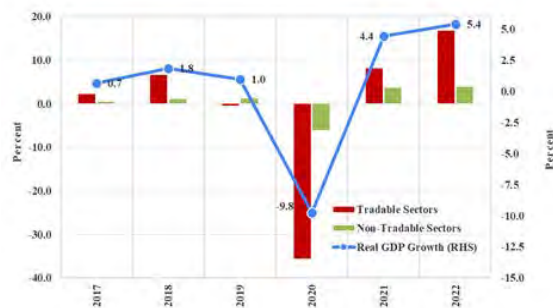
¹ FX was provided through BFXITT sales, FX swaps and direct sales to key entities amounting to US\$747.9 million, US\$17.5 million and US\$722.8 million, respectively.

² Purchases from surrenders and FX swaps totaled US\$2.3 billion and US\$17.5 million, respectively.

³ The Disaster Risk Management Act was discontinued on 18 March 2022.

in agricultural output levels and Manufacturing. Tourism benefited from the removal of COVID-19 restrictions (local and international) and Government initiatives to revitalise the industry.

Chart 5: The Jamaican economy continued to expand in 2022
(percentage change in GDP)



Source: STATIN, BOJ

For Transport, Storage & Communication, the industry recorded growth due to increased activities at the airports and the resumption of cruise passenger arrivals to the Island since August 2021. In addition, with the removal of COVID-19 restrictions, public passenger transport increased.

As it relates to Mining & Quarrying, there was an estimated decline reflecting a contraction in capacity utilization at the plants. The lower capacity utilization was due to operational challenges, such as a fire at the Jamalco plant, malfunctioning turbines at some plants and a reduction in third-party bauxite shipments.

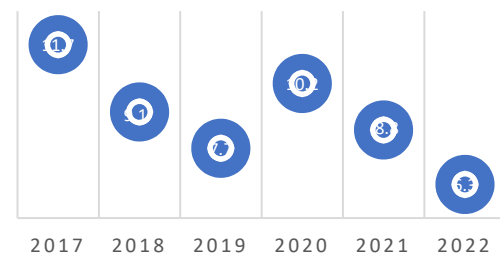
Construction is also estimated to have declined due to a contraction in residential and non-residential construction. There was also a decline in civil engineering activities, which reflected lower expenditure on the South Coast Highway Improvement Project.

Labour market conditions continued to improve in 2022. This improvement was evidenced by a decline in the unemployment rate to an average of 6.3 per

cent relative to the 8.8 per cent in 2021 (see **Chart 6**).⁴ Notably, the unemployment rate at April 2022 was a historic low of 6.0 per cent and compared favourably to the pre-pandemic low of 7.2 per cent at October 2019. The reduction in the unemployment rate in 2022 reflected respective growth of 4.8 per cent and 2.0 per cent in employment and the labour force (see **Table 3**).

“The reduction in the unemployment rate in 2022 reflected respective growth of 4.8% and 2.0% in employment and the labour force”

Chart 6: Unemployment fell – Annual Averages
(percentage)



Source: STATIN

Table 3

SELECTED LABOUR FORCE INDICATORS			
	2021	2022	% Change
Total Labour Force ('000)	1 322.9	1 349.5	2.0
Employed Labour Force ('000)	1 206.8	1 264.8	4.8
Unemployment Rate (%)	8.8	6.3	-2.5
Job Seeking Rate (%)	5.4	4.0	-1.4

Source: STATIN

⁴ For 2022, only three employment surveys were conducted. Therefore, for comparison of the averages, the first three surveys in 2021 are used.

● Fiscal Management

The GOJ budget for FY2022/23 was aimed at achieving fiscal and primary balances consistent with a downward trajectory of the debt/GDP ratio of no more than 60.0 per cent of GDP by end-March 2028.⁵ The budget included expenditure for critical areas such as social protection, health and capital investment. In addition, the GOJ embarked on a compensation review for public sector workers in an effort to simplify public sector compensation while establishing greater internal equity and improving competitiveness. The social protection programme was two-pronged including a pension programme and several social initiatives. The pension programme included public assistance for the elderly, disabled and vulnerable while the social initiatives promoted youth employment skills and training programmes through the provision of financial assistance for school certification and entrepreneurship. In this regard, the GOJ also announced a package of assistance to taxi operators, transport assistance to students on the Programme of Advancement Through Health and Education (PATH), an Energy Co-Pay Programme, food assistance to 75 000 persons not on PATH and a cash incentive to Know Your Customer (KYC) account holders.^{6,7,8,9,10} Capital investment programmes, such as the South Coast Highway Improvement Project, entailed revamping and improving the main south eastern road to afford greater travel efficiency and improved business activity in the eastern and south-central sections of the country.

For April to December 2022, Central Government operations resulted in a fiscal surplus of 0.5 per cent

of GDP, in comparison to the budgeted *deficit* (original budget) of 1.6 per cent of GDP.¹¹ The outturn reflected higher-than-budgeted Revenue & Grants as well as lower-than-budgeted expenditure.

In the context of the Government's commitment to prudent fiscal management and in support of sustainable economic development, on 15 December 2022, the IMF announced that a staff-level agreement was reached on Jamaica's request for a Precautionary and Liquidity Line and the Resilience and Sustainability Facility. These facilities should provide a combined access of US\$1.7 billion. The PLL will provide valuable insurance to the country against downside risks, including those that arise from extreme weather events, particularly from storms and hurricanes. The RSF is expected to support Jamaica's agenda to increase resilience to the effects of climate change, transition to a zero-carbon economy and catalyze official and private climate-related financing. The IMF's Executive Board is expected to consider these requests in early-2023.

Jamaica's sovereign ratings reaffirmed in 2022

For 2022, Jamaica's sovereign credit ratings from major credit rating agencies were similar to that obtained in 2021. In particular, on 09 March 2022, Fitch affirmed Jamaica's long-term foreign and local currency issuer default ratings at 'B+' with the outlook on Jamaica remaining at "stable." The agency's outlook reflected: (i) the country's favourable business climate; (ii) consistent fiscal policy efforts to lower the debt burden; (iii)

⁵ The targeted fiscal and primary balances for FY2022/23 are 0.3% of GDP and 5.9% of GDP, respectively.

⁶ The GOJ paid a portion of the residential electricity bills for JPS customers who consumed 200 kWh of electricity or less per month, over the period of April 2022 to July 2022. The Energy Co-Pay Programme was estimated to cost the GOJ J\$2.0 billion.

⁷ In March 2022, the GOJ announced the provision of a \$25 000 Gas Relief Grant for public passenger vehicle operators to cushion the impact of the rising cost of fuel. The programme was estimated to cost under \$600 million.

⁸ Approximately 7 000 PATH students benefited from transportation subsidies provided by the Ministry of Education and Youth at an estimated cost of \$380 million.

⁹ With regard to social services, the Government partnered with the Jamaica Red Cross, Food for the Poor, Council for Voluntary Social

Services, Adventist Relief Association, and several other non-governmental organisations to identify persons in need who were not already on the PATH Programme. Approximately \$200 million was allocated to fund the initiative and qualified families were to receive a one-off grant of \$10 000 to assist in covering their food expenses.

¹⁰ In March 2022, the GOJ indicated that it would deposit \$2 500 in each of the first 100, 000 accounts to be opened after April 1, 2022 in deposit-taking institutions. The estimated allocation to the initiative was \$250 million.

¹¹ For comparison, the GDP used for the original budget was \$2 476.9 billion. This was revised upwards to an estimate of \$2 712.8 billion.

continued deficit reduction bolstered by growth of 15.4 per cent in revenues between April and December 2021; and (iv) Jamaica's healthy foreign exchange reserves that was supported by strong growth in remittances. Additionally, the agency's stable outlook was motivated by the expectation that the public debt level would return to a downward trajectory, supported by the Government's maintenance of a high primary surplus and measured debt refinancing to continue to lower debt service costs.

On 05 October 2022, Standard & Poor's Global Ratings (S&P Global) reaffirmed Jamaica's long-term foreign and local currency issuer default ratings at 'B+' with the outlook on Jamaica remaining at "stable." The agency's reaffirmed its outlook for Jamaica stemmed from the expectation that Jamaica's economy will continue to recover due to the then anticipated GDP growth of 4.0 per cent in 2022. Additionally, S&P Global noted that the Government was expected to remain committed to

sustainable public finances, particularly the achievement of the budgeted fiscal targets. Notwithstanding these positive factors, the agency noted that Jamaica continued to face downside risks emanating from slowing global growth, lower than expected domestic growth, a potential recession in the US and the impact of global inflation.

Similar to Fitch and S&P Global, on 30 November 2022, Moody's Investors Service affirmed Jamaica's long-term foreign and local currency ratings at 'B2' and maintained its "stable" outlook on Jamaica. The agency's rating reflected Jamaica's declining borrowing requirements and reduced rollover risk. However, Moody's noted that the positive factors were offset by Jamaica's persistently low GDP growth and susceptibility to shocks (external and domestic).

Outlook

Inflation forecasted to return to target by end-2023

Bank of Jamaica's most recent assessment indicates that annual headline inflation should continue on its decelerating trend and return to the 4.0 per cent to 6.0 per cent target in the last quarter of calendar year 2023. The forecasted deceleration in inflation is predicated on lower imported inflation. Specifically, international commodity and shipping prices are projected to fall. In addition, tight monetary conditions are expected to persist and inflation expectations are projected to fall. In this context, inflation from domestic processed foods and services is projected to fall at a moderate pace. Consistent with meeting its inflation target sustainably in the medium-term, the MPC announced a conditional pause in further policy rate increases. However, the MPC maintained the measures to ensure stability in the foreign exchange market and contain expansion in Jamaica dollar

liquidity. The Bank also noted its commitment to pursuing initiatives to address structural impediments to the monetary transmission mechanism. In addition, the Bank signal that it will closely monitor the global and domestic economic environments for potential risks that threaten the inflation target and will take appropriate action, if necessary.

Positive near-term outlook for growth

The Bank is projecting growth over the near-term. This growth is predicated on an improvement in external demand as the impact of the COVID-19 pandemic lessens, notwithstanding concerns about a recession for some advanced economies in 2023. Growth is expected to be primarily reflected in Hotels & Restaurants and its related industries as well as Agriculture, Manufacturing, Electricity & Water and Wholesale & Retail Trade.



Links to more information

▶ Releases

- [Quarterly Monetary Policy Report](https://boj.org.jm/boj-publications/quarterly-reports/)
https://boj.org.jm/boj-publications/quarterly-reports/
- [Credit Conditions Survey Report](https://boj.org.jm/boj-publications/survey-reports/)
https://boj.org.jm/boj-publications/survey-reports/
- [Inflation Expectations Report](https://boj.org.jm/boj-publications/survey-reports/)
https://boj.org.jm/boj-publications/survey-reports/
- [Monetary Policy Announcement Schedule](https://boj.org.jm/core-functions/monetary-policy/policy-schedule/)
https://boj.org.jm/core-functions/monetary-policy/policy-schedule/
- [Pres Conference Speeches](https://boj.org.jm/news/boj-speeches/)
https://boj.org.jm/news/boj-speeches/
- [Press Conference Presentations](https://boj.org.jm/boj-publications/quarterly-reports/)
https://boj.org.jm/boj-publications/quarterly-reports/
- [Inflation Performance](https://boj.org.jm/statistics/real-sector/inflation/)
https://boj.org.jm/statistics/real-sector/inflation/

▶ Additional Resources

- [Objective of Monetary Policy](https://boj.org.jm/core-functions/monetary-policy/what-is-monetary-policy/)
https://boj.org.jm/core-functions/monetary-policy/what-is-monetary-policy/
- [The Inflation Target](https://boj.org.jm/core-functions/monetary-policy/what-is-inflation/the-inflation-target/)
https://boj.org.jm/core-functions/monetary-policy/what-is-inflation/the-inflation-target/
- [Decision Process](https://boj.org.jm/core-functions/monetary-policy/monetary-policy-decision-making/)
https://boj.org.jm/core-functions/monetary-policy/monetary-policy-decision-making/
- [Jamaica and the IMF](https://www.imf.org/en/Countries/JAM)
https://www.imf.org/en/Countries/JAM

INFLATION WATCH

A MONTHLY LOOK AT THE LATEST INFLATION
NUMBERS AND THE STORY BEHIND THE NUMBERS



**CROC O.
DOYLE TV**

FINANCIAL SYSTEM



DR. H. M. R. NETHERKILL
PRESIDENT OF THE UNIVERSITY OF
SOUTH ALABAMA
1968-1972



DR JIDE LEWIS
Deputy Governor, Bank of Jamaica

Deputy Governor Jide Lewis with responsibility for the Financial Institutions Supervisory Division

FINANCIAL SYSTEM

Within the context of inflationary pressures and consequently rising interest rates, risks to the financial stability of deposit-taking institutions were slightly higher in 2022, relative to the previous year. The increase in interest rates led to higher volatility in bond yields as well as

higher funding costs. Notwithstanding the increase in market and liquidity risks, DTIs remained adequately capitalized, profitable and liquid. As such, macro-prudential stress tests showed that the DTI sector was generally resilient to contemplated shocks.

Slowdown in the DTI system asset growth influenced by challenges in the global and domestic economic environment

Despite post-pandemic recovery efforts, asset growth in the DTI sector continued to be affected by challenges in the global and domestic economic environment, including emergent inflationary pressures stemming from geopolitical tensions and supply chain imbalances. Asset growth decelerated to 6.6 per cent (\$152.1 billion) during 2022 from growth of 13.6 per cent (\$275.8 billion) during 2021. The growth in assets during the year was mainly reflected in increases in loans and investments, the impact of which was partially offset by lower holdings of cash and bank balances.

The DTI sector continued to hold assets predominantly in domestic currency (57.7 per cent of total assets). Of note, the growth in total assets during 2022 was largely driven by an increase of 6.1 per cent (\$87.8 billion) in domestic currency assets. While foreign currency assets expanded at a faster pace of 7.5 per cent, the dollar value contribution to total assets was lower at \$64.3 billion due to the impact of foreign exchange movements.¹ The overall slowdown in asset expansion was attributable to slower growth in both domestic and foreign currency assets. Specifically, for 2021, domestic and foreign currency assets grew by 10.2 per cent (\$133.4 billion) and 19.9 per cent (\$142.4

billion), respectively. For the review year, the growth in domestic assets was predominantly reflected in an increase of 15.1 per cent (\$135.5 billion) in loans and advances. Meanwhile, growth in foreign currency assets primarily reflected an increase of 25.7 per cent (\$76.8 billion) in investments, mainly driven by the acquisition of foreign Government securities.

Growth in the DTIs' assets continued to be supported primarily by an increase of 8.2 per cent (\$126.9 billion) in customers' deposits, albeit, slower than growth of 13.3 per cent (\$182.0 billion) in the previous year. Borrowings, inclusive of repurchase agreements, grew by 0.1 per cent (\$0.2 billion) compared to 21.9 per cent (\$56.9 billion) in the previous year. Notably, shareholders equity grew by 8.6 per cent (\$24.9 billion), compared with growth of 3.3 per cent (\$9.3 billion) at-end 2021.

The number and composition of supervised institutions operating in Jamaica at end-2022 remained at 11, of which eight were commercial banks, two building societies and one merchant bank (see **Tables 4 and 5**).

¹ During 2022, the Jamaica Dollar vis-à-vis the US Dollar appreciated by 2.0 per cent. As a result, the DTI sector recorded

revaluation losses of \$18.6 billion on its stock of foreign currency assets, compared with revaluation gains of \$69.4 billion during 2021.

Table 4²

MARKET COMPOSITION (Number of Licensed Deposit-taking Entities)				
Supervised Entities	2019	2020	2021	2022
Commercial Banks	8	8	8	8
Merchant Banks	1	1	1	1
Building Societies	2	2	2	2
Total	11	11	11	11

Source: BOJ

Table 5

LICENSED DEPOSIT-TAKING INSTITUTIONS As at 31 December 2022	
Commercial Banks	<ul style="list-style-type: none"> • Bank of Nova Scotia Jamaica Limited • Citibank N.A. • First Caribbean International Bank Jamaica Limited • First Global Bank Limited • JMMB Bank Limited • JN Bank Limited • National Commercial Bank Jamaica Limited • Sagicor Bank (Jamaica) Limited
Merchant Bank	<ul style="list-style-type: none"> • Cornerstone Trust and Merchant Bank Limited
Building Societies	<ul style="list-style-type: none"> • Victoria Mutual Building Society • Scotia Jamaica Building Society

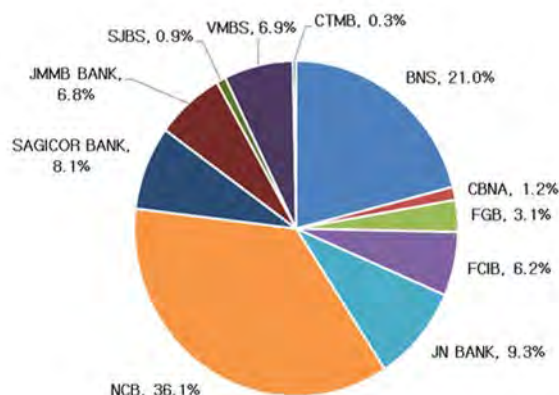
Source: BOJ

In terms of market share, the five largest DTIs recorded a slight increase in their proportion of total system assets to 81.4 per cent at end-2022 from 81.0 per cent at end-2021. The DTIs' asset growth remained constrained against the backdrop of contractionary monetary policy initiatives implemented by the central bank to combat rising inflation. The marginal increase in market share reflected the impact of successful growth initiatives by a few large DTIs, while other licensees assumed more conservative positions for asset growth in light

²The proposal by the Minister of Finance and the Public Service for the assumption by Bank of Jamaica of full supervisory responsibility for credit unions, which numbered 25 as at 31

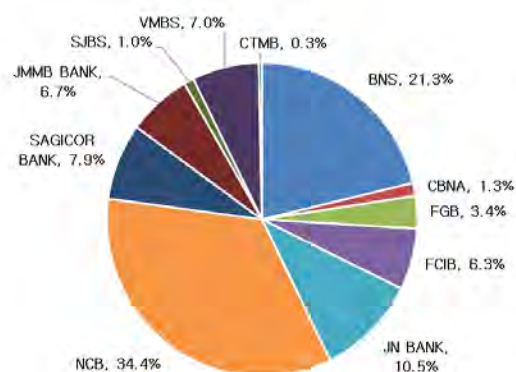
of current and projected macroeconomic conditions (see Charts 7, 8 and 9a).

Chart 7: Market Share of Licensees in the DTI sector as at 31 December 2022



Source: BOJ

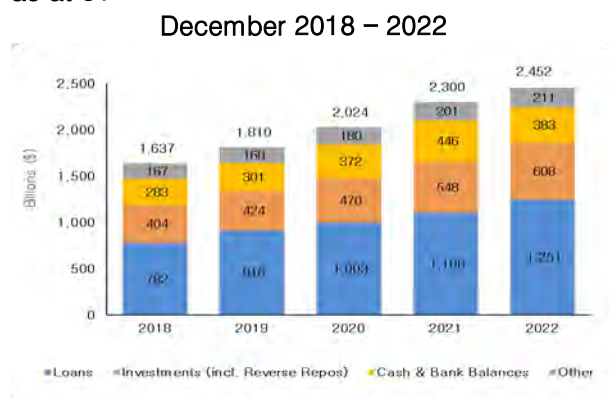
Chart 8: Market Share of Licensees in the DTI sector as at 31 December 2021



Source: BOJ

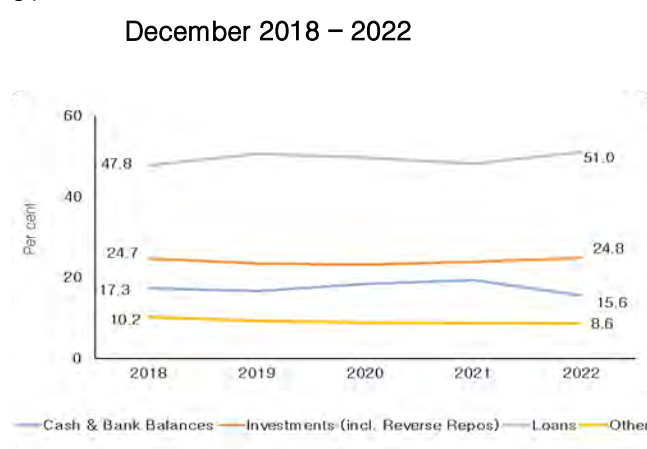
December 2022, will result in significant expansion of the supervised deposit-taking population.

Chart 9a: Dollar Value Contribution of Assets as at 31



Source: BOJ

Chart 9b: Percentage Share of System Assets 31



Source: BOJ

Licenses' investments reflected increased holdings in foreign Government assets in light of significant fair value losses amidst increases in policy rates

For 2022, the investment holdings of DTIs grew by 10.8 per cent (\$59.2 billion), relative to growth of 16.8 per cent (\$78.9 billion) for 2021. Growth in investments for the review year largely reflected an increase of \$72.0 billion in foreign currency denominated securities, particularly foreign governments' securities. This was in comparison to an increase of \$37.5 billion in 2021. Licensees

pursued overseas assets, in 2022, amidst increases in local and international policy rates. In addition, holdings of foreign currency GOJ securities increased by \$18.5 billion in 2022, slower than the increase of \$32.9 billion in 2021. This slower growth was in the context of DTIs continuing to experience increased fair value losses on these investments (predominantly medium- to long-term GOJ Global Bonds) due to rising interest rates. Notably, licensees reduced their holdings in reverse repurchase agreements, which contracted by 53.6 per cent (\$15.9 billion), which were mainly backed by GOJ securities, in light of falling collateral values and credit growth initiatives pursued by some DTIs.

In contrast to the previous year, licensees' holdings of cash and bank balances declined by 14.1 per cent (\$63.0 billion) at end-2022, compared with growth of 19.8 per cent (\$73.8 billion) in 2021. The fall in cash and bank balances primarily reflected a drawdown in BOJ current account balances, declines in placements with other financial institutions and lower cash holdings. This outturn occurred amidst an increased supply of credit to the market as DTIs capitalised on the rising interest rate environment to bolster compressed profits experienced during the height of the pandemic, while also funding deposit withdrawals and the repayment of borrowings. Resultantly, cash and bank balances as a share of total assets fell to 15.6 per cent at end-2022 from 19.4 per cent at end-2021.

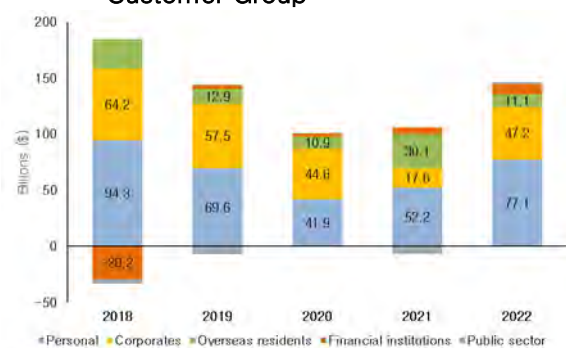
Loan growth trended towards pre-pandemic levels as economic recovery efforts continued to reverse the effects of the pandemic

As economic recovery continued during 2022, loans and advances, net of provisions for losses, rebounded towards pre-pandemic levels with growth of 13.1 per cent (\$145.1 billion), higher than the previous year's growth of 10.2 per cent (\$102.4 billion).³ Personal loans increased by 13.3 per cent (\$77.1 billion) compared with growth of 9.9 per cent (\$52.2 billion) in 2021, while corporate loans grew

³ Growth in loans and advances, net of provisions for losses grew by 17.1 per cent (\$133.8 billion) as at December 2019.

by 11.4 per cent (\$47.2 billion) relative to growth of 4.5 per cent (\$17.6 billion) in 2021 (see **Chart 10**). The higher level of personal loans – which mainly reflected growth of 17.4 per cent (\$44.1 billion) in mortgage lending – occurred against the backdrop of growth in new housing developments across urban Jamaica.

Chart 10: Dollar Value Change in Loans by Customer Group



Source: BOJ

The growth in total loans for the year predominantly reflected an expansion of 15.1 per cent (\$135.5 billion) in domestic currency loans, relative to the previous year's increase of 10.7 per cent (\$86.8 billion). There was also an increase of 4.6 per cent (\$10.6 billion) in foreign currency loans, albeit, slower than growth of 5.7 per cent (\$12.5 billion) in 2021.

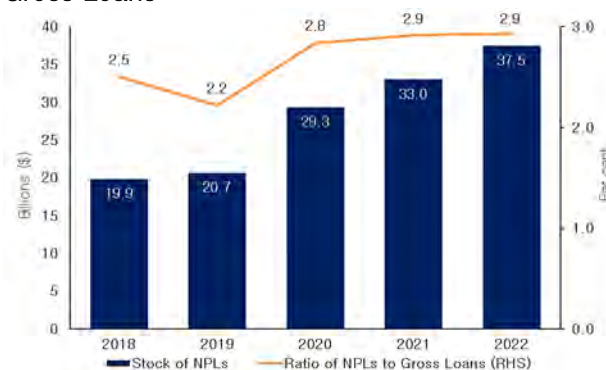
Consequent on the increased supply of credit, total loans as a share of total assets expanded to 51.0 per cent at end-2022 from 48.1 per cent at end-2021 (see **Chart 9b**).

Asset quality remained favourable notwithstanding an increase in non-performing loans

As the economy continued to recover from the pandemic, asset quality, measured by the ratio of total non-performing loans (NPLs) to total loans, was unchanged at 2.9 per cent at end-2022, relative to end-2021. Notwithstanding, the stock of NPLs (past due 3 months and over) increased by 13.4 per cent (\$4.4 billion) to \$37.5 billion at end-2022 relative to growth of 12.6 per cent (\$3.7 billion)

at end-2021 (see **Chart 12**). The increase was mainly observed in NPLs to individuals.

Chart 12: Stock of NPLs with Ratio of NPLs to Gross Loans



Source: BOJ

Similarly, past due loans (past due 1 month to 3 months) (PDLs) increased by 30.8 per cent (\$9.0 billion) during 2022, following a reduction of 5.4 per cent (\$1.7 billion) in the previous year. As a result, the lead indicator of asset quality, measured by the ratio of total PDLs-to-total loans, increased to 3.0 per cent at end-2022 from 2.6 per cent at end-2021. This increase in past due delinquencies primarily reflected growth of \$4.0 billion in loans to overseas residents.

Consequent on the sharp rise in PDLs, DTIs continued to maintain robust provisioning levels, as loan loss provisions (primarily BOJ specific provisions for performing loans) increased by 12.6 per cent (\$4.4 billion), higher than the prior year's growth of 2.3 per cent (\$0.8 billion). The increase in provisioning occurred as licensees held more conservative positions in light of the potential impact of the high inflationary environment and the Bank's monetary policy posture on borrowers' ability to service loan obligations.

Notably, as a result of the general phasing out of moratorium arrangements by licensees and the low risk of performance breaches emanating from this segment of the loan portfolio, BOJ discontinued intensified surveillance of loans granted moratorium, effective 31 July 2022. At 30 June 2022, the stock of loans remaining under

moratorium totalled \$0.3 billion, less than 0.1 per cent of total DTI loans. Of note, 12.0 per cent (\$141.9 billion) of existing DTI loans had at some point benefited from COVID-19 related moratorium arrangements.

Capital remained adequate despite the threat of impairment due to fair value losses on securities

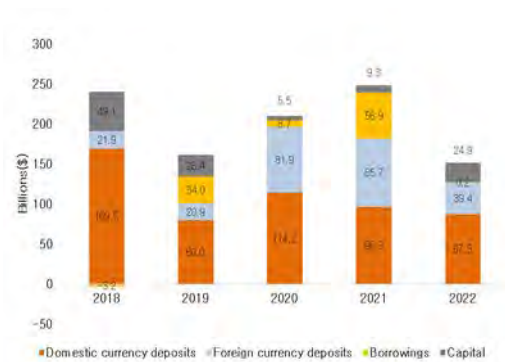
At end-2022, both the Primary Ratio and Capital Adequacy Ratio (CAR) remained comfortably above their respective statutory minima of 6.0 per cent and 10.0 per cent with outturns of 14.2 per cent and 15.1 per cent, respectively. Notwithstanding the adequate capital positions, the ability of licensees to strengthen regulatory capital via buffer capital continued to be threatened by fair value losses which increased by \$7.6 billion during the year, compared with an expansion of \$9.6 billion in 2021.

Funding was largely supported by increased deposits as there was reduced appetite for borrowings

Customer deposits, which remained the primary funding source for the expansion in asset, grew by 8.2 per cent (\$126.9 billion) in 2022, relative to growth of 13.3 per cent (\$182.0 billion) in the previous year. The higher stock of deposits for 2022 reflected an increase of 9.4 per cent (\$87.5 billion) in domestic currency deposits, compared with growth of 11.5 per cent (\$96.3 billion) for 2021. The slowdown in growth in domestic currency deposits largely reflected the impact of increased cost for goods and services in a context of high inflation.

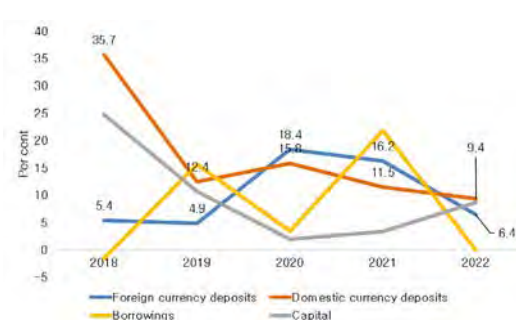
Borrowings (including securities sold under repurchase agreements) grew by 0.1 per cent (\$0.2 billion) during 2022, significantly below the growth of 21.9 per cent (\$56.9 billion) in the previous year. The slowdown in borrowings mainly reflected repayments of domestic borrowings from local banks and securities sold under repurchase agreements, which outweighed increased borrowings from overseas financial institutions (see **Chart 14a** and **14b**).

Chart 14a: Dollar Value Change in Funding Sources



Source: BOJ

Chart 14b: Rate of Growth in Funding Sources



Source: BOJ

Liquidity levels remained sufficient to meet short-term obligations

At end-November 2022, all licensees reported liquidity coverage ratios (LCRs) above the minimum requirement of 100 per cent of high-quality liquid assets (HQLAs) to net cash outflows (NCOFs) for the aggregated Jamaica Dollar equivalent of NCOFs in all currencies. These ranged from a low of 154.4 per cent to a high of 977.5 per cent. The system remained resilient with adequate liquidity levels reflected in 2022, despite the adverse effect of the pandemic on liquidity, occasioned by a moderation in the stock of HQLAs and a further impairment associated with the impact of fair value losses on assets.

Profitability levels moderated amidst increased operating expenses and lower non-interest income

Pre-tax profits for 2022 totalled \$43.9 billion, lower than the 2021 outturn of \$46.6 billion, on account of increased fee and staff expenses.⁴ Consequently, the profit margin for the system decreased to 18.8 per cent in 2022 from 21.4 per cent in 2021, while the return on equity (ROE) also declined to 14.6 per cent from 16.4 per cent in 2021. The net interest margin (NIM) for the sector was largely unchanged at 5.4 per cent in 2022 (see Table 6).

Table 6

SELECT PROFITABILITY INDICATORS					
%					
31 December 2018 – 2022					
	2018	2019	2020	2021	2022
Return on Equity	22.7	19.9	9.2	16.4	14.6
Return on Assets	3.3	3.0	1.3	2.2	1.8
Profit Margin	28.6	26.6	13.5	21.5	18.8
Net Interest Margin	6.3	6.3	5.9	5.3	5.4

Source: BOJ

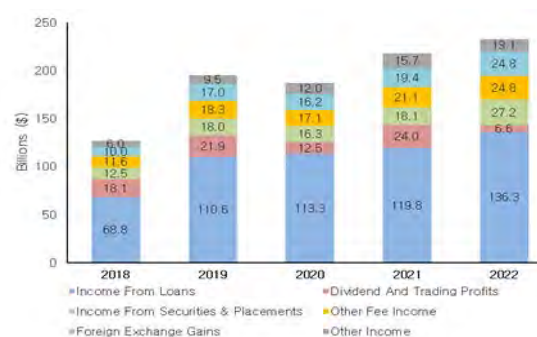
The deteriorated profit performance for 2022 was also influenced by a decline of 4.5 per cent (\$4.7 billion) in non-interest income, relative to an expansion of 35.3 per cent (\$27.4 billion) reported in the previous year. The contraction in non-interest income was driven by a decline of 72.4 per cent (\$17.4 billion) in dividend income, the impact of which was partially offset by increased income from fees and other charges on card services (particularly credit cards) given increased loan activity, automated banking machines (ABM) and point-of-sale (POS) usage during the year.

For the review year, growth in total revenue was supported by an increase of 17.2 per cent (\$19.4 billion) in interest income, compared with the increase of 3.1 per cent (\$3.4 billion) in 2021.

⁴ The increase in fee expenses was concentrated in credit card processing fees paid by licensees to payment network providers and other miscellaneous fees.

Growth in interest income reflected an expansion in DTIs' loan portfolio and investment holdings combined with higher interest rate terms as well as the resumption in interest payment activity for those loans which had benefitted from loan moratoriums in the prior year (see Chart 15a and Table 7).

Chart 15a: Composition of Annual Operating Income



Source: BOJ

Table 7

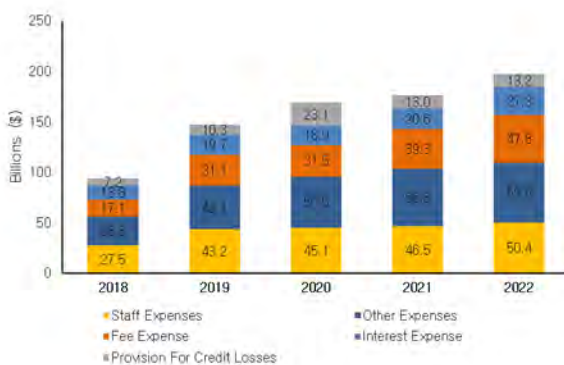
COMPOSITION OF ANNUAL TOTAL INCOME					
% of Total Income					
31 December 2018 – 2022					
	2018	2019	2020	2021	2022
Income from Loans	54.1	56.6	60.5	54.9	58.6
<i>Of which,</i>					
<i>Interest Income from Loans</i>	43.4	45.5	49.9	43.6	45.3
<i>Fee Income from Loans</i>	10.7	11.1	10.6	11.3	13.3
Income from Securities & Placements	9.8	9.2	8.7	8.3	11.7
Other Fee Income	9.1	9.4	9.1	9.7	10.6
Foreign Exchange Gains	7.9	8.7	8.6	8.9	10.7
Dividend Income	5.0	8.7	4.1	7.8	2.0
Securities Trading Gains	9.2	2.5	2.6	3.2	0.9
Other Income	4.8	4.9	6.4	7.2	5.6
Total Interest Income	53.3	54.7	58.6	51.9	57.0
Total Non-Interest Income	46.7	45.3	41.4	48.1	43.0

Source: BOJ

The decline in profitability for the year was influenced by an increase of 12.0 per cent (\$21.1 billion) in total operating costs, compared with the previous year's growth of 4.0 per cent (\$6.7 billion).

Non-interest expenses, the main driver of operating costs, grew by 9.3 per cent (\$14.4 billion) during 2022, compared with growth of 3.6 per cent (\$5.5 billion) during 2021. Within non-interest expenses, growth was recorded in fees and other sundry charges (\$7.3 billion), staff expenses (\$3.9 billion) and depreciation expenses. In the context of the higher interest rate environment, DTIs recorded an increase of 32.3 per cent (\$6.7 billion) in interest costs, relative to growth of 8.8 per cent (\$1.7 billion) during 2021. Of note, both time deposits (\$3.6 billion) and borrowed funding (\$2.9 billion) recorded higher interest expenditure during the year (see **Chart 15b**). Accordingly, operational efficiency deteriorated to 73.0 per cent in 2022 from 71.9 per cent in 2021.⁵

Chart 15b: Composition of Annual Operating Expense



Source: BOJ

Bank of Jamaica continued preparation for assumption of oversight of credit unions

During 2022, BOJ continued its preparation for formal assumption of supervisory oversight of the credit union sector, with a focus on drafting key documentation to assist with licensing as well as having meaningful engagement with the Department of Cooperatives and Friendly Societies (the statutory regulator of the credit union sector). BOJ also continued to provide feedback on the draft Credit Unions (Special Provisions) Bill which, along with

the Cooperative Societies (Amendment) Bill, will facilitate licensing and supervision of credit unions by the Bank. In this regard, the legislative process was at an advanced stage and the tabling of the two companion pieces of legislation in Parliament is slated for 2023.

The number of entities in the sector remained at 25, with a few credit unions taking steps to provide greater reach to the unbanked across the island as well as improve their earning potential. Notwithstanding the unchanged number of entities, the network of branches and sub-branches declined marginally to 106 at end-2022 from 108 at end-2021.

Credit Unions reflected growth despite ongoing challenges

Growth in the credit union sector was constrained in 2022, due to competitive pressures in the market. As such, growth in total assets increased by a lower \$11.4 billion (7.6 per cent) to \$161.6 billion in 2022, compared to the expansion of \$13.2 billion or 9.6 per cent to \$150.2 billion at end-2021.^{6,7} Similar to the pre-pandemic era, asset growth was mainly reflected in an expansion in loans by 8.3 per cent (\$8.1 billion) to \$104.8 billion. In addition, there was an increase of 5.2 per cent (\$1.4 billion) in investments to \$27.6 billion. Of note, the removal of Government pandemic-related restrictions and the resultant return of vibrancy to the tourism, entertainment and transportation sectors had a positive impact on credit unions whose members were employed in those sectors. Additionally, in an effort to increase competitiveness, a number of credit unions signed up for BOJ's FINTECH Sandbox to offer services to members through co-branded debit cards with MasterCard features.

The pace of growth in loans during 2022 was similar to pre-pandemic levels, when expansion in loans typically exceeded \$8.0 billion annually. As a result, while loans remained the dominant asset category, its share of total assets marginally increased to 64.9

⁵ Operating efficiency is measured by the ratio of non-interest expenses to gross income. The lower the ratio, the more efficiently gross income is used to cover operational costs.

⁶ Based on the prudential report at December 2022

⁷ Data for 2021 may have been revised given the resubmission of prudential information by credit unions.

per cent at end-2022, from 64.5 per cent at end-2021. It is anticipated that growth in loans in the sector could be further constrained as the rise in BOJ's policy rate should translate to higher lending rates by credit unions, coupled with the continuing effects of inflationary pressures on borrowers' spending power. The quality of the loan portfolio also improved as reflected in the marginal decrease of 1.9 per cent (\$0.1 billion) in NPLs to \$4.7 billion. As a result, the ratio of NPLs to total loans reduced to 4.3 per cent at year-end, from 4.8 per cent at end-2021. Despite the decline in NPLs, provisions increased by 3.0 per cent (\$0.1 billion) to \$4.3 billion, providing greater coverage of NPLs to 92.1 per cent at end-2022, up from 87.7 per cent at end-2021.

The credit union sector remained adequately capitalised for the review year, with the capital base improving by 5.7 per cent (\$1.1 billion) to \$19.8 billion, driven mainly by earnings retention. Notwithstanding, there was a marginal decline in the primary ratio to 12.3 per cent at end-2022 from 12.5 per cent at end-2021. Similar to previous periods, asset growth was mainly funded by savings, which increased by 7.6 per cent (\$8.9 billion) to \$125.6 billion, a notable deceleration when compared to increases of 10.2 per cent (\$10.9 billion) and 10.4 per cent (\$9.9 billion) for 2021 and 2020, respectively.⁸

For the financial year 2022, credit unions' surplus increased by 10.6 per cent (\$0.2 billion) to \$2.2 billion from \$2.0 billion in 2021. In this regard, there was an increase of 8.2 per cent (\$1.3 billion) in total revenues, due mainly to the combined effect of 4.7 per cent (\$0.6 billion) increase in interest on loans to \$13.0 billion and 53.2 per cent (\$0.6 billion) increase in interest on investments to \$1.7 billion.⁹ Of note, during the pandemic, income from Investments took on prominence as the key driver of income amidst lending constraints. In 2022, growth in non-interest income remained flat at \$2.6 billion.

Given the uptick in business activities during 2022, credit unions recorded an increase of 7.6 per cent (\$1.1 billion) in expenses to \$15.6 billion due mainly to overhead expenses, which increased by 8.0 per cent (\$1.0 billion) to \$13.2 billion. This was largely driven by growth in staff expenses of 7.9 per cent (\$0.5 billion) to \$6.4 billion. Notwithstanding, there was a marginal improvement in overhead efficiency to 86.4 per cent from 86.9 per cent. Despite the improvement in loan quality, provisions charged to income increased by 5.4 per cent (\$0.1 billion) to \$1.5 billion.

Consistent with the higher surplus, the return on equity increased to 7.7 per cent in 2022 from 7.4 per cent a year earlier. The net profit margin, reflected a minute improvement to 12.4 per cent at end-2022, from 12.1 per cent at end-2021, while return on assets remained constant at 1.4 per cent. Net interest margin reflected an increase to 9.1 per cent in 2022 from 8.9 per cent during 2021, driven largely by the increase in interest income from loans.

Trends in Customer Complaints

At 31 December 2022, Bank of Jamaica received 292 complaints in respect of its licensed DTIs, representing a 70.8 per cent increase in complaints over the 171 reported at end-2021. The account related category remained the predominant complaints and continued to be largely in relation to issues encountered with the increased use of electronic banking channels (see **Charts 16 and 17**). BOJ continued to facilitate the resolution of complaints submitted. However, the resolution rate deteriorated to 77.4 per cent at end-2022, from 80.1 per cent at end-2021.¹⁰

Bank of Jamaica continued to publish on its website the annual suite of information on fees and charges for products and services offered by its DTIs. In addition, the Bank commenced the publishing of DTIs' loan and deposit rates in furtherance of its efforts to promote greater transparency and access

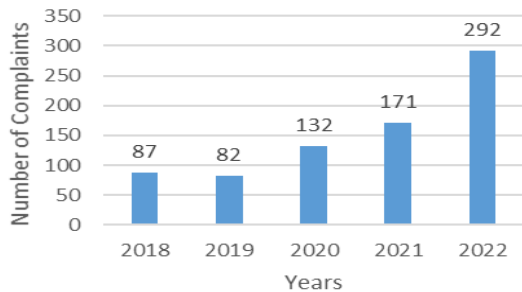
⁸ Based on the Prudential returns for December 2022

⁹ Annual surplus for 2021 reflected a decrease of \$0.1 billion or 6.4 per cent when compared with 2020

¹⁰ Resolution rate refers to the rate at which DTIs have successfully responded to and concluded a matter with the customer.

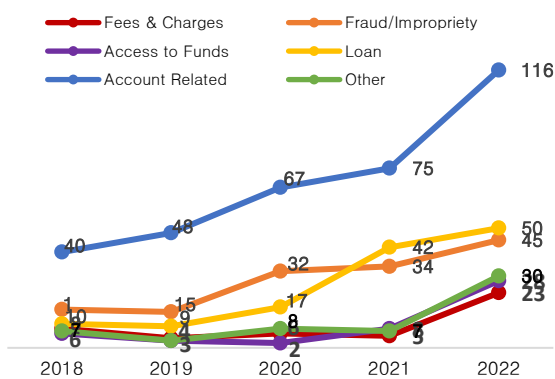
to comparative information for customers of these institutions.¹¹

Chart 16: Trends in Complaints Data



Source: BOJ

Chart 17: Complaints by Category



Source: BOJ

Moderate decline in the performance of the Credit Reporting Sector

The Bank of Jamaica continued to be responsible for the oversight of the credit reporting framework in Jamaica, pursuant to its designation as the Supervising Authority under the Credit Reporting Act (CRA). There was a noted decline in credit reports issued by the three licensed credit bureaus, for 2022, even as loan growth trended towards pre-pandemic levels due to the recovery in the economy (see Table 10).

Table 8

Licensed Credit Bureau	
	Date Licensed
Creditinfo Jamaica Limited	March 2012
CRIF Information Bureau Jamaica Limited	April 2012
Credit Information Services Limited	August 2014

Source: BOJ

- Market Activity

For 2022, the use of credit reports by lenders in the financial system decreased by 18.9 per cent (73 543 reports) to 315 881 reports, relative to the previous year. The number of “consumer free reports” issued in 2022 declined by 19.2 per cent (1 747) to 7 344, relative to the previous year. Notably, there was an increase of 6.8 per cent in the reported number of subjects in the database of the credit bureaus to 1 046 543, covering approximately 54.6 per cent of Jamaica’s adult population.¹² There was also an increase of 8.6 per cent in the number of account records, in 2022, when compared with 2021.

The number of Credit Information Providers (CIPs) pulling data increased by 8.1 per cent to 80 and CIPs submitting data increased by 5.4 per cent to 59 for the review year. Additionally, there was a slight increase in the number of CIPs signed to credit bureaus to 118, in 2022, from 114 in 2021 (see Table 10). Also, the CIP hit rate (percentage of CIPs using credit bureau services) increased by 1.3 percentage points to 85.8 per cent at end-2022.

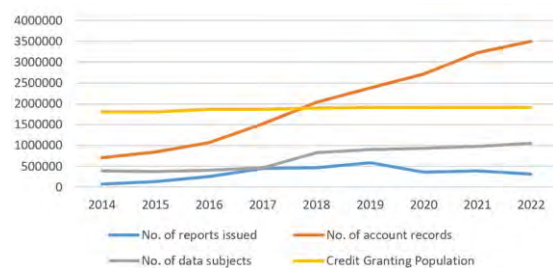
¹¹ <https://boj.org.jm/core-functions/financial-system/deposit-taking-institutions/fees-charges/>

¹² Jamaica’s most recent adult population aged 18 – 74 years estimate by the Statistical Institute of Jamaica as at 2019 is

1 917 556:

https://statinja.gov.jm/Demo_SocialStats/PopulationStats.aspx

Chart 15: Credit Reporting Activities 2014 – 2022



Source: BOJ

- **Consumer Complaints under the Credit Reporting Act (CRA)**

Pursuant to Section 16(1) of the CRA, a consumer who disputes the accuracy or completeness of any information disclosed by a credit bureau in relation to that consumer may make a complaint in person or in writing to the credit bureau. The credit bureau shall as soon as it is reasonably practicable, and in any event not later than 14 days after the complaint is made, take steps to correct or complete the information as the case may require, in order to ensure the accuracy and completeness thereof [Section 16(2)(a)]. Where a consumer is dissatisfied with any step taken by the credit bureau, the consumer may complain in writing to the Supervising Authority within 30 days after receiving the report of his complaint from the credit bureau [Section 16(3)(a)].

During 2022, no complaints were escalated to the Supervising Authority. Further, in 2022, credit bureaus reported receiving 3 448 consumer complaints, a decrease of 10.7 per cent (412) when compared to 2021. The 2022 consumer complaints represented 1.0 per cent of the total credit reports issued in the year.

Table 9

CREDIT REPORTING STATISTICS 2018 – 2022					
Activity Indicators	2018	2019	2020	2021	2022
No. of CIPs signed with credit bureaus	95	103	115	114	118
No. of CIPs submitting data to credit bureaus	51	55	55	56	59
No. of CIPs pulling data from credit bureaus	69	69	75	74	80
No. of reports issued during the year (inclusive of free reports)	466 531	582 822	363 020	389 002	315 881
No. of consumers free reports issued per section 15(3) of CRA	7 316	8 636	7 574	9 083	7 344
No. of data subjects in data base of the credit bureau with the largest number at year end	818 172	895 116	925 114	980 061	1 046 543
Ht Rate for CIPs using credit bureau with the highest rate at year end (per cent)	83.6	86.7	90.0	84.7	85.8
Complaints raised by consumers that required corrections by credit information providers as reported by credit bureaus	2 762	3 512	3 063	3 860	3 448

Supervision of Money Service Businesses (Cambios and Remittance Service Providers)

In 2022, Bank of Jamaica continued to implement measures to enhance the regulatory regime for money service businesses. In this regard, the Bank:

- furthered its work toward the completion of the proposed amendments to the Bank of Jamaica Act (BOJA) to address AML/CFT deficiencies identified at the Caribbean Financial Action Task Force (CFATF) Mutual Evaluation, 2017; and
- implemented a risk-based approach to the supervision of cambios.

Amendments to the Bank of Jamaica Act

The Bank continued to work with the Ministry of Finance and the Public Service and other relevant authorities as part of the legislative process to finalise the proposed amendments to the BOJA. These amendments are aimed at updating and strengthening the statutory oversight regime for

MSBs (cambios and remittance companies) in order to ensure compliance with the recommendations in the CFATF Mutual Evaluation Report, 2017, on Jamaica.

Risk-Based Supervision (RBS)

In 2022, the Bank commenced the process of implementing a risk-based supervisory approach to monitoring the operations of MSBs. The RBS approach is a structured methodology which enables the Bank to focus its supervisory resources on MSBs in keeping with their risk profiles, thereby facilitating a proactive and dynamic assessment of these licensees.

The RBS approach is being implemented in two phases. The first phase involved the utilisation of a risk-based tool to measure and assess the inherent risks of the entities engaged in cambio operations. In that regard, the supervisory process that entailed all cambio entities being subject to the same level of scrutiny of their operations and frequency of on-site inspections irrespective of size, market activity and organisational structure, was replaced with a methodology that is guided by each entity's risk profile. The risk-based tool utilises an objective and predetermined set of factors to measure the structural, business and internal control risks of each cambio.

Phase II of the RBS framework, which focuses on the remittance sector, also commenced during 2022. The risk-based supervision of remittance companies will be informed by thematic studies, leveraging the large volume of remittance data reported to the Bank daily.

- **Supervisory Framework**

The Bank maintained the regulatory regime for MSBs utilizing analyses from both in-house monitoring and findings from on-site inspections to assess the performance of MSBs as a condition for maintaining their licences. The in-house monitoring operations entailed, *inter alia*, the ongoing assessment of operators of MSBs under the Bank's 'fit and proper' criteria, as well as monitoring of

compliance with the requirements for licensing. On-site inspections were conducted using the virtual approach which was introduced in 2020 to mitigate the spread of COVID-19.

- **Regulatory Action**

The MSB that was subject to regulatory action in the December 2021 quarter, pending the outcome of investigations by the Financial Investigations Division against its principals, had the suspension lifted in the March 2022 quarter. This was in a context where the MSB was fully acquired by a DTI group, having satisfied the Bank's due diligence requirements under the new ownership structure. Notably, in keeping with the Bank's mandate to maintain financial system stability, the Bank authorized incoming and outgoing transactions related to payments and operational expenses based on the entity's cambio, remittance and payment service obligations as at the date of the regulatory action.

Money Service Businesses Applications

During 2022, the Bank received 150 applications from six existing MSBs and three new applicants. One application was denied while the processing of 32 were discontinued due to the failure of the applicants to satisfy the Bank's eligibility requirements. Of the additional 117 applications which met the criteria for processing, 71 were approved while 46 are at an advanced stage of processing.

- **Cambios**

The number of cambio locations increased to 142 at end-2022 relative to 139 at end-2021 (see **Table 10**). This resulted from the granting of approvals to operate at seven new locations, while four locations closed operations. Regarding active cambio entities, the number was unchanged at 49 at end-2022, relative to end-2021.

Table 10

Status of Cambio Licences as at 31 December		
	2021	2022
New Locations Licensed	5	7
Locations Closed	4	4
Locations Suspended	5	0
No. of Active Locations	139	142
No. of Active Entities	49	49

• Remittance Service Providers

In 2022, one additional entity was granted approval to operate as a remittance Primary Agent, representing MoneyGram® (see Table 11). Additionally, one Primary Agent, which had been the subject of regulatory action in 2021, resumed operations in the June 2022 quarter following a change of ownership. This resulted in the number of active/operational Primary Agents being increased to eight at end-2022, from six at end-2021.

During the year, 73 new remittance licences were issued while 83 were voluntarily surrendered, bringing the total number of licences issued to 772 at end-2022, relative to 782 at end-2021. Remittance operations commenced at 40 new locations/service points. However, 40 locations/service points were closed, largely due to economic reasons on the part of operators. In addition, with the reinstatement of 44 locations which were out of operation resulting from the regulatory action in 2021, the number of active locations/service points increased to 507 at end-2022 from 463 at end-2021.

Table 11

Status of Remittance Licences as at 31 December		
	2021	2022
New Locations Licensed	35	40
Locations Closed	25	40
Locations Suspended	44	0
No. of Active Locations	463	507
New Licences Issued	114	73
Licences Relinquished/Revoked	31	83
Total Licences Issued	782	772
No. of Primary Agents in Operation	6	8

There was a marginal decline of approximately 1.9 per cent in remittance inflows during 2022, relative to 2021. This decline was in a context where remittance flows normalised following significant increases in 2020 and 2021 when flows were boosted by grants/stimulus packages issued by the relevant governments in major source countries. Notably, remittance flows increased by 47.7 per cent in 2022 when compared to flows in 2019, prior to the COVID-19 pandemic.

The largest source market of remittance flows to Jamaica for 2022 continued to be the USA, with flows from this corridor accounting for 70.6 per cent of total flows. Other source countries which contributed significantly to remittance inflows during 2022 included Canada, UK and the Cayman Islands, contributing 10.1 per cent, 9.7 per cent and 5.9 per cent, respectively.

Financial Legislation

During 2022, the Bank of Jamaica Act was further amended to incorporate provisions supporting the issue of the central bank digital currency. Accordingly, the Act defines the term ‘central bank digital currency’ and includes consequential amendments to provisions to ensure the recognition and treatment of CBDC as legal tender as follows:

- (i) revision of definition of legal tender and monetary liabilities to include CBDC in addition to notes and coins issued by the central bank;
- (ii) amendment of the functions of the Bank to include the issue of CBDC in addition to the issue of notes and coins;
- (iii) amendment to confirm that BOJ, in addition to the issue of notes and coins, is also the sole issuer of CBDC;
- (iv) amendment to confirm that payments made in CBDC are legal tender for payments in any amount;
- (v) incorporation of rule-making powers for the issue of Rules to govern minimum

- cybersecurity standards by financial intermediaries and the interaction between financial intermediaries and customers in the use of the CBDC;
- (vi) amendment to confirm that BOJ will be responsible for arranging for the minting, storage, issue, re-issue, redemption, preparation, distribution, and commissioning or decommissioning of CBDC plates;
- (vii) strengthening of the penalties applicable on conviction in the Parish Court (formerly Resident Magistrate's Court) for breach of the prohibition on any person other than the central bank, issuing notes and coins and the extension of the offence making provision to include the issue of CBDC by a person other than the central bank;
- (viii) incorporation of regulation-making powers for Regulations prescribing the framework under which CBDC will be held or used by the public; and
- (ix) consequential amendment of the Proceeds of Crime Act to ensure that the definition of 'cash' includes CBDC.

Pending legislation and amendments to legislation include, but are not limited to:

- The Financial Institutions Resolution Bill;
- The Co-operative Societies Amendment Bill; and
- The Credit Unions (Special Provisions) Bill.

Details on these pending amendments and developments of subsidiary legislation can be found here: [Financial System Legislation](#).



▶ Additional Resources

[Supervision of Cambios and Remittance Companies](https://boj.org.jm/core-functions/financial-system/cambios-remittance/)

<https://boj.org.jm/core-functions/financial-system/cambios-remittance/>

[Credit Reporting Oversight](https://boj.org.jm/core-functions/financial-system/credit-reporting/)

<https://boj.org.jm/core-functions/financial-system/credit-reporting/>

[Financial Data](https://boj.org.jm/core-functions/financial-stability/indicators/)

<https://boj.org.jm/core-functions/financial-stability/indicators/>

[Supervision of Deposit-Taking Institutions](https://boj.org.jm/core-functions/financial-system/deposit-taking-institutions/)

<https://boj.org.jm/core-functions/financial-system/deposit-taking-institutions/>

Box 1: Current Priorities in Banking Supervision

Introduction

Bank of Jamaica continued to uphold its mandate by promoting financial system stability while enhancing the prudential supervisory tools utilised in the supervision of DTIs and the wider financial system.

The strengthening of the Bank's supervisory and regulatory frameworks remained a priority in 2022 as the Bank continued to develop initiatives geared towards the safety and soundness of the financial sector. On that note, the Bank continued its implementation of Phase 1 of its Basel III framework, which is aimed at improving the resilience of the financial system, by ensuring that DTIs conform to capital requirements that are in line with international standards. Additionally, the Bank commenced the process of formulating proposals for drafting instructions that will eventually codify the Liquidity Coverage Ratio (LCR) and the Revised Minimum Capital Adequacy Requirements under the Bank's Basel III Implementation Programme.

During 2022, the supervisory ambit of the Bank was expanded, following passage and operationalisation of the Microcredit Act, 2021, to include the supervision of microcredit institutions, allowing for increased oversight of the activities in the sector. One of the key objectives of bringing the microcredit sector under the Bank's supervisory and regulatory ambit was to allow the Bank to develop frameworks to reduce the risks of the microcredit sector being utilised for money laundering/financing of terrorism (ML/FT) and to protect consumer interests through imposing restrictions on predatory loans.

The Bank continued to foster local, regional and international cooperation through the formulation of working groups, aimed at improving regulatory and supervisory frameworks concerning prudential supervision as well as emerging risks that may affect financial systems on a global level.

I. Implementation of the Basel III Framework

During 2022, the Bank continued the implementation of Phase I of the Basel III Programme, which focused on the definition of regulatory capital as well as the implementation of the minimum capital requirements for credit, market and operational risk exposures by DTIs. In the June 2022 quarter, the Bank engaged the industry in a training session aimed at developing the industry's understanding of the Pillar 1 of the Basel III Framework requirements as well as the process of completing the reporting template. In this context, the Bank finalised and published the Standard of Sound Practice on the Revised Minimum Capital Requirements (for Licensees under the Banking Services Act) on a standalone basis, along with accompanying guidelines.

Commencing in the September 2022 quarter, DTIs were required to engage in parallel reporting of their capital positions in accordance with the Standard of Sound Practice on the Revised Minimum Capital Requirements under Pillar I of the Basel III Framework as well as under the existing Banking Services (Deposit-Taking Institutions) (Capital Adequacy) Regulations, 2015 (CapReg). DTIs were also required to complete the first of two Quantitative Impact Studies (QIS) during the quarter as well as submit action plans that identify challenges faced when completing the revised minimum capital requirements. The QIS are intended to allow the Bank to assess the impact of the revised capital adequacy requirements on each DTI and to conduct variance analyses between the minimum capital requirements under the new Basel III Pillar I framework and the existing CapReg. In this regard, DTIs submitted their first QIS results and their action plans during the December 2022 quarter. Thereafter, DTIs will be required to submit their final QIS results at the end of the parallel reporting period, which falls in the September 2023 quarter.

The Bank fast-tracked the development of proposals for the consultation and implementation of the Capital Conservation Buffer (CCB), which was originally scheduled for Phase 3 of the Basel III Implementation Programme, to the December 2022 quarter. The Consultation Paper is expected to be published in the March

2023 quarter.

Subsequently, the Bank will commence consultation on, and implementation of, Phase 2 of the Basel III Implementation Programme in 2023. Phase 2 will focus on the implementation of the Basel III Pillar II framework, which includes the Supervisory Review and Evaluation Process (SREP), the revision and development of key risk management processes in accordance with the Basel Core Principles (BCPs), as well as the internal capital adequacy assessment process (ICAAP). Additionally, Phase 2 will include the full implementation of the regulatory framework specifically applicable to Domestically Systemically Important Financial Institutions (D-SIFIs).

Phase 3 will focus on Basel III Pillar III framework vis-à-vis market disclosures, which will involve a consultation on, and the implementation of, the Net Stable Funding Ratio (NSFR). The Bank expects the second and third phases of the Basel III implementation programme to be completed by the December 2025 quarter.

II. Implementation of the Banking Services Act, 2014.

Activities relating to the operationalization of the BSA continued to be among the prioritized supervisory imperatives during 2022. The Bank continued to utilise supervisory tools to aid in the development of the framework for consolidated supervision as well as to assist in the ongoing regulatory approval process.

Prudential Consolidated Risk-Based Supervision (RBS) Methodology

During 2022, the Bank continued the operationalisation of its consolidated supervision framework through the execution of the pilot of its risk-based supervisory methodology, using a systemically important Financial Holding Company (FHC). The objective of the pilot was to facilitate the development and understanding of the FHC's risk profile as well as the formulation of related supervisory strategy that was commensurate with the assessed risk profile. The framework being developed through this process will be applied to each licensed financial group. Within the context of developments in the broader macroeconomic environment, the Bank also undertook targeted reviews of the financial condition of its financial groups with emphasis on the assessment of large exposures, intra group transactions and the adequacy of capital earnings and liquidity.

Regional Working Group on Consolidated Supervision

The work of the Regional Consolidated Supervision Working Group (TWG), which is chaired by the Bank, also continued during 2022. The TWG was established in 2021 to facilitate cooperation and collaboration between local and regional regulatory authorities and to bolster the Bank's understanding of the application of the risk-based conglomerate supervisory methodology. In this regard, the TWG is developing a proposed framework for supervising intra-group transactions and exposures amongst financial conglomerates and mixed activity groups, utilizing templates shared by CARTAC in its 2021 Technical Assistance Report regarding Consolidated Risk-Based Supervision of Financial Groups and Conglomerates. The objective of this framework is the establishment of uniformed prudential reports to be applied at both the level of licensed financial holding companies and the various regional sectoral regulators, which would capture all the intra-group transactions and exposures for financial conglomerates.

Regulatory Approvals

During 2022, the Bank processed a total of 56 matters concerning regulatory approval applications, queries and notifications. Of the 56, 13 applications were carried over from the previous year, with one (1) marked for assessment under Section 19 (Licence); one (1) under Section 55 (Permitted Activities); one (1) under Section 70 (Prohibited Ownership Structures); two (2) under Section 39(5) (Duty to notify for Major Changes); seven (7) were assessed under Section 7(1) (Functions of the Supervisory Committee) and one (1) was not applicable to any section of the BSA. At end-December 2022, five (5) of the aforementioned 13 applications were

completed, six (6) were ongoing and two (2) were discontinued.

As it related to the 43 matters received in 2022, 35 were applications, three (3) were queries and five (5) were notifications. Of the 35 applications, four (4) were marked for assessment under Section 19 (Licence); 13 under Section 55 (Permitted Activities); five (5) under Section 7(1) (Functions of the Supervisory Committee); four (4) under Section 108 (Agent Arrangements); one (1) under Section 30(1) (Restriction on alteration of incorporating documents); seven (7) under Section 39(5) (Duty to notify for Major Changes); and one (1) not applicable to any section of the BSA. At end-December 2022, 16 applications were completely assessed, two (2) were placed on hold, one (1) was discontinued and assessment for 16 applications were ongoing. With regard to the eight (8) notifications and queries received, all were closed, with only one (1) being related to a section of the BSA.

III. Other Supervisory Initiatives

a. Status of Jamaica's AML/CFT Framework

Jamaica's 2nd Mutual Evaluation Report (MER), published in January 2017, concluded that Jamaica was a jurisdiction with strategic deficiencies in its AML/CFT regime. Consequently, Jamaica became subject to the Financial Action Task Force's (FATF's) follow-up process and, in February 2020, agreed to a time-bound Action Plan with FATF to address a number of the deficiencies in the country's AML/CFT framework by January 2022. Simultaneously, Jamaica was placed on the FATF's list of countries with which it had agreed action plans to inform its increased monitoring—the process commonly termed, "grey-listing." As a result of being on FATF's grey list, the European Union (EU) included Jamaica on its blacklist in May 2020. The United Kingdom (UK) added Jamaica to its list of high-risk money laundering countries in March 2021 for similar reasons.

Jamaica's grey-listing has not only impacted the country's reputation but also negatively affected Jamaican businesses and citizens who needed to do business with international financial institutions as these FIs must conduct enhanced due diligence on transactions/businesses from high-risk jurisdictions. It can also impact the country's ability to attract foreign direct investments (FDIs). This reality was evidenced in the financial sector where financial institutions saw increased loss of, or limitations to, correspondent banking services which are vital to the sustainability of the service offerings of these entities. The grey-listing also has wider implications for the international settlement of payments.

Since Jamaica agreed to the timebound Action Plan with the FATF, the country prioritized remediation efforts towards addressing the Action Items. Consequently, as at December 2022, substantial progress was made in all areas of the Action Plan, including:

- the completion and publication of Jamaica's National Risk Assessment "NRA";
- bringing Microcredit institutions under the AML/CFT regime;
- implementation of AML/CFT risk-based supervision, monitoring and regulation of all DNFBPs/DNFIs (gaming sector, public accountants, real estate sector);
- the implementation of strategic measures within law enforcement and prosecutions to aid in the increase of investigations and prosecution of Money Laundering offences; and
- substantially completing key legislative changes and commencing operational oversight in those areas.

The few remaining Action Items rest heavily on finalizing the Beneficial Ownership legislation, the resolution of the legal challenge brought by the legal profession as well as the licensing and oversight of Trust and

Corporate Service Providers, a sector recently brought under the AML/CFT framework. Although the FATF recognized Jamaica's progress in addressing its AML/CFT deficiencies, the country remained in status quo. Accordingly, the country has prioritized addressing the remaining action items in very short order.

Parallel work also continued in enhancing Jamaica's compliance to the FATF 40 Recommendations "FATF40", the standard used to assess the extent to which a country's laws are adequate to address its AML/CFT risks, subsequent to the 2017 MER. Jamaica's commitment to implementing measures to address money laundering and terrorist financing, and ultimately compliance with the FATF40, is evident in the country's successful re-rating by the Caribbean Financial Action Task Force (CFATF) in technical compliance with several of the FATF40 Recommendations. In this regard, Jamaica's ratings improved in 18 of the 40 recommendations, with the country now compliant or largely compliant with 33 of the 40 Recommendations.

Jamaica, through the National Anti-Money Laundering Committee (NAMLC), continued work to review relevant laws to address the remaining strategic deficiencies in the AML/CFT framework and seek compliance with all 40 of the FATF Standards. Further, work to improve Jamaica's AML/CFT regime is ongoing, with the review and implementation of policy recommendations and administrative measures arising from the NRA.

b. Anti-money Laundering, Combatting the Financing of Terrorism (AML/CFT) and Proliferation of Weapons of Mass Destruction (PWMD) Methodology

During 2022, the AML/CFT Unit within the Bank utilized a combination of off-site monitoring and desk-based examinations to assess the efficiency of licensees' AML/CFT programmes. On a periodic basis, licensees submit data related to their AML/CFT policies, processes and procedures, which, when analysed, are used in determining the licensees' risk profiles. In line with the risk-based approach to supervision, a licensee's risk profile directs the frequency and intensity of periodic assessments.

In conducting the assessments of licensees, including any necessary remedial actions undertaken, the Bank continued to employ supervisory technology to manage AML/CFT compliance. With the assistance of an external service provider, the Bank conducted a thematic review of the transaction monitoring systems of four licensees based on their risk profile. The Bank also continued to engage with licensees regarding the application of enhanced measures in relation to transactions with customers domiciled, resident or incorporated in specified territories.

Additionally, with the implementation of the National Identification System (NIDS), the Bank's AML/CFT Guidance Notes is being amended to reflect the use of digital onboarding in the Know-Your-Customer (KYC) process for financial institutions. This will fall under the AML/CFT jurisdiction of Bank of Jamaica per Section I of the Guidance Notes.

c. Oversight of Microcredit Institutions.

The primary mandate of the Microcredit Regulatory Oversight function at the Bank is to develop and implement the framework for the oversight and effective ongoing supervision of microcredit institutions in fulfilment of statutory requirements under the Microcredit Act (and all other applicable legislation). Essential to this mandate was the development of the Microcredit Act (the Act/MCA), which was passed in January 2021. The Act is aimed at the licensing and regulation of microcredit institutions. Following its passage, the attendant rules and regulations were created, taken through the parliamentary process and were completed in 2021.

During 2022, the BOJ made significant advancements in operationalising the Act. Throughout the year, the Bank, through its Microcredit Regulatory Oversight Department engaged the public through a range of avenues, one of which was a series of sensitization sessions that spanned the first and second quarters. The Bank delivered as well as facilitated the delivery of the sessions to help prepare microcredit operators for

licensing. Topics covered included; Understanding the Microcredit Act, Licensing Criteria, Corporate Governance Expectations, The Application Process, Fit and Proper Assessment Process, Role and Responsibilities of the Nominator Officer and Role of the Financial Investigations Division and related reporting requirements.

Additionally, to facilitate the licensing of microcredit institutions, the Bank engaged in the following:

- A twelve-month transition period under the Act ended on 30 July 2022. This was the period within which existing operators were expected to submit their microcredit licensing applications or cease to carry out the business of offering microcredit services;
- By 31 December 2022, a total of 127 applications were received by the Bank, the bulk of which were received on the last 2 days of the transition period (i.e. 29 and 30 July 2022);
- The applications received reflected aggregated loans (which is used as a proxy for market share) of \$43 billion or approximately 1.9 per cent of GDP;
- The top 10 applications accounted for 87 per cent of the aggregated loans, while the top 20 accounted for over 96 per cent;
- By end-2022, the Bank issued a total of seven microcredit licences, accounting for approximately 50 per cent of the aggregated loans. Licensees under the MCA may be found on the Bank's website at the following link: <https://boj.org.jm/core-functions/financial-system/microcredit-regulation/> ; and
- During the last quarter, the Bank facilitated the training of licensees by the Financial Investigations Division of the Ministry of Finance and Public Service, in preparation for the reporting required of financial institutions under the Proceeds of Crime Act (POCA), Terrorism Prevention Act (TPA) and United Nations Security Council Resolution Implementation Act (UNSCRIA).

In preparation for risk-based supervision of the sector, during 2022, the Bank completed the development of a risk-based supervisory framework and risk-rated entities holding over 90 per cent of the aggregated loans of the sector.

d. Special Resolution Regime for Financial Institutions in Jamaica.

The Cabinet of the Government of Jamaica, in 2017, approved the development of a Special Resolution Regime for Financial Institutions in Jamaica (SRR). The SRR is intended to address the situation where a financial institution is no longer viable or is likely to be no longer viable. Its implementation should allow the authorities (i.e. the Minister of Finance and the Public Service, BOJ, the FSC and the JDIC) to effectively resolve these failing financial institutions in an orderly manner without exposing taxpayers to undue costs while maintaining continuity of vital economic functions and financial system stability. It is intended that the SRR be implemented in accordance with international standards and in a manner that is proportionate to the structure and complexity of Jamaica's financial system.

The development of the SRR legislation represents a major legislative reform and will address some gaps that exist in the current resolution framework for financial institutions. A draft Bill was received in separate parts between 2018 and 2020 which reflected the three components of the framework. That is, the administrative mechanisms, funding arrangements and the modified winding-up framework (previously referred to as the 'Specialized Insolvency Framework'). The draft Bill continued to be reviewed by members of an FRC technical working group charged with the development of the framework. Proposed revisions were being submitted to the Ministry of Finance and the Public Service for onward submission to Parliamentary Counsel.

Over the period, 2021/2022, work to build out the framework was ongoing. This work included the necessary drafting of the resubmission of proposals for Cabinet's approval as well as the progress on the continued review of the draft Bill. Additionally, work continued on the implementation of the regime so as to make the legal framework operational once in place. It is anticipated that the Bill will be tabled in Parliament by the end of the March 2024 quarter.

e. Development of Financial Consumer Protection Legislative Framework for the Bank's Regulated Entities

During 2022, the Bank of Jamaica established a cross-divisional project team to review the draft legislation. Specifically, matters such as required disclosures by regulated entities, dispute resolution, consumer protection remedies and enforcement processes were reviewed. The ongoing legislative review process was supported by stakeholder consultation.

f. The Fitness and Probity of Substantial Shareholders, Directors, Officers and Key Employees of DTIs.

In the December 2022 quarter, the Bank finalised and published the Consultation on the Proposed Standard of Sound Practice on Fitness & Propriety (for institutions regulated under the Banking Services Act, 2014). The updates allowed for a more robust Standard as the fit & proper suitability requirements were strengthened to allow for greater comprehensiveness in completing fit & proper assessments. During this period, the Bank also invited licensees to provide responses and feedback pertaining to the proposed Standard. The Bank expects to publish a list of frequently asked questions (FAQs) during the first quarter of 2023.

Financial Stability Developments in 2022

Moderate risks to financial stability in 2022 due to inflationary pressures

The Bank's composite indicator of macro-financial conditions deteriorated marginally at end-September 2022, relative to the outturn at end-2021, as there was evidence of global geo-political tensions that had spill-over effects on the domestic economy. This deterioration was reflected in heightened inflation and slower growth in the stock market.¹⁴ In addition, the impact of higher global and domestic inflation led to increased monetary tightening during 2023. The increase in policy interest rates, which resulted in falling bond prices and increased fair value losses, negatively impacted the balance sheets of financial institutions. The Bank's Early Warning System framework for the soundness of licensees showed that, despite these conditions, licensees maintained relatively sound balance sheet positions.

The results of the stress tests conducted by the Bank at end-September 2022, indicated that capital adequacy ratios for the DTI sector remained above the 10.0 per cent minimum prudential benchmark in response to the contemplated market, credit and liquidity risk shocks.^{15,16} This robustness was largely due to these institutions' level of capitalization. Of note, in 2022, a few institutions implemented initiatives to preserve capital by restricting dividend payments.

Regarding credit risk, DTIs' non-performing loans to total loans ratio improved to 2.5 per cent at end-September 2022 from 2.9 per cent at end-2021. Moreover, credit risk stress test results at end-September 2022 showed that the DTI sector continued to be robust to the hypothetical shocks

applied to NPLs. In particular, the CARs of all DTIs remained above the 10.0 per cent prudential capital benchmark subsequent to hypothetical increases in NPLs which ranged from 10.0 per cent to 50.0 per cent.

Moreover, the DTI sector remained resilient to a hypothetical 20.0 per cent deposit withdrawal at end-September 2022. The results of the liquidity stress tests indicated that it would require a withdrawal of 67.0 per cent of deposits for the CAR of the overall DTI sector to fall below the prudential benchmark of 10.0 per cent. This outcome was in comparison to the results at end-September 2021, when it would have required a deposit withdrawal shock of 71.0 per cent for the DTI sector's CAR to fall below 10.0 per cent in response to a similar stress test.

At end-September 2022, the banking system showed broad resilience to foreign exchange risks. The DTI sector's CAR remained robust in response to hypothetical depreciation and appreciation shocks ranging from 10.0 to 50.0 per cent.

Interest rate stress tests results showed that the DTI sector remained resilient to the contemplated interest rate shocks applied at end-September 2022. More specifically, the sector's CAR remained at 13.8 per cent in response to respective hypothetical increases of 100 bps/100 bps and 275 bps/15 bps in interest rates on domestic/foreign rate sensitive assets and

¹⁴ BOJ's Macro Financial Index (MaFi) and Micro Prudential Index (MIPI) monitors macro- and micro- economic indicators of the banking sector via a non-parametric approach to signal banking sector vulnerability. The signal is based on the value of various indicators, which are computed based on the number of standard deviations of each indicator from its 'tranquil period' mean value. The tranquil period refers to an eight-quarter period of relative stability that precedes the beginning of a signaling window. The scores range from 0 to 5 with a score of 5 representing the most severe signal. Banking sector vulnerability at a point in time is

determined by the trend in the aggregate score (or index) over the previous eight quarters (signaling window).

¹⁵ The assessment includes the first three quarters of the calendar year, rather than the full calendar year, and was written based on available data.

¹⁶ The objective of stress testing by BOJ is to determine the impact of extreme but plausible shocks to various risk factors, such as credit quality, foreign exchange rates, domestic interest rates and liquidity on the capital adequacy ratios of the DTIs.

liabilities.^{17,18} This result was broadly in line with stress tests results at end-September 2021.

Subsequent to the simultaneous impact of hypothetical increases in interest rates, currency depreciation, credit quality deterioration and deposit outflow, the post-shock CAR of the DTI sector remained above the prudential minimum benchmark at end-September 2022.¹⁹



▶ Related Reports

[Financial System Stability Annual Report](https://boj.org.jm/boj-publications/annual-publications/)

<https://boj.org.jm/boj-publications/annual-publications/>

[Highlights of Macro-prudential Report](https://boj.org.jm/boj-publications/quarterly-reports/)

<https://boj.org.jm/boj-publications/quarterly-reports/>

Outlook

Continued Financial Sector Resilience and Strengthening of the Regulatory Framework

The DTI sector remained resilient throughout 2022, as reflected by continued strong solvency levels despite a slowdown in growth in the asset base. The slower growth of assets across the sector was partly attributed to rising inflation which shifted household and corporates to greater levels of spending and lower levels of savings. In addition, interest rate increases both locally and abroad, which stemmed from widespread monetary policy actions to curb inflation globally, also stymied the demand for loans.

During 2022, the financial sector increased its use of technology to cater to changes in customer needs. However, the expanded use of technology for financial services has heightened the risk of cybercrimes and fraud both in the local and global economies. Going forward, the Bank and local DTIs must be proactive in safeguarding the integrity of digital assets and customer information by adapting new regulations to

maintain industry standards of best practice. Furthermore, the banking sector will need to be proactive in managing the challenges posed by potential deceleration in global economic activity and spending power amidst tight monetary policy stances, supply chain disruptions and heightened inflation.

The implementation of key reforms arising from the latest Financial Sector Assessment Programme will continue apace in 2023 and will include: (i) the operationalisation of the Basel III Capital Adequacy Framework; (ii) the continued operationalisation of BOJ's mandate for consolidated supervision; and (iii) further work on the Special Resolution Regime project for financial institutions. The Bank will also continue its active implementation of recommendations resulting from the National Risk Assessment programme. These initiatives will assist in strengthening the financial sector against money laundering, terrorism financing and proliferation risks while making it more agile and resilient.

¹⁷ Interest rate increases ranging from 1 100 bps to 1 400 bps and 275 bps to 350 bps are applied to domestic and foreign investment holdings, respectively, for fair value and net interest income assessment. Increases of 100 bps to 400 bps and 15 bps to 70 bps are applied to the domestic and foreign non-investment components, respectively.

¹⁸ Re-pricing net gap positions are computed for each re-pricing bucket. The change in the market value of net re-pricing assets is evaluated by applying the interest rate shock and duration factor to each re-pricing gap position. The impact on capital adequacy is then evaluated.

¹⁹ The aggregate stress test assumptions include: increases of 1 100 bps and 100 bps in interest rates on domestic currency investment assets & liabilities and other assets & liabilities, respectively; increases of 100 bps and 10 bps in interest rates on foreign currency investment assets & liabilities and other assets & liabilities, respectively; 10.0 per cent depreciation in the JMD/USD exchange rate; 100.0 per cent of past due performing loans (1 month to under 3 months) becoming non-performing and 10.0 per cent reduction in deposits.



French Ambassador to Jamaica (Olivier Guyonvarch), members of the Agence Française de Développement (French Development Agency) and Bank of Jamaica representatives at the signing of a financing agreement between the Bank and the development agency

PAYMENT SYSTEM



DR. H. M. R. NETHERKILL
PRESIDENT OF THE UNIVERSITY OF
SOUTH ALABAMA
1961-1968



JAM-DEX

NO CASH • NO PROBLEM

Make instant transfers and payments with JAM-DEX

SAFE | CONVENIENT | SECURE

- **JAM-DEX** is money issued by BOJ in digital form.
- **JAM-DEX** is not held in a bank account, it is held in a digital wallet and is distributed by banks or authorized Payment Service Providers.
- Just as is the case with cash in your wallet, you don't earn interest on **JAM-DEX** in a digital wallet.
- **JAM-DEX** can be exchanged 1-to-1 with banknotes and coins.



PAYMENT SYSTEM

The financial market infrastructures (FMIs) remained safe, reliable and performed efficiently and effectively during 2022. Key achievements during the year included: (i) the transition from the pilot phase to the phased national roll-out of JAM-DEX, with the on-boarding of two Wallet Providers; (ii) the continuation of the legislative process to enact the proposed amendments to the Payment Clearing and Settlement Act, 2010, to enhance the Bank’s

supervisory powers over Payment Service Providers; (iii) the modernization of JamClear® systems (JamClear®-CSD and JamClear®-FXTP); and (iv) the publication of a Statement for the adoption of ISO 20022, to enable communication interoperability between financial institutions, financial market infrastructures and end-users.

JamClear®-RTGS utilization increased in 2022

For the review year, JamClear®-RTGS processed 3 356 652 transactions (representing settlement of USD and JMD payments).¹ System utilisation reflected an increase in JMD volume by 17.7 per cent (504 983 transactions) to 3 353 822 transactions (see **Chart 20**). Growth in the JMD volume was largely attributed to a 17.3 per cent increase in participant payments on behalf of household and corporate clients.

Similarly, JMD transaction values increased by 64.4 per cent (\$13.8 trillion) to \$35.2 trillion. The increase largely reflected an 89.2 per cent (\$8.3 trillion) increase in securities settlement transactions initiated from JamClear®-CSD.² The growth in securities settlement transactions was largely attributed to an increase in market participants requesting liquidity via intraday and other repurchase agreement operations.

At end-2022, the total volume of USD transactions processed in JamClear®-RTGS amounted to 2 830, a decrease of 25.7 per cent (979 transactions). The decrease in volume largely stemmed from a 32.4 per cent decrease in CSD transfer transactions. Total USD transaction values decreased by 32.1 per cent (US\$1.2 billion) to US\$2.5 billion (see **Chart**

21). This outturn reflected a decrease in participant payments by 32.7 per cent (US\$991 million).

Chart 20: JamClear®-RTGS Transaction Activities (JMD)

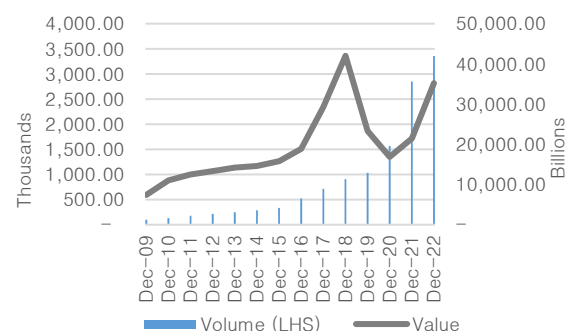
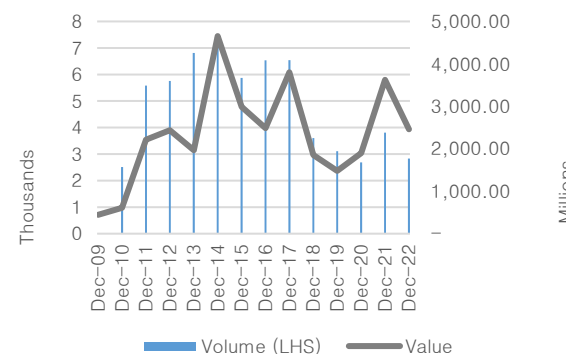


Chart 21: JamClear®-RTGS Transaction Activities (USD)



¹ JamClear®-RTGS facilitates real time gross settlements (RTGS) in JamClear®
² JamClear®-CSD (Central Securities Depository) provides the authentic record of ownership of BOJ and GOJ securities. It brings

significant efficiencies to the processes for issue, management and redemption to the domestic fixed-income securities market.

Increase in utilisation of electronic retail payment systems

Utilisation of the electronic retail payment systems increased in 2022.³ Total volume of retail payment transactions processed during 2022 amounted to 141.6 million, valued at \$4.7 trillion. This reflected increases of 9.9 per cent (12.7 million) and 14.7 per cent (\$602.9 billion) in the volume and value of transactions, respectively, relative to 2021. The growth in utilisation mainly reflected increases in both the volume and value of credit card transactions.

The number of debit cards in circulation increased by 10.7 per cent to 4.9 million. DTIs settled 44.7 million debit card transactions, valued at \$1.6 trillion, on their proprietary systems. Debit card transactions processed on the proprietary systems of the DTIs reflected a decline of 8.3 per cent (4.0 million) in volume and an increase of 13.1 per cent (\$191.0 billion) in value, relative to 2021.

Credit cards in circulation for the year amounted to 385 655, an increase of 7.3 per cent when compared to 2021. The number of credit card transactions processed on the proprietary systems of DTIs in 2022 was 39.4 million valued at \$889.2 billion. These figures represented increases of 41.3 per cent (11.5 million) and 29.1 per cent (\$200.6 billion) in volume and value of transactions, respectively, relative to 2021.

The number of installed automated banking machines (ABMs), as reported by DTIs, increased by 3.9 per cent (31 terminals) to 824. Approximately 16.5 million transactions valued at \$188.3 billion were processed at ABMs through the MultiLink network during the year. The volume of transactions processed reflected an increase of 5.4 per cent (0.9 million) and transaction values reflected an increase of 12.4 per cent (\$20.7 billion) relative to 2021.

For the review year, the number of Point of Sale (POS) terminals increased by 4.6 per cent to

49 532. Total transactions processed on POS terminals increased in volume by 14.3 per cent (2.9 million) to approximately 23.4 million, relative to the previous year. The value of POS transactions increased by 17.6 per cent (\$25.8 billion) to \$172.9 billion, relative to 2021.

An overall decline in cheques processed through the Automated Clearing House (ACH)

The total number of cheques processed through the Automated Clearing House (ACH) over the reporting period was 3.7 million, valued at \$574.1 billion. These outturns reflected declines of 5.2 per cent (203 096) in volume and 1.6 per cent (\$9.1 billion) in the value of transactions, when compared to 2021. The lower volume and value of cheques processed may be attributed to the success of the ACH value threshold of \$1.0 million.⁴ The average transaction value of cheques processed in the ACH increased by 7.2 per cent to \$154 799.6 in 2022 when compared to \$144 430.1 in 2021.

Foreign currency cheques cleared manually through the BOJ Clearing House increased by 11.2 per cent in value when compared to 2021. Cheques denominated in US dollars amounted to US\$1.4 billion and accounted for 99.4 per cent of the total foreign currency cheques cleared.

Bill payment transactions increased in 2022

Total bill payments reported in 2022, amounted to approximately 20 million transactions, valued at \$516.6 billion. This reflected a decrease of 15.3 per cent (3.6 million) in volume but was an increase of 18.3 per cent (\$79.7 billion) in the value of transactions, relative to 2021. The dominant method for bill payment was debit card, which accounted for 45.5 per cent of the total volume in the review year. Debit cards also accounted for 68.2 per cent of the total value of bill payments in 2022.

³ Electronic Retail Payment Systems comprise Debit Cards (proprietary systems), Credit Cards, MultiLink and Cheque activities.

⁴ The ACH Value Threshold is a strategy implemented by the Bank to reduce the value of transactions processed through the Automated Clearing House \geq \$1 million to reduce settlement risk.

Achievements in 2022

Upgraded JamClear® -Systems

During 2022, all the activities required by the 42 non-B-FXITT cambios to facilitate their transition to full usage of the JamClear® Foreign Exchange Trading Platform (FXTP) were finalised. Consequently, all the features for managing specific BOJ strategic and regulatory foreign exchange (FX) market requirements became accessible in the JamClear® FXTP production environment in the December 2022 quarter. These features included the Surrender Market, the cambio FX Position module and the Gateway for batch reporting of trades.

In addition, the automation of the B-FXITT auction module in JamClear® CSD was updated with the uniform price allocation feature in the December 2022 quarter. Further, the systems were configured to facilitate straight-through reporting of the successful allocations from this JamClear® CSD FX auction operation, to the reporting module in the JamClear® FXTP. This development allowed for operational efficiencies while eliminating reporting errors by participants.

“The Bank’s JamClear® Systems (JamClear® -CSD and JamClear® -FXTP) modernization plan continued in 2022.”

The discussions of the Government’s plans to list their domestically issued securities on the Jamaica Stock Exchange (JSE) Fixed Income trading platform, continued during the review period. In that regard, the framework for an interface between the JamClear® CSD (where these securities are dematerialized) and the JSE platform was defined and the detailed specifications for the technical deliverables for the JSE/JamClear®-CSD Interface Project were finalized by the end of the December 2022 quarter.

Development of an enabling regulatory framework for Payment Service Providers (PSPs)

Subsequent to the finalisation of the stakeholder consultation process and the submission of a concept paper to the Ministry of Finance and the Public Service in 2021, the legislative process to enact the proposed amendments to the Payment Clearing and Settlement Act, 2010, continued in 2022. This was aimed at developing a legal framework to regulate the provision of retail payment services by non-DTIs (Payment Service Providers), while safeguarding the safety, integrity and efficiency of the financial system. As part of this process, the Bank provided responses to comments received from the MOFPS and other relevant Government agencies. The legislative process will continue in 2023.

Jamaica to migrate to ISO 20022 standard by end-2025

In April 2022, Bank of Jamaica published a Statement for the adoption of ISO 20022. The Statement is a global standard prepared by the International Organization for Standardization (ISO) to enable communication interoperability between financial institutions, financial market infrastructures and end-users. The financial standard defines building blocks and design patterns for the development of payment messages.

To facilitate the smooth transition of JamClear® participants to the new standard, the Bank commenced with the upgrading of JamClear®-RTGS to accommodate both the ISO 20022 standard and the current SWIFT Message Type standard. Both standards will co-exist until November 2025.

In November 2022, the Bank issued a survey to JamClear®-RTGS participants to ascertain the level of readiness of each participant to transition to the ISO 20022 messaging standard for domestic payments by November 2025. The Bank is awaiting the results of the survey from all participants to complete its assessment.

Fintech Regulatory Sandbox Development and CBDC

Testing continues in the BOJ Fintech Regulatory Sandbox

The Fintech Regulatory Sandbox (Sandbox) continued to provide a controlled environment for the testing, deployment and refinement of financial technology. A major development, during the review year, was the updating of the Sandbox framework to further detail the requirements for partnerships between Fintech companies and DTIs.

During 2022, the Bank received six applications from six entities. These brought the total number of applications to 38 from 36 entities received since the establishment of the Sandbox in March 2020. Twenty-three applications have been approved to date, to test products comprising mobile wallets, an eCommerce solution, branded debit card solutions and prepaid card solutions. By year end, the entities were at different stages of testing their respective products/services.

At end-2022, JAM-DEX minted by the Bank amounted to \$276.0 million, of which \$46.0 million was minted in 2022.

Central Bank Digital Currency national roll-out in 2022

The Bank successfully transitioned from the pilot phase in 2021 to the phased national roll-out of JAM-DEX in 2022. The following project milestones were achieved during the year:

- (i) Branding of CBDC in February 2022, with the name – JAM-DEX, the logo – a depiction of the national fruit, ackee, and the tagline – ‘No cash, no problem’;
- (ii) Amendments to the Bank of Jamaica Act being passed into law on 14 June 2022, to designate the Bank as the sole

authority to issue CBDC, which is now legal tender;

- (iii) National Commercial Bank Jamaica Limited (NCB) was issued with JAM-DEX amounting to \$250 million to facilitate the incentivization programme announced by the Minister of Finance and the Public Service in his budget presentation in March 2022. Under this programme, \$2 500 in JAM-DEX was paid to the first 100 000 customers to open JAM-DEX wallets;
- (iv) On 30 December 2022, JN Bank Limited became the second DTI to be on-boarded as a Wallet Provider to distribute JAM-DEX and was issued with digital currency valued at \$1.0 million; and
- (v) The successful use of JAM-DEX in the Government’s Employment Generation (Christmas Work) Programme in December 2022. Over \$600 000.00 in JAM-DEX was paid to persons across two constituencies (North West St. Andrew and South East St. Andrew) for work completed under the Christmas Work Programme. These workers were then able to execute transactions in JAM-DEX with small merchants who were also wallet holders.

The success of the roll-out of JAM-DEX for the Christmas Work Programme showcased JAM-DEX as a safe, convenient and secure digital payment option that facilitated the inclusion of segments of the population that would otherwise not have been represented in the financial ecosystem. The Bank plans to continue to target the use of JAM-DEX as a means of payment for other Government initiatives in 2023.

At end-2022, JAM-DEX minted by the Bank amounted to \$276.0 million, of which \$46.0 million was minted in 2022. Of the JAM-DEX minted in 2022,

\$26.0 million was issued to NCB and \$1.0 million to JN Bank Limited. The remaining \$19.0 million is stored in BOJ's digital vault. During the year, NCB on-boarded over 3 900 small merchants and over 180 000 regular customers who can transact using JAM-DEX.



► **Additional Resources**

[Payment Systems Data Bulletin](#)

<https://boj.org.jm/boj-publications/boj-monthly-reports/>

CURRENCY



DR. JOHN W. BETHUNE
PRESIDENT OF THE UNIVERSITY OF MISSISSIPPI
1955-1961



Governor Byles and Member of Parliament Dr Michelle Charles viewing new banknotes at the press conference

CURRENCY

Bank of Jamaica continued to fulfill its statutory requirement of satisfying the public's demand for banknotes, coins and Central Bank Digital Currency, JAM-DEX, during 2022. Currency in circulation increased during the year, albeit at a slower pace than 2021.

Towards the end of 2022, the Bank formally launched its new series of banknotes. These are expected to enter circulation during the first half of 2023.

Total currency in circulation increased at a slower pace

The total value of currency in circulation stood at \$233.7 billion at end-2022, comprising \$233.4 billion in physical currency (banknotes and coins) and \$0.3 billion in digital currency, JAM-DEX. This outturn, including digital currency, represented an increase of 3.0 per cent when compared to the corresponding figure at end-2021.

Of note, there was a deceleration in the growth in total currency in circulation, in 2022, relative to the increase of 19.0 per cent recorded in 2021. The slowdown was primarily due to lower net issues of physical currency and an increase in the use of electronic payment channels.

Increased issue of JAM-DEX in 2022

For 2022, the total value of banknotes issued amounted to \$375.2 billion, an increase of 13.9 per cent relative to 2021. Similarly, the total value of coins issued increased by 18.6 per cent to \$1.5 billion, relative to \$1.3 billion in 2021.

A total of \$0.3 billion in JAM-DEX was issued during the review year compared to \$0.01 billion in 2021. The increased issuance in 2022 was largely influenced by the Government of Jamaica's Cash Incentive Programme (see **Payment System**).

Growth in the value of banknote and coin redemptions

Banknote redemptions were valued at \$369.2 billion, during 2022, an increase of 25.8 per cent relative to 2021. Coins redeemed were valued at \$0.8 billion,

representing an increase of 25.5 per cent relative to 2021. Notably, there was no redemption of JAM-DEX during the review year.

More banknotes processed in 2022

During 2022, approximately 282 million pieces of banknotes valued at \$347 billion were processed by the Bank's banknote processing machines. The outturn represented an increase of about 27.0 per cent, relative to the 222.5 million banknotes (\$246.9 billion) processed in 2021.

Counterfeit detection remained a priority

The total number of counterfeit banknotes detected was 331 and represented a value of \$0.6 million, during 2022. This outturn reflected a decrease of 42.0 per cent, relative to the 571 pieces (\$0.7 million) detected in 2021. The figure for 2022 was equivalent to 1.4 counterfeit banknotes per million genuine banknotes in active circulation. This result reflected a significant improvement when compared with 2.5 counterfeit banknotes per million genuine banknotes in circulation in 2021. Notably, the number of counterfeit notes detected, in 2022, was well within the Bank's target range.

Durability of banknotes deteriorated

For 2022, the Average Circulation Lives (ACL) of the \$5000, \$1000, \$500, \$100 and \$50 banknotes were calculated at 44.1 months, 19.8 months, 14.3 months, 25.0 months and 38.6 months, respectively. With the exception of the \$5000 note, all denominations reflected reductions in the ACL relative to 2021. Specifically, the ACLs were 31.8 months, 28.9 months, 18.8 months, 34.0 months and 53.0

months for the \$5000, \$1000, \$500, \$100 and \$50 notes, respectively, in 2021. The overall reduction in ACL occurred in a context where, relative to 2021, a greater proportion of banknotes issued prior to 2022

became unfit and needed to be removed from circulation.

Developments in 2022

New CBDC wallet provider onboarded

On 30 December 2022, JN Bank Limited, the second JAM-DEX external wallet provider to be onboarded, received JAM-DEX valued at \$1 million from BOJ. This brought the total value of CBDC in circulation to \$257 million at end-2022.

Launch of the new polymer banknotes series

On 15 December 2022, the Bank formally launched its new series of banknotes. These banknotes are expected to enter circulation during the first half of 2023. The new series is comprised of six denominations as it includes the introduction of a new \$2000 note. Of note, the new banknotes are printed on polymer, a more durable substrate, which is expected to increase the circulation life of each denomination.

The introduction of the new series was prompted primarily by the need to:

- (i) Enhance the security features of the banknotes to stay ahead of counterfeiters;
- (ii) Ensure a clear distinction among the different denominations; and
- (iii) Enhance the tactile features for the visually impaired.

Additionally, given the improved durability of the new banknotes, it is expected that the Bank will benefit from cost savings going forward.



▶ Related Reports

[Jamaica's Central Bank Digital Currency \(CBDC\)](https://boj.org.jm/core-functions/currency/cbdc/)
https://boj.org.jm/core-functions/currency/cbdc/

[History of our Currency](https://boj.org.jm/core-functions/currency/history/)
https://boj.org.jm/core-functions/currency/history/

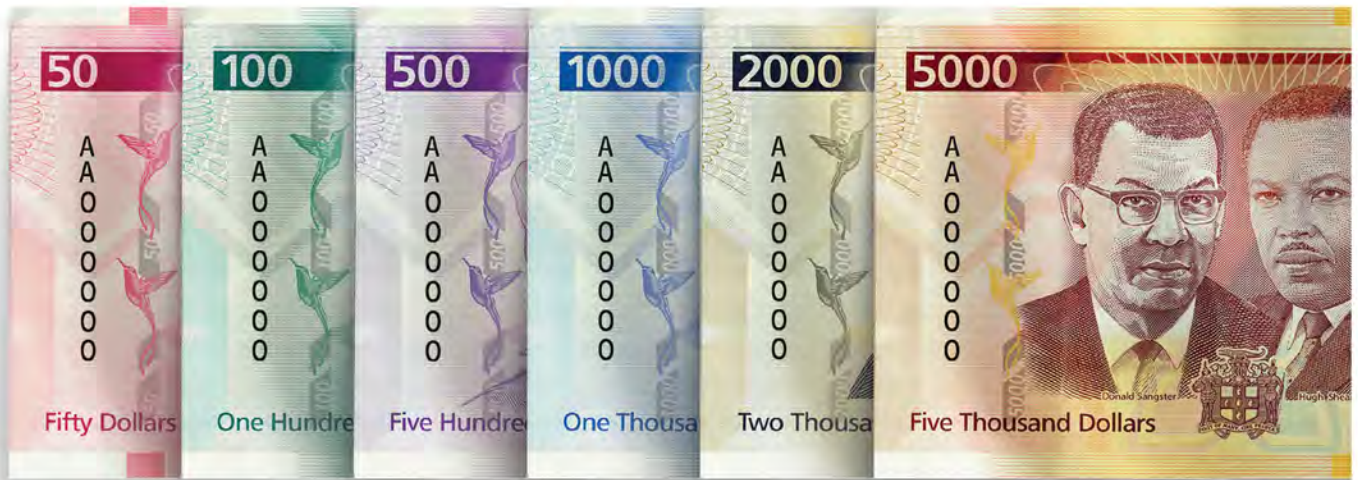
[Banknotes](https://boj.org.jm/core-functions/currency/bank-notes/)
https://boj.org.jm/core-functions/currency/bank-notes/



Members of BOJ Currency department at the launch of the new banknotes press conference in December 2022

The New Series of JAMAICAN BANKNOTES 2022





This new series of banknotes is comprised of six denominations, given the introduction of the \$2000 note. The upgrade of Jamaica’s banknotes is aimed at achieving the following:

- 1** Enhancing the security features of the banknotes to combat counterfeiting
- 2** Enhancing the tactile features for the visually impaired
- 3** Ensuring a clear distinction among the different denominations
- 4** Providing cost savings to Bank of Jamaica

In upgrading the banknotes, the opportunity was created to honour all our national heroes and deceased prime ministers who were not featured on the banknotes. These persons will appear on the new banknotes and are paired contemporaneously based on their contribution to Jamaica within the categories of “Freedom Fighters, Black Empowerment and Pan-Africanism, Fathers of the Nation and Nation Builder”. Notably, the Rt. Excellent Marcus Garvey, Jamaica’s first national hero, appears as a single subject.



FINANCIAL MARKET OPERATIONS



DR. JIMMY W. BETHUNE
PRESIDENT OF THE UNIVERSITY OF FLORIDA
1961-1971



Deputy Governor Natalie Haynes with Darcy Tulloch-Williams (Executive Director of Mustard Seed Communities Jamaica) at the JAM-DEX/Mustard Seed Community event in December 2022

FINANCIAL MARKET OPERATIONS

During 2022, Bank of Jamaica continued its contractionary monetary policy stance with the objective of guiding inflation towards its target range of 4.0 to 6.0 per cent over the medium-term. This policy stance influenced the conduct of the Bank’s open-market operations (OMO) throughout the year as the Bank utilized 30-Day certificates of deposit (CDs) and special longer

dated instruments to maintain a posture of tight Jamaica Dollar liquidity in the financial system.

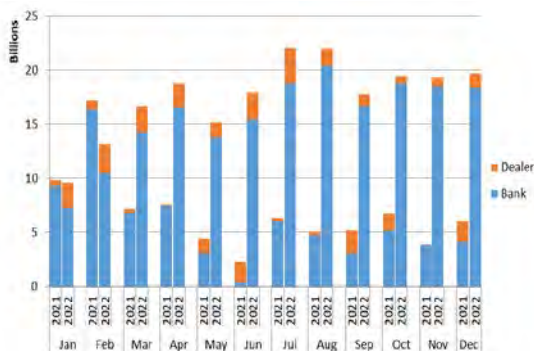
Notwithstanding this posture, the Bank ensured that both the domestic and foreign exchange markets were adequately funded through its repurchase facilities and its intervention platform.

Domestic Market

Increased usage of Auto Repo facility

The Bank continued to provide intraday liquidity to eligible participants through the Auto Repo Facility during 2022. The facility was accessed 3 383 times by 13 participants during the review year, a significant increase in usage, relative to access of 1 092 times by nine participants in 2021. Similarly, the average value of intraday liquidity increased significantly, particularly during the second half of the review year (see **Chart 21**). The heightened usage of the Auto Repo facility reflected the tight liquidity conditions that characterized the system, which was evidenced by an uptick in the absorptive impulse emanating from BOJ operations.

Chart 21: Comparison of Daily Average Liquidity Utilized – 2021 & 2022



Source: BOJ

BOJ tightened Jamaica Dollar liquidity conditions

Over the review period, the Bank utilized a number of tools to manage Jamaica Dollar liquidity. In particular, the Bank continued its weekly issuance of 30-day CDs via competitive auction. Most of these auctions were oversubscribed as investors showed heightened appetite for short-term instruments in the absence of adequate alternatives given the limited availability of instruments offered by both the Bank and the Government of Jamaica. Consequently, for 2022, a total of \$852.6 billion was issued in 30-day CDs, relative to a maturing amount of \$811.0 billion. This resulted in a net absorption of \$41.6 billion via this medium. In comparison, for 2021, total issuances amounted to \$425.7 billion while the maturing amount was \$423.6 billion. The Bank also issued three two-year fixed rate CDs which cumulatively absorbed \$21.7 billion from the system.

During the year, Bank of Jamaica did not provide any Jamaica Dollar liquidity via its 14-day repurchase operation. However, daily overnight liquidity assurance was provided via the Overnight/Standard Liquidity Facility which offered unlimited support to DTIs.

Primary Dealers’ participation in BOJ Open Market Operations instruments increased

In 2022, Primary Dealers (PDs) participation in OMO issues increased by 65.0 per cent to average \$52.7 billion, relative to the average of \$32.0 billion in 2021. PDs’ demand for OMO instruments remained robust, in 2022, in the context of the limited BOJ and GOJ offers and the continued need for PDs to

meet the periodic minimum performance assessment score.

At end-2022, the number of PDs remained at seven. A total of three candidates were assessed under the Bank’s ‘Enhanced Fit and Proper Criteria’. These assessments were conducted in accordance with the policy for designating entities as well as the requirements for the annual renewal of the PD designation.



B-FXITT
FOREIGN EXCHANGE
INTERVENTION & TRADING TOOL

International Reserves

Jamaica maintained a strong foreign reserve position

Bank of Jamaica maintained a strong net international reserve (NIR) position for 2022. Notwithstanding a significant decline in the March quarter, the NIR ended the year at US\$3 976.3 million due to growth in the three subsequent quarters. However, the outturn reflected a moderate decline of US\$24.5 million relative to end-2021. At end-2022, gross reserves amounted to US\$4 517.8 million, which represented 124.8 per cent of the IMF's Assessing Reserve Adequacy (ARA 100%) metric. The gross reserves at end-2022 also represented approximately 25.2 weeks of projected goods and services imports.

BOJ continued to reduce its stock of foreign currency Certificates of Deposit

In keeping with its objective of reducing the stock of borrowed reserves, the Bank maintained a strategy of net-redemption of its US dollar CDs during 2022. Against this background, the outstanding stock of foreign currency CDs was US\$126.3 million at end-2022, relative to US\$221.7 million at end-2021. The reduction occurred in the context of no new issuance of foreign currency CDs during the year as well as maturities amounting to US\$95.4 million. In comparison, maturities amounted to US\$64.8 million in 2021. The majority of maturities in 2022 occurred in the March quarter, approximately US\$75.0 million or 78.5 per cent of total maturities for the year (see **Table 12**).

“The gross reserves at end-2022 also represented approximately 25.2 weeks of projected goods and services imports.”

Table 12

BOJ USD CERTIFICATES OF DEPOSIT: 2022

Quarters	Maturing Amounts (US\$ mn)	Nominal Outstanding (US\$ mn)
March	75.0	146.8
June	19.4	127.4
September	0.3	127.1
December	0.8	126.3
TOTAL	95.4	126.3

Source: BOJ

Gross foreign assets declined year-over-year

Jamaica's gross foreign assets (GFA) declined by US\$315.6 million to US\$4 517.8 million in 2022, relative to 2021. The reduction in the GFA primarily reflected the impact of Government payments (primarily GOJ debt payments). In addition, the decline in GFA reflected the impact of BOJ's foreign currency sales to the market (which included sales via B-FXITT auctions, sales to the energy sector and sales to Public Sector Entities). Of note, sales through the B-FXITT auctions totalled US\$748.0 million in 2022, relative to US\$388.8 million in 2021. The impact of the aforementioned outflows was partly offset by receipts from surrenders and foreign currency inflows from Government entities.

The Bank continued to provide USD liquidity to Authorised Dealers, in 2022, to promote and encourage forward market transactions through the issuance of foreign currency swaps. These amounted to US\$17.5 million for the year and were primarily issued during the March quarter. The transactions had no net impact on the GFA in a context where all swap contracts matured within the year.

Concurrent with the decrease in the GFA, total foreign liabilities declined by US\$291.1 million to US\$541.5 million at end-2022. This was largely due to the GOJ accessing US\$159.5 million (SDR 117.3 million) of the funding disbursed under the IMF's Rapid Financing Instrument (RFI) facility during the March quarter.

The repayment of funds borrowed under the Extended Fund Facility, which was concluded in 2016, continued in 2022 and amounted to US\$123.7 million (SDR 93.1 million). Of the total amount repaid during the year, US\$90.6 million (SDR 68.1 million) was paid by BOJ while payment of US\$33.1 million (SDR 25.0 million) was made by the GOJ (see **Table 13**).

Table 13

SDR DISBURSEMENTS AND REPURCHASES/REPAYMENTS				
CALENDAR YEAR 2022				
MN				
Date	DISBURSEMENTS ^{1/}		REPURCHASES	
	SDR	USD ^{2/} Equiv.	SDR	USD ^{2/} Equiv.
March Qtr	0.0	0.0	14.7	21.3
June Qtr	0.0	0.0	31.8	42.6
September Qtr	0.0	0.0	14.7	21.1
December Qtr	0.0	0.0	31.8	39.6
TOTAL	0.0	0.0	93.1	123.7

^{2/} Based on the prevailing SDR =US\$ exchange rate.
Source: BOJ

Achievements in 2022

Implementation of a Special Drawing Rights (SDR) Sub-Portfolio

The International Money Fund issued an additional SDR allocation to member countries in 2021 which provided the Bank with approximately SDR 367 million. During 2022, these funds were utilised to fund a distinct SDR Sub-Portfolio which served to provide further diversification of the Bank's reserve assets while positioning the Bank to earn returns in excess of the level accruing within the IMF. The SDR Sub-Portfolio is managed by external fund managers in accordance with the Bank's defined risk parameters and is geared towards ameliorating the currency exposure flowing from SDR-denominated liabilities.

Governance framework for foreign reserve management further enhanced

In 2022, a periodical review of the governance framework of the Bank's foreign reserves management function was undertaken with an on-site mission from the World Bank's Treasury Management Team. The purpose of this mission was to review the

Bank's reserves management approval processes. Emanating from the mission, a number of recommendations were made regarding the governance framework for the Strategic Asset Allocation (SAA). Enhancements regarding the Investment Policy Statement (IPS) and Investment Guidelines (IG) were also implemented. Further reviews of the governance framework are anticipated on conclusion of a targeted SAA mission by the World Bank scheduled for 2023.

Investment strategy geared towards portfolio optimisation

During 2022, the investment strategy was tailored towards achieving portfolio optimisation against the background of global central banks' interest rate increases as well as the upward shift in the yield curve. On the shorter end of the yield curve, deposits were placed with counterparties with durations scheduled to capitalise on the expected central bank rate increases. Tactically, the injection of new funding was allocated to the Working Capital Tranche or the Liquidity Tranche, where appropriate. This allocation had the

two-fold impact of structuring the portfolio to provide additional liquidity, as required, thereby reducing overall market risk exposure.

On the longer end of the yield curve, additional pick up in coupons for new investments were offset by the fall in the market valuation of existing bonds in reaction to increased market yields. This resulted in unrealized losses on the US Bond portfolio during the year. Of note, this was consistent with all fixed income portfolios and not unique to the Bank. These losses were not crystalized, however, and the portfolio optimisation was achieved by utilising enhanced indexation strategies which included curve and duration methodologies. The asset classes in the Investment Tranche experienced temporary negative returns as yields on the longer end of the curve increased due to inflationary pressures as a result of supply chain concerns and geopolitical risks. In keeping with the Board's approved risk parameters, assets in the Liquidity and Investment Tranches continued to be allocated to ensure capital preservation while providing competitive risk-adjusted returns.

Assets under management declined in 2022

The Assets Under Management (AUM) decreased at end-2022, when compared with a year earlier. There was a reduction in liquidity tranche investments to facilitate Government of Jamaica debt payments and B-FXITT market sales along with recurrent expenditure. These factors primarily influenced the contraction of the portfolio to US\$4 517.8 million, representing a decline of 6.5 per cent (US\$314.6 million) in the assets under management. **Table 14** details the composition of the portfolio as at 31 December 2022 relative to end-2021.

Table 14

DISTRIBUTION OF FOREIGN ASSETS For Years Ended 31 December 2022 and 2021				
Assets	2022		2021	
	US\$MN	% of Holdings	US\$MN	% of Holdings
Working Capital Tranche	685.5	15.2	519.4	10.7
Liquidity Tranche	2 087.3	46.2	2 490.8	51.5
Investment Tranche				
Capital Market Investments	328.9	7.3	343.0	7.1
External Funds	1 197.4	26.5	717.2	14.8
Total Funds Invested	4 299.1	95.2	4 070.3	84.2
Allocation of Special Drawing Rights				
	218.7	4.8	762.0	15.8
Total	4 517.8	100.0	4 832.4	100.0

Source: BOJ

Portfolio performance generally improved

The average income earning assets for the year amounted to US\$4 232 million, a decline of US\$34 million or 0.8 per cent, compared to 2021. Total income, on an accrual basis, of US\$58.2 million at end-2022 was US\$46.3 million or 389.1 per cent higher than in 2021. This increased income occurred in the context of the average returns on the portfolio improving to 1.4 per cent per annum in 2022, 1.1 per cent percentage points higher than the figure for 2021. Increases in the returns from the Working Capital and Liquidity Tranches were due to rates on deposits being positively impacted by the upward adjustments in the Federal Reserve Funds rate.



Links to more information

► Additional Resources

- [Official International Reserves Statistics](https://boj.org.jm/statistics/external-sector/official-international-reserves/)
<https://boj.org.jm/statistics/external-sector/official-international-reserves/>
- [International Reserves Announcements](https://boj.org.jm/category/notices/)
<https://boj.org.jm/category/notices/>

FINANCIAL INCLUSION



DR. JOHN W. BETHUNE
PRESIDENT OF THE UNIVERSITY OF MISSISSIPPI
1955-1965

FINANCIAL INCLUSION

In 2022, Bank of Jamaica continued the implementation of its financial inclusion objectives through its Financial Inclusion Technical Secretariat (FITS). Throughout the year, the Bank's legislative priorities were on financial consumer protection and enhancing the Bank's supervision of payment service providers. In addition, work progressed on

the Bank's financial literacy communication campaign and refining the monitoring and evaluation framework measuring the impact indicators for financial inclusion. The Bank also strengthened its work on financial inclusion data through surveys on simplified customer due diligence and financial literacy capabilities of youth.

Achievements in 2022

Bank progresses its financial literacy communication campaign

Bank of Jamaica continued to engage with consumers and financial institutions on financial literacy during 2022. The financial literacy communication programme focused on the following key messages:

- (i) Bank of Jamaica's role as a regulator of deposit-taking institutions, cambios, remittance companies, payment systems and microcredit institutions;
- (ii) other roles and functions of the Bank;
- (iii) the importance of saving and budgeting as part of smart financial skills;
- (iv) managing the use of credit to build a strong credit profile; and
- (v) how simplified customer due diligence requirements make it easier to open an account at a DTI.

In 2022, the Bank, through its FITS, designed and published financial literacy content across both traditional and digital media channels. The content included puzzles, public service announcements, radio financial literacy tips and presentations. The channels utilised included four radio stations, a major television station and three newspapers with national circulation.

Throughout 2022, Bank of Jamaica also sponsored four series of the 'Under the Law' programme. Topics covered included agent banking, complaints handling and general disclosure obligations of DTIs under the Banking Services (Deposit-Taking Institutions) (Customer Related Matters) Code of Conduct and Licensing of Microcredit Institutions.

Notable events in which the Bank presented on its work to promote financial literacy included: (i) First Global Bank's SME Summit in July 2022; and (ii) the Jamaica Stock Exchange's National Investor Education Week in September 2022.



Financial Inclusion Programme Coordinator–
Melanie Williams

Bank of Jamaica and Ministry of Industry, Investment & Commerce partner on Financial Literacy and Entrepreneurship Webinar

In December 2022, Bank of Jamaica partnered with the Ministry of Industry, Investment and Commerce (MIIC) to host a webinar aimed at promoting financial inclusion for persons with disabilities through financial literacy and entrepreneurship. This webinar, which was presented in a hybrid format, was done in celebration of International Day of Persons Living with Disabilities. Presentations were made by MIIC, the Companies Office of Jamaica, Development Bank of Jamaica, the Jamaica Business Development Corporation and BOJ. There were 156 persons participants in the webinar.

Financial Literacy Survey of youth completed

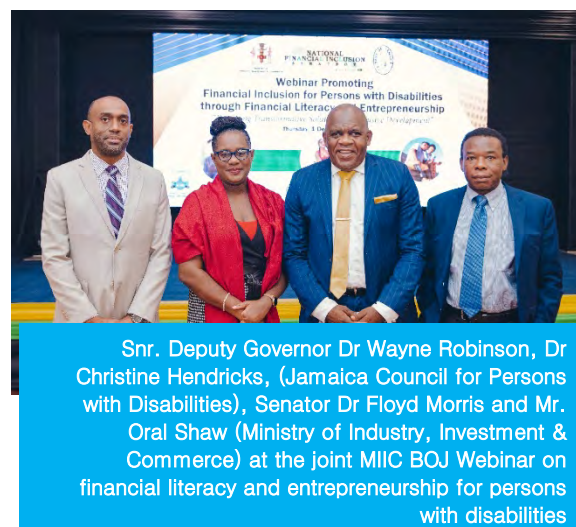
In collaboration with its financial inclusion partners, the Bank significantly advanced work on the completion of the survey of the financial literacy capability of youth (in-school and at-risk youth) during 2022. The reports received from the research firm indicated that both in-school and at-risk youth, between the ages of 12 – 18 years, understood concepts such as inflation, budget management, payment methods, insurance and the Bank's role as the issuer of currency. However, the report highlighted the need for continued education on financial consumer attitudes and behaviour, such as spending habits and money management, including the use of online banking platforms to monitor accounts. Most significantly, the report highlighted low levels of targeted financial education for the youth.

Consequent on the recommendations in the report, the Bank has been tasked with the responsibility to drive the development of financial education curriculum in collaboration with key public sector and private sector stakeholders. Bank of Jamaica will also continue to refine its financial literacy communication strategy to address the issues highlighted in the report.

Implementation of the Simplified Customer Due Diligence (CDD) Requirements Survey

In June 2022, the Bank completed its survey on the use of simplified CDD requirements by DTIs. The results of the survey identified that of the nine DTIs that were engaged in retail banking, eight entities offered simplified CDD requirements as part of their account opening processes. Six DTIs provided data on the number of accounts opened in 2020 and 2021 using simplified CDD requirements.

The findings of the survey were consistent with the Bank's market surveillance which showed that there was a high awareness of the simplified CDD requirements by DTIs. In addition, most DTIs had designed low-Know Your Customer accounts that used simplified CDD requirements. Further work on marketing the low-KYC accounts and the ease of account opening processes using simplified CDD requirements for consumers that were at a low money laundering risk would assist in advancing financial inclusion. To address this, the Bank will continue to educate the public about the existence of simplified CDD requirements.



BOJ to administer a National Digital Payments Survey

The Bank engaged the services of a research firm to conduct the national digital payments survey in the review year. At end-2022, the Bank had approved the inception report. The draft survey instruments for measuring the use of digital

payments by the general population and by micro, small and medium sized enterprises (MSMEs) were also developed. This survey, as well as a general population survey, will target 1 000 individuals and is anticipated to be completed by the December 2023 quarter.

Refinement of National Financial Inclusion Strategy (NFIS) Impact Indicators

In 2022, the Bank developed a dashboard measuring eight financial inclusion indicators on: (i) use of digital payments and access to credit for MSMEs; (ii) access to mortgages by households (financing for growth); and (iii) access to banking services. The dashboard and impact indicators were published on Bank of Jamaica's website and were updated on a quarterly basis. The Bank also continued to publish the NFIS Annual Report on the website.



► Additional Resources:

- [Financial Inclusion Strategy](https://boj.org.jm/national-financial-inclusion-strategy/)
<https://boj.org.jm/national-financial-inclusion-strategy/>
- [Financial Inclusion Impact Indicators \(March 2022\)](https://boj.org.jm/wp-content/uploads/2022/07/Financial-Inclusion-Impact-Indicators-March-2022.pdf)
<https://boj.org.jm/wp-content/uploads/2022/07/Financial-Inclusion-Impact-Indicators-March-2022.pdf>
- [Financial Inclusion Impact Indicators \(June 2022\)](https://boj.org.jm/wp-content/uploads/2022/10/Financial-Inclusion-Impact-Indicators-June-2022-v2.pdf)
<https://boj.org.jm/wp-content/uploads/2022/10/Financial-Inclusion-Impact-Indicators-June-2022-v2.pdf>
- [Financial Inclusion Impact Indicators \(September 2022\)](https://boj.org.jm/wp-content/uploads/2023/01/Financial-Inclusion-Impact-Indicators-Infographic-September-2022.pdf)
<https://boj.org.jm/wp-content/uploads/2023/01/Financial-Inclusion-Impact-Indicators-Infographic-September-2022.pdf>
- [NFIS Annual Report 2021](https://boj.org.jm/wp-content/uploads/2022/12/NFIS-Annual-Report-2021.pdf)
<https://boj.org.jm/wp-content/uploads/2022/12/NFIS-Annual-Report-2021.pdf>



Senior Deputy Governor Dr Wayne Robinson delivering the opening remarks for webinar on financial literacy and entrepreneurship for persons living with disabilities.

FINANCIAL DEEPENING



DR. HUI JIA RUTHERFORD
PRESIDENT OF FINANCIAL DEEPENING

FINANCIAL DEEPENING

Bank of Jamaica continued to lead the coordination and implementation of Jamaica's financial deepening agenda. In its fourth year of implementation, the Bank continued to work closely with key partners such as the Financial Services Commission and the Jamaica Stock Exchange to complete various reforms and initiatives which began in prior years. Focal areas included accelerating increased transparency and price

discovery in markets and advancing regulatory reforms which will create additional incentives to deepen Jamaica's capital market. During 2022, BOJ also commenced a series of consultations with both public and private sector entities to form consensus around a phase two set of reforms to be pursued over the short-to medium-term to catalyse the deepening of the market.

Achievements in 2022

Standardizing Asset Quality for Sound Investments – incentivizing use of independent credit ratings

Within the financial deepening agenda, approaches to standardize asset quality have been reinforced by a programme to incentivize the use of credit ratings through regulation. During 2022, BOJ and the FSC continued to advance regulatory reforms which, when implemented, would serve to strengthen the credit ratings ecosystem in Jamaica. In March 2022, BOJ issued the Standard of Sound Practice on the Basel III Capital Adequacy Framework to signal implementation of the reform. This reform will, among other things, incentivize DTIs to take advantage of the lower capital charges associated with better external ratings. Concurrently, the FSC continued to advance work on liquidity reform in the non-bank sector.

During 2022, FSC finalized proposed credit ratings amendments which sought to address gaps within the credit rating infrastructure, particularly with respect to unsophisticated retail investors. The amendments were subsequently included as part of a larger ongoing consultation for additional amendments to the Guidelines for Issuers of Securities. Following the consultation process, the FSC will issue a market advisory. Implementation of the amendments is expected in 2023.

Increasing Transparency and Price Discovery in Markets – facilitating increased utilization of a trading platform for fixed income securities and GOJ local securities

Work continued on two initiatives that were positioned in the financial deepening agenda as important elements to facilitate increased market transparency and price discovery. They are as follows:

- (i) Facilitating the listing and trading of Government of Jamaica domestic securities.

During 2022, BOJ and the JSE bolstered efforts to advance the project to facilitate the trading of GOJ local securities on the JSE trading platform, especially given prior delays due, in part, to the COVID-19 pandemic. This proposed initiative is to be facilitated via the interface of the JSE trading platform and the JamClear®-CSD and will promote a more liquid market, facilitate greater market information whilst enhancing efficiency and transparency. BOJ, JSE and the platform providers collaborated to finalize the technical requirements for the interface and the total cost for the project was subsequently confirmed in November 2022. A cost sharing approach was finalized among the BOJ, Ministry of Finance and the Public Service and the JSE. Thereafter, BOJ commenced the

procurement process regarding the required configuration for the JamClear®-CSD.

- (ii) Facilitating an easier registration process for listed companies issuing additional securities publicly.

The FSC completed the final step for an initiative aimed at improving the ecosystem for issuing securities during the year. The agency issued new guidelines that will facilitate a simpler registration requirement for listed companies interested in issuing additional securities publicly. The guidelines also referenced the use of a short form prospectus. The effect of these changes will contribute to a reduction in the processing time for applications and the time needed by issuers to prepare documents for registration. The effective date for the new guidelines was 15 August 2022.

Consultation Meetings – identifying new short and medium-term priorities to deepen the capital market

In March 2022, BOJ commenced the process of defining an additional set of near- and medium-term priorities to deepen Jamaica's capital market. In that regard, the Bank conducted research and organized a series of consultation meetings with both the public and private sector in an effort to identify a set of reforms and initiatives to catalyse the deepening of the market. The proposed Financial Deepening 2.0 agenda is being positioned to intentionally move beyond the initial reforms that were focused more on laying the foundations and

strengthening the ecosystem (ratings, regulatory changes and market efficiency). The reforms will pivot to an explicit agenda aimed at accelerating financial intermediation to support faster and more diversified economic growth. Following the consultations, a draft Financial Deepening 2.0 concept note was prepared and at end-2022 the document was being reviewed internally.

Accelerating Access to Finance - Reverse Factoring project discontinued

Engagements regarding the utilization of the Development Bank of Jamaica led reverse factoring electronic platform initiative slowed due to the COVID-19 pandemic.¹ Given the waning impact of the pandemic since early 2022, DBJ re-ignited discussions with previously interested DTIs regarding their participation on the platform. However, there was continued slow take-up in the market. A decision was subsequently taken by the DBJ to discontinue the project.

¹ DBJ sought to introduce an electronic platform to scale the use of reverse factoring in Jamaica. The product was geared at providing alternatives to

traditional collateral based financing. The electronic platform became available for use in July 2020.

CORPORATE RISK MANAGEMENT



JOHN WILSON McARTHURWELL
1915-1998
Member of the Board of Directors
1968-1998

CORPORATE RISK MANAGEMENT

During the year, Bank of Jamaica undertook measures to strengthen its risk management framework in the context of an increasing cyberattack surface associated with the organization's digital transformation thrust and, to a lesser extent, the ongoing pandemic. In an effort to strengthen its cybersecurity risk framework, the Bank received technical assistance from the IMF. The Bank's management continued to encourage adherence to COVID-19 protocols at the workplace and maintained a hybrid approach of both in-person and work-from-home (WFH) arrangements. As the

lessons learned from the pandemic and the cybersecurity risk management enhancements become more entrenched, it is expected that the Bank's risk management practices will continue to improve in the near- to medium-term. For the year ahead, a review and development of applicable policies, procedures and tools will be pursued to ensure that the Bank continues to deploy a risk-based approach in its decision- and policy-making routines.

Achievements in 2022

Implementation of the Enterprise Risk Management IT Solution

During 2022, the Bank continued its implementation of the enterprise risk management platform. This entailed training of the risk management staff and the customization of the solution to suit the Bank's nuanced business needs. It is envisaged that the training of risk champions will occur in early-2023 to ensure full implementation of the platform by end-2023.

Risk Awareness

In a bid to improve risk awareness and risk intelligence, the Bank hosted a 'Risk Awareness Week' over the period 17-21 October, 2022. This engagement included video messages from key internal stakeholders and trivia questions for staff. Based on the feedback from stakeholders, it was evident that this type of engagement was critical in the embedding of a sound risk culture and risk management practices within the Bank.

IMF Technical Assistance Mission

In recent years, concerns regarding cybersecurity risk have increased given the rapidly evolving, increasingly volatile operating environment for many institutions. In light of this, the Bank hosted an IMF technical assistance (TA) mission on cybersecurity. This mission, which was a follow-up to the IMF TA mission on central bank risk management, fintech and cybersecurity held in July 2021, highlighted several opportunities to strengthen the Bank's risk governance, assessment methodology and risk management approach in relation to cybersecurity.

Notably, the IMF technical team recommended the adoption of a risk-based approach in tackling the issue of cybersecurity risk. This was in the context of the Bank's expanding cyberattack surface and/or digital assets and the need to ensure robust risk management arrangements are in place to mitigate against cyberattacks.

Reserves Management Framework: Peer Review Assessment

In a bid to strengthen its capacity to execute its risk & compliance management and middle office

functions for the foreign reserve investment portfolio, the Bank participated in the World Bank's peer review assessment of BOJ's foreign reserves management framework. The objectives of the review were to: (i) examine the Bank's strategic investment objectives and risk constraints; (ii) examine existing operations in light of these objectives; and (iii) provide recommendations and executable steps to build internal capacity and address any identified operational gaps. Coming out of the review, a targeted plan of action aimed at addressing the gaps identified was developed to guide the process of improving the overall framework.

Training and Capacity Building

As is customary, training opportunities were provided to risk management team members during 2022 in an effort to build capacity and establish Bank of Jamaica as a credible knowledge centre on matters pertaining to enterprise risk management. Of note, a member of the risk management team was invited to present at the annual Central Banking Autumn Meetings on foreign reserves risk management best practices.

Financial Risk Management

Financial risks inherent in the Bank's balance sheet include market risk, credit risk and counterparty risk. The Bank continued to keep close tabs on key financial risk exposures via quarterly financial risk reports to the Risk Management Committee and the Board's Audit and Risk Committee. Additionally, timely updates were made to the Bank's Investment Committee on the foreign reserves and pension fund investment portfolios' exposures to interest rate, foreign currency, credit and counterparty risks. Further, middle office functions continued to be provided to the Bank's foreign reserves and pension fund investment portfolios to ensure adherence to established risk limits and thresholds.

Non-Financial Risk Management

- (i) Monitoring of Risk Control Self-Assessment templates (RCSAs) and Business Continuity Plans (BCPs)

Quarterly reviews of RCSAs and semi-annual reviews of departmental BCPs submitted by risk owners were conducted throughout 2022. These reviews encouraged risk owners' participation in the identification and management of operational risks at the business unit level. In this regard, quarterly reports were tabled at Risk Management Committee and the Board's Audit and Risk Committee meetings to keep the Committees abreast of key operational risks (including cybersecurity and business continuity risks).

Notably, insights from the submitted RCSAs were incorporated into the review and update of the Bank's Enterprise Risk Register, which was approved by the Bank's Board of Directors in June 2022. Further, treatment plans were developed for risks within the register that have residual risk rating outside the Bank's established risk appetite. These plans are subject to quarterly monitoring to ensure the prescribed treatments are implemented within agreed timelines.

In relation to the departmental BCPs submitted by risk owners, insights were used to inform the development of a Corporate Business Continuity Plan (CBCP). The CBCP, which was approved by Executive Management in June 2022, was referenced in the conduct of BCP table top test exercises to assure the resilience of mission critical functions to business disruptions. Importantly, the table top test exercises were designed to ensure that key members of staff are continually aware of their roles and responsibilities in the event of a disruption and are mindful of the major threats to the continuity and sustainability of normal operations. The table top exercises were an overall success.

- (ii) Infectious Disease Threat Response Task Force

During the review year, the Bank continued to monitor, recommend appropriate actions and inform staff on evolving threat levels associated with the COVID-19 pandemic and other outbreaks via its Infectious Disease Threat Response Task Force (formerly COVID-19 Threat Response Task force).

(iii) Data Protection Act (DPA)

In preparation for the DPA coming into effect on 30 November 2023, a technical working group was established to help the Bank navigate the requirements, including the incorporation of a

corporate risk perspective, in order to meet the deadline.

Strategic Risk Management

In an effort to identify and manage key strategic risks – in the context of the Bank’s digital transformation thrust – quarterly strategic risk reports were tabled at Risk Management Committee and the Board’s Audit and Risk Committee meetings during the year. The reports sought to identify any imminent or emerging threats to the achievement of the Bank’s strategic objectives.

COMMUNICATIONS & CORPORATE SOCIAL RESPONSIBILITY



MR. JIMMY D. BETHUNE
1918-1998
President of the University of Florida
1985-1998



Bank of Jamaica staff at special church service for Employee Recognition Week 2022.

COMMUNICATIONS AND CORPORATE SOCIAL RESPONSIBILITY

Bank of Jamaica continued to recognize the significance of efficient communication on monetary and financial stability issues as a crucial aspect in fulfilling its mandate. To this end, communication remained a vital component of the Bank's proactive policy and moral suasion efforts to promote low, stable and predictable inflation and foster financial system stability. Initiatives across several communication channels were executed to enhance policy effectiveness. With the easing of

government restrictions and gathering limitations as the impact of the COVID-19 pandemic waned, face-to-face interactions resumed in 2022, albeit with a hybrid approach to some events. Additionally, the Bank continued to engage in several outreach programmes that support education and the arts. This was consistent with BOJ's long-held view that service to the community is important.

Increased communication and engagement

- **Quarterly Monetary Policy Report Press Conference**

During 2022, the Bank's scheduled quarterly press conferences as well as other special press briefings were executed utilizing a hybrid approach of both in-person and/or through virtual platforms. The recordings of the quarterly press conferences were made available to the press and the general public via the Bank's YouTube channel. In addition to explaining the monetary policy decision, the conferences were aimed at presenting brief analyses of recent economic developments and providing updates of the Bank's near- and medium-term forecasts of macroeconomic variables in the international and domestic economy.

The Bank's Quarterly Monetary Policy Report (QMPR) was made available at the press conferences. As customary, the QMPR discussed, in a non-technical manner, economic developments for the review quarter and provided forecasts of key macroeconomic variables, including inflation. The report was also made available on the Bank's website (see [Quarterly Monetary Policy Reports](#) and [Quarterly Press Conference Presentations](#)).



Governor Richard Byles

- **Schedule for Policy Rate Announcements**

The Bank published its schedule of eight announcements of monetary policy decisions for 2022. The announcements, took the form of a press release, which indicated the decision on the policy rate and a summary of the factors which explained the rationale for monetary policy actions as well as highlighted the risks to the inflation forecast (see [Calendar of Announcements, Press Statements and Summary of Decisions](#)).

- **Financial Stability Reports**

Financial system stability issues were communicated through highlights in the annual Financial Stability Report and the Quarterly Macro-Prudential Report. These reports can be viewed on the Bank's website at [Macro-Prudential Reports](#) and [Financial Stability Reports](#).

BOJ enhances community outreach initiatives

Bank of Jamaica continued to recognize the importance of its corporate social responsibility and remained dedicated to making a positive impact on the communities it serves through various initiatives and programmes. Specifically, in December 2022, 300 Christmas care packages were distributed to the elderly and most vulnerable located within our immediate work environment. In addition, the Bank staged three 'Jamming with JAM-DEX' children's Christmas treats in December 2022 in the communities of Camp Road, Swallowfield and Pembroke Hall. The treats provided an ideal opportunity to present information about the Bank's Central Bank Digital Currency (JAM-DEX) in an engaging manner.

Continued support for education and the visual and performing arts in 2022 included:

- **Money Museum**

Bank of Jamaica's Money Museum is the repository for the Bank's collection of ancient and modern currency and other items of Jamaican and international culture. With the easing of Government restrictions, visits to the museum resumed on a phased basis in August 2022 for both local and international patrons. In 2022, the museum recorded 794 visitors.

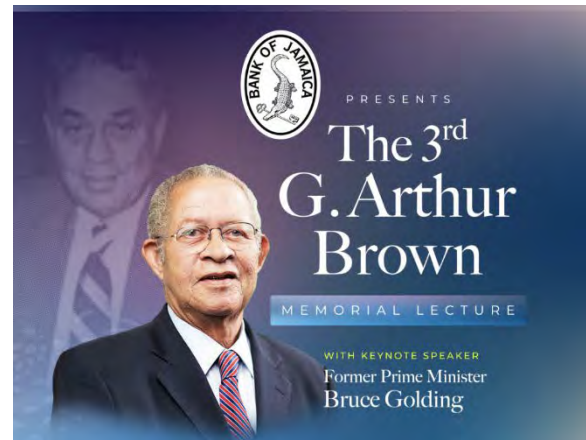


JAM-DEX/Mustard Seed Communities Christmas 2022 event

- **The 3rd G. Arthur Brown Memorial Lecture**

A hybrid approach was used to stage the third G. Arthur Brown Memorial Lecture in the Bank's auditorium on 28 July 2022. Mr Bruce Golding, former prime minister of Jamaica, was the keynote

speaker, and The Bridge 99FM carried the programme live locally and to the Jamaican diaspora. It was also carried live on the Bank's social media platforms. Questions were accommodated from all participants both in the auditorium and online, resulting in a spirited question and answer segment.



- **G. Arthur Brown Scholarship**

The 2022 G. Arthur Brown Memorial Scholarship was awarded to Ms. Dadrian Lewis to pursue a Master of Science degree in Economics at the University of the West Indies (UWI), Mona Campus. The scholarship will have a maximum tenure of two academic years with coverage that commenced September 2022. The value of the scholarship is \$900,000.00 per academic year.

- **St. Michael's Primary School**

Bank of Jamaica continued to provide support to St Michael's Primary School, situated on Tower Street in Kingston. Throughout the year, on a monthly basis, the Bank subsidised the breakfast and lunch programmes at the school. The Bank also assisted with the photocopying of additional educational material which was distributed to students throughout the review year. In December 2022, the Bank provided exercise equipment for the school's wellness centre.

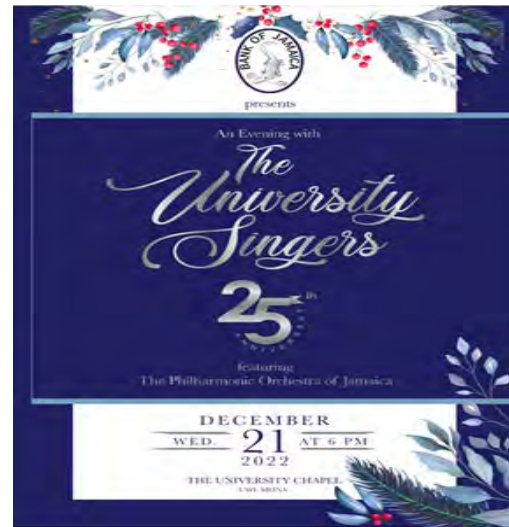
- **Art Collection and Exhibitions**

In 2022, the Bank continued to encourage the work of local artists and made additions to its art collection of over 1 000 items. A walk-through gallery was initiated with the hanging of seven

pieces of art in the Bank's concourse area. In addition, the Bank's curators visited five art exhibitions in 2022, including one mounted by The Mustard Seed Communities at Nethersole Place in the December 2022 quarter. The Bank also finalised and published its second art book, *Golden Treasures* in December 2022. In addition, after a two-year hiatus, the Money Museum staff in collaboration with the JAM-DEX team were able to successfully execute the display of historic and current Jamaican currencies.

- **An Evening with the University Singers**

In December 2022, Bank of Jamaica celebrated its 25th year of involvement with the annual concert, "An Evening with the University Singers." In contrast to 2021 when the concert was pre-recorded, in 2022, the concert resumed its usual live format, thrilling guests who descended upon the University Chapel at UWI, Mona campus in December with the musical artistry of *The Singers* and special guest the Philharmonic Orchestra of Jamaica. Bank of Jamaica in collaboration with Television Jamaica (TVJ), also aired a recording of this year's live performance on 25 December. This recording was also made available on the Bank's YouTube channel.



Bank of Jamaica Choir

Achievements in 2022

Bank of Jamaica Media Platforms

The Bank's website had approximately 1.9 million page-views from over 850 000 unique users on the platform for the period 01 January 2022 to 31 December 2022. The top viewed pages and the most searched terms on Google were the home page, pages relating to Foreign Exchange rates and the Careers page. Other pages frequently visited were the Currency, Financial System Regulation, Statistics, Legislation and the Contact pages.

The website remained a critical interface for the Bank as it helped to enhance the Bank's credibility and provided unlimited access to a wide cross-section of individuals. With the Bank's commitment

to clear and effective communication, the website continued to undergo development to integrate new features and functionalities in order to ensure that it remains updated, modern and user-friendly.

Throughout the review year, the Bank's social media presence continued to expand, with notable growth observed on our YouTube channel, which surpassed 1 400 unique subscribers. The Bank's Facebook page increased to over 1 600 followers during the year. Notably, BOJ's Twitter account, which remained the Bank's most utilized social media platform, surpassed 15 000 followers. This account maintained its verified status and robust cyber-security management, hence maintaining and adhering to the social media terms of service.

Media Milestones

A major highlight of the year was that the Bank's flagship television series, **Centrally Speaking**, was awarded the Central Banking's **Communications Initiative Award**. This was the Bank's second hold on this prestigious award after also receiving the inaugural award in 2020. In its 4th season of airing, segments of the programme served as a news source for the major media houses (print, traditional and digital).

Inflation Watch, the Bank's in-house monthly YouTube series which reports on the monthly inflation outturn using data provided by the Statistical Institute of Jamaica (STATIN), was revamped to a more concise version of previous episodes while maintaining the same quality of information. Snippets from the programme were featured in TVJ's business news segment of Prime Time News.

Bank of Jamaica unveils new banknotes

On 15 December 2022, Dr Nigel Clarke, Minister of Finance and Public Service, Bank of Jamaica Governor Richard Byles and Deputy Governor Natalie Haynes hosted a press conference which gave members of the media and the public a first look at the new polymer banknotes which are set for circulation in 2023.



Deputy Governor Haynes speaking on CBDC on 'Centrally Speaking'



Winner Walker House (blue house) at Governor's Cook-off 2022 event



A walk-through Downtown Kingston by BOJ Executive Management and staff

FINANCIAL STATEMENTS



HOWARD M. RUTHERFORD
PRESIDENT OF THE UNIVERSITY OF FLORIDA
1961-1971

BANK OF JAMAICA
FINANCIAL STATEMENTS
DECEMBER 31, 2022



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Chartered Accountants
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firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BANK OF JAMAICA

Opinion

Pursuant to Section 43(2) of the Bank of Jamaica Act, we have audited the financial statements of Bank of Jamaica ("the Bank"), set out on pages 5 to 68, which comprise the statement of financial position as at December 31, 2022, the statements of profit or loss and other comprehensive income, changes in capital and reserves and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG, a Jamaican partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

R. Tamir Hande Nigel R. Chambers Sandra A. Edwards
Cynthia L. Lawrence Nyssa A. Johnson Karen Ragooberingh
Rajan Trehari W. Silvan C. de Misi
Naman D. Rawford Wilbert A. Spence



Page 2

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
BANK OF JAMAICA

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.



Page 3

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
BANK OF JAMAICA

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



Page 4

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Board of Directors of
BANK OF JAMAICA

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in blue ink, appearing to read 'KPMG'.

Chartered Accountants
Kingston, Jamaica

March 30, 2023

BANK OF JAMAICAStatement of Financial PositionDecember 31, 2022*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2022</u> J\$'000	<u>2021</u> J\$'000
<u>ASSETS</u>			
Foreign assets:			
Notes and coins		153,983	148,359
Cash and cash equivalents	4	106,430,839	84,772,003
Securities held in funds managed by agents	5	181,688,787	109,996,803
Investment securities	6	370,727,551	441,050,336
International Monetary Fund -			
Holding of Special Drawing Rights	7	21,367,297	105,095,017
Quota subscription	8	<u>11,805,499</u>	<u>12,606,174</u>
Total foreign assets		<u>692,173,956</u>	<u>753,668,692</u>
Local assets:			
Notes and coins		175,779	159,978
Resale agreements	9	12,700,000	9,099,825
Investment securities	10	262,698,623	272,127,813
Due from Government and Government agencies	11	1,290,333	3,523,862
Property, plant and equipment	12	8,512,464	8,713,878
Intangible asset	13	508,430	422,902
Employee benefits asset	14(a)	3,635,200	4,577,200
Other	15	<u>11,567,859</u>	<u>7,966,491</u>
Total local assets		<u>301,088,688</u>	<u>306,591,949</u>
Total assets		<u>993,262,644</u>	<u>1,060,260,641</u>

The accompanying notes form an integral part of the financial statements.

BANK OF JAMAICA

Statement of Financial Position (Continued)

December 31, 2022

(Presented in thousands of Jamaica Dollars unless otherwise indicated)

	<u>Notes</u>	<u>2022</u> J\$'000	<u>2021</u> J\$'000
<u>LIABILITIES, CAPITAL AND RESERVES</u>			
Liabilities:			
Notes and coins in circulation	16	233,687,020	226,864,772
Deposits and other demand liabilities	17	413,490,338	464,748,541
Open market liabilities	18	171,457,137	173,212,603
International Monetary Fund - Allocation of Special Drawing Rights	19	126,915,142	135,522,804
Foreign liabilities		6,509	-
Due to government and government agencies		-	-
Employee benefits obligation	14(b)	2,125,000	2,742,500
Lease liability	20	69,473	75,499
Bilateral accounts		-	16,596
Other	21	<u>3,228,785</u>	<u>2,633,629</u>
Total liabilities		<u>950,979,404</u>	<u>1,005,816,944</u>
Capital and reserves:			
Share capital	22	20,577,000	20,577,000
Capital contribution		-	-
General reserve fund	23	15,936,168	16,561,272
Special stabilisation account	24	2,061,266	1,887,230
Other reserves	25	<u>3,708,806</u>	<u>15,418,195</u>
Total capital and reserves		<u>42,283,240</u>	<u>54,443,697</u>
Total liabilities, capital and reserves		<u>993,262,644</u>	<u>1,060,260,641</u>

The financial statements on pages 5 to 68 were signed on March 29, 2023 on behalf of the Board of Directors by:


 _____ Governor

Richard Byles

 _____ Deputy Governor


 Ian Williams
 _____ Financial Controller

The accompanying notes form an integral part of the financial statements.

BANK OF JAMAICAStatement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2022*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2022</u> J\$'000	<u>Restated*</u> <u>2021</u> J\$'000
Operating income:			
Interest, calculated using the effective interest method	26	29,791,105	19,008,924
Interest income from financial instruments designated at FVTPL		1,693,525	984,052
Foreign exchange gain, net	27	6,025,177	16,298,748
Other		<u>338,392</u>	<u>263,079</u>
Total operating income		<u>37,848,199</u>	<u>36,554,803</u>
Operating expenses:			
Interest on deposits and open market liabilities	28	13,543,873	6,049,829
Interest on IMF deposits		3,132,822	1,551,456
Interest on lease liability	20(iii)	1,509	1,632
Staff costs	29	7,698,094	6,585,810
Currency expenses		1,804,926	1,391,619
Depreciation and amortisation		887,888	827,955
Other property expenses		1,146,635	789,040
Other operating expenses	30	1,521,682	1,223,457
Expected Credit Loss		(24,309)	688,026
Change in remeasurement of staff loans		193,062	24,507
Loss on securities measured as FVTPL		<u>7,129,971</u>	<u>893,418</u>
Total operating expenses		<u>37,036,153</u>	<u>20,026,749</u>
Operating profit		812,046	16,528,054
Other operating income/(expenses):			
Pension, medical and life expenses		539,300	256,100
Gains on disposal of property, plant and equipment		<u>4,200</u>	<u>10,684</u>
Profit for the year before debit/(credit) to pension equalisation reserve		1,355,546	16,794,838
Debit/(credit) to pension equalisation reserve	25(c)	<u>-</u>	<u>(93,400)</u>
Profit for the year transferred to general reserve fund	11(b)	<u>1,355,546</u>	<u>16,701,438</u>
Other comprehensive (loss)/income:			
Item that will never be reclassified to profit or loss:			
Remeasurement of employee benefits asset and obligation, net	14(a)(iv);(b)(iii)	(143,900)	(1,012,900)
Item that is or will be reclassified to profit or loss:			
Change in fair value of securities at FVOCI	25(a)	<u>(11,646,989)</u>	<u>(6,513,166)</u>
Other comprehensive income for the year		<u>(11,790,889)</u>	<u>(7,526,066)</u>
Total comprehensive (loss)/income for the year		<u>(10,435,343)</u>	<u>9,175,372</u>

* Restated, see note 36

The accompanying notes form an integral part of the financial statements.

BANK OF JAMAICAStatement of Changes in Capital and ReservesYear ended December 31, 2022*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*

	Share capital J\$'000 (Note 21)	Capital contribution J\$'000 (Note 22)	General reserve fund J\$'000 (Note 23)	Special stabilisation account J\$'000 (Note 24)	Other reserves J\$'000 (Note 25)	Total J\$'000
Balances at December 31, 2020	<u>4,000</u>	<u>20,529,049</u>	<u>20,000</u>	<u>1,731,487</u>	<u>22,694,861</u>	<u>44,979,397</u>
Total comprehensive income for the year 2021:						
Profit for the year	-	-	<u>16,701,438</u>	-	-	<u>16,701,438</u>
Other comprehensive income:						
Realised gains in fair value of securities measured at FVOCI	-	-	-	-	(329,162)	(329,162)
Unrealised gains in fair value of securities measured at FVOCI	-	-	-	-	(6,184,004)	(6,184,004)
Remeasurement of pension asset and obligation, net	-	-	-	-	(6,513,166)	(6,513,166)
Other comprehensive loss	-	-	-	-	(7,526,066)	(7,526,066)
Total comprehensive income	-	-	<u>16,701,438</u>	-	(7,526,066)	<u>9,175,372</u>
Other changes in reserves:						
Capital contributions receivable	-	43,951	-	-	-	43,951
Transfer from capital contribution	20,573,000	(20,573,000)	-	-	-	-
Due to consolidated fund [note 11(b)]	-	-	(160,166)	-	-	(160,166)
Transfer for coins in circulation (note 24)	-	-	-	155,743	-	155,743
Transfer of surplus on defined benefit pension scheme	-	-	-	-	249,400	249,400
	<u>20,573,000</u>	<u>(20,529,049)</u>	<u>(160,166)</u>	<u>155,743</u>	<u>249,400</u>	<u>288,928</u>
Balances at December 31, 2021	<u>20,577,000</u>	-	<u>16,561,272</u>	<u>1,887,230</u>	<u>15,418,195</u>	<u>54,443,697</u>
Total comprehensive income for the year 2022:						
Profit for the year	-	-	<u>1,355,546</u>	-	-	<u>1,355,546</u>
Other comprehensive income:						
Realised losses on fair value of securities at FVOCI	-	-	-	-	(187,224)	(187,224)
Unrealised losses on fair value of securities at FVOCI	-	-	-	-	(11,459,765)	(11,459,765)
Remeasurement of pension asset and obligation, net	-	-	-	-	(11,646,989)	(11,646,989)
Other comprehensive loss	-	-	-	-	(143,900)	(143,900)
Total other comprehensive loss	-	-	<u>1,355,546</u>	-	(11,790,889)	(10,435,343)
Other changes in reserves:						
Due to consolidated fund [note 11(b)]	-	-	(1,980,650)	-	-	(1,980,650)
Transfer for coins in circulation (note 24)	-	-	-	174,036	-	174,036
Transfer of surplus on defined benefit pension scheme	-	-	-	-	81,500	81,500
	-	-	<u>(1,980,650)</u>	<u>174,036</u>	<u>81,500</u>	<u>(1,725,114)</u>
Balances at December 31, 2022	<u>20,577,000</u>	-	<u>15,936,168</u>	<u>2,061,266</u>	<u>3,708,806</u>	<u>42,283,240</u>

The accompanying notes form an integral part of the financial statements.

BANK OF JAMAICAStatement of Cash FlowsYear ended December 31, 2022*(Presented in thousands of Jamaica Dollars unless otherwise indicated)*

	<u>Notes</u>	<u>2022</u> J\$'000	<u>Restated*</u> <u>2021</u> J\$'000
Cash flows from operating activities:			
Profit for the year		1,355,546	16,794,838
Adjustments for:			
Depreciation – property, plant and equipment	11	720,235	705,295
Amortisation – intangible asset	12	167,654	122,661
Gain on disposal of property, plant and equipment		(4,200)	(10,684)
Employee benefits, net		262,100	209,100
Unrealised exchange loss/(gain)		10,551,845	(40,126,693)
Unrealised exchange loss/(gain) on International Monetary Fund Quota Subscription	7	800,675	(608,841)
Unrealised exchange (gain)/loss on International Monetary Fund - Allocation of SDR's		(8,607,663)	1,318,124
Securities held in funds managed by agents		(73,629,112)	(106,510)
Foreign currency denominated investments		65,453,467	(94,431,994)
Local currency denominated investments		(2,209,032)	(2,144,523)
Notes and coins in circulation		6,996,284	36,514,368
Deposits and other demand liabilities		(53,425,145)	82,534,697
Open market liabilities		(1,755,466)	(3,994,670)
International Monetary Fund - Holding of Special Drawing Rights		83,727,720	1,802,991
Impairment of financial assets	30	(24,309)	688,026
Interest income	26	(31,484,650)	(19,992,976)
Interest expense		<u>16,678,204</u>	<u>7,602,916</u>
Operating profit/(loss) before changes in other assets and other liabilities		15,574,153	(13,123,875)
Other assets		(2,288,737)	(3,320,508)
Other liabilities		(43,122)	(7,411,397)
Due from Government and Government agencies		636,495	(31,305,948)
Resale agreements		(3,600,000)	2,052,179
Interest received		29,793,857	20,026,524
Interest paid		<u>(16,038,417)</u>	<u>(7,483,241)</u>
Net cash provided by/(used in) operating activities		<u>24,034,229</u>	<u>(40,566,266)</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	12	(563,384)	(659,218)
Additions to intangible asset	12	(253,181)	(130,165)
Proceeds from disposal of property, plant and equipment		<u>48,763</u>	<u>44,981</u>
Net cash used in investing activities		<u>(767,802)</u>	<u>(744,402)</u>
Cash flows from financing activities:			
Foreign liabilities		(9,464)	4,151
Payment of lease liability	20	(7,536)	(7,536)
Net cash used in financing activities		<u>(17,000)</u>	<u>(3,385)</u>
Net (decrease)/increase in cash and cash equivalents		23,249,427	(41,314,053)
Cash and cash equivalents at beginning of year		85,080,340	120,853,751
Effect of exchange rate fluctuation on cash held		<u>(1,569,166)</u>	<u>5,540,642</u>
Cash and cash equivalents at end of year		<u>106,760,601</u>	<u>85,080,340</u>
Comprising:			
Foreign cash and cash equivalents	4	106,430,839	84,772,003
Foreign notes and coins		153,983	148,359
Local notes and coins		<u>175,779</u>	<u>159,978</u>
		<u>106,760,601</u>	<u>85,080,340</u>

*Restated, see note 36

The accompanying notes form an integral part of the financial statements.

BANK OF JAMAICA

Notes to the Financial Statements
Year ended December 31, 2022

1. Identification

Bank of Jamaica (hereafter “the Bank”) was established by the Bank of Jamaica Act (hereafter “the Act”), which was most recently amended in December 2020 by the Bank of Jamaica (Amendment) Act, 2020 (“the Amendment Act”). The Amendment Act was passed by Parliament in December 2020 and assented to by the Governor General on December 22, 2020. The Amendment Act became effective on April 16, 2021; being the appointed day provided by the Minister of Finance and the Public Service by notice published in the gazette. The Bank is domiciled in Jamaica and its principal office is located at Nethersole Place, Kingston, Jamaica.

The principal objectives of the Bank, as set out in the Act, are the maintenance of price stability and financial system stability with the primary objective being the maintenance of price stability. The functions of the Bank include to issue and redeem notes and coins; to keep and manage the external reserves of Jamaica; to foster the development of money and capital markets in Jamaica; to act as banker and financial agent of the Government of Jamaica and to act as banker to deposit taking institutions. As provided for in the Act, the functions of the Bank are required to be carried out with a view to achieving the principal objectives of the Bank and in a manner that recognise the growth and employment objectives of the Government.

2. Basis of preparation

The financial statements were authorised for issue by the Bank’s board of directors, who authorised Richard Byles, E. George Roger and Ian Williams to sign on its behalf.

(a) Statement of compliance

The financial statements are prepared in accordance with the relevant provisions of the Bank of Jamaica Act and International Financial Reporting Standards (“IFRS”) were adopted. Certain amended standards were adopted during the year none of which resulted in any changes to amounts recognised or disclosed in these financial statements.

(b) Functional and presentation currency

The financial statements are prepared and presented in thousands (J\$’000) Jamaica Dollars (JMD), which is the Bank’s functional currency, except as otherwise indicated.

(c) Basis of measurement

The financial statements are prepared on the historical cost basis, except for the following:

- (i) debt instruments at fair value through other comprehensive income (FVOCI) measured at fair value;
- (ii) securities held in funds managed by agents, measured at fair value;
- (iii) IMF Quota subscription designated as at FVOCI, measured at fair value;
- (iv) certain classes of property, plant and equipment, measured at fair value;
- (v) employee benefits asset, measured at the net of the fair value of the plan assets and the present value of the defined benefit obligation plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses; and
- (vi) employee benefits obligation, measured at the present value of the defined benefit obligation plus unrecognised actuarial gains, less unrecognised past service cost and unrecognised actuarial losses.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

2. Basis of preparation (continued)

(d) Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates, based on assumptions. It also frequently requires management to exercise its judgement in the process of applying IFRS and the Bank's accounting policies. These estimates and judgements affect the reported amounts of, and disclosures relating to assets, liabilities, income, expenses, contingent assets and contingent liabilities.

Estimates and the assumptions underlying them are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Although these estimates are based on management's best knowledge of current events and actions, it is reasonable possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of asset or liability affected.

Information about judgements and estimates with material uncertainty or that have a risk of material adjustment in the next financial year are set out below:

(i) Judgements

For the purpose of these financial statements prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS.

(1) Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest (SPPI) on the principal amount outstanding requires management to make certain judgements on its business operations.

(2) Impairment of financial assets:

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires judgement.

(ii) Key assumptions and other sources of estimation uncertainty

Financial statement amounts that have been significantly affected by estimates, and/or which could change significantly in the next financial year as a result of a change in the estimate, are as follows:

(1) Pension and other post-retirement benefits

The amounts recognised in the statements of financial position and profit or loss and other comprehensive income for pension and other post-retirement benefits are determined actuarially using several assumptions.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

2. Basis of preparation (continued)

(d) Accounting estimates and judgements (continued)

(ii) Key assumptions and other sources of estimation uncertainty (continued)

(1) Pension and other post-retirement benefits (continued)

The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations, and the expected rate of increase in medical costs for post-retirement medical benefits.

The discount rate is determined based on the estimate of yield on long-term Government securities that have maturity dates approximating the terms of the Bank's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenure securities on the market. The estimated rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(2) Fair values of financial instruments

A significant portion of the Bank's financial instruments are not quoted in an active market. Accordingly, fair values of such financial assets are estimated using prices obtained from a yield curve. That yield curve is, in turn, obtained from a pricing source which estimates the yield curve on the basis of indicative prices submitted by licensed banks and other financial institutions in Jamaica. The fair value determined using this approach has been categorised as a level 2 fair value; consequently, the estimates arrived at may be different from the actual price of the instrument in an actual arm's length transaction (see notes 6, 9 and 34).

(3) Fair value of land and building

The fair value of properties is determined by property valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. The properties are valued using the market comparable approach. Under this approach, a property's fair value is estimated based on comparable transactions which is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The estimate of fair values is therefore dependent on the availability of reliable comparable sales data.

(4) Allowance for impairment losses

In determining amounts recorded for impairment of debt securities and other financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimates the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions make uncertainty inherent in such estimates.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies

(a) Financial instruments – Classification, recognition and de-recognition, and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements:

- Financial assets have been determined to comprise cash and cash-equivalents, securities held in funds managed by agents, investment securities, IMF – holding of special drawing rights, bilateral accounts, resale agreements, IMF – quota subscription, due from Government and Government agencies and staff and ex-staff loans.
- Financial liabilities comprise deposits and other demand liabilities, open market liabilities, IMF – allocation of special drawing rights, foreign liabilities and bilateral accounts and other liabilities.

Financial instruments are classified, recognised and measured in accordance with the substance of the terms of the contracts as set out herein.

(i) Recognition and initial measurement

The Bank recognises a financial instrument when it becomes a party to the contractual terms of the instrument. The Bank initially recognises loans and receivables and debt securities on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

(ii) Classification of financial instruments

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Debt instruments measured at amortised cost are initially measured at fair value plus incremental direct transaction costs and subsequently at their amortised cost using the effective interest method.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

(ii) Classification of financial instruments (continued)

Financial assets (continued)

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Debt securities classified or designated as at FVTPL are measured at fair value with changes recognised immediately in profit or loss.

Business model assessment:

The Bank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

The Bank's objective is achieved by both collecting contractual cash flows and selling financial assets.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
 Year ended December 31, 2022

3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

(ii) Classification of financial instruments (continued)

Financial assets (continued)

Solely payments of principal and interest (SPPI) assessment:

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers the following:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- leverage features, that modify consideration of the time value of money such as periodic reset of interest rates;
- prepayment and extension features; and
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the "solely for payments of principal and interest" criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Reclassifications:

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first reporting period following the change in business model.

Financial liabilities

The Bank classifies financial liabilities as measured at amortised cost.

(iii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Bank is recognised as a separate asset or liability.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
 Year ended December 31, 2022

3. Significant accounting policies (continued)

(a) Financial instruments – Classification, recognition and derecognition, and measurement (continued):

(iii) Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

The Bank derecognises a financial liability when its contractual obligations expire, are discharged or cancelled.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has the legal right to offset the amounts and intends either to settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(v) Specific items

(1) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents comprise short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term commitments (these investments include short-term deposits where the maturities do not exceed three months from the acquisition date). Cash and cash equivalents are classified and measured at amortised cost.

(2) Resale agreements

Resale agreements are accounted for as short-term collateralised lending and classified and measured at amortised cost. They are measured at fair value on initial recognition and subsequently, at amortised cost. The difference between the purchase cost and the resale consideration is recognised in profit or loss as interest income using the effective interest method.

(3) Other assets

Staff and ex-staff loans included in other assets are classified and measured at amortised cost, less impairment losses.

(4) Deposits and other demand liabilities

Deposits and other demand liabilities are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost using the effective interest method.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

- (a) Financial instruments – Classification, recognition and derecognition, and measurement (continued):

- (v) Specific items (continued)

- (5) Other liabilities

Other liabilities are measured at amortised cost.

- (6) International Monetary Fund Quota subscription is designated as FVOCI and measured at fair value as it is held for strategic purposes and the Bank has no intention of liquidating it.

- (7) International Monetary Fund – allocation of Special Drawing Rights is classified and measured at amortised cost.

- (8) International Monetary Fund – holding of special drawing rights is classified and measured at amortised cost less impairment losses.

- (b) Impairment of financial assets

The Bank recognises allowances for expected credit losses (ECL) on financial assets that are debt instruments measured at amortised cost and FVOCI.

The Bank measures loss allowances at an amount equal to life-time ECL, except for investment securities that are determined to have low credit risk at the reporting date and other financial instruments on which credit risk has not increased significantly since their initial recognition. Loss allowances on these are measured at 12-month ECL.

The Bank considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1 financial instruments’.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as ‘Stage 2 financial instruments’.

Measurement of ECL

ECL are probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive); and
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

(b) Impairment of financial assets (continued)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets measured at amortised cost and debt financial assets measured at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets').

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Debt instruments measured at FVOCI no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is fair value. However, the loss allowances are disclosed and recognised in the securities revaluation reserve.

(c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rates prevailing at that date. Transactions in foreign currencies are translated at the foreign exchange rates ruling at the dates of those transactions.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

(c) Foreign currencies (continued)

The rate of exchange of the Jamaica Dollar to the United States dollar is determined by the weighted average rate of trades reported by authorised foreign exchange dealers and cambios and the rate at which the Bank itself buys United States dollars. The rates of exchange for other currencies are determined using rates published by The World Markets Company Plc (WM Reuters).

Gains and losses arising on fluctuations in exchange rates are included in profit or loss.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, except for freehold land and buildings, which are measured at fair value less subsequent accumulated depreciation.

- Cost

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to the location and condition where it is ready for its intended use.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and it can be measured reliably.

The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

- Fair value

Subsequent to initial recognition, land and building are stated at fair value, which reflects market conditions at the reporting date. The fair value is determined by an external, independent valuer, with appropriate recognised professional qualification and recent experience in the location and category of land and buildings being valued. The Bank's policy is to obtain an independent professional valuation of all its land and buildings every five years. Management's assessment of significant movement in fair value is done for the intervening years and adjustment made to valuation, as necessary.

Surplus arising on revaluation of land and buildings is recognised in other comprehensive income and included in property revaluation reserve in equity.

(ii) Depreciation

Property, plant and equipment are depreciated on the straight-line basis at annual rates estimated to write down the assets to their residual value over their estimated useful lives. Leasehold property is amortised in equal instalments over the shorter of the lease term and the property's estimated useful life.

Land, works of art and museum coins are not depreciated.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Depreciation (continued)

The estimated useful lives are as follows:

Buildings	10 – 20 years
Leasehold property	Shorter of lease term and useful life
Furniture, plant and equipment	10 years
Computer equipment	5 years
Motor vehicles	5 years
Right-of-use asset (property)	Lease term

The depreciation methods, useful lives and residual values are reassessed at each reporting date.

(e) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Bank at the end of the lease term or the cost of the right-of-use asset reflects that the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the contracted lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

(e) Leases (continued)

As a lessee (continued)

The Bank determines its incremental borrowing rate by reference to those paid on its open market liabilities.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liability in 'the statement of financial position.

Short-term leases and leases of low-value assets

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(f) Notes and coins in circulation

The nominal value of numismatic coins sold is included in notes and coins in circulation. The net proceeds from such sales are included in profit or loss.

Notes and coins in circulation are measured after a deduction of 25% of the value of coins in circulation in accordance with the Bank of Jamaica (Value of Coins in Circulation) Order 1973, as permitted under Section 22 of the Act. The deductions are credited to the special stabilisation account.

(g) Taxation

The Bank is exempt from income tax under Section 12(b) of the Income Tax Act. The Bank's supplies are substantially exempt from General Consumption Tax (GCT). It incurs GCT at standard rates on taxable supplies acquired.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

(h) Employee benefits

Employee benefits comprise all forms of consideration given by the Bank in exchange for service rendered by employees. These include current or short-term benefits such as salaries, NIS contributions, annual vacation leave, and non-monetary benefits such as medical care and life insurance; post-employment benefits such as pension and medical care; and other long-term employee benefits such as termination benefits.

(i) General benefits

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. The estimated cost of accumulated vacation leave is recognised annually. Post-employment benefits are accounted for as described in (ii) and (iii) below.

(ii) Post-employment benefits - defined benefit pension plan

In respect of defined-benefit arrangements, employee benefits and obligations included in the financial statements are determined annually by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the Bank's post-employment benefit asset and obligation as computed by the actuary.

The cost of the pension benefits the Bank is committed to providing is the total of (1) the net obligation under the plan for services rendered and (2) the cost of administration of the plan – both of which costs are borne by the Bank.

The Bank's net obligation under its defined-benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to the yield on long-term government securities with maturities approximating the terms of the Bank's obligation at the reporting date. The calculation is performed by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit asset, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognised in other comprehensive income. The Bank determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit asset at the beginning of the year to the net defined benefit asset, taking into account any changes in the net defined benefit asset during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

When the benefits of the plan are changed or when the plan is contracted, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Bank recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

(h) Employee benefits (continued)

(ii) Post-employment benefits - defined benefit pension plan (continued)

Where the calculation results in a benefit to the Bank, the recognised asset is limited to the net present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

(iii) Post-employment defined benefits – medical care and life insurance

The Bank's obligation in respect of unfunded long-term employee medical care and life insurance are the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is then discounted to determine its present value. The discount rate is determined as per the defined benefit pension plan set out at (ii) above. The calculation is performed by a qualified actuary using the projected unit credit method. Remeasurements of the defined obligation as well as net interest expense is recognised in the same manner as described at (ii) above for the defined-benefit pension plan.

(i) Statutory transfer of profits and losses

As at the reporting date, Section 9 of the Bank of Jamaica (Amendment) Act 2020 ("the Amendment Act") requires each financial year's net income to be credited, or net loss to be charged, to the General Reserve Fund and for distributable earnings to be paid into the Consolidated Fund depending on the statutory capital to monetary liability ratio. Where losses are incurred, to the extent that the statutory capital is below 3% of monetary liabilities, the Amendment Act requires the Government to fund the shortfall from the Consolidated Fund.

"Distributable earnings" is defined to mean the profits of the Bank, excluding unrealised foreign exchange gains and other unrealised gains for the financial year, to which is added unrealised foreign exchange gains and other unrealised gains from prior financial years that are realised during the financial year; or have been realised in a prior financial year but have not previously been included in distributable earnings.

For the year ended December 31, 2020, Section 9 of the Act required that each financial year net income be credited, or net loss be charged, to the General Reserve Fund, and for the balance on the General Reserve Fund in excess of five times the Bank's authorised share capital to be transferred to the Consolidated Fund. Likewise, any losses not covered by reserves are required by the Act to be funded by Government out of the Consolidated Fund.

(j) Intangible asset

Intangible asset represents software and is measured at cost less accumulated amortisation and impairment losses. The asset is amortised on the straight-line basis to its residual value over its estimated useful life of 5 years.

Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

(k) Interest income and interest expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of a financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount:

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method, of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense:

The effective interest rate of a financial asset or financial liability is calculated on initial recognition. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost and interest on debt instruments measured at FVOCI.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

3. Significant accounting policies (continued)

(l) Investment securities

The 'investment securities' caption in the statement of financial position includes:

- debt securities measured at amortised cost (see note 9); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI; and
- investment securities measured at FVTPL.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

(m) Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Fee and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfer control over a service to a customer.

The Bank provides payment systems, central securities depository, settlement (RTGS) custodial and other central banking services. Fees are charged to customers on a transaction-by-transaction basis.

Revenue related to these transactions is recognised at the point in time when the related services are performed.

BANK OF JAMAICANotes to the Financial Statements (Continued)
Year ended December 31, 20223. Significant accounting policies (continued)

(o) New and amended standards

(i) Newly currently effective standards:

The following new and amended standards did not have any impact on the Bank's financial statements.

- Amendments to IFRS 16 *Leases* extend the practical expedient by 12 months – i.e. allowing lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022. The amendments were effective April 1, 2021.
- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 9 *Financial Instruments* and IFRS 16 *Leases* and were effective January 1, 2022.
- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* clarify those costs that comprise the costs of fulfilling the contract and were effective January 1, 2022.

(ii) Forthcoming standards:

At the date of authorisation of these financial statements, certain new and amended standards have been issued which are not effective at the reporting date and which the Bank has not early adopted.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help entities provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- (i) requiring entities to disclose their material accounting policies rather than their significant accounting policies;
- (ii) clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- (iii) clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to an entity's financial statements.

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements”.

The Bank will apply the amended standard for the reporting period ended December 31, 2023, with changes in disclosures in accounting policies expected.

BANK OF JAMAICANotes to the Financial Statements (Continued)
Year ended December 31, 20223. Significant accounting policies (continued)(o) New and amended standards (continued)(ii) Forthcoming standards (continued):

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates, unless they result from the corrections of prior period errors. The definition of accounting policies remains unchanged.

The Bank will apply the amendments for the reporting period ended December 31, 2023. The amended standards is not expected to have a significant impact on the Bank's financial statements.

4. Cash and cash equivalents

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Current accounts and money at call with foreign banks	104,265,973	83,748,449
Current accounts with local banks	<u>2,164,866</u>	<u>1,023,554</u>
	<u>106,430,839</u>	<u>84,772,003</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

5. Securities held in funds managed by agents

This represents investments managed by Crown Agents Investment Management Limited (“CAIML”), the International Bank for Reconstruction and Development (IBRD) and the Bank of International Settlements (BIS) on behalf of the Bank and classified as fair value through profit and loss (FVTPL). The portfolio consists of investments in sovereign bonds, corporate bonds and pooled funds as follows:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Units in pooled funds	3,082,233	3,324,545
Sovereign bonds	169,044,364	96,327,018
Corporate bonds	<u>9,562,190</u>	<u>10,345,240</u>
	<u>181,688,787</u>	<u>109,996,803</u>

6. Foreign currency denominated investments

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Securities measured at fair value through other comprehensive income (FVOCI):		
USD Bonds issued primarily by specialised financial corporations	<u>49,584,813</u>	<u>52,829,880</u>
Securities measured at amortised cost:		
Short-term deposits with foreign banks	321,191,095	388,278,704
Less allowance for ECL on investments at amortised cost	<u>(48,357)</u>	<u>(58,248)</u>
	<u>321,142,738</u>	<u>388,220,456</u>
	<u>370,727,551</u>	<u>441,050,336</u>

7. International Monetary Fund – Holding of Special Drawing Rights

	<u>2022</u> SDR'000	<u>2021</u> SDR'000	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Amount held by the Bank	<u>105,836</u>	<u>487,494</u>	<u>21,367,297</u>	<u>105,095,017</u>

During the year, monies were transferred to a special investment tranche to Externally Managed Funds.

8. International Monetary Fund – Quota Subscription

This represents the portion of Jamaica's fee for membership of the International Monetary Fund (IMF), based on its quota, which was paid by the Bank (the other portion having been subscribed by the Government of Jamaica). The Bank holds, on behalf of the IMF, promissory notes issued by the Government reflecting the Jamaica dollar value of the unpaid subscription quota allocated to Jamaica. The Jamaica dollar value of the promissory notes issued are determined by the Special Drawing Rights (SDR) to Jamaica Dollar (J\$) rate of exchange at April 30 of each year.

The Jamaica dollar amounts in the table below are computed using the SDR: J\$ rate at December 31. Jamaica is assigned a quota of SDR 382,900,000, which represents 0.008% of the total quota allocated by the IMF. Quotas are reviewed every five years, when adjustments may be considered.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

8. International Monetary Fund – Quota Subscription (continued)

	SDR'000	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Amount subscribed by the Government of Jamaica (substituted by securities)	324,425	65,498,062	69,940,284
Amount subscribed by the Bank	<u>58,475</u>	<u>11,805,499</u>	<u>12,606,174</u>
Total quota	<u>382,900</u>	<u>77,303,561</u>	<u>82,546,458</u>
	SDR'000	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Amount subscribed by the Bank:			
At beginning of year	58,475	12,606,174	11,997,333
Effect of exchange rate fluctuation *	-	(800,675)	608,841
At end of year	<u>58,475</u>	<u>11,805,499</u>	<u>12,606,174</u>

* The exchange rate at the reporting date is set out at note 17(d)(v).

9. Resale agreements

The Bank, as one of its options in pursuing its monetary policy objectives, enters into various resale agreements with financial institutions. Under these agreements, the Bank purchases Government of Jamaica (“GOJ”) securities and agrees to resell them to the respective counterparties on specified dates and at specified prices. These are accounted for as short-term collateralised lending [note 3(a)(v)(2)]. Section 23(f) of the Amendment Act requires that the maximum loan or advance granted against securities shall be based on the Bank’s determination of the risk of such security losing its fair value during the life of the loan. At December 31, 2022, resale agreements of \$12,700,000,000 (2021: \$9,099,825,000) were collateralised by securities with fair value of \$14,250,154,000 (2021: \$10,039,056,000).

10. Local currency denominated investments

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Securities at FVOCI:		
Jamaica Government securities:		
Variable rate benchmark investments	74,738,929	74,709,211
Fixed rate benchmark investments	<u>101,506,725</u>	<u>112,481,474</u>
	<u>176,245,654</u>	<u>187,190,685</u>
Securities at amortised cost:		
Jamaica Government securities:		
Fixed rate accreting notes (“FRANs”) [See note re National Debt Exchange (“NDX”) below]	86,723,375	85,207,988
Less allowance for ECL on investments at amortised cost	(270,406)	(270,860)
	<u>86,452,969</u>	<u>84,937,128</u>
	<u>262,698,623</u>	<u>272,127,813</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

10. Local currency denominated investments (continued)

As part of the NDX, GOJ mandated the Bank [and all other state-owned/controlled entities that held GOJ - issued notes ("Old Notes")] to exchange those Old Notes for new notes - FRANs - as at February 22, 2013. Old notes with a carrying amount of \$94,833,000,000 at that date were exchanged for FRANs with a fair value of \$73,748,000,000 resulting in a loss of \$21,085,000,000 for the Bank.

In summary, under the terms of the FRANs:

- (i) A holder of Old Notes was issued J\$80 of initial principal value of FRANs for every J\$100 of principal value of Old Notes;
- (ii) Interest is payable semi-annually on February 15 and August 15 at a fixed rate of 10% p.a. on the accreted principal value with the first payment made on August 15, 2013;
- (iii) Accretion for the additional J\$20 of principal value commenced in August 2015 as follows:
 - 0.5% of \$100 every six months from August 15, 2015 until August 15, 2020;
 - Thereafter, 1.0% of \$100 every six months until August 15, 2026; and
 - Thereafter, 1.5% of \$100 every six months until August 15, 2027.
- (iv) The FRANs may be redeemed by GOJ on any interest payment date after August 15, 2020. The value at which the FRAN could be redeemed was not specified in the offer document.

11. Due from/(to) Government and Government Agencies

	<u>2022</u>			
	<u>At beginning of year</u>	<u>Movements during the year</u>		<u>At end of year</u>
	J\$'000	Advances/ (distributed profit) J\$'000	Settlement J\$'000	J\$'000
Withholding tax refund due [see notes (c) and (d) below]	1,147,977	-	(1,331,078)	(183,101)
Accrued interest on Government securities	4,673,720	5,057,337	(4,673,720)	5,057,337
Net loss/(profit) receivable from/(payable to) Consolidated Fund [see (b) and (d) below]	<u>(2,297,835)</u>	<u>(1,980,650)</u>	<u>694,583</u>	<u>(3,583,903)</u>
	<u>3,523,862</u>	<u>3,076,687</u>	<u>(5,310,215)</u>	<u>1,290,333</u>
	<u>2021</u>			
	<u>At beginning of year</u>	<u>Movements during the year</u>		<u>At end of year</u>
	J\$'000	Advances/ (distributed profit) J\$'000	Settlement J\$'000	J\$'000
Withholding tax refund due [see notes (c) and (d) below]	2,400,406	447	(1,252,876)	1,147,977
Accrued interest on Government securities	4,606,322	4,673,720	(4,606,322)	4,673,720
Net loss/(profit) receivable from/(payable to) Consolidated Fund [see (b) and (d) below]	<u>(34,739,997)</u>	<u>(160,166)</u>	<u>32,602,328</u>	<u>(2,297,835)</u>
	<u>(27,733,269)</u>	<u>4,514,001</u>	<u>26,743,130</u>	<u>3,523,862</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

11. Due from/(to) Government and Government Agencies (continued)

- (a) Under Section 36 of the Amendment Act 2020, the Bank may in any year in which an event that is declared by the Minister by Order, to be a national emergency occurs, make temporary advances to the Government which should:
- (i) not cumulatively exceed five percent of the average of the recurrent revenue of Jamaica for the three fiscal years immediately preceding the year in which advances are made;
 - (ii) bear interest at a rate specified by the Bank, after giving consideration to prevailing market rates; and
 - (iii) be repaid not later than four months after the end of the fiscal year in which the advances are made.

There were no advances given in 2022 and 2021.

- (b) Section 9(2) of the Amendment Act 2020 provides that where at the end of any financial year the audited financial statements of the Bank disclose that the statutory capital of the Bank as defined falls below 3% of monetary liabilities, the Government is required to issue to the Bank marketable securities to make up this shortfall. The value of the marketable securities so issued shall be credited to the General Reserve Fund. See further details at note 23(b).
- (c) Income tax is normally withheld on income earned by the Bank on its holding of securities (in practice, this is GOJ securities) in accordance with Section 31A of the Income Tax Act as an advance on payment of income tax which may be due. However, as the Bank is exempt from income tax, the entire amount of tax withheld is recoverable from Tax Administration Jamaica. Additionally, in 2020 the Bank obtained an exemption from withholding tax and no further amounts were added to the outstanding recoverable balance during the year.

At the reporting date, the age profile of the withholding tax (payable)/recoverable was as follows:

	<u>2022</u>	<u>2021</u>
	J\$'000	J\$'000
6-12 months	(183,101)	477
1-5 years	<u>-</u>	<u>1,147,500</u>
	<u>(183,101)</u>	<u>1,147,977</u>

- (d) The Bank and the Government of Jamaica (GOJ) entered into a memorandum of understanding dated December 21, 2013 (amended by supplemental memorandum of understanding dated February 28, 2014) for the settlement of accumulated losses and the recovery of withholding tax refunds due to the Bank. All outstanding amounts included in this agreement were settled by March 2019.

The agreement also stipulates that all refunds in relation to subsequent withholding taxes will be made on submission of the returns and verification by the Commissioner General, Tax Administration Jamaica. Subsequent to the submission of the required returns a total of \$11.28 billion has been refunded to the Bank for the period January 1, 2013 to December 31, 2022.

BANK OF JAMAICANotes to the Financial Statements (Continued)
Year ended December 31, 202212. Property, plant and equipment

	Freehold land and buildings	Leasehold property	Furniture, plant and equipment	Motor vehicles	Work in progress	Total
	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000	J\$'000
Cost or valuation:						
December 31, 2020	7,853,626	200,363	3,200,666	481,082	-	11,735,737
Additions	166,046	19,946	212,691	122,287	138,248	659,218
Disposals/write-offs	-	-	-	(99,396)	-	(99,396)
December 31, 2021	8,019,672	220,309	3,413,357	503,973	138,248	12,295,559
Additions	148,734	7,899	156,326	156,117	94,308	563,384
Disposals/write-offs	-	-	-	(120,586)	-	(120,586)
December 31, 2022	<u>8,168,406</u>	<u>228,208</u>	<u>3,569,683</u>	<u>539,504</u>	<u>232,556</u>	<u>12,738,357</u>
Depreciation:						
December 31, 2020	533,199	85,957	2,114,396	207,933	-	2,941,485
Charge for the year	372,649	17,680	215,091	99,875	-	705,295
Elimination on disposal	-	-	-	(65,099)	-	(65,099)
December 31, 2021	905,848	103,637	2,329,487	242,709	-	3,581,681
Charge for the year	380,959	18,779	223,733	96,764	-	720,235
Elimination on disposal	-	-	-	(76,023)	-	(76,023)
December 31, 2022	<u>1,286,807</u>	<u>122,416</u>	<u>2,553,220</u>	<u>263,450</u>	<u>-</u>	<u>4,225,893</u>
Net book values:						
December 31, 2022	<u>6,881,599</u>	<u>105,792</u>	<u>1,016,463</u>	<u>276,054</u>	<u>232,556</u>	<u>8,512,464</u>
December 31, 2021	<u>7,113,824</u>	<u>116,672</u>	<u>1,083,870</u>	<u>261,264</u>	<u>138,248</u>	<u>8,713,878</u>
December 31, 2020	<u>7,320,427</u>	<u>114,406</u>	<u>1,086,270</u>	<u>273,149</u>	<u>-</u>	<u>8,794,252</u>

The Bank obtains independent valuations of land and buildings every five years (or more frequently if the Bank has compelling reasons to believe the fair value has changed materially in the intervening years) [note 3(d)(i)].

A revaluation was performed in December 2020 by Benchmark Properties.

The surplus arising on revaluation, inclusive of depreciation no longer required, is included in property revaluation reserve [note 25(b)].

The valuations were done using the market value sale comparison approach, and management accepted these as reasonable estimates of fair value. The fair value of land and buildings is categorised as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
 Year ended December 31, 2022

12. Property, plant and equipment (continued)

The market value takes into consideration market research on the areas, examination of current market forces, conditions and comparable sales, with reference to expected procedures and protocols between willing buyer and willing seller.

Valuation techniques	Unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<i>Investment approach:</i> The valuation model examines the price an investor would be prepared to pay for the right to receive a certain income stream.	<ul style="list-style-type: none"> Expected market rental growth Yields Rental rates 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> Expected market rental growth were higher (lower); The occupancy rate was higher (lower)
<i>Sales comparison approach:</i> The approach relies heavily upon the principle of substitution. Recent sales of similar properties are gathered and a meaningful unit of comparison is developed. A comparative analysis of the subject is done, involving consideration for differences in location, time, terms of sales and physical characteristics.	<ul style="list-style-type: none"> Sales of similar properties 	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> Sales prices of similar properties were higher/(lower)

13. Intangible asset

	<u>Computer software</u>	
	<u>2022</u>	<u>2021</u>
	JS'000	JS'000
Cost:		
At the beginning of year	1,490,946	1,360,781
Additions	<u>253,182</u>	<u>130,165</u>
At end of year	<u>1,744,128</u>	<u>1,490,946</u>
Amortisation:		
At the beginning of year	1,068,044	945,383
Charge for the year	<u>167,654</u>	<u>122,661</u>
At end of year	<u>1,235,698</u>	<u>1,068,044</u>
Net book value	<u>508,430</u>	<u>422,902</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

14. Employee benefits

The Bank operates non-contributory defined benefit pension, medical, and life insurance schemes for all its permanent eligible employees and pensioners and funds supplemental retirement benefits.

- Benefits under the pension scheme are computed by reference to final salary. The assets of the scheme, which are held separately from those of the Bank, are under the control of a board of trustees, with day-to-day management by employees of the Bank. The rules of the pension scheme provide for Bank to contribute up to 10% of each member's salary and, after consultation with the actuary, such additional amounts as are necessary to secure the benefits provided for by the rules of the pension scheme. The scheme is subject to actuarial risks.
- The Bank provides life and post-employment medical benefits to eligible employees and pensioners. The schemes are unfunded.

(a) Pension asset recognised:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Present value of funded obligations	(11,527,800)	(17,598,400)
Fair value of plan assets	22,270,100	22,175,600
Change in effect of asset ceiling	<u>(7,107,100)</u>	<u>-</u>
Recognised asset	<u>3,635,200</u>	<u>4,577,200</u>

(i) Movements in the present value of defined benefit obligations

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Balance at beginning of year	17,598,400	15,993,400
Benefits paid	(696,600)	(818,500)
Service cost	450,800	394,900
Interest cost	1,416,100	1,438,100
Remeasurement (gain)/loss on obligation included in other comprehensive income [note 14(a)(iv)]	<u>(7,240,900)</u>	<u>590,500</u>
Balance at end of year	<u>11,527,800</u>	<u>17,598,400</u>

(ii) Movements in plan assets

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Fair value of plan assets at beginning of year	22,175,600	21,736,200
Contributions paid	194,400	156,000
Interest income on plan assets	1,754,000	1,926,400
Benefits paid	(696,600)	(818,500)
Remeasurement loss on assets include in other comprehensive income [note 14(a)(iv)]	<u>(1,157,300)</u>	<u>(824,500)</u>
Fair value of plan assets at end of year	<u>22,270,100</u>	<u>22,175,600</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

14. Employee benefits (continued)

(a) Pension asset recognised (continued):

(ii) Movements in plan assets (continued)

Plan assets consist of the following:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Government of Jamaica securities	20,450,900	20,121,700
Bank of Jamaica certificates of deposit	1,243,800	1,238,000
Real estate	260,000	260,000
Other	<u>315,400</u>	<u>555,900</u>
	<u>22,270,100</u>	<u>22,175,600</u>

(iii) Amounts recognised in profit or loss

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Current service cost	450,800	394,900
Interest on obligations	1,416,100	1,438,100
Interest income on assets	(1,754,000)	(1,926,400)
	<u>112,900</u>	<u>(93,400)</u>

(iv) Items recognised in other comprehensive income

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Remeasurement loss on obligation:		
Experience adjustment [note 14(a)(i)]	7,240,900	(590,500)
Remeasurement loss on assets [note 14(a)(ii)]	(1,157,300)	(824,500)
Change in effect of asset ceiling	(7,107,100)	-
	<u>(1,023,500)</u>	<u>(1,415,000)</u>

(v) Principal actuarial assumptions at the reporting date (expressed as weighted averages)

	<u>2022</u> %	<u>2021</u> %
Discount rate	13.00	8.00
Future pension increases	2.75	2.50
Future salary increases	<u>6.00</u>	<u>5.50</u>

(vi) A one percentage point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by amounts shown below:

<u>Actuarial assumption</u>	<u>2022</u>	
	<u>1 percentage point increase</u> J\$'000	<u>1 percentage point decrease</u> J\$'000
Discount rate	(985,500)	1,160,600
Future salary increases	313,900	(288,800)
Future rate of pension	<u>850,000</u>	<u>(739,600)</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

14. Employee benefits (continued)

(a) Pension asset recognised (continued):

- (vi) A one percentage point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by amounts shown below:

<u>Actuarial assumption</u>	<u>2021</u>	
	<u>0.5 percentage point increase</u> J\$'000	<u>0.5 percentage point decrease</u> J\$'000
Discount rate	(1,213,500)	1,365,300
Assumed rate of salary escalation	349,000	(313,000)
Future rate of pension	<u>1,020,400</u>	<u>(927,400)</u>

(b) Obligations for post-retirement life insurance and medical benefits:

(i) Liability recognised in statement of financial position

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Balance at beginning of year	2,742,500	2,842,100
Current service cost	89,000	87,500
Interest cost	224,500	262,000
Benefits paid	(51,400)	(47,000)
Remeasurement gain on obligation, included in other comprehensive income [note 14(b)(iii)]	<u>(879,600)</u>	<u>(402,100)</u>
Balance at end of year	<u>2,125,000</u>	<u>2,742,500</u>

(ii) Expense recognised in profit or loss:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Current service cost	89,000	87,500
Interest on obligation	<u>224,500</u>	<u>262,000</u>
	<u>313,500</u>	<u>349,500</u>

(iii) Items in other comprehensive income

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Change in financial assumptions	2,030,700	(3,100)
Experience adjustment	<u>(1,151,100)</u>	<u>405,200</u>
Remeasurement gain/(loss) on obligation	<u>879,600</u>	<u>402,100</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

14. Employee benefits (continued)

(b) Obligations for post-retirement life insurance and medical benefits (continued):

(iv) At the reporting date, changes to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by amounts shown below:

	<u>2022</u>	
	<u>1 percentage point increase</u> J\$'000	<u>1 percentage point decrease</u> J\$'000
Discount rate	(250,100)	309,600
Assumed medical cost trend rate and rate of salary escalation	<u>308,000</u>	<u>(248,900)</u>
	<u>2021</u>	
	<u>0.5 percentage point increase</u> J\$'000	<u>0.5 percentage point decrease</u> J\$'000
Discount rate	(242,400)	280,200
Assumed medical cost trend rate and rate of salary escalation	<u>278,500</u>	<u>(241,100)</u>

(v) Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<u>2022</u> %	<u>2021</u> %
Discount rate	13.00	8.00
Future salary increase	6.00	5.50
Medical claims growth	<u>7.50</u>	<u>7.00</u>

Assumptions regarding future mortality are based on the GAM 94 [2021: GAM 94] mortality table for pensioners (British mortality tables), but with each age rated down by five (2021: five) years.

(c) The estimated pension contributions expected to be paid into the plan during the next financial year amounts to J\$255,000,000 (2021: J\$223,000,000). See note 14(a)(ii) for actual contributions paid during the current and previous years.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

15. Other assets

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Inventory of unissued notes and coins	4,288,036	1,957,030
Staff loans, gross	2,889,562	2,353,216
Ex-staff loans, gross	19,573	83,579
Accrued interest receivable	1,504,881	196,089
SDR equalisation provision [note 17(d)(iv)]	2,553,224	2,828,028
Salaries and wages paid in advance	149,428	131,160
Stock of souvenir coins	76,088	76,915
Other	<u>924,514</u>	<u>990,359</u>
	12,405,306	8,616,376
Less:		
Remeasurement of staff loans	(817,820)	(624,783)
Allowance for ECL: ex-staff loans	<u>(19,627)</u>	<u>(25,102)</u>
	<u>11,567,859</u>	<u>7,966,491</u>

Other assets, excluding interest receivable, are due from the reporting date as follows:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Within 1 year	1,080,528	1,195,942
Over 1 year	<u>8,982,449</u>	<u>6,574,459</u>
	<u>10,062,977</u>	<u>7,770,401</u>

16. Notes and coins in circulation

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Notes	227,246,222	221,197,082
Central Bank Digital Currency	257,000	6,000
Coins	<u>6,183,798</u>	<u>5,661,690</u>
	<u>233,687,020</u>	<u>226,864,772</u>

Section 21 of the Act requires the Bank to hold specified assets of an amount in value sufficient to cover the value of the total amount of notes and coins in circulation as defined in that section. The assets held shall include, *inter alia*, (a) gold; (b) "hard currency" cash, bank balances or securities issued by a foreign government or international financial institution of which Jamaica is a member; or (c) Special Drawing Rights. Specified assets held by the Bank, as at December 31, 2022, were 2.91 (2021: 3.26) times the value of notes and coins in circulation at that date.

Coins in circulation are shown net of a reserve of 25% of the gross amount of coins in circulation (note 24).

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

17. Deposits and other demand liabilities

(a) Deposits and other demand liabilities comprise the following:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Government and Government agencies	156,951,035	126,172,161
Commercial banks and specified financial institutions	162,454,086	196,060,559
International Monetary Fund [see (d) below]	85,967,166	131,236,539
Others	<u>8,118,051</u>	<u>11,279,282</u>
	<u>413,490,338</u>	<u>464,748,541</u>
	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Jamaica dollar equivalent of foreign currency deposits	242,568,411	264,564,652
Jamaica dollar deposits	<u>170,921,927</u>	<u>200,183,889</u>
	<u>413,490,338</u>	<u>464,748,541</u>

(b) Deposit and other demand liabilities include the reserve deposits prescribed by Section 28 of the Bank of Jamaica Act. Reserve deposits at the reporting date were \$132,165,567,000 (2021: \$126,999,835,000).

(c) Under Section 28A of the Bank of Jamaica Act, commercial banks and specified financial institutions may be required to make special deposits with the Bank in the form of cash or specified securities. There were no special deposits at the reporting date.

(d) IMF related information

(i) Amounts held by the Bank:

	<u>SDR'000</u>		<u>J\$'000</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
2013 Extended Fund Facility	143,863	212,002	29,933,554	46,710,444
2020 Rapid Financing Instrument	268,569	382,900	55,880,947	84,364,435
Other IMF amounts	<u>734</u>	<u>734</u>	<u>152,665</u>	<u>161,660</u>
Total IMF liability	<u>413,166</u>	<u>595,636</u>	<u>85,967,166</u>	<u>131,236,539</u>
Amounts held by the Government of Jamaica (GOJ)				
2013 Extended Fund Facility	31,638	56,621	6,582,898	11,781,094
2020 Rapid Financing Instrument	<u>114,332</u>	<u>-</u>	<u>23,788,984</u>	<u>-</u>
Total IMF liability	<u>145,970</u>	<u>56,621</u>	<u>30,371,882</u>	<u>11,781,094</u>

The funds held by the Bank on behalf of the Government of Jamaica (GOJ) are recorded as a deposit by the Bank (as opposed to a loan), as it is not the Bank's liability. The GOJ makes interest payments on Extended Fund Facility loans (EFFL) in March, May, June, September, November and December.

Under the Rapid Financing Instrument (RFI) repayments will begin in August 2023. Based on the repurchase agreement, payments are anticipated to end May 2025.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

17. Deposits and other demand liabilities (continued)

(d) IMF related information (continued)

(ii) In November 2016, the Government of Jamaica discontinued the 2013 extended fund facility that would have expired in March 2017, and replaced it with a three-year precautionary standby agreement. The precautionary standby agreement expired in November 2019.

(iii) In June 2020, the IMF approved a disbursement of SDR 382.9 million for Jamaica under the Rapid Financing Instrument. The amount will be repaid in eight equal installments of SDR 47.86 million, commencing August 18, 2023 and ending May 19, 2025.

(iv) The following reconciliation shows the total IMF liability converted at the SDR to J\$ exchange rates prevailing at April 30 and December 31.

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
At the December 31 SDR rate:		
Amount at which the loan is carried by the Bank	83,413,942	128,408,511
Effect of exchange rate appreciation/depreciation between April 30 and December 31 (note 15)	<u>2,553,224</u>	<u>2,828,028</u>
At the April 30 SDR rate:		
Amount at which the loan is carried by the IMF [per (a) above]	<u>85,967,166</u>	<u>131,236,539</u>

The Bank is holding promissory notes on behalf of the IMF of \$104,208,391,000 (2021: \$90,663,083,000) which have been issued by the Government of Jamaica in favour of the IMF.

(v) The following table shows the rate of exchange of J\$1 for SDR at April 30 and December 31.

	<u>2022</u> SDR	<u>2021</u> SDR
April 30	J\$1 = 0.0048091	0.0045380
December 31	J\$1 = 0.0049532	0.0046386

As at February 23, 2022, the date of approval of these financial statements, the exchange rate was J\$1 = SDR 0046063.

18. Open market liabilities

As part of the process of controlling liquidity in the financial system, the Bank acquires funds from or makes funds available to financial institutions. One mechanism for doing this is entering into short-term agreements with the institutions. In the case of funds acquired, receipt of funds is evidenced by the Bank issuing Certificates of Deposit to the depositor.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

19. International Monetary Fund - Allocation of Special Drawing Rights

This represents the Bank's obligation for Special Drawing Rights (SDRs) allocated to it. In August 2021, the IMF approved a special allocation of SDR366.992mn representing an increase in the Government of Jamaica's holding of SDR's. This allocation does not change unless there are cancellations or further allocations.

	<u>SDR</u> <u>2022</u> <u>'000</u>	<u>SDR</u> <u>2021</u> <u>'000</u>	<u>2022</u> <u>J\$'000</u>	<u>2021</u> <u>J\$'000</u>
At beginning of year	628,636	261,644	135,522,804	53,681,504
Increase in allocation	-	366,992	-	80,523,176
Effect of exchange rate fluctuation	<u>-</u>	<u>-</u>	<u>(8,607,662)</u>	<u>1,318,124</u>
At end of year	<u>628,636</u>	<u>628,636</u>	<u>126,915,142</u>	<u>135,522,804</u>

20. Leases

The Bank leases a building for office space. The term of the lease is for fifteen (15) years commencing April 2013 and includes an option to renew for an additional period of five (5) years. The Bank expects to exercise the option.

(i) Right of use asset:

	<u>Leasehold property</u>	
	<u>2022</u> <u>J\$'000</u>	<u>2021</u> <u>J\$'000</u>
Balance at January 1	73,307	79,823
Depreciation charge for the year	<u>(6,516)</u>	<u>(6,516)</u>
	<u>66,791</u>	<u>73,307</u>

This is included in property plant and equipment at note 12.

(ii) Lease liability:

	<u>2022</u> <u>J\$'000</u>	<u>2021</u> <u>J\$'000</u>
Undiscounted cashflows of lease liability		
Less than one year	7,536	7,536
One to five years	37,680	37,680
More than five years	<u>32,028</u>	<u>39,563</u>
	77,244	84,779
Less future interest expense	<u>(7,771)</u>	<u>(9,280)</u>
Carrying amount of lease liability	<u>69,473</u>	<u>75,499</u>
Current	6,152	6,027
Non-current	<u>63,321</u>	<u>69,472</u>
	<u>69,473</u>	<u>75,499</u>

(iii) Amounts recognised in profit or loss:

	<u>2022</u> <u>J\$'000</u>	<u>2021</u> <u>J\$'000</u>
Interest on lease liability	<u>1,509</u>	<u>1,632</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

20. Leases (continued)

(iv) Amounts recognised in statement of cashflows

	<u>2022</u>	<u>2021</u>
	J\$'000	J\$'000
Total cash outflow for leases	<u>7,536</u>	<u>7,536</u>

21. Other liabilities

	<u>2022</u>	<u>2021</u>
	J\$'000	J\$'000
Interest payable	2,019,653	1,381,375
Staff and staff-related expenses	911,763	941,558
Other	<u>297,369</u>	<u>310,696</u>
	<u>3,228,785</u>	<u>2,633,629</u>

22. Share capital

Pursuant to Section 8 of the Act, as amended by the Bank of Jamaica (Amendment) Act, 2020, the capital of the Bank is J\$20,577,000,000 (2021: J\$20,577,000,000). The Government of Jamaica has paid J\$20,529,049,000 in marketable securities. Securities amounting to J\$43,951,000 are outstanding.

23. General reserve fund

- (a) Section 9 of the Bank of Jamaica (Amendment) Act 2020 provides that the Bank shall establish and maintain a General Reserve Fund to which, at the end of each financial year:
- (i) there shall be credited the net profit for that year and the value of any marketable securities that may be issued to the Bank pursuant to subsection 9(2) of the Act; and
 - (ii) there shall be charged any net losses of the Bank.
- (b) Under subsection 9(2) of the (Amendment) Act 2020, where at the end of any financial year, the audited financial statements disclose that the statutory capital of the Bank, defined in the Act to be the paid-up capital of the Bank plus the sums standing to the credit of the General Reserve Fund, falls below 3% of the monetary liabilities of the Bank as defined, the Government is required to, within 6 months of the start of the fiscal year immediately following, issue marketable securities to the Bank in an amount at least equivalent to the amount of the short fall.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

23. General reserve fund (continued)

- (c) Where at the end of the financial year the audited financial statements of the Bank disclose that distributable earnings of the Bank are greater than zero, these are paid into the Consolidated Fund as follows:
- (i) where the statutory capital is above 8% of the monetary liabilities of the Bank, an amount equivalent to 100% of the distributable earnings for such financial year shall be paid by the Bank into the Consolidated Fund within four months of the commencement of the fiscal year immediately following;
 - (ii) where the statutory capital is equal to or above 5% of the monetary liabilities and less than or equal to 8% of such monetary liabilities, 25% distributable earnings for such financial year shall be paid by the Bank into the Consolidated Fund within four months of the commencement of the fiscal year immediately following;
 - (iii) no amount shall be paid by the Bank into the Consolidated Fund in the case where the statutory capital is below 5% of monetary liabilities.
- (d) For the year ended December 31, 2020, Section 9 of the Act required that the Bank established and maintained a General Reserve Fund:
- (i) to which, at the end of each financial year, the net income for that year shall be transferred or the net losses charged;
 - (ii) from which shall be paid to the Consolidated Fund the amount by which, at the end of the financial year, the balance thereon exceeds five times the Bank's authorised share capital;
 - (iii) into which should be paid from the Consolidated Fund at the end of the financial year, the amount by which the Bank's net loss exceeds the balance in the General Reserve Fund.

24. Special stabilisation account

The special stabilisation account is maintained at 25% of the gross amount of coins in circulation as a reserve against coins that are unlikely to be redeemed (note 16).

25. Other reserves

This represents the following:

	<u>2022</u> JS'000	<u>2021</u> JS'000
Securities revaluation reserve [see (a)]	(7,958,115)	3,688,874
Property revaluation reserve [see (b)]	7,572,721	7,572,721
Pension equalisation reserve [see (c)]	3,635,200	4,577,200
Employee benefit obligation reserve [see (c)]	<u>459,000</u>	<u>(420,600)</u>
	<u>3,708,806</u>	<u>15,418,195</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

25. Other reserves (continued)

- (a) This represents the net unrealised gains and losses on the revaluation of FVOCI investments securities, net of impairment allowance. The change in fair value of securities at FVOCI is \$11,646,989,000 (2021: \$6,513,166,000).
- (b) The property revaluation reserve represents the surplus arising on the revaluation of certain freehold properties (see note 12).
- (c) The pension equalisation and employee benefit obligation reserves represent the pension surplus and employee benefit obligation arising on the actuarial valuation, under IAS 19, of the Bank's pension scheme and insurance benefits. Annual changes in the value of the plans are shown in the statement of comprehensive income, then transferred to this reserve.

26. Interest income

- (a) Interest income calculated using the effective interest method comprises:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Assets at amortised cost:		
Cash and cash equivalents	1,491,208	42,971
Investment securities	14,990,360	10,163,561
Resale agreements	425,828	160,754
Other	359,060	95,397
Securities at FVOCI:		
Investment securities	<u>12,524,649</u>	<u>8,546,241</u>
Total interest income calculated using the effective interest method.	29,791,105	19,008,924
(b) Interest income from financial instruments designated at FVTPL:		
Investment securities	<u>1,693,525</u>	<u>984,052</u>
	<u>31,484,630</u>	<u>19,992,976</u>
(c) Analysed as follows:		
Government of Jamaica [note 31(c)(ii)]	22,012,467	17,921,876
Other sources	4,013,068	1,131,669
Open market	425,828	160,754
International	<u>5,033,267</u>	<u>778,677</u>
	<u>31,484,630</u>	<u>19,992,976</u>

27. Foreign exchange gain/(net)

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Net (loss)/gains on translation and settlement of foreign currency assets and liabilities, other than on IMF deposit liabilities	(558,216)	22,943,370
Gain/(loss) on translation and settlement of IMF deposit liabilities	6,336,028	(6,771,927)
Realised exchange gains on purchases and sales of foreign currencies	<u>247,365</u>	<u>127,305</u>
	<u>6,025,177</u>	<u>16,298,748</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

28. Interest on deposits and open market liabilities

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Certificates of deposit - Open market liabilities	7,492,951	5,258,422
Deposits:		
- Government and Government agencies [note 31(c)(ii)]	4,391,953	180,605
- Commercial banks and specified financial institutions	1,294,241	572,001
- Other	<u>364,728</u>	<u>38,801</u>
	<u>13,543,873</u>	<u>6,049,829</u>

29. Staff numbers and costs

	<u>2022</u>	<u>2021</u>
Number of employees at the end of the year		
Full-time	489	461
Contract	<u>169</u>	<u>177</u>

The related costs for these employees were as follows:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Salaries and wages	5,420,760	4,894,784
Statutory payroll contributions	332,146	267,051
Uniforms	35,690	35,233
Staff development	117,384	120,274
Subsidy on canteen operations	140,606	142,260
Staff welfare	601,524	457,434
Pension fund related costs	<u>1,049,984</u>	<u>668,774</u>
	<u>7,698,094</u>	<u>6,585,810</u>

30. Other operating expenses

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Communication	116,309	51,607
Travelling and motor vehicle expenses	51,381	33,379
Commission paid to commercial banks	366,494	378,734
Auditor's remuneration	22,877	19,016
General office expenses	310,963	241,618
Fees on investment managed portfolio	140,436	84,136
Other administrative expenses	<u>513,222</u>	<u>414,967</u>
	<u>1,521,682</u>	<u>1,223,457</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

31. Related parties

(a) Definition of related party

A related party is a person or entity that is related to the Bank:

- (i) A person or a close member of that person's family is related to the Bank if that person:
 - (1) has control or joint control over the Bank;
 - (2) has significant influence over the Bank; or
 - (3) is a member of the key management personnel of the Bank.
- (ii) An entity is related to the Bank if any of the following conditions applies:
 - (1) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank.
 - (6) The entity is controlled, or jointly controlled, by a person identified in (i).
 - (7) A person identified in (i)(1) has significant influence over the Bank or is a member of the key management personnel of the Bank.
 - (8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Bank.

A related party transaction is a transfer of resources, services or obligations between the Bank and a related party, regardless of whether or not a price is charged.

(b) Identity of related parties

The Bank has related party relationships with its Board of Directors, the members of the Executive management, the Bank of Jamaica Pension Scheme and the Government of Jamaica and its agencies (see notes 10, 11 and 17).

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

31. Related parties (continued)

(c) Related party amounts

- (i) The statement of financial position includes balances arising in the ordinary course of business with related parties, in addition to those in notes 10, 11 and 17, as follows:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Loans:		
Executive management (included in staff loans, note 15)	148,752	99,396
Deposits: Executive management and Pension fund	189,923	462,632
Open market liabilities: Pension fund	<u>1,245,916</u>	<u>1,238,009</u>

The executive management team consists of twenty-one (21) persons [2021: twenty-two (22) persons].

The interest rates applicable on loans to executive management range from 1% - 3%. The loans are all secured. There is no impairment and no waivers and payments are made accordingly to the agreed terms of the loans. In addition, a deemed taxable income is computed on the interest benefit of the concessionary interest rate. No non-executive director receives emoluments or is in receipt of a loan from the Bank.

- (ii) The statement of profit or loss and other comprehensive income includes income earned from/expenses incurred in transactions with related parties, in the ordinary course of business, as follows:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Directors' fees	4,220	3,955
Interest expense:		
Government and Government agencies (note 28)	4,391,953	180,605
Executive management and pension scheme (current accounts)	14,298	674
Interest income:		
Government of Jamaica [note 26(c)]	22,012,467	17,921,876
Executive management	2,773	2,817
Pension contribution and other benefits	<u>246,793</u>	<u>206,113</u>
Executive management compensation, included in staff costs (note 29)		
Short-term benefits	538,970	488,293
Post-employment benefits	<u>23,217</u>	<u>15,330</u>
	<u>562,187</u>	<u>503,623</u>

32. Commitments

Capital commitments are as follows:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Authorised and contracted	1,166,067	251,970
Authorised but not contracted	<u>195,326</u>	<u>534,918</u>
	<u>1,361,393</u>	<u>786,888</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

32. Commitments (continued)

A commitment is an enforceable, legally binding agreement to make a payment in the future for the purchase of works, goods, or services from the contractor/ supplier. These amounts are not recorded in the statement of financial position because the Bank has not yet received the works, goods, or services from the contractor/ supplier. The amounts stated are what the Bank has committed to pay based on current expected contract prices.

Expenditure authorized but not contracted are for items that have gone through the entire procurement approval process and are pending a formal contractual agreement or purchase/contract order.

33. Contingent liabilities

As at December 31, 2022, there are lawsuits pending against the Bank. There are personal injury matters (covered by insurance limits), claims for damages for breach of contract, and an application for judicial review of the Bank's regulatory actions. The Bank has immunity from any punitive action in exercising its regulatory functions under Bank of Jamaica Act.

The Bank has mounted a defence in all these matters, as they are deemed to be without merit and unlikely to succeed. In any event, were the matter to be ruled against the Bank, the Order for damages would not result in any material losses to the Bank.

34. Fair value of financial instruments

The Bank's accounting policies on measurement and disclosure require the measurement of fair values for financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, where a quoted market price is available, fair value is computed by the Bank using the quoted bid price at the reporting date, without any deduction for transaction costs or other adjustments. Where a quoted market price is not available, fair value is computed using alternative techniques making use of available input data; the Bank uses observable data as far as possible.

Fair values are categorised into different levels in a three-level fair value hierarchy, based on the degree to which the inputs used in the valuation techniques are observable.

The different levels in the hierarchy have been defined as follows:

Level 1: Financial assets and financial liabilities that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: Financial assets and financial liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions, and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in funds with fair values obtained via fund managers, and assets that are valued using a model whereby the majority of assumptions are market observable.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

34. Fair value of financial instruments (continued)

Level 3: Financial assets and financial liabilities that are measured using non-market observable inputs. This means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

The table below analyses financial instruments measured at fair value and those not measured at fair value but for which fair value has been disclosed.

The fair value of the amount due from Government and Government Agencies has not been estimated, as there is no practical means of estimating its fair value.

The fair value of cash and cash equivalents, resale agreements, notes and coins in circulation, deposits and other demand liabilities, open market liabilities, other liabilities and IMF Quota subscription were determined to approximate their carrying value and are not disclosed in the table below. They are included in the level 2 fair value hierarchy.

(a) Securities measured at fair value

	<u>2022</u>		
	<u>Level 1</u> J\$'000	<u>Level 2</u> J\$'000	<u>Total</u> J\$'000
Securities at FVOCI:			
USD Bonds issued primarily by specialised financial corporations	49,584,813	-	49,584,813
Government of Jamaica securities	-	176,245,654	176,245,654
Securities at FVTPL:			
Securities included in funds managed by agents			
- Units in pooled funds	-	3,082,233	3,082,233
- Sovereign bonds	-	169,044,364	169,044,364
- Corporate bonds	-	<u>9,562,190</u>	<u>9,562,190</u>
	<u>49,584,813</u>	<u>357,934,441</u>	<u>407,519,254</u>
	<u>2021</u>		
	<u>Level 1</u> J\$'000	<u>Level 2</u> J\$'000	<u>Total</u> J\$'000
Securities at FVOCI:			
USD Bonds issued primarily by specialised financial corporations	52,829,880	-	52,829,880
Government of Jamaica securities	-	187,190,685	187,190,685
Securities at FVTPL:			
Securities included in funds managed by agents			
- Units in pooled funds	-	3,324,545	3,324,545
- Sovereign bonds	-	96,327,018	96,327,018
- Corporate bonds	-	<u>10,345,240</u>	<u>10,345,240</u>
	<u>52,829,880</u>	<u>297,187,488</u>	<u>350,017,368</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

34. Fair value of financial instruments (continued)

- (b) Financial assets not carried at fair value, which fall in Level 2:

	2022		2021	
	Carrying value J\$'000	Fair value J\$'000	Carrying value J\$'000	Fair value J\$'000
Securities at amortised cost:				
Government of Jamaica securities (FRANs)	<u>86,452,969</u>	<u>115,921,027</u>	<u>84,937,128</u>	<u>122,595,440</u>

- (c) Valuation techniques for investment securities classified as Level 2.

The following table shows the valuation techniques used in measuring the fair value classified in the Level 2 hierarchy.

Type of security	Valuation techniques
GOJ JS securities	<ul style="list-style-type: none"> Obtain bid yield from yield curve provided by a recognised pricing source (which uses Jamaica-market-supplied indicative bids) Using the yield, determine price Apply price to estimate fair value
Securities in funds managed by agent	<ul style="list-style-type: none"> Obtain bid prices published by major overseas broker; Apply price to estimate fair value.

35. Financial risk management

- (a) Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The nature of the risks and manner in which they are measured and managed are as set out below.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. It has established four committees for this purpose:

- Investment Committee, which is responsible for providing oversight on the conversion of investment strategy into performance, portfolio construction and risk modelling for the Bank's Foreign Reserves;
- Credit Committee, which is responsible for evaluating and approving applications for staff loans.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
 Year ended December 31, 2022

35. Financial risk management (continued)

(a) Introduction and overview (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. It has established four committees for this purpose (continued):

- (iii) Risk Management Committee (RMC), which is responsible for assisting the Management Committee in its oversight and management of key risks, including strategic, reputational, financial and operational risks, in relation to the Bank's operations. The RMC oversees the establishment of guidelines, policies and processes for monitoring and mitigating risks, while promoting the development and administration of the corporate risk management framework.
- (iv) The above-listed three committees report to the Committee of Administration, which, in turn, reports to the Management Committee on a weekly basis. The Management Committee reports on a monthly basis to the Board of Directors.
- (v) Audit and Risk Committee – which is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit and Risk Committee is assisted in these functions by the Internal Audit Division. This division undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Board of Directors and the Audit and Risk Committee.

(b) Credit risk

Credit risk is the risk of loss arising from a counter-party to a financial contract failing to discharge its obligations. This risk arises primarily from the Bank's foreign and local currency investment securities, resale agreements, cash and cash equivalents, securities held in funds managed by agents, due from Government and Government Agencies and other assets.

(i) Management of credit risk on classes of financial assets exposed to that risk:

- Foreign currency investments including interest in funds managed by agents

Credit risk on the foreign currency investment portfolio is managed by restricting the holdings of investments substantially to USD Bonds issued primarily by specialised financial corporations, other highly rated sovereign securities, Jamaica Government USD securities and placements in highly rated supranational institutions.

The Bank uses the credit ratings ascribed by Moody's Investor Services, Standard & Poors Financial Services LLC and Fitch as its main criteria for assessing the creditworthiness of financial institutions and sovereigns. The Bank's foreign investments are restricted to money market placements with financial institutions with minimum short-term credit ratings of A-2/P-2/F2 and with minimum long-term ratings of A+/A1/A+ of any two of the three rating institutions.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

35. Financial risk management (continued)

(b) Credit risk (continued)

(i) Management of credit risk on classes of financial assets exposed to that risk (continued):

- Foreign currency investments including interest in funds managed by agents (continued)

Additionally, capital market issues must have a minimum credit rating of A+/A1/A+. In order to reduce consolidated credit risk exposure, the Bank has investment limits in place. The Bank's foreign investment portfolio consists of short-, medium- and long-term investments, each of which has stipulated percentage limits (upper and lower) of the portfolio at market value.

- Local investment securities

Credit risk for local securities is managed by investing only in Government of Jamaica securities. Management does not expect this counterparty to fail to meet its obligations.

- Resale agreements

Credit risk is managed by requiring institutions to deposit with the Bank or its agents, designated securities sufficient to collateralise the amounts advanced under the resale agreements. The minimum collateral value of securities accepted is set at defined percentage of market value. The Bank considered that resale agreements have low risk and the 12-month expected credit loss is not considered significant.

- Cash and cash equivalents

Cash and cash equivalents are held in financial institutions which management regards as strong. The strength of these financial institutions is continually reviewed by the Investment Committee. In addition, there are procedures in place to manage potential concentration. Credit risk is considered low with no material expected credit losses.

- Due from Government and Government Agencies.

These amounts are in respect of accrued interest and withholding taxes recoverable from the Government of Jamaica. Management does not expect this counterparty to fail to meet its obligations. Credit risk is considered low with no significant expected credit losses.

- Other assets

Other credit exposures consist mainly of staff loans for housing and motor vehicles. There is a documented credit policy in place which guides the Bank's credit process for staff loans. The policy includes established procedures for the authorisation of credit. Staff loans are limited to a percentage of the value of the assets being purchased. Mortgages and liens are obtained for staff housing and motor vehicle loans, respectively, which must also be insured.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

35. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Exposure to credit risk

Current credit exposure is the amount of loss that the Bank would suffer if all counterparties to which the Bank was exposed were to default all at once; this is represented substantially by the carrying amount of financial assets shown on the statement of financial position.

Exposures to credit risk attached to financial assets are monitored through credit rating and lending limits, which are regularly reviewed. In addition, securities issued or guaranteed by the Government of Jamaica are required to collateralise advances to financial institutions.

There has been no change to the nature of the Bank's exposure to credit risk or the manner in which it measures and manages the risk.

The Bank's significant concentrations of credit exposure by geographical region (based on the region of ownership of the entity that issued the security or holds the cash or cash equivalents) are as follows:

	<u>2022</u> J\$'000	<u>2021</u> J\$'000
Caribbean	285,082,944	287,456,397
North America	374,746,022	362,151,732
Europe	316,466,426	390,314,519
Other	<u>137,839</u>	<u>218,235</u>
Total financial assets	<u>976,433,231</u>	<u>1,040,140,883</u>

Total credit exposure is the total of receivables and investment securities recognised in the statement of financial position, as there are no off balance sheet credit exposures.

(iii) Credit quality analysis

The following table sets out information about the credit quality of certain financial assets measured at amortised cost and FVOCI debt securities. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. The analysis has been based on Moody's ratings.

	<u>2022</u> J\$'000 <u>Stage 1</u>	<u>2021</u> J\$'000 <u>Stage 1</u>
Foreign currency denominated securities at FVOCI		
Rated AAA	<u>49,584,813</u>	<u>52,829,880</u>
Loss allowance	<u>(9,358)</u>	<u>(11,869)</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

35. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Credit quality analysis

The following table sets out information about the credit quality of certain financial assets measured at amortised cost and FVOCI debt securities. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. The analysis has been based on Moody's ratings.

	<u>2022</u> J\$'000 <u>Stage 1</u>	<u>2021</u> J\$'000 <u>Stage 1</u>
Foreign currency denominated securities at FVOCI		
Rated AAA	<u>49,584,813</u>	<u>52,829,880</u>
Loss allowance	<u>(9,358)</u>	<u>(11,869)</u>
	<u>2022</u> J\$'000 <u>Stage 1</u>	<u>2021</u> J\$'000 <u>Stage 1</u>
Foreign currency denominated securities at amortised cost		
Rated AAA	309,091,538	383,657,781
Rated AA- to AA	<u>12,099,557</u>	<u>4,620,923</u>
	321,191,095	388,278,704
Loss allowance	<u>(48,357)</u>	<u>(58,248)</u>
Carrying amount	<u>321,142,738</u>	<u>388,220,456</u>
	<u>2022</u> J\$'000 <u>Stage 1</u>	<u>2021</u> J\$'000 <u>Stage 1</u>
Local currency denominated securities at FVOCI		
Rated BBB	<u>176,245,654</u>	<u>187,190,685</u>
Loss allowance	<u>(543,823)</u>	<u>(549,625)</u>
	<u>2022</u> J\$'000 <u>Stage 1</u>	<u>2021</u> J\$'000 <u>Stage 1</u>
Local currency denominated securities at amortised cost		
Rated BBB	86,723,375	85,207,988
Loss allowance	<u>(270,406)</u>	<u>(270,860)</u>
	<u>86,452,969</u>	<u>84,937,128</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

35. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality analysis (continued)

	2022		
	J\$'000 Stage 1	J\$'000 Stage 3	J\$'000 Total
Other assets – staff loans receivable			
Low risk	2,889,562	-	2,889,562
Doubtful	-	19,573	19,573
	2,889,562	19,573	2,909,135
Loss allowance	(10)	(19,617)	(19,627)
	<u>2,889,552</u>	<u>(44)</u>	<u>2,889,508</u>
	2021		
	J\$'000 Stage 1	J\$'000 Stage 3	J\$'000 Total
Other assets – staff loans receivable			
Low risk	2,353,216	-	2,353,216
Doubtful	-	83,579	83,579
	2,353,216	83,579	2,436,795
Loss allowance	(10)	(25,092)	(25,102)
	<u>2,353,206</u>	<u>58,487</u>	<u>2,411,693</u>

(iv) Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy at note 3(b).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and third party policies including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

35. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Significant increase in credit risk (continued)

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 30 days past due.

Credit risk grades:

The Bank allocates each exposure a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and by applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades for investments are determined and calibrated based on third party rating agencies credit transition matrices.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes.
- Data from credit reference agencies, press articles, changes in external credit ratings.
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.
- External data from credit reference agencies, including industry-standard credit scores.
- Payment record – this includes overdue status as well as a range of variables about payment ratios.
- Existing and forecast changes in business, financial and economic conditions.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

35. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL (continued)

Determining whether credit risk has been increased significantly:

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

Credit risk is deemed to increase significantly where the credit rating of a security has shifted downwards by two grades based on rating of two of the top three rating agencies and the risk grade of staff loans has moved from low risk to sub-standard.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

35. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL (continued)

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank;
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
 Year ended December 31, 2022

35. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Amounts arising from ECL (continued)

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by property, Loss to Value ratios (LTV) are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

(v) Loss allowance

	<u>2022</u>	<u>2021</u>
	JS'000	JS'000
	<u>Stage 1</u>	<u>Stage 1</u>
Securities at FVOCI:		
Balance at the beginning of the year	561,494	96,727
Net remeasurement of loss allowance	(6,519)	452,096
Financial assets derecognised	(6,181)	(7,727)
New financial assets acquired	<u>4,387</u>	<u>20,398</u>
Balance at year end	<u>553,181</u>	<u>561,494</u>

The above loss allowance is not recognised in the statement of financial position as the carrying amount of debt securities at FVOCI is their fair value.

Financial assets at amortised cost:

	<u>2022</u>			
	<u>JS'000</u>	<u>JS'000</u>	<u>JS'000</u>	<u>JS'000</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Balance at January 1, 2022	329,292	-	25,093	354,385
Net re-measurement of loss allowance	1,186	-	(5,476)	(4,289)
Financial assets derecognised	(58,248)	-	-	(58,248)
New financial assets acquired	<u>46,544</u>	<u>-</u>	<u>-</u>	<u>46,542</u>
Balance at December 31, 2022	<u>318,773</u>	<u>-</u>	<u>19,617</u>	<u>338,390</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

35. Financial risk management (continued)

(b) Credit risk (continued)

(v) Loss allowance (continued)

Financial assets at amortised cost (continued):

	2021			
	JS'000	JS'000	JS'000	JS'000
	Stage 1	Stage 2	Stage 3	Total
Balance at January 1, 2021	106,552	-	24,575	131,127
Net re-measurement of loss allowance	230,432	-	518	230,950
Financial assets derecognised	(65,940)	-	-	(65,940)
New financial assets acquired	<u>58,248</u>	<u>-</u>	<u>-</u>	<u>58,248</u>
Balance at December 31, 2021	<u>329,292</u>	<u>-</u>	<u>25,093</u>	<u>354,385</u>

(c) Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial liabilities as they fall due. Prudent liquidity management requires maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed standby credit facilities to meet commitments.

The Bank's exposure to liquidity risk to meet foreign liabilities, as an institution, is limited due to the minimal amount owed to overseas creditors/lenders. Management of liquidity risk relates primarily to the availability of liquid foreign resources to sell to the Government of Jamaica and its agencies to repay their suppliers and lenders. The Bank manages this risk through a combination of:

- Budgetary procedures to identify the timing of foreign payments by Government of Jamaica.
- Scheduling the maturity of foreign deposits to coincide with the demands of Government and its Agencies.
- Maintaining a portion of its foreign assets in cash or near cash as precautionary funds to meet unforeseen demands.

The Bank, like all central banks, has no real liquidity risk in relation to its domestic financial obligations. The Bank is not subject to any imposed liquidity limit.

There were no changes to the nature of the Bank's exposure to liquidity risk or the manner in which it measures and manages it.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
 Year ended December 31, 2022

35. Financial risk management (continued)(c) Liquidity risk (continued)

The following table presents the undiscounted contractual maturities of financial liabilities:

	2022					
	Within 1 Month J\$'000	1 to 3 months J\$'000	3 to 12 months J\$'000	Over 1 year J\$'000	Contractual cash flow J\$'000	Carrying amount J\$'000
Deposits and other demand liabilities	413,490,338	-	-	-	413,490,338	413,490,338
Open market liabilities	78,615,700	-	43,906,341	54,394,773	176,916,814	171,457,137
International Monetary Fund						
Drawing Rights	-	-	-	127,343,160	127,343,160	126,915,142
Lease liability	628	1,256	5,652	69,708	77,244	69,473
Foreign liabilities	6,509	-	-	-	6,509	6,509
Other	3,228,785	-	-	-	3,228,785	3,228,785
Commitments	-	414,718	751,348	195,327	1,361,393	-
	<u>495,341,960</u>	<u>415,974</u>	<u>44,663,341</u>	<u>182,002,968</u>	<u>722,424,243</u>	<u>715,167,384</u>
	2021					
	Within 1 Month J\$'000	1 to 3 months J\$'000	3 to 12 months J\$'000	Over 1 year J\$'000	Contractual cash flow J\$'000	Carrying amount J\$'000
Deposits and other demand liabilities	464,748,541	-	-	-	464,748,541	464,748,541
Open market liabilities	49,468,826	-	41,372,935	89,538,185	180,379,946	173,212,603
International Monetary Fund						
Drawing Rights	-	-	-	135,534,124	135,534,124	135,522,804
Lease liability	628	1,256	5,652	77,243	84,779	75,499
Other	2,633,629	-	-	-	2,633,629	2,633,629
Commitments	-	543,605	174,931	68,352	786,888	-
	<u>516,851,624</u>	<u>544,861</u>	<u>41,553,518</u>	<u>225,217,904</u>	<u>784,167,907</u>	<u>776,193,076</u>

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on financial assets. Market risk exposures are measured using sensitivity analysis.

BANK OF JAMAICANotes to the Financial Statements (Continued)
Year ended December 31, 202235. Financial risk management (continued)

(d) Market risk (continued)

(i) Currency risk

Currency risk is the risk that the market value of, or the cash flows from, financial instruments will vary because of exchange rate fluctuations. The Bank is exposed to foreign currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than the Jamaica dollar. At the reporting date, the Bank's net exposure to foreign exchange rate fluctuations, in Jamaica dollar equivalent, was as follows, based on currencies in which reported amounts are denominated:

	2022				Total J\$'000
	USD J\$'000	EUR J\$'000	GBP J\$'000	Other J\$'000	
Foreign currency assets:					
Notes and coins - for local sale	53,860	6,446	9,191	5,955	75,452
- for repatriation	55,754	4,366	47,597	46,266	153,983
Cash and cash equivalents	102,165,355	1,523,121	1,558,443	1,183,920	106,430,839
Interest in funds managed by agents	178,606,554	-	-	3,082,233	181,688,787
Interest receivable on BHAs	1,396,547	-	-	98,265	1,494,812
Investment securities	370,727,551	-	-	-	370,727,551
IMF- Holding of special drawing rights	-	-	-	21,367,297	21,367,297
IMF - Quota subscription	-	-	-	11,805,499	11,805,499
	<u>653,005,621</u>	<u>1,533,933</u>	<u>1,615,231</u>	<u>37,589,435</u>	<u>693,744,220</u>
Foreign currency liabilities:					
Open market liabilities	56,798,211	-	-	-	56,798,211
Deposits - current accounts	148,822,390	42,325	5,641,245	2,095,285	156,601,245
Deposits - IMF	-	-	-	85,967,166	85,967,166
IMF - Allocation of special drawing rights	-	-	-	126,915,142	126,915,142
Foreign liabilities	6,509	-	-	-	6,509
Interest payable	558,364	-	261	960,953	1,519,578
	<u>206,185,474</u>	<u>42,325</u>	<u>5,641,506</u>	<u>215,938,546</u>	<u>427,807,851</u>
Net foreign currency assets/ (liabilities)	<u>446,820,147</u>	<u>1,491,608</u>	<u>(4,026,275)</u>	<u>(178,349,110)</u>	<u>265,936,369</u>

BANK OF JAMAICANotes to the Financial Statements (Continued)
Year ended December 31, 202235. Financial risk management (continued)(d) Market risk (continued)(i) Currency risk (continued)

	2021				Total J\$'000
	USD J\$'000	EUR J\$'000	GBP J\$'000	Other J\$'000	
Foreign currency assets:					
Notes and coins - for local sale	52,885	3,373	10,946	5,775	72,979
- for repatriation	83,395	2,888	16,668	45,408	148,359
Cash and cash equivalents	79,932,849	1,525,660	1,738,238	1,575,256	84,772,003
Interest in funds managed by agents	106,672,259	-	-	3,324,544	109,996,803
Interest receivable on BHAs	178,040	-	-	9,616	187,656
Investment securities	441,050,336	-	-	-	441,050,336
IMF- Holding of special drawing rights	-	-	-	105,095,017	105,095,017
IMF - Quota subscription	-	-	-	12,606,174	12,606,174
	<u>627,969,764</u>	<u>1,531,921</u>	<u>1,765,852</u>	<u>122,661,790</u>	<u>753,929,327</u>
Foreign currency liabilities:					
Open market liabilities	106,508,906	-	-	-	106,508,906
Deposits - current accounts	124,777,558	56,003	6,454,563	2,039,989	133,328,113
Deposits - IMF	-	-	-	131,236,539	131,236,539
IMF - Allocation of special drawing rights	-	-	-	135,522,804	135,522,804
Bilateral accounts	-	-	-	16,596	16,596
Interest payable	953,158	-	298	242,814	1,196,270
	<u>232,239,622</u>	<u>56,003</u>	<u>6,454,861</u>	<u>269,058,742</u>	<u>507,809,228</u>
Net foreign currency assets/ (liabilities)	<u>395,730,142</u>	<u>1,475,918</u>	<u>(4,689,009)</u>	<u>(146,396,952)</u>	<u>246,120,099</u>

Exchange rates at December 31:

	2022	2021
USD1 to JMD	151.70	154.03
GBP1 to JMD	182.48	208.63
CDN1 to JMD	111.96	121.94
EUR1 to JMD	<u>161.90</u>	<u>175.16</u>

At February 23, 2022, the date of approval of these financial statements, the exchange rates were US1 to J\$156.08405, GBP1 to J\$211.63436, CDN1 to J\$122.67383 and EUR1 to J\$176.75738.

The exchange rate for SDR to J\$ is shown in note 17(d)(v).

Sensitivity to exchange rate movements

A 4 percent (2021: 8 percent) devaluation of the Jamaica Dollar against currencies which expose the Bank to exchange risk at December 31 would have increased profits and equity by \$10,636,314,000 (2021: \$19,688,000,000) while a 1 percent (2021: 2 percent) revaluation would have decreased profits and equity by \$2,659,078,000 (2021: \$4,922,000,000). The analysis assumes that all other variables, in particular, interest rates, remain constant, and has been performed on the same basis as for 2021.

BANK OF JAMAICANotes to the Financial Statements (Continued)
Year ended December 31, 202235. Financial risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk:

Interest rate risk is the risk of loss from fluctuations in the future cash flows or fair value of financial instrument because of a change in market interest rates. It arises when there is a mismatch between interest-earning assets and interest-bearing liabilities which are subject to interest rate adjustments within a specified period. It can be reflected as a loss of future net interest income and/or a loss of current market values. The Bank manages this risk by monitoring interest rates daily and ensuring that, even though there is no formally predetermined gap limits, to the extent practicable, the maturity profile of its financial assets is, at least, matched by that of its financial liabilities.

The following table summarises the carrying amounts of financial assets and liabilities to arrive at the Bank's interest rate gap based on the earlier of contractual re-pricing and maturity dates.

	2022					Total J\$'000	Weighted average interest %
	Within 3 months J\$'000	3 to 12 months J\$'000	Over 12 months J\$'000	Payable after notice J\$'000	Non-rate sensitive J\$'000		
<u>Assets</u>							
Notes and coins	-	-	-	-	329,762	329,762	-
Cash and cash equivalents	-	-	-	-	106,430,839	106,430,839	-
Securities held in funds managed by agents	-	-	-	181,688,787	-	181,688,787	0.20
Foreign currency denominated investments	326,265,602	14,579,211	29,882,739	-	-	370,727,551	2.41
International Monetary Fund - Holding of Special Drawing Rights Quota Subscription	-	-	-	-	21,367,297	21,367,297	-
Resale agreements	12,700,000	-	-	-	11,805,499	11,805,499	-
Local currency denominated investments	14,921,166	-	247,777,457	-	-	262,698,623	8.35
Due from Government and Government agencies	-	-	-	-	1,290,333	1,290,333	-
Other assets	-	-	-	-	11,567,859	11,567,859	-
Total financial assets	353,886,768	14,579,211	277,660,196	181,688,787	152,791,589	980,606,550	
<u>Liabilities</u>							
Notes and coins in circulation	-	-	-	-	233,687,020	233,687,020	-
Deposits and other demand liabilities:							
Jamaica dollar equivalent of foreign currency deposits	156,808,639	-	-	85,759,772	-	242,568,411	-
Jamaica dollar deposits	123,195,123	-	-	47,726,803	-	170,921,927	-
Open market liabilities	77,954,590	42,239,377	51,263,169	-	-	171,457,137	6.41
International Monetary Fund – Allocation of Special Drawing Rights	-	-	-	-	126,915,142	126,915,142	-
Lease liability	1,526	4,626	63,320	-	-	69,472	2.06
Foreign Liabilities	-	-	-	-	6,509	6,509	-
Other liabilities	-	-	-	-	3,228,784	3,228,784	-
Total financial liabilities	357,959,879	42,244,003	51,326,489	133,486,576	363,837,455	948,854,402	
Total interest rate sensitivity gap	(4,073,111)	(27,664,792)	226,333,706	48,202,211	(211,045,866)	31,752,148	
Cumulative gap	(4,073,111)	(31,737,903)	194,595,803	242,798,014	31,752,148	-	

BANK OF JAMAICANotes to the Financial Statements (Continued)
Year ended December 31, 202235. Financial risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued):

	2021						Weighted average interest %
	Within 3 months J\$'000	3 to 12 months J\$'000	Over 12 months J\$'000	Payable after notice J\$'000	Non-rate sensitive J\$'000	Total J\$'000	
<u>Assets</u>							
Notes and coins	-	-	-	-	308,337	308,337	-
Cash and cash equivalents	-	-	-	-	84,772,003	84,772,003	-
Securities held in funds managed by agents	-	-	-	106,672,258	3,324,545	109,996,803	2.60
Foreign currency denominated investments	358,021,416	51,273,878	31,755,042	-	-	441,050,336	2.50
International Monetary Fund - Holding of Special Drawing Rights Quota Subscription	-	-	-	-	105,095,017	105,095,017	-
Resale agreements	9,099,825	-	-	-	-	9,099,825	4.44
Local currency denominated investments	-	-	272,127,813	-	-	272,127,813	6.41
Due from Government and Government agencies	-	-	-	-	3,523,862	3,523,862	-
Other assets	-	-	-	-	7,966,491	7,966,491	-
Total financial assets	367,121,241	51,273,878	303,882,855	106,672,258	217,596,429	1,046,546,661	-
<u>Liabilities</u>							
Notes and coins in circulation	-	-	-	-	226,864,772	226,864,772	-
Deposits and other demand liabilities:							
Jamaica dollar equivalent of foreign currency deposits	182,747,837	-	-	81,816,815	-	264,564,652	-
Jamaica dollar deposits	154,113,688	-	-	46,070,201	-	200,183,889	-
Open market liabilities	48,749,303	40,239,971	84,223,329	-	-	173,212,603	3.35
International Monetary Fund - Allocation of Special Drawing Rights	-	-	-	-	135,522,804	135,522,804	-
Lease liability	1,495	4,532	69,472	-	-	75,499	2.06
Bilateral accounts	-	-	-	-	16,596	16,596	-
Other liabilities	-	-	-	-	2,633,629	2,633,629	-
Total financial liabilities	385,612,323	40,244,503	84,292,801	127,887,016	365,037,801	1,003,074,444	
Total interest rate sensitivity gap	(18,491,082)	11,029,375	219,590,054	(21,214,758)	(147,441,372)	43,472,217	
Cumulative gap	(18,491,082)	(7,461,707)	212,128,347	190,913,589	43,472,217	-	

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

35. Financial risk management (continued)

(d) Market risk (continued)

(ii) Interest rate risk (continued):

Sensitivity to interest rate movement

An increase of 100 (2021: 300) basis points and a decrease of 50 (2021: 50) basis points in interest rates for Jamaica dollar financial instruments and an increase of 100 (2021: 100), and a decrease of 50 (2021: 10) basis points for United States dollar financial instruments would have increased or decreased profit and reserve by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency rates, remain constant. The analysis has been performed on the same basis as for 2021.

	Increase		Decrease	
	Effect on profit/loss J\$'000	Effect on reserves J\$'000	Effect on profit/loss J\$'000	Effect on reserves J\$'000
	<u>2022</u>			
Fixed rate financial instruments	-	(8,373,169)	-	4,573,158
Variable rate financial instruments	(746,973)	(125,082)	373,482	63,012
	<u>(746,973)</u>	<u>(8,498,251)</u>	<u>373,482</u>	<u>4,636,170</u>
	<u>2021</u>			
Fixed rate financial instruments	-	(25,645,421)	-	5,359,284
Variable rate financial instruments	(2,240,889)	(372,722)	373,482	63,380
	<u>(2,240,889)</u>	<u>(26,018,143)</u>	<u>373,482</u>	<u>5,422,664</u>

(e) Capital management

The Bank's capital consists of share capital, general reserve fund, special stabilisation account, securities revaluation reserve, property revaluation reserve and pension equalisation reserve. The share capital of the Bank may be increased from time to time by a resolution passed by the House of Representatives. The Bank's annual profit is transferred to the general reserve fund. Whenever certain specified capital to monetary liability ratio is met distributable profits are paid to the Consolidated Fund.

The Bank is not subject to any externally imposed capital requirements.

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
Year ended December 31, 2022

36. Prior period adjustments

During the year, the classification or presentation of some items in the statements of profit or loss and other comprehensive income and cash flows were changed to achieve a more appropriate presentation, as required by the applicable financial reporting framework. The nature of the reclassifications are as follows:

- (i) Statement of profit or loss and other comprehensive:
- (a) Interest income from financial instruments at FVTPL was presented separately from interest, calculated using the effective interest method;
 - (b) Impairment losses on financial instruments was presented separately from other operating expenses; and
 - (c) Change in remeasurement of staff loans, which is the interest rate differential between market rates and staff rates, and loss on securities measured at FVTPL were reclassified from other income/expenses to operating expenses.
- (ii) The Bank discovered that securities held in funds managed by agents, foreign currency denominated investments and local currency denominated investments had been incorrectly classified as investing activities. Similarly, notes and coins in circulation, deposits and other demand liabilities and open market liabilities were incorrectly included in financing activities. Management performed these reclassifications on the basis that they better reflect the nature of these elements as part of the operating activities of the Bank.

The impact of the reclassifications on the Bank's financial statements are as follows:

- (i) Statement of profit or loss and other comprehensive income (2021):

	<u>As previously presented</u> J\$'000	<u>Reclassification</u> J\$'000	<u>Current presentation</u> J\$'000
Interest, calculated using the effective interest method	19,992,976	(984,052)	19,008,924
Interest income from financial instruments designated at FVTPL	<u>-</u>	<u>984,052</u>	<u>984,052</u>
Total operating expenses	19,108,824	917,925	20,026,749
Operating profits	<u>17,445,979</u>	<u>(917,925)</u>	<u>16,528,054</u>

Reclassification to total operating expenses from other operating expenses was as follows:

	J\$'000
Loss on securities measured at FVTPL moved from other operating expenses	893,418
Change on remeasurement of staff loans moved from other operating expenses	<u>24,507</u>
	<u>917,925</u>

BANK OF JAMAICA

Notes to the Financial Statements (Continued)
 Year ended December 31, 2022

36. Prior period adjustments (continued)

The impact of the reclassifications on the Bank's financial statements are as follows:

(ii) Statement of cash flows (2021):

	JS'000
The following items were reclassified from investing activities to operating activities:	
Securities held in funds managed by agents	(106,510)
Foreign currency denominated investments	(94,431,994)
Local currency denominated investments	(2,144,523)
Impact on net cash used in investing activities	<u>(96,683,027)</u>
The following items were reclassified from financing activities to operating activities:	
Notes and coins in circulation	36,514,368
Deposits and other demand liabilities	82,534,697
Open market liabilities	(3,994,670)
Impact on net cash provided by financing activities	<u>115,054,395</u>
Impact on net cash used by operating activities	<u>18,371,368</u>

These amounts have been reclassified and presented in the statement of cash flows with the following effects:

	As previously presented JS'000	Reclassification JS'000	Current presentation JS'000
Net cash used by operating activities	(58,937,634)	<u>18,371,368</u>	<u>(40,566,266)</u>
Cash flows from investing activities:			
Securities held in funds managed by agents	(106,510)	106,510	-
Foreign currency denominated investments	(94,431,994)	94,431,994	-
Local currency denominated investments	(2,144,523)	2,144,523	-
Other items	(744,402)	-	(744,402)
Net cash used by investing activities	<u>(97,427,429)</u>	<u>96,683,027</u>	<u>(744,402)</u>
Cash flows from financing activities:			
Notes and coins in circulation	36,514,368	(36,514,368)	-
Deposits and other demand liabilities	82,534,697	(82,534,697)	-
Open market liabilities	(3,994,670)	3,994,670	-
Other items	(3,385)	-	(3,385)
Net cash used by financing activities	<u>115,051,010</u>	<u>(115,054,395)</u>	<u>(3,385)</u>

Bank of Jamaica
2022 Annual Report

ERRATA SHEET

This sheet incorporates the following corrections:

Page 44	“Notably, remittance flows increased by 25.4 per cent in 2022 when compared to flows in 2019, prior to the COVID-19 pandemic.” was replaced with “Notably, remittance flows increased by 47.7 per cent in 2022 when compared to flows in 2019, prior to the COVID-19 pandemic.”
Page 60	“Twenty-four applications have been approved to date, to test products comprising mobile wallets, an eCommerce solution, branded debit card solutions and prepaid card solutions.” was replaced with “Twenty-three applications have been approved to date, to test products comprising mobile wallets, an eCommerce solution, branded debit card solutions and prepaid card solutions.”

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